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WHO WE ARE

We are Airtel, and rank amongst the top 3 telecom service providers in the world in terms of subscriber numbers. We are spread across 16 countries in Africa and Asia with over 394 million customers across our operations. Airtel invested an initial 10.7 billion dollars in the business, which is the single largest investment in Africa in recent years.



MISSION

At Airtel, we provide globally admired technologies and services to give Zambia an easy and dependable way to connect to the world. We bring everything internet to everyone, everywhere.





VISION

Connected people are inspired people.
In connecting Zambia's people to each
other, we are empowering them to
create opportunities, dream big and
live well.

HIGHLIGHTS



JANUARY

Airtel's Corporate Social Responsibility doesn't always look 'outward' as was witnessed in the beginning of the year when the Company bought spectacles for 10 employees who had been working in the Know Your Customer (KYC) department for many months. The job required employees to stare at computer screens for hours at a time which put strain on their eyes.



FEBRUARY

As part of the Environmental CSR Policy, Airtel Networks Zambia Plc. planted a Tree at the David Livingstone Spa and Lodge as part of the global 'Save Trees' and 'Go Paperless' campaigns.



MARCH

Airtel plays host to many schools whose students are interested in taking up careers as engineers. In March Naboye Secondary School visited the Call Centre where the students were taken around the premises and operations of the place explained to them by Senior call centre staff.



APRIL

In giving back to the communities, Airtel also runs promotions from time to time which involve winning of cars, houses and even cash. In April, the Company gave away K1 million to Ms Christina Nachula who won the grand prize for the Zikomo Kwa Million promotion which was recharge based and customers simply needed to top up to earn entry points into the Zikomo "Thank You" Draws.



MAY

In our continued effort to protect the environment and support government's effort to keep Zambia clean, Airtel donated bins, brooms and other cleaning materials to Lusaka Province which were received by Minister, Hon. Japhen Mwakalombe.



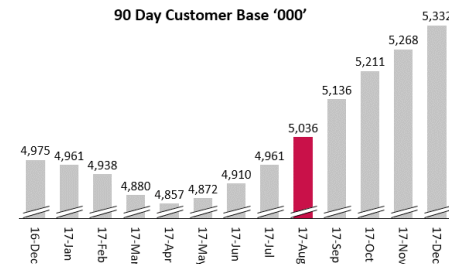
JUNE

In June, Airtel signed a Memorandum of Understanding (MOU) with the Zambia Revenue Authority (ZRA) to enable all eligible tax payers pay their domestic taxes using the Airtel Money platform.



JULY

As part of the Mandela Day Commemorations, Airtel partnered with the Young African Leaders Initiative (YALI) to clean up Levy Mwanawasa Hospital as part of the celebrations.



AUGUST

Airtel Zambia crossed the 5 Million(th) customer mark in August 2017, which is testament to the confidence the Zambian customers have placed in our network.



SEPTEMBER

In partnership with Zambeef, Airtel donated a Router and 10GB (monthly) to Palabana Orphanage which Zambeef supports with school fees and other needs.



OCTOBER

Following through our pillar of supporting schools in their quest to become more proficient in ICT, Airtel made a donation of 15 computers, 20 Desks and books to 3 schools in Mufulira on the Copperbelt.



NOVEMBER

In support of our major stakeholders, who are the media, Airtel donated T-shirts for a fundraising sports event which brought journalists from different media houses together.



DECEMBER

Joining the most advanced telecom markets in the World, Airtel launched its 4G Service in December. Besides bridging the digital divide, the 4G service allows superfast access to High Definition (HD) video streaming, multiple chatting, instant uploading of photos, faster streaming, express downloads and much more. It will add to economic growth in rural areas by enhancing the reach of e-governance, e-health and e-education services.

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Ms. Monica Musonda

BOARD CHAIRPERSON



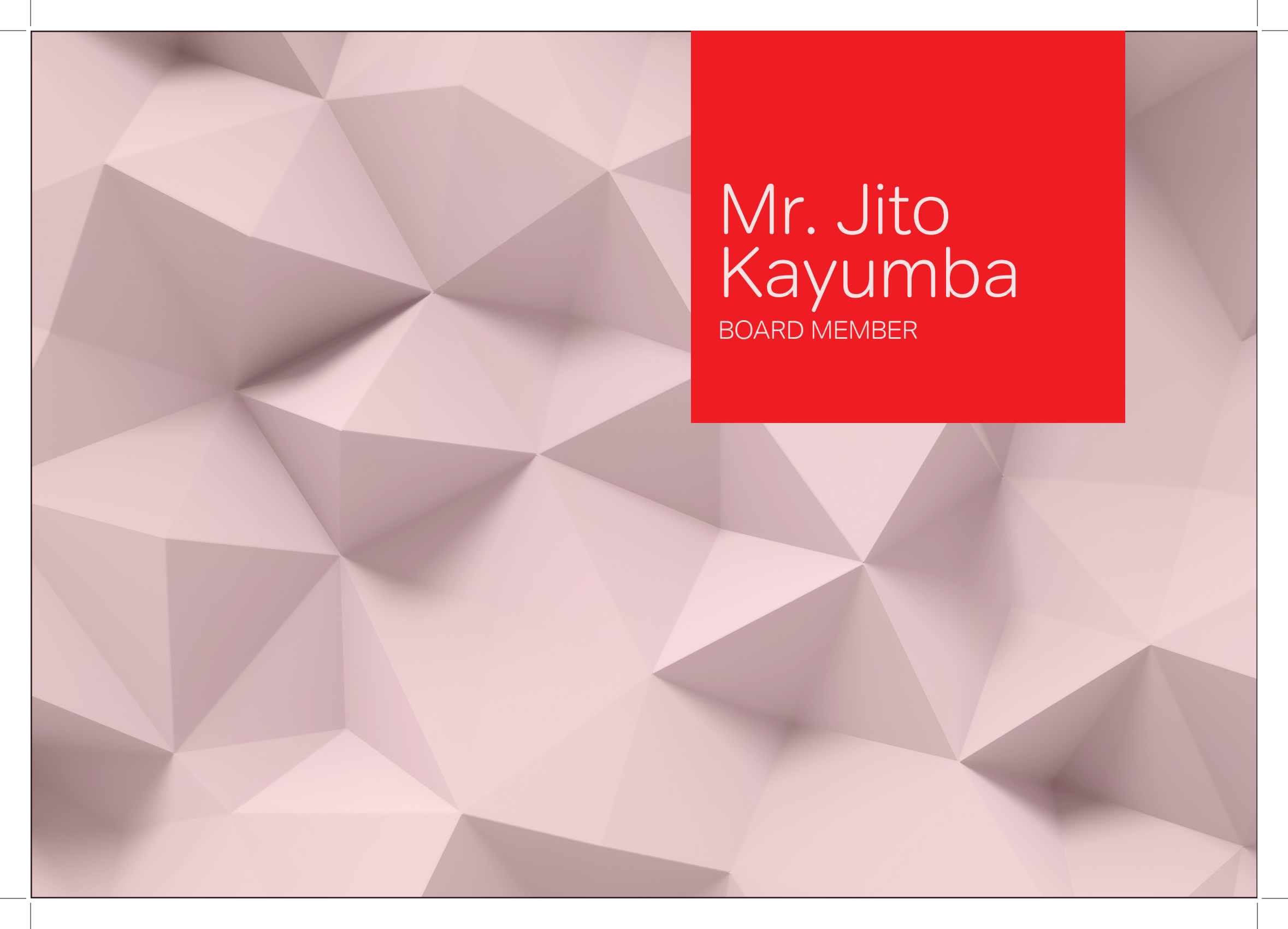
Corporate lawyer turned entrepreneur, Ms. Monica Musonda is CEO & Founder of Java Foods, a Zambian based food processing Company.

Java Food's vision is to become a leading food processing Company in Zambia. It is committed to provide high quality and nutritious food from local products at affordable prices. Java Foods first product was "eeZee Instant Noodles", which has become Zambia's leading instant noodle brand. Java Foods also manufactures and distributes eeZee Supa Cereal (a fortified instant cereal/porridge) and Num Num's corn snacks.

Monica is a dual qualified English solicitor and Zambian advocate with over 16 years post qualification experience. She has held senior positions in private practice with Clifford Chance & Edward Nathan as well as worked as in house corporate counsel at International Finance Corporation and for the Dangote Group. Her experience working with Aliko Dangote, one of Africa's most successful entrepreneurs gave her the impetus to start Java Foods.

Monica currently serves as non-executive director on the Boards of Airtel Networks Zambia Plc (where she is chair), Zambia Sugar Plc, Arcelor Mittal South Africa Plc Dangote Industries Zambia Limited and sits on the Global Advisory Board for Scaling Up Nutrition Business Network. She was recently appointed by the Zambian Minister of Health as Deputy Board Chairperson on the board of the National Food & Nutrition Commission. In 2016, the UN Secretary General appointed her to be a member of the Lead Group of the Scaling Up Nutrition Movement. She is the recipient of the 2017 African Agribusiness Entrepreneur of the Year award, which is an award conferred annually to entrepreneurs who have demonstrated outstanding achievement in agricultural input and value addition in Africa. She is a 2013 Young Global Leader (World Economic Forum) and Archbishop Desmond Tutu Leadership Fellow. Forbes Magazine and Africa Investor named her as one of the leading Young Power Women in Business in Africa in 2013 and 2014 respectively. She is one of the few Zambian women involved in manufacturing/agro-processing at a scalable level.

She holds a LL.B from the University of Zambia and an LL.M from the University of London.

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Mr. Jito
Kayumba

BOARD MEMBER



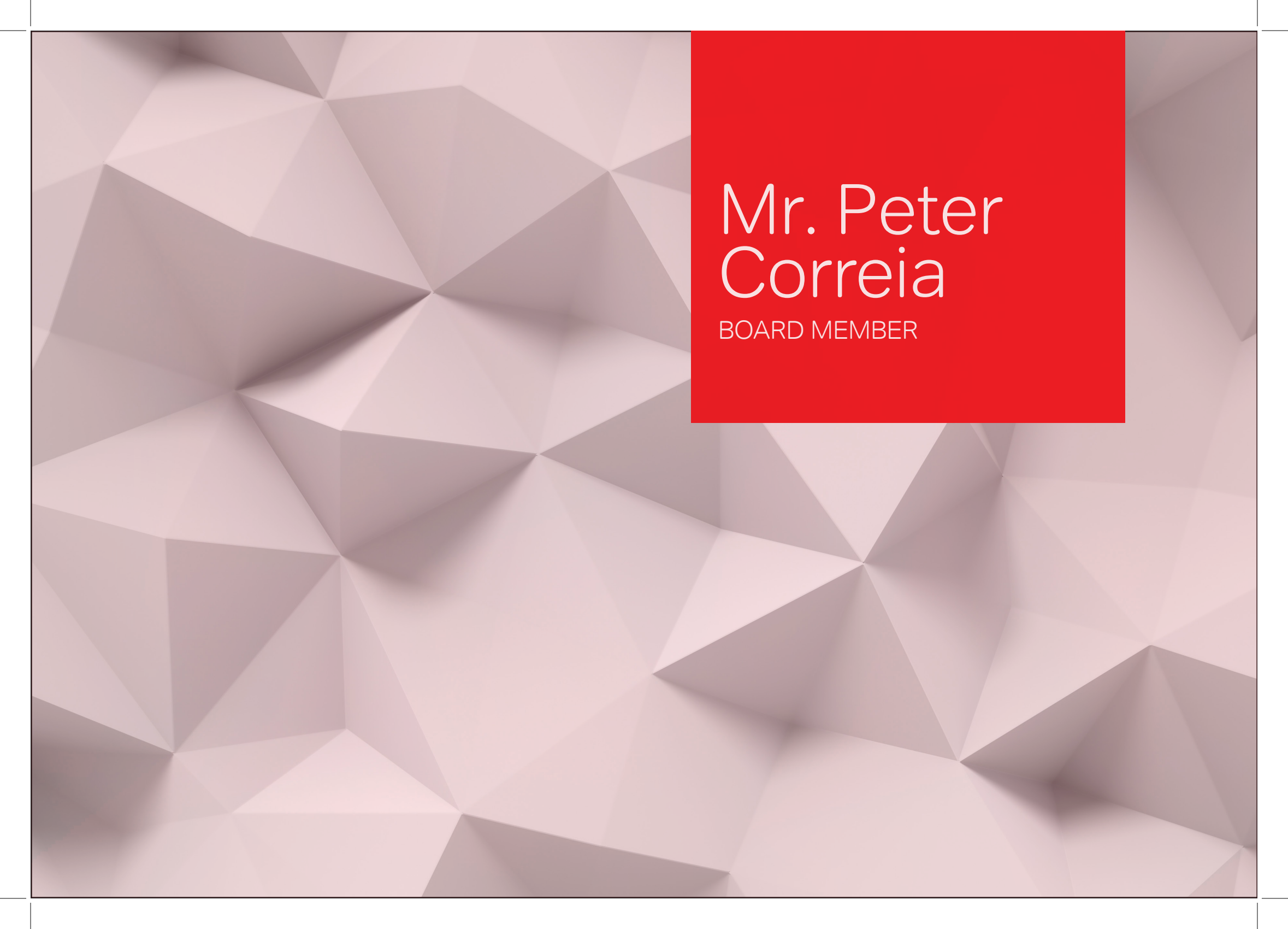
Mr. Jito Kayumba is a certified Investment Advisor by the Securities and Exchange Commission and holds a degree in Political Science with specialization in Public Policy and Corporate Governance from Concordia University in Montreal, Canada.

Mr. Jito Kayumba is a partner at Kukula Capital, Zambia's pioneering Private Equity and Venture Capital Fund. He has led investments in numerous Zambian SMEs and actively participates in their strategy and development.

His efforts have enabled the deployment of over \$15 Million USD of capital in Zambian SMEs and the creation of over 450 jobs.

As an ardent promoter of innovative financing for Africa's transformation, Mr. Kayumba is often called upon by the United Nations Economic Commission (UNECA) to participate in the formulation of Investment and Finance policy and to speak at high-level global fora such as the African Development Forum alongside African Heads of State and Ministers of Finance.

Mr. Kayumba has also been recognized for his work in energy policy and the promotion of streamlined investment in energy ventures in Zambia driven by Independent Power Producers.

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Mr. Peter Correia

BOARD MEMBER



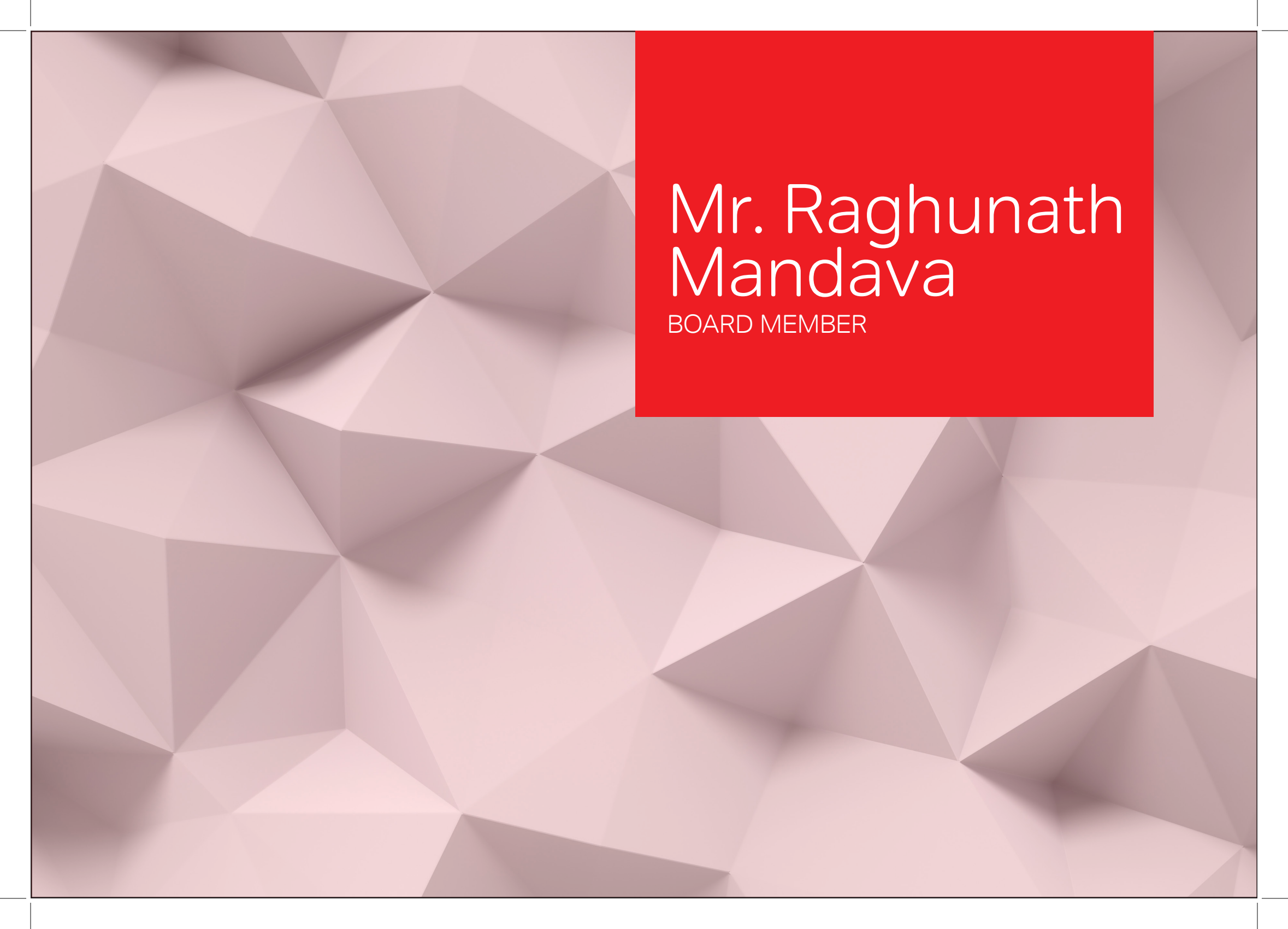
Peter brought with him a wealth of knowledge and experience gained over the years to Airtel, which resulted in improved company performance and shareholder value.

With experience spanning over 20 years, including startups, turnaround and managing of companies in the Telecommunications Sector, Mr Peter Correia, joined Airtel Networks Zambia Plc. in March 2015 as the Managing Director.

Prior to joining Airtel, Peter was the Managing Director of Liquid Telecommunications Operations South Africa as well as the Operations Director for the Group.

Peter started his career as an Electronic Engineer with Siemens Ltd in South Africa. He was instrumental in developing the analog mobile system in 1989 and in 1993 pioneered the move to a digital mobile system (GSM) in South Africa.

Peter spread his wings and moved into various senior managerial roles across Africa which includes Vodacom South Africa, Econet Wireless International (Zimbabwe and South Africa), Mascom in Botswana, Mcel in Mozambique and Vodacom Tanzania.

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Mr. Raghunath Mandava

BOARD MEMBER

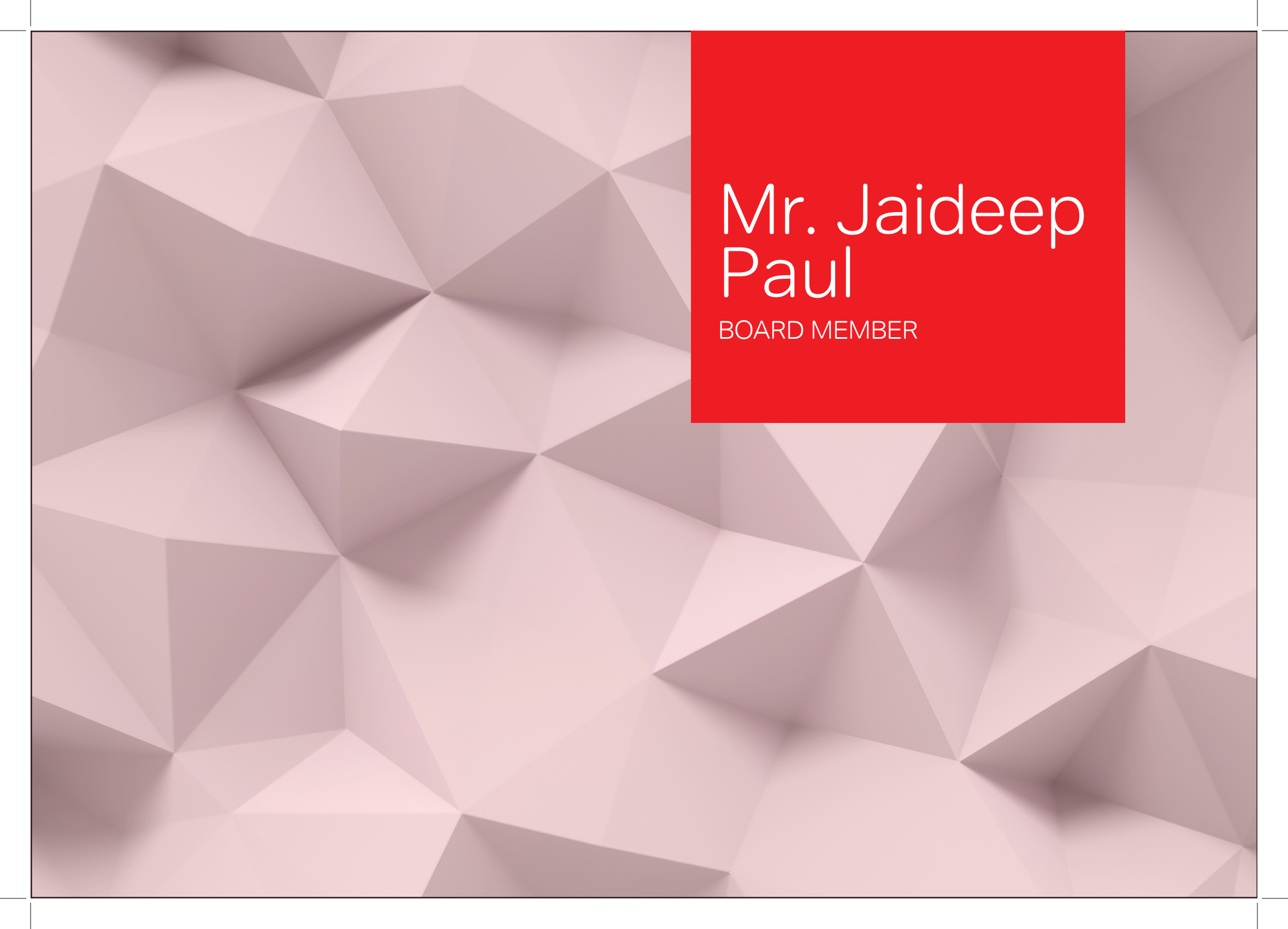


Mr. Mandava was appointed as Airtel Africa Managing Director and Chief Executive Officer in January 2017, and he has since taken full leadership of the Company.

Mr Raghunath Mandava an Airtel veteran joined the Airtel Africa team in 2016 from Airtel India and South Asia where he was a Director-Customer Experience. During his tenure as Director, Mr. Mandava introduced a new culture of innovative thinking, which enabled Airtel India to take big leaps in the area of Customer Experience.

He had previously served as Operations Director, Chief Marketing Officer Mobile - Airtel India, Chief Executive Officer - Rajasthan, Chief Operating Officer - Tamil Nadu. He also served at Unilever prior to joining Airtel.

He holds a B.Tech in Electronics from IIT Kharagpur and an MBA from IIM-Bangalore.

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Mr. Jaideep
Paul

BOARD MEMBER



Mr. Paul has been the Chief Finance Officer at Airtel Africa since May 2014 following a stint at Airtel Nigeria. He has a total work experience of 29 years having started his career with Pricewaterhouse in 1989.

Mr Jaideep Paul joined Bharti Airtel Delhi Circle in 2002. He then worked as Chief Financial Officer of Bharti Retail (a franchisee of Walmart) for 2 years and Fairtrade LLC Muscat before joining Airtel Nigeria as Chief Financial Officer in September 2010.

He brings to the Board proven ability to achieve financial discipline and enhance the overall efficiency of the organization. Mr Paul is a keen analyst with exceptional negotiation and relationship management skills and abilities.

He is a Commerce Graduate from Calcutta University and a Chartered Accountant from ICAI.



Sonia Shamwana - Chinganya
COMPANY SECRETARY

STATEMENT ON CORPORATE GOVERNANCE

One of the most important goals of Corporate Governance is to protect the interests of the shareholders. In order to ensure this is achieved, the Company Directors and Officers must be made aware of and be accountable for the financial conditions of the Companies they manage.

The Board of Directors are key in ensuring that Corporate Governance objectives are up-held, as they owe the shareholders a fiduciary duty.

The Board on the other hand may face some difficulty in executing the responsibility as the vast information required for them to discharge their mandate originates from Management. This notwithstanding, the Board is ultimately responsible for the integrity of Company's financial statement and internal controls among other things.

Airtel Networks Zambia PLC. is a listed Company and the Board's duty is to ensure that the company meets the standards as set out by the Lusaka Stock Exchange (LuSE) Corporate Governance Code for Listed and Quoted Companies. It also ensures that the Board Manual encompasses the relevant provisions of the LuSE Corporate Governance Code.

The Board of Directors comprises the following five (05) Directors:

- | | |
|--------------------------|---------------------|
| 1. Katebe Monica Musonda | - Chairperson |
| 2. Jito Kayumba | - Member |
| 3. Raghunath Mandava | - Member |
| 4. Jaideep Paul | - Member |
| 5. Peter Correia | - Managing Director |

The Directors held the following meetings during the year under review:

BOARD MEETING ATTENDANCE FOR 2017

Name of Director	21 February 2017	19 May 2017	31 August 2017	22 November 2017
1. Ms. Monica Musonda	√	√	√	√
2. Mr. Jito Kayumba	√	√	√	√
3. Mr. Peter Correia	√	√	√	√
4. Mr. Christian De Faria	√	√	Alternate director in attendance	Resigned as Director on 31st October 2017
5. Mr. Jaideep Paul	√	√	Apologies rendered	√
6. Mr. Raghunath Mandava	Not Director at the time	Not Director at the time	Not Director at the time	√

AUDIT COMMITTEE ATTENDANCE FOR 2017:

Name of Director	21 February 2017	19 May 2017	31 August 2017	22 November 2017
1. Mr. Jito Kayumba	√	√	√	√
2. Mr. Christian De Faria	√	√	Alternate Director in attendance	Resigned as Member on 31st October 2017
3. Mr. Jaideep Paul	Not Member at the time	√	Alternate Director in attendance	√

REMUNERATION AND NOMINATION COMMITTEE ATTENDANCE FOR 2017:

Name of Director	22 November 2017
1. Ms. Monica Musonda	√
2. Mr. Raghunath Mandava	√
3. Mr. Jaideep Paul	√
4. Mr. Peter Correia	√

AIRTEL PRODUCTS AND SERVICES



4G LAUNCH

The Zenith of 2017 for Airtel was the launch of 4G/LTE services in Zambia, we became the largest provider of 4G/LTE technology by population coverage.

This was all made possible by the heavy investment made into creating a modern network fit for the future. Today we can boast of having a world class network driven on the backbone of a robust U900 and LTE technology.

In the ultimate fashion of simplicity, our customers are able to perform a “Self SIM Swap” by dialing *537# Data access is undoubtedly key to national, business and personal development.

In the face of this challenge, Airtel strives to make data access affordable through innovative and simple data plans that avail the user daily, weekly and monthly access at the most affordable rates in the country.

Airtel Zambia boldly launched its “CHAOPENA DATA BUNDLES” on the back drop of a reliable and efficient 4G/LTE network. This move opened up exciting possibilities and experiences for our customers by giving them more value for their money.

SO CHE

So Che has managed to change the local voice product landscape by giving customers value for money through the composite bundle proposition. Overtime, we have remained the market leader in Zambia through competitive pricing, strategic product positioning and effective communication. The past year, the product's monthly active users' penetration was above 60 percent of our prepaid consumer segments.

Airtel maintained its lead in the market with the launch of Sokela Na SoChe, which was an all-round campaign that positioned So Che as the preferred brand in combos by giving customers more minutes and more data. With free night calling on weekly and monthly packs, this wide array of packs, allowed customers to upgrade and enjoy more minutes and data – offering greater value than competition.

As a testament to our strong proposition, competitors responded. Though we faced extensive competition, our market dynamics continue to evolve. As customers become more and more upwardly mobile, with higher disposable incomes and are increasingly more informed, we remain poised to continue innovatively using our core strengths to ensure we manage customer value through deeper segmented offerings, smarter product delivery and more meaningful offers through personalization.

In the interim, the new offering dubbed Chaopena Na SoChe, has emerged as the blueprint for combo offerings with even more value being given out in minutes and data to support our recent 4G network upgrade which seeks to grow customer numbers and revenue through increased subscriptions, upgrades and reduced churn. We expect our revenue market leadership to be maintained despite operating in a dual-SIM market and the possibility of a 4th operator entering the market.

ENTERPRISE BUSINESS

Enterprise Business is a division that focuses on addressing communication needs to our business customers from Small and Medium Enterprises to the large multinationals. Airtel has increased investment in this area as the demand and diversity of customer needs change with time and technology. This has been driven mainly by the need to transmit data over secure dedicated circuits within and out of Zambia.

This investment has enabled the unit to be able to offer tailored solutions for large multinationals with the flexibility of not only offering class of service over our national MPLS network but carrying of different services such as dedicated internet services and fixed voice solutions. This has resulted in significant growth in customers with VPN, APN and MPLS solutions over the review period.

Additionally, all our customers in this segment are serviced by a dedicated Key Account Management structure with a solutions team that develop solutions that are specific to customer needs. As this is a technically complex product offering, continuous technical training remains imperative as we build skills to support the next level of growth.

EXECUTIVE COMMITTEE

“Leadership is not about titles, positions or flowcharts.
It is about one life influencing another.”

— John C. Maxwell

Meet our Executive Committee

Standing: (L to R)

Martin Jowi - Supply Chain Director;

Sanjoy Ghosh – IT Director;

Hanumantlal Shukla – Sales and Distribution Director;

Christopher Chileshe – Airtel Money Director;

Peter Correia – Managing Director;

Apoorva Mehrotra – Chief Commercial Officer;

Mukesh Singla – Finance Director;

Swithurn Mwenifumbo – Networks Director;

Muyunda Munyinda – Enterprise Business Director

Seated: (L to R)

Susan M. Mulikita – Legal and Regulatory Director;

Bwembya B. Chikonde – Human Resource Director

Venada Mwape – Customer Experience Director







Letter to the Shareholders

Dear Shareholders,

It is my pleasure to report on the annual results for Airtel Networks Zambia Plc (Airtel) for the financial year 2017. Despite the bumper harvest that was recorded in 2017 and the improved electricity generation, economic activity remained subdued in 2017. However, despite operating in a tough market characterized by fierce competition, fiscal challenges, Airtel led the way by launching the best value data bundles on the backdrop of the 4G/LTE launch on the Copperbelt and in Lusaka. This was made possible as a result of the dynamic and unquestionable commitment of employees led by a formidable management team. I thank them all for their valued contribution in 2017.

Airtel was very optimistic despite the harsh economic outlook and proceeded to undertake the very ambitious and unparalleled network modernization and upgrade which catapulted it to become the leading 4G operator in the country. This is something we are very proud of.

Over the period, Zambia has seen a growth in the number of data users. This has been mainly as a result of innovative and aggressively priced data bundles that Airtel is offering to the market coupled with the Data offers embedded in the flagship product "SoChe" which has fast become a household name among ordinary Zambians.

The increased access to entry-level smartphones has also aided the data market to grow and now more than ever before, more and more people have access to information using the World Wide Web.

Change of the Licensing Framework

2017 witnessed the ushering in of a new Licensing Framework by the Zambia Information And Communications Technology Authority (ZICTA). The new framework ushered in various changes including the following:

- A converged license system - any player in the ICT sector with a Network or Service license will now be able to offer any telecommunications and or broadcasting service that entity chooses to offer, provided that they pay fees for the services they wish to offer. A network licensee on the other hand will be at liberty to construct a network for own use or for use as a commercial 'Network' service provider; and
- Regionalization of licenses – The licensing framework has changed the ICT landscape in such a way that entities can now apply for a license to operate only in a district or province of choice e.g. offer voice service in Senanga only.

The new framework also opened up the telecommunications sector to other players and a Request For Proposals for the issuance of a fourth mobile license was published by ZICTA on a full package basis. This request closed on 18th December 2017 and the new entrant has not been announced yet. Whilst investors may grow anxious about the appearance of a fourth operator, as Airtel we are confident that the fourth operator will not cause a dent in our presence in Zambia. As the country's leading mobile and internet provider, Airtel has laid sufficient ground work to be able to compete favorably in a changing environment and has the mandate to continue to invest in order to ensure superior quality of service for our customers.

Compliance with Know Your Customer (KYC) Regulations

On 28th June 2011, the Government issued The Information and Communications Technologies (Registration of Electronic Communications Apparatus Regulation) Statutory Instrument No. 65, which made it mandatory for Network Operators (as defined therein) to capture identity details of all persons who own, purchase or are assigned a Subscriber Identity Module (SIM) card.

It is with great pride that I inform you that Airtel has a continuing obligation to maintain 100% KYC compliance rate. We wish to thank the customers and all other stakeholders for the patience and tolerance during the entire KYC registration exercise. We will continue to register the new entrants on to the network in accordance with the provisions of the law.

Lusaka Securities Exchange Listing Requirements

In accordance with the Harmonised Listings Requirements of the Lusaka Securities Exchange ("LuSE") of 2012, listed companies must have 25% of each class of equity securities held by the public ("minimum spread requirement"). However, Airtel currently only has a public shareholding of 3.64%.

Pursuant to a Board resolution which was effective 9th January 2017, a total of 4,084,810 shares hitherto held by Bharti Airtel Zambia Holdings BV (BAZH), the majority shareholder, were converted to dematerialized shares, bringing the total number of shares held by BAZH on the LuSE Central Securities Depository (CSD) to 22,256,000.

In order to comply with the LuSE minimum spread requirement, BAZH, in December 2017, placed a 'Sell Order' of approximately 6% of the Airtel Zambia shares in the market. Prior to this, Airtel Management had conducted local and international roadshows in order to generate interest in the uptake of the shares.

Airtel would like to reiterate its position that it remains committed to comply fully with the LuSE Listings Rules minimum spread requirement.

Changes to the Board

There were a few changes to the Board since the last Annual General Meeting. Of note is the appointment of the Managing Director and Chief Executive Officer of Airtel Africa - Mr Raghunath Mandava as Director on the Airtel Board effective 1st November, 2017.

The appointment was necessitated by the resignation of Mr Christian De Faria on the 31st October, 2017 who has since left the organization to pursue other interests.

Corporate Governance

The Company continues to comply with the highest levels of corporate governance. In this regard, both the Board and employees completed annual code of conduct reviews. In addition, the Board of Directors held four meetings in the year ending 31st December 2017, and the Annual General Meeting was held at the end of March, 2017. The Audit Committee of the Board also held four meetings in the year under review, during which time they appraised the company's performance with respect to financial and procedural compliance. During the year a Remuneration and Nomination Committee was constituted to review the fairness and competitiveness of the company's employment policies. The Committee met once in 2017.

Looking Forward

Airtel will continue in its quest to provide a world class quality network through regular network optimization and modernization.

We shall drive excellent customer experience through our innovative products and services in "The Home", "The office" and "On the Go".

Airtel's vision is to become Zambia's largest broad band partner in its quest to drive an ICT based society, which will promote the growth of the economy anchored on the principles of the 2030 Zambia Vision and the 7th National Development Plan. Airtel also intends to further grow the mobile money business in order to enable more customers and the general populace to have access to digital financial products and services. Financial inclusion will be a key focus area where we intend to lead in enabling Personal and Business financial transactions by simply using your mobile device as we are a leading partner in proliferating banking of the unbanked Zambian populace.



Monica Musonda
CHAIRPERSON



Managing Director's Report

Dear Shareholders,

The year 2017 saw Airtel Networks Zambia Plc accomplish a number of important milestones, setting the company on a clear path to succeed as the top telecommunication company within the country.

Economically, the year saw some very positive trends. The copper prices increased significantly trending at over \$7,000 per ton, stimulating mining activities within the country. There was also vast improvement in electricity supply as well as a bumper harvest. However, the country experienced price increases for electricity and fuel and the floor price for maize announced by the Food Reserve Agency was not welcomed by many farmers. This delayed the selling of maize to the Government and hence hindered the inflow of cash, which in turn impacted customer spending patterns in some regions of the country. The lifting of the ban to export maize to other countries was welcomed by the farmers as it helped improve liquidity for farmers which in turn benefitted the sector.

The year experienced gradual easing of the monetary policy, which started in November 2016 and continued in 2017. At end of December 2017, the Monetary Policy Rate was 10.25% while the Statutory Reserve Ratio was 8%, from highs of 15.50% and 18% respectively at the beginning of the year. In spite of these improvements, the lending rates by commercial banks remained high, thus putting pressure on private sector credit growth and liquidity within the market.

The Kwacha, which had a turbulent 2016, remained fairly stable in 2017, more so in the first half of the year. During this period it strengthened by about 10% between January 2017 and end of July 2017. By the end of the 2nd half of 2017, the currency depreciated by 12% and was pegged at just over K10 to the United States Dollar at the end of December 2017.

2017 was also the year that the Zambian Government unveiled the 7th National Development Plan which identifies information, communication technologies as a key catalyst for socio-economic development. In the Plan, one of the Government's strategies to improve ICT integration is investment in and upgrading telecommunications networks, data centres and access devices through the SMART Zambia Master Plan.

During 2017, the Zambian Information and Communications Technology Authority (ZICTA), introduced a new Licensing Framework. This new Framework created the opportunity to provide technology neutral services but also paved the way to allow for additional players to enter the market.

Towards the last half of the year, Airtel initiated the modernization of its network by deploying state of the art technology. This enabled the company to enhance its data services through 4G and 3G in the 900 MHz frequency band. With this, Airtel is proud to announce it is the data leader and currently has the largest 4G network in Zambia.

Industry Update

Fierce competition within the telecommunications sector continued, resulting in the aggressive announcements of price reduction on both data and voice products. As a result, industry revenues declined.

Due to the low disposable income faced by consumers due to rising prices, the telecommunications/ ICT products and services share of the consumer wallet reduced and therefore fueled multi SIMing behavior by customers, hunting for bargains on the market.

As part of our strategy, Airtel led the way, by providing affordable data bundles when it launched its 4G network. This was a significant milestone which was welcomed by all, stimulating ICT growth within the country.

Financial Overview

Customers

Customer numbers grew by 8.2% from 4.9 million at 31 December 2016 to 5.3 million as at 31 December 2017. During the same period, Data users grew by 40.9% from 2.2mn at 31 December 2016 to 3.1mn at 31 December 2017.

Revenue and Cost

In the year under review, the industry recorded subdued Revenue Growth due to sustained aggressive competition on pricing which resulted in revenue being under pressure. In 2017, we achieved Gross Revenue of K2, 196 million, a decline of 4.4%, compared to K2, 297 million achieved for the prior year. Gross Profit declined by only 1% from K2, 085 million to K2,065 million.

Data revenue grew by 2.2%, to K522mn compared to K511mn last year. This is despite data traffic growing by 45%. The revenue decline was mainly due to significant price reductions in the market as aggressive competition ensued. Despite this modest growth in 2017 compared to 2016, Data remains the key growth frontier in the short to long term. Therefore, management is keen on ensuring growth in customer adoption of data products and services. In this regard, Airtel launched the 4G Network on 14 December 2017, making Airtel by far the largest LTE network in the country.

Voice Revenue declined by 2.8% in the year under review, to K1, 350 million from K1, 389 million in 2016. Total Minutes of Use (MOU) increased by 1.7% only. It has been a difficult year for voice revenue in view of the proliferation of competitively priced combo bundles on the market. The market has mainly been dominated by multi-sim customers as well as increased use of over the top (OTT) services.

In order to ensure company financial performance continued to shine, costs were continuously under the spotlight in light of revenues being under pressure. Total operating expenses declined by 15%, mainly driven by very strong operating efficiencies implemented by the business through various War On Waste (WOW) initiatives. As a result this had a positive effect on EBITDA.

Profit Margin

Operating profit grew by 78% while Profit After Tax (PAT) increased by 59%, mainly due to a strong operating efficiencies driven by management during the period. Management is pleased to report positive cash generated from operations of K520million for the year ended 31 December 2017.

Capital Expenditure

The company made significant strides in modernizing the network infrastructure in the year under review. This is in anticipation of consumer demand for products and services on both Data and Voice services. A total of K315 million (this includes K107 million investments of international bandwidth purchased on indefeasible right of use basis) was spent on the whole network modernization process in 2017.

Corporate Social Responsibility

Airtel recognises that sustainable development projects should be aligned to and benefit both the business and the community it operates in. We believe that Corporate Social Responsibility (CSR) allows the company to demonstrate and embrace responsibility for the company's actions and encourages a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public in general who may also be considered stakeholders. In the financial year K984,833.93 was spent on CSR programs. Some of the major activities that were undertaken in the year under review include the building of a 1 x 2 classroom block at Tunyafwane Community School in Rufunsa area. The School was also given 40 desks and a brick making machine with the view to enabling its expansion and revenue resource.

Other undertakings in the year were partnerships with Zambeef where Airtel donated a router and data for Palabana Orphanage whose library computers were bought by Zambeef. Through the Enterprise Business Department who adopted the Ngombe After Care home two years ago, Airtel donated food stuffs and facilitated the payment of annual school fees for 10 orphans at the centre. Following through our pillar of supporting schools in their quest to become more proficient in ICT, Airtel donated 15 computers, 20 Desks and books to three (3) schools in Mufulira on the Copperbelt.

Awards

Airtel was once again recognised and awarded for its CSR work as well as Corporate Governance and Customer Service.

The Company scooped three Corporate Governance awards at the 10th Annual Awards of the Lusaka Stock Exchange (LuSE). Airtel was awarded the 2016 and 2017 "Best Dividend Payer", the 2016 "Runner-Up in the Sustainability Category" while Airtel Managing Director, Mr. Peter Correia was awarded the 2016 "Best Leadership Award".

The Zambia Institute of Customer Management also awarded Airtel the "Most Customer Focused Organisation" award in the Telecommunications and Information Technology Sector with its Customer Experience Executive, Tissah Kombe scooping the "2017 Customer Service Personality of the Year" award.

Changes to Senior Management

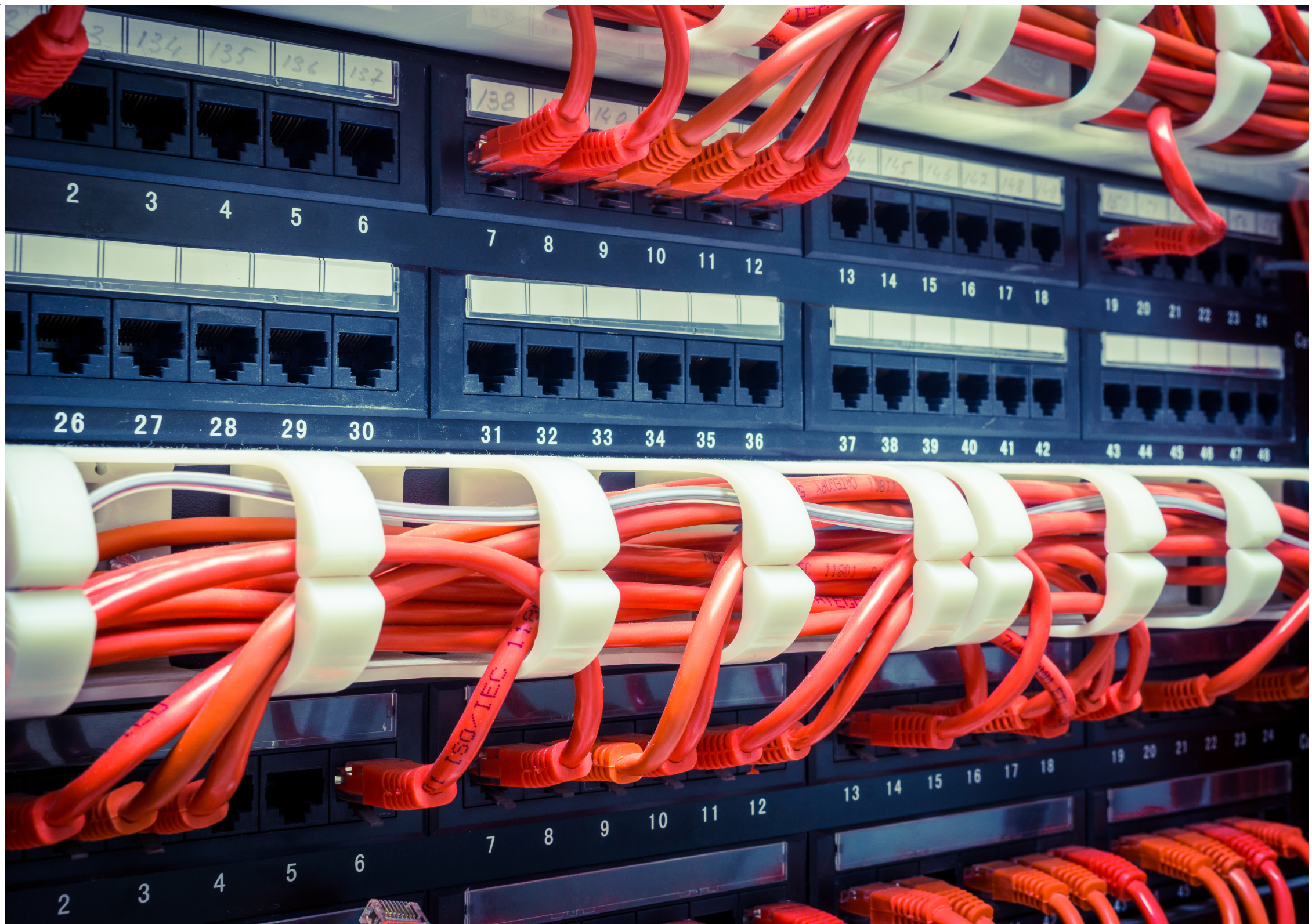
In the period under review, there were some changes to the senior management team's composition following resignations from the Supply Chain Director Mr. Sanjeev Shrivastava, Sales and Distribution Director, Mr. Dinesh Thampi, and Marketing Director, Mr. Sekou Barry. Mr. Apoorva Mehrotra was appointed as the Chief Commercial Officer, while Martin Jowi has replaced Mr. Shrivastava as Supply Chain Director. Mr Hanumantlal Shukla is the new Sales and Distribution Director while the position of Marketing Director is still vacant.

2018 Outlook

The outlook for 2018 will be focused on developing our data strategy, especially as there are evident growth opportunities. We are continuing with the completion of the network upgrades, which will lead to the delivery of a quality data experience on all sites across the country. In addition, we plan to continue increasing distribution across the country, with particular focus on Mobile Money distribution points.

We are confident that through an improved network experience and distribution strategy, we will provide great customer experience further enhanced by the innovation and redesigning of our products, processes and services.

We remain determined to continue fulfilling our commitment to our customers, shareholders and communities and be Zambia's mobile service provider of choice.





DIRECTORS' REPORT

for the year ended
31 December 2017

The Directors present their annual report on the affairs of the company together with the financial statements and the auditor's report for the year ended 31 December 2017.

1. 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.

2. Share capital

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

3. Results for the year

The profit for the year amounted to **K363.978 million** (2016: K229.280 million). The Company paid dividends during the year amounting to **K416 million** in respect of the financial year ended 31 December 2016. The directors recommend a dividend for the year ended 31 December 2017 amounting to K416 million (2016: K416 million)

4. 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
Peter Correia (ED)	Managing Director	Appointed on 1 March 2015
Christian De Faria (ED)	Board Member	Resigned on 31 October 2017
Jito Kayumba (Non-ED)	Board Member	Appointed on 23 March 2016
Jaideep Paul (ED)	Board Member	Appointed on 2 November 2016
Raghunath Mandava (ED)	Board Member	Appointed on 1 November 2017

5. Number of employees and remuneration

The total remuneration of employees during the year amounted to **K128.550 million** (2016: K136.623 million). The average number of employees for each month of the year was as follows:

Month	2017	2016
January	232	283
February	234	280
March	234	241
April	232	239
May	232	235
June	226	235
July	224	237
August	228	234
September	226	233
October	226	234
November	224	235
December	224	234

6. **Health and safety**

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

7. **Gifts and donations**

During the year the company made donations of **K0.985 million** (2016: K1.317 million). The donations are towards corporate social responsibility.

8. **Roaming**

Roaming revenue is earned from foreign telephone operators when their subscribers utilise the Company's network. The company accrued roaming revenue amounting to **K30.252 million** (2016: K42.827 million).

9. **Property and equipment**

The company purchased property, plant and equipment amounting to **K315.190 million** (2016: K283.814 million) during the year. In the opinion of the directors, the recoverable amount of property and equipment is not less than the carrying value. Figures of 2017 includes **K107.630 million** international bandwidth purchased on indefeasible right of use basis (2016: K Nil)

11. **Auditors**

The company's Auditors, 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.

12. **Statement on corporate governance**

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

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

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

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

By order of the Board,



Sonia Shamwana-Chinganya
COMPANY SECRETARY
Lusaka

9 February 2018

STATEMENT OF DIRECTORS' RESPONSIBILITY for the year ended 31 December 2017

Directors' responsibilities in respect of the preparation of financial statements

Section 164 (6) of the Companies Act, 1994 (as amended) requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the profit or loss for that period.

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The independent external auditors, Messrs Deloitte & Touche, have audited the financial statements and their report is shown on pages 4 to 7.

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

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

In the opinion of the Directors:

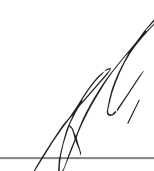
- the statement of profit or loss and other comprehensive income is drawn up so as to give a true and fair view of the profit of the company for the year ended 31 December 2017;
- the statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the company as at 31 December 2017;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due; and
- the financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1994 (as amended).

Approval of the financial statements

The financial Statements of the company as indicated above, were approved by the Directors on **9 February 2018** and signed on behalf of the Board by:



Monica Musonda
Chairperson



Peter Correia
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS 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 **40 to 70** which comprise the statement of financial position as at 31 December 2017, 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 2017, 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, 1994 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA" code), together with ethical requirements that are relevant to our audit of the financial statements in Zambia. We have fulfilled our 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. 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 Matters

Revenue recognition

The Company's revenue arises mainly from invoicing customers for monthly subscription, airtime usage, connection and reconnection fees. These revenue streams are characterised by high volume of data. The revenue computation process is highly automated, complex in nature and dynamic thus requiring numerous information technology related checks and balances.

The revenue recognition process involves making critical judgements which comprise the following:

- the determination of the recognition criteria of revenue relating to the usage of airtime;
- accounting treatment for new products, promotional products, bundled products and tariff plans; and
- accounting treatment for dealer and agency relationships, treatment of discounts, incentives and commissions.

The company revenue recognition process also involves a manual process which requires the transfer of information from the IT billing system to the general ledger.

As a result of the significance of this process, the timing of the revenue recognition, volume of transactional data involved, manual interference in the transfer of data from the IT billing system to the general ledger, this was considered a key audit matter.

The revenue recognition policy is disclosed in Note 3 (c) and revenue recognised disclosed in Note 7.

How our audit addressed the key audit matter

Our procedures included but were not limited to the following:

- Obtained an understanding of the revenue streams that the Company has. Performed a walkthrough of the revenue classes of transactions and evaluated the design of the controls around the recognition of revenue and determined their implementation.
- Review of bundled products contracts to identify the related revenue streams and assessment of the appropriate revenue recognition criteria for each stream for compliance with the applicable accounting standard. Tested the process of promotional products, updating and application of new tariff plans.
- Involved our Risk Advisory specialist to test the billing system and the control environment relevant to revenue recognition.
- Reviewed dealer and agency contracts and the related accounting treatment. Assessment of the appropriateness of the accounting treatment and disclosure of the discounts, incentives and commissions offered by the company.
- Performance of detailed substantive testing of journal entries processes around revenue to ensure these were appropriately authorised, complete and accurate. Checking that the manual interface in the transfer of the data from IT billing system to the general ledger did not result in any income leakage or overstatement of revenue.

We found the Company's recognition of revenue to be appropriate. No material uncorrected errors were noted.

Key audit matters (continued)

IT systems and controls over financial reporting

We identified IT systems and controls over financial reporting as an area of focus as the Company's financial accounting and reporting systems are significantly dependent on the systems and there is a risk that automated accounting procedures and related IT dependent manual controls may not be designed and operating effectively.

A particular area of focus related to logical access management and segregation of duties controls as well as checking the appropriateness of the integration of the various systems.

"We assessed and tested the design and operating effectiveness of the controls over the continued integrity of the IT systems that are relevant to financial reporting.

We examined the framework of governance over the Company's IT organization and the controls over program development and changes, access to programs and data and IT operations, including compensating controls where required.

Where necessary we also carried out direct tests of certain aspects of the security of the Company's IT systems including access management and segregation of duties. The combination of the tests of the controls and the direct tests that we carried out gave us sufficient evidence to enable us to rely on the continued and proper operation of the Company's IT systems for the purposes of our audit.

Tax matters

The entity operates in a fairly complex tax environment. There is inherent judgement involved in determining current tax liability.

This matter has been considered a key area of focus due to the amounts involved as shown in [note 12](#).

In response to the tax matters noted, we performed the following procedures among others:

- Assessed the design of the controls and operating effectiveness around the management of the tax affairs of the company and assessment of the accuracy of the tax computations.
- Reviewed correspondence between the ZRA and the company to identify if there any potential liabilities that the company should record due to ZRA reviews.
- Engaged our tax specialist to review the tax computation for the year to ensure compliance with the tax legislation.

Based on our audit, there were no uncorrected misstatements noted.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act, 1994 (as amended), which we obtained prior to the date of this auditors' report, and the annual report which we obtained prior to the date of this auditors' report. 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, 1994 (as amended), 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.

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

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 auditors' 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.

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

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.

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

Section 173 (3) of the Companies Act, 1994 (as amended) requires that in carrying out our audit, we consider and report to you on the following matter: we confirm that, in our opinion, the accounting and other records and registers have been properly kept in accordance with the Act.



DELOITTE & TOUCHE



C. CHUNGU (AUD/F0000292)
PARTNER

Date: 16 February 2018

STATEMENT OF PROFIT
OR LOSS AND OTHER
COMPREHENSIVE INCOME
for the year ended 31 December 2017

Particulars	Note	2017 K'000	2016 K'000
Revenue	7	2,195,663	2,297,358
Cost of sales		(130,547)	(212,352)
Gross profit		2,065,116	2,085,006
Other operating income	8	1,754	15
Distribution costs		(851,930)	(1,027,638)
Administrative expenses		(638,329)	(733,576)
Operating profit		576,611	323,807
Finance income	8	3,740	1,497
Net exchange (losses)/gains	9	(37,398)	191,401
Finance costs	10	(88,416)	(112,858)
Profit before tax	11	454,537	403,847
Income tax expense	12	(90,559)	(174,567)
Profit and total comprehensive income for the year		363,978	229,280
Basic and diluted earnings per share (Kwacha)	13	3.50	2.20
There were no items of other comprehensive income for the year (2016: nil)			

STATEMENT OF FINANCIAL POSITION at 31 December 2017

Particulars	Note	2017 K'000	2016 K'000
ASSETS			
Non-current assets			
Property , Plant and equipment	16	1,712,468	1,912,232
Intangible assets	17	106,213	4,564
Deferred tax asset (net)	15	16,581	-
Total non-current asset		1,835,262	1,916,796
Current assets			
Inventories	18	1,836	34,574
Trade and other receivables	19	257,390	300,055
Amounts due from related parties	27	137,576	126,981
Bank and cash balances	20	2,591	146,057
Total current asset		399,393	607,667
Total assets		2,234,655	2,524,463
EQUITY AND LIABILITIES			
Equity			
Share capital	14	1,040	1,040
Share premium	14	24,962	24,962
Retained earnings		438,157	490,179
Total equity		464,159	516,181
Non-current liabilities			
Obligation under finance lease	25	703,049	774,256
Deferred tax liability (net)	15	-	134,375
Total non-current liabilities		703,049	908,631
Current liabilities			
Bank overdraft	20	21,657	1,061
Short term borrowings	22	209,979	-
Trade and other payables	21	636,712	834,982
Amounts due to related parties	27	16,695	79,980
Obligation under finance lease	25	69,040	62,354
Current tax payable (net)	12	113,364	121,274
Total current liabilities		1,067,447	1,099,651
Total liabilities		1,770,496	2,008,282
Total equity and liabilities		2,234,655	2,524,463

The responsibilities of the Company's Directors with regard to the preparation of the financial statements are set out on page 34. The financial statements on pages 40 to 70 were approved for issue by the Board of Directors on 9 February 2018 and were signed on its behalf by:



Monica Musonda
CHAIRPERSON



Peter Correia
MANAGING DIRECTOR

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2017

Particulars	Share capital K'000	Share premium K'000	Dividend reserve (ii) K'000	Retained earnings (i) K'000	Total K'000
At 1 January 2016	1,040	24,962	-	364,899	390,901
Total comprehensive income for the year	-	-	-	229,280	229,280
Dividend declared in year 2016	-	-	104,000	(104,000)	-
Transfer to dividend payable (note 28)	-	-	(104,000)	-	(104,000)
At 31 December 2016	1,040	24,962	-	490,179	516,181
At 1 January 2017	1,040	24,962	-	490,179	516,181
Total comprehensive income for the year	-	-	-	363,978	363,978
Dividend declared in year 2017	-	-	416,000	(416,000)	-
Transfer to dividend payable (note 28)	-	-	(416,000)	-	(416,000)
At 31 December 2017	1,040	24,962	-	438,157	464,159

(i) The opening retained earnings has been adjusted to reflect reclassification adjustments to align the prior year financial statements to the general ledger.

(ii) Till 2016 dividend reserve was presented within retained earnings, for better presentation, which is presented separately. This is dividend appropriation.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

Particulars	Note	2017 K'000	2016 K'000
Cash flows from operating activities			
Cash generated from operations	26	772,612	813,317
Interest received	8	3,740	1,497
Interest paid	10	(6,890)	(18,205)
Income tax paid	12	(249,425)	(867)
Net cash generated from operating activities		520,037	795,742
Cash flows from investing activities			
Purchase of property and equipment	16	(207,560)	(283,814)
Purchase of intangible assets	17	(107,630)	-
Net cash flows used in investing activities		(315,190)	(283,814)
Cash flows from financing activities			
Proceeds from short term borrowings	22	397,125	-
Repayment of short term borrowings	22	(211,800)	-
Interest paid on finance lease	10	(81,526)	(94,653)
Repayment of finance lease	25	(56,035)	(51,043)
Dividends paid to shareholders	28	(416,673)	(108,459)
Net cash flows used in financing activities		(368,909)	(254,155)
Movement in cash and cash equivalents			
Net increase/(decrease) in cash and cash equivalents		(164,062)	257,773
Cash and cash equivalents at beginning of period		144,996	(112,777)
Cash and cash equivalents at end of period	20	(19,066)	144,996

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

1. CORPORATE INFORMATION

Airtel Networks Zambia plc is incorporated in Zambia under the Companies Act, 1994 (as amended) as a public limited company, and is domiciled in Zambia. The Company is listed on the Lusaka Stock Exchange and was incorporated in 1998 as Celtel Zambia Plc. In March 2013, there was a change of name and the address of its registered office is:

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 2017 were authorised for issue in accordance with a resolution of the directors on 9 February 2018.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

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.

2.1 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017.

Amendments to IAS 7 Disclosure Initiative

The Company has applied these amendments in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in

liabilities arising from financing activities, including both cash and non-cash changes.

The Company's liabilities arising from financing activities consist of borrowings and certain other financial liabilities such as finance leases. A reconciliation between the opening and closing balances of these items is provided in note 25 (b). Consistent with the transition provisions of the amendments, the Company has not disclosed comparative information for the prior period. Apart from the additional disclosure in note 26 (b), the application of these amendments has had no impact on the Company's financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The Company has applied these amendments in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the financial statements as the Company already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

Annual Improvements to IFRSs 2014-2016 Cycle

The Company has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle in the current year.

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Company's financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.2 New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers (and the related Clarifications) ¹
IFRS 16	Leases ²
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 40	Transfers of Investment Property ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle ¹
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

3 Effective for annual periods beginning on or after a date to be determined.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope

of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently

available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

- The directors of the company are still in the process of assessing the impact of this standard on the operations of the Company. It is expected that this standard will not have a material impact on how the company recognises its provisions for doubtful debts and how it classifies its financial assets and financial liabilities which will have to be in line with the business model.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

IFRS 15 Revenue from Contracts with Customers (continued)

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Company recognises revenue from the following major sources:

- Airtime, prepaid products
- internet services (Data)
- SME
- Handsets and Accessories

The Company plans to adopt the new standard on the required effective date using the full retrospective method.

The directors are still in the process of the assessing the impact of this standard on the operations of the company. It is anticipated that the implementation of this standard may not have a material impact on the financial statements of the company.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and

subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Company has non-cancellable operating lease commitments of K Nil million. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Company will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. Directors of the company are currently assessing its impact and do not anticipate significant impact on the amounts recognised in the Company's financial statements.

In contrast, for finance leases where the Company is a lessee, the Company has already recognised an asset and a related finance lease liability for the lease arrangement.

Further in cases where the Company is a lessor (for both operating and finance leases), the application of this standard is not applicable and the directors of the Company do not anticipate that the application of IFRS 16 will have an impact on the amounts recognised in the Company financial statements as the company is not a lesser.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-

vesting conditions should follow the same approach as for equity-settled share-based payments.

2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
 - i) the original liability is derecognised;
 - ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
 - iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply. The directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the Company's financial statements as the Company does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in

the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of

investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may not have an impact on the company's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply.

The directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should there be a change in use of any of its properties.

Annual Improvements to IFRSs 2014 – 2016 Cycle

The Annual Improvements include amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Company. The package also includes amendments to IFRS 12 which is mandatorily effective for the Company in the current year.

The amendments to IAS 28 clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not

an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

Both the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018. The directors of the Company do not anticipate that the application of the amendments in the future will have any impact on the financial statements as the Company is neither a first-time adopter of IFRS nor a venture capital organisation. Furthermore, the Company does not have any associate or joint venture that is an investment entity.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company financial statements. This is because the Company already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

3. 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.

(b) Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or 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 IAS 17, 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;

(b) Basis of preparation (continued)

- 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 measured at the fair value of the consideration received or receivable for the sale/provision of goods and services in the ordinary course of the company's activities. Revenue is shown net of value-added tax (VAT), excise duties, discount and rebates.

Service revenues include amounts invoiced for usage charges, fixed monthly subscription charges and very small aperture terminal ('VSAT')/internet usage charges, bandwidth services, roaming charges, activation fees, processing fees and fees for value added services ('VAS'). Service revenues also include revenues associated with access and interconnection for usage of the telephone network of other operators for local, domestic long distance and international calls and data messaging services.

Service revenues are recognised as the services are rendered and are stated net of discounts, waivers and taxes. Revenues from pre-paid cards are recognised based on actual usage. Processing fees on recharge coupons is being recognised over the estimated customer relationship period or coupon validity period, whichever is lower. Activation revenue and related activation costs, is recognized upfront.

Service revenues from the internet and VSAT business comprise revenues from registration, installation and provision of internet and VSAT services. Registration fee and installation charges is recognized upfront. Service revenue is recognised from the date of satisfactory installation of equipment and software at the customer site and provisioning of internet and VSAT services.

Monthly subscription fees are recognised on a cash cap method and Value Added Services are recognised net of taxes

and other statutory obligations.

Revenues from national and international long distance operations comprise revenue from voice services which are recognised on provision of services while revenue from bandwidth services (including installation) is recognised over the period of arrangement.

Deferred revenue includes amount received in advance from customers which would be recognised over the periods when the related services are expected to be rendered.

Equipment sales consist primarily of revenues from sale of telecommunication equipment and related accessories to customers. Revenue from equipment sales transactions are recognised when the significant risks and rewards of ownership are transferred to the buyer and when no significant uncertainty exists regarding realisation of consideration.

(d) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(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, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction.

Foreign exchange gains and losses that relate to borrowings

and cash and cash equivalents are presented in the statement of profit or loss and other comprehensive income as net exchange (losses) / gains

(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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Impairment losses on property, plant and equipment are recognized in profit or loss during the period. Reversals of impairment losses are recognized in profit or loss during the period. In addition, impairment losses on revalued assets are recognized in other comprehensive income during the period.

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.

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

When significant parts of property and equipment are required to be replaced in intervals, the Company recognizes such parts as separate components of assets with specific useful lives and provides depreciation over their useful lives. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised in profit or loss as incurred.

Assets are depreciated to the residual values on a straight-line basis over the estimated useful lives. The assets' residual (f)

Property, plant and equipment (continued)

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
Leasehold buildings	20
Network equipment	3 – 20
Computer equipment	3
Office furniture and equipment	2 – 5
Vehicles	3 – 5
Customer Premises equipment	5 – 6

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.

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. For lessors lease income from operating leases is recognised in income on a straight line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

Leases of property, plant and equipment where the Company has substantially retained all risks and rewards of ownership are classified as finance leases. Finance leases are capitalised by the lessee at the lease's commencement at the lower of fair value of the leased property and present value of minimum lease payments. The Lessor recognises assets held under a finance lease in their statements of financial position and present them as a receivable at an amount equal to the net investment in the lease.

For a finance lease interest and depreciation is charged as expense in the periods in which they are incurred.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average cost method, and includes all expenditure incurred in bringing the

inventories to their present value and condition, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

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.

(I) Receivables

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

(J) Cash and cash equivalents

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

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

(k) 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.

(I) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method;

When calculating the effective interest rate, the entity estimates the cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

Any differences between proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest rate.

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

(m) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss'

(FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is

Effective interest method (continued)

the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.
- A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 29.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

In the year ended, the Company did not have assets designated at available for sale financial assets.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in

the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment of financial assets (continued)

Such impairment loss will not be reversed in subsequent periods. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and

the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

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

Compound instruments

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from

the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to other equity. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

Financial liabilities at FVTPL (continued)

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 29.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(iii) Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

Hedge accounting

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity

documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires

Cash flow hedges (continued)

or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

(n) 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.

(o) Payables

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

(p) Employee Benefits

1. 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.

2. Other entitlements

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

3. (q) Income tax

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

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

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

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.

(r) Intangible assets

The Company's intangible asset comprise of licenses and indefeasible right of use (IRU). Licenses & IRU 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 15 year.

Indefeasible intangible assets are recognised when the company controls the assets, it is probable that future economic benefits from the asset will flow to the entity and the cost of the asset can be reliably measured. At initial recognition, the separately acquired intangible assets are recognised at cost. Following initial recognition, the intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Gains or losses arising from derecognition of the assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised. Indefeasible right of use (IRU) are amortised over a period of 10 to 15 year.

(s) Impairment of non-financial assets

Property, plant and equipment (PPE) and Intangible assets

PPE 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.

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.

(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) Comparatives

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

(x) 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.

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 19.

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 reporting date.

Determination of residual values and useful lives

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

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

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

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

(a) Multiple element contracts with vendors

The Company has entered into multiple element contracts for supply of goods and rendering of services. In certain cases, the consideration paid is determined independent of the value of supplies received and services availed. Accordingly, the supplies and services are accounted for based on their relative fair values to the overall consideration. The supplies with finite life under the contracts have been accounted under Property, Plant and Equipment and / or as Intangible assets, since the Company has economic ownership in these assets and represents the substance of the arrangement.

(b) Arrangement containing lease

The Company assesses the contracts entered with telecom operators / passive infrastructure services providers to share tower infrastructure services so as to determine whether these contracts that do not take the legal form of a lease convey a right to use an asset or not. The Company has determined, based on an evaluation of the terms and conditions of the arrangements that such contracts are in the nature of leases. Most of these leases are classified as operating unless the term of the agreement is for the major part of the estimated economic life of the leased asset, which is accounted for as finance lease.

5. 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 analysis has been prepared on the basis that the trade receivables, payables and borrowings and the proportion of financial instruments in foreign currencies are all constant.

The assumption in calculation of the sensitivity analysis is that: the sensitivity of the relevant statement of profit or loss is the effect of the assumed changes in the respective market risk, the sensitivity of equity is calculated by considering the effects of the assumed changes of the underlying risks.

At 31 December 2017, if the Kwacha had weakened/strengthened by 5% against the US dollar with all other variables held constant, post tax profit for the period would have been **K10.830 million** (2016: K5.435 million) lower/higher, mainly as a result of US dollar denominated trade receivables, payables and borrowings. There would be no impact on equity.

Exposure to currency risk

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

Particulars	2017 K'000	2016 K'000
Cash & cash equivalents (net)	(25,200)	26,537
Trade receivables	58,986	64,276
Trade payables	(40,405)	(199,513)
Short term loan	(209,979)	-
Total	(216,598)	(108,700)
The following US Dollar exchange rates applied during the period:		
Particulars	2017 K'000	2016 K'000
Average Rate	9.533	10.305
Closing Rate	9.999	9.925

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risk

The company's interest bearing financial liabilities were the overdraft of **K21.657 million** (2016: K1.061 million) and the borrowing of **K209.98 million** at year end (2016: K nil) which was at fixed rates for an agreed period (subject to the significant change in market condition) and on which it was therefore not exposed to cash flow interest rate risk. The company regularly monitors financing options available to ensure optimum interest rates are obtained. At 31 December 2017, if effective interest rates on borrowings had been 2% higher/lower with all other variables held constant, pre tax profit would have been **K4.633 million** (2016: K 0.021 million) lower/higher.

Credit risk

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

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

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

The amount that best represents the company's maximum exposure to credit risk at 31 December 2017 is made up as follows:

Particulars	Note	2017 K'000	2016 K'000
Cash and cash equivalents	20	2,591	146,057
Trade receivables (net)	19	94,189	133,614
Total		96,780	279,671

Impairment losses

The aging of trade receivables at the reporting date was:

Particulars	2017 K'000	2017 K'000	2016 K'000	2016 K'000
	Gross amount	Impaired	Gross amount	Impaired
30 days	74,214	-	73,362	-
60 days	19,568	-	29,189	-
90 days and above	107,721	107,313	138,700	107,637
Total	201,503	107,313	241,251	107,637

Collateral is held for some of the above assets namely distributors with bank guarantees of **K14.85 million**, K0.924 million post-paid deposits and **K0.855 million** channel partner deposits as at 31 December 2017 (2016: K17.87 million bank guarantees and K0.861 million post-paid deposits respectively). Trade receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

None of the above assets are either past due or impaired except for the following interconnect, one network, roaming and distributor amounts in trade receivables (which are due within 30 days of the end of the month in which they are invoiced):

Particulars	2017 K'000	2016 K'000
Past due but not impaired:		
by up to 30 days	13,081	15,816
by 31 to 90 days	6,487	13,373
by 91 days and over	3,748	26,981
Total past due but not impaired	23,316	56,170

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 maintain 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.

Particulars	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 2017					
- Trade and other payables	21	636,712	-	-	-
- Related company payables	27(v)	16,695	-	-	-
- Bank overdrafts	20	21,657	-	-	-
- Borrowings	22	209,979	-	-	-
At 31 December 2016					
- Trade and other payables	21	834,982	-	-	-
- Related company payables	27(v)	79,980	-	-	-
- Bank overdrafts	20	1,061	-	-	-
- Borrowings	22	-	-	-	-

6. CAPITAL MANAGEMENT AND POLICIES

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 2017 and 31 December 2016 were as follows:

Particulars	2017 K'000	2016 K'000
Total borrowings (including bank overdraft and finance lease)	1,003,725	837,671
Less: cash and cash equivalents	(2,591)	(146,057)
Net Debt	1,001,134	691,614
Total equity	464,159	516,181
Total capital	1,465,293	1,207,795
Gearing ratio	68%	57%

7. REVENUE (i)

Analysis of revenue by category:

Particulars	2017 K'000	2016 K'000
Airtime revenue	1,350,943	1,389,355
Data	521,888	510,805
Interconnect Revenue	192,580	223,576
Short Messaging Services	63,496	71,664
Roaming Revenue	30,252	42,827
Handsets and accessories	15,856	44,781
Value added services content	11,523	5,859
Connection revenue	9,125	8,491
Total	2,195,663	2,297,358

(i) Trade Discount has been reclassified to Distribution Cost.

8. OTHER OPERATING & FINANCE INCOME

Particulars	2017 K'000	2016 K'000
Finance/Interest Income	3,740	1,497
Other operating income	1,754	15
Total	5,494	1,512

9. NET EXCHANGE (LOSSES)/GAIN

Net exchange (loss)/gain arose on:

Particulars	2017 K'000	2016 K'000
Borrowings and cash and cash equivalents	(37,002)	-
Other balances	1,498	104,440
Finance lease	(1,894)	86,961
Total	(37,398)	191,401

10. FINANCE COSTS

Particulars	2017 K'000	2016 K'000
Finance lease charges	81,526	94,653
Interest expense on borrowings	6,890	18,205
Total	88,416	112,858

11. PROFIT BEFORE TAX

Profit before tax is stated after crediting:

Particulars	2017 K'000	2016 K'000
Interest income (note 8)	3,740	1,497
and after charging:		
Depreciation on property and equipment (Note 16)	400,533	448,926
Employee benefits expense	128,550	136,623
Operating lease rentals	32,038	45,411
Amortisation of intangible assets (Note 17)	5,981	462
Receivables – (net write back) provision for impairment losses (note 19)	(323)	3,446
Auditors' remuneration	2,344	2,958

12. INCOME TAX EXPENSE

Particulars	2017 K'000	2016 K'000
Current income tax	230,033	110,302
Prior year additional tax charge	11,482	-
Tax adjustments	-	61,894
Prior year excess deferred tax liability reversal (note 15)	(138,178)	-
Deferred income tax (Note 15)	(12,778)	2,371
Tax charge as per profit & loss account	90,559	174,567

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:

Particulars	2017 K'000	2016 K'000
Profit before income tax	454,537	403,847
Tax calculated at the statutory income tax rate of 40%	181,815	161,539
Tax effect of:		
Origination and reversal of timing differences (note 15)	(150,956)	2,371
Expenses not deductible for tax purposes (net)	59,700	10,657
Tax charge as per profit & loss account	90,559	174,567

Income tax payable/(recoverable)

Current income tax movement in the statement of financial position:

Particulars	2017 K'000	2016 K'000
At January	121,274	(78,738)
Current income tax charge	230,033	110,302
Prior year additional tax charge	11,482	-
Other adjustment entries	-	90,577
Payments during the year	(249,425)	(867)
At end of the year	113,364	121,274

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.

Income tax provisional returns have been filed with the Zambia revenue authority (ZRA) for the year ended 31 December 2017. Quarterly payments for the year ended 31 December 2017 were made on the due dates during the period.

13. 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 2017 or 31 December 2016. Diluted earnings per share is therefore the same as basic earnings per share.

Particulars	2017 K'000	2016 K'000
Profit attributable to the equity holders of the company	363,978	229,280
Weighted average number of ordinary shares	104,000	104,000
Basic/diluted earnings per share (Kwacha)	3.50	2.2

14. SHARE CAPITAL

Particulars	Number of shares (million) K'000	Ordinary Shares K'000	Share Premium K'000
At 31 December 2017	104	1,040	24,962
At 31 December 2016	104	1,040	24,962

The total authorised number of ordinary shares is 104 million with a par value of K0.01 per share. All issued shares are fully paid.

15. DEFERRED TAX LIABILITY/ (ASSET)

Deferred tax liability is calculated using the enacted income tax rate of 40% (2016: 40%).
The movement on the deferred tax liability account is as follows:

Particulars	2017 K'000	2016 K'000
1 January	134,375	132,004
Prior Year excess liability reversal (i)	(138,178)	-
Charge to profit or loss	(12,778)	2,371
At 31 December	(16,581)	134,375

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

Particulars	At 1 January K'000	Charged/(credited) to profit/loss K'000	At 31 December K'000
2017			
Deferred income tax liabilities			
Property and equipment	165,000	4,044	169,044
Unrealised Exchange gains	132,123	(138,178)	(6,055)
Deferred income tax assets			
Other temporary deductible differences	(108,657)	(14,574)	(123,231)
Other provisions	(54,091)	(2,248)	(56,339)
Unrealised exchange losses	-	-	-
Net deferred income tax liability/ (asset)	134,375	(150,956)	(16,581)
2016			
Deferred income tax liabilities			
Property and equipment	261,572	(96,572)	165,000
Unrealised Exchange gains	-	132,123	132,123
Deferred income tax assets			
Other temporary deductible differences	(213,737)	105,080	(108,657)
Other provisions	36,661	(90,752)	(54,091)
Unrealised exchange losses	47,508	(47,508)	-
Net deferred income tax liability/ (assets)	132,004	2,371	134,375

(i) In Year 2017 company has computed the deferred tax basis Balance Sheet approach, which has resulted into the excess liability reversal of K 138.178 million.

16. PROPERTY , PLANT AND EQUIPMENT

Particulars	Leasehold buildings K'000	Equipment under financelease at cost K'000	Telecom equipment (ii) K'000	Fixture,fittings office & other IT equipment K'000	Motor vehicles K'000	Capital working progress (i) K'000	Total K'000
Cost or valuation:							
At 1 January 2016	133,469	802,175	2,172,720	436,115	9,227	257,080	3,810,786
Additions	-	18,777	-	-	-	265,037	283,814
Transfers	4,235	-	392,750	82,767	-	(479,752)	-
Disposal	-	-	-	-	-	-	-
Asset Retirement	(4,550)	-	(104,788)	(4,716)	(9,227)	-	(123,281)
At 31 December 2016	133,154	820,952	2,460,682	514,166	-	42,365	3,971,319
At 1 January 2017	133,154	820,952	2,460,682	514,166	-	42,365	3,971,319
Additions	-	-	-	-	-	207,560	207,560
Transfers	-	-	124,321	6,777	-	(131,098)	-
Asset Retirement	-	(8,556)	(3,605)	-	-	-	(12,161)
At 31 December 2017	133,154	812,396	2,581,398	520,943	-	118,827	4,166,718
Depreciation							
At 1 January 2016	30,123	26,771	1,271,234	384,592	9,202	11,519	1,733,441
Charge for the year	8,021	81,608	298,794	64,344	24	(3,865)	448,926
Asset Retirement	(4,550)	-	(104,788)	(4,716)	(9,226)	-	(123,280)
At 31 December 2016	33,594	108,379	1,465,240	444,220	-	7,654	2,059,087
At 1 January 2017	33,594	108,379	1,465,240	444,220	-	7,654	2,059,087
Charge for the year (iii)	7,244	82,208	262,686	47,291	-	1,103	400,533
Transfers	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-
Asset Retirement	-	(1,762)	(3,605)	-	-	-	(5,367)
At 31 December 2017	40,838	188,825	1,724,321	491,511	-	8,757	2,454,252
Carrying amount:							
At 31 Decemeber 2017	92,316	623,571	857,077	29,432	-	110,072	1,712,468
At 31 Decemeber 2016	99,560	712,573	995,442	69,946	-	34,712	1,912,232

A schedule listing of the properties as required by section 193 and the second schedule of the Companies Act, 1994 (as amended) is available for inspection by the members or their authorised representatives at the registered office of the company.

(i) The charge relates to the obsolescence of the capital inventory.

(ii) Switching equipments which were shown as equipment till 2016 , are shown in telecom equipments based on their nature.

(iii) The Company embarked on a massive project in the year ended 31 December 2017 which required the upgrade of its network equipment. Accordingly, the Company has initiated network modernisation drive by refarming of 900 MHZ spectrum and launch of 4G LTE in Zambia. The modernisation will lead to improved connectivity, better experience for customers and remain competitive in the market. The cost of **K64.398 million** is attributable to the subsequent accelerated depreciation of the old equipment which have been replaced is included in depreciation charge for the year.

17. INTANGIBLE ASSETS

Particulars	Indefeasible right of use (IRU) (i) K'000	Cellular License K'000	Internet service Provider license K'000	Total K'000
Cost				
At 1 January 2016	-	7,372	125	7,497
Additions	-	-	-	-
At 31 December 2016		7,372	125	7,497
At 1 January 2017	-	7,372	125	7,497
Additions (i)	107,630	-	-	107,630
At 31 December 2017	107,630	7,372	125	115,127
Amortization				
At 1 January 2016	-	2,346	125	2,471
Charge for the year	-	462	-	462
At 31 December 2016		2,808	125	2,933
At 1 January 2017	-	2,808	125	2,933
Charge for the year	5,519	462	-	5,981
At 31 December 2017	5,519	3,270	125	8,914
At 31 December 2017	102,111	4,102	-	106,213
At 31 December 2016	-	4,564	-	4,564

(i) In 2017 company has taken international bandwidth on indefeasible right of use basis which is being amortised over a period of 10 to 15 years.

18. INVENTORY

Particulars	2017 K'000	2016 K'000
Merchandise held for sale	25,789	51,073
Less provision for obsolete stock	(23,953)	(16,499)
Total	1,836	34,574

The cost of inventories recognized as an expense and included in 'cost of sales' amounted to **K32.01 million** (2016: K60.14 million).

There was inventory write down in the year ended 31 December 2017 of **K Nil million** (2016: K 3.3291 million). In addition, there were reversals of inventory write down **K 2.3271 million** (2016: nil).

19. TRADE AND OTHER RECEIVABLES

Particulars	2017 K'000	2016 K'000
Trade receivables	201,503	241,251
Less provision for impairment losses	(107,314)	(107,637)
Net trade receivables	94,189	133,614
Prepayments	49,193	85,934
Other receivables	114,008	80,507
Total	257,390	300,055

The carrying amounts of the above trade receivables, and other receivables approximate their fair values due to their short term maturities.

Movements on the provision for impairment of trade receivables are as follows:

Particulars	2017 K'000	2016 K'000
At start of year	107,637	104,192
Provision for the year	1,987	10,837
Bad Debt Write back / Debtors Written Off	(2,310)	(7,391)
Total	107,314	107,637

20. CASH AND CASH EQUIVALENTS

Particulars	2017 K'000	2016 K'000
Cash and bank balances	2,591	146,057
Bank overdrafts	(21,657)	(1,061)
Total	(19,066)	144,996

For the purposes of the cash flow statement, cash and cash equivalents comprise the cash in hand, and deposits held at call with the bank, net of bank overdraft. Deposits held at call earn interest at the respective held at call rates. Cash at banks earns interest at floating rates based on daily bank deposit rates.

The company has four overdraft facilities with limits of up to **K40 million** and **\$12.36 million** as shown below. These facilities are subject to annual review

(i) Citibank Zambia Limited	\$ 10 million	3 Months Libor + 1.65%
(ii) Standard Chartered Bank Zambia PLC	\$ 2.36 million	1 Months Libor + 2 %
(iii) Barclays Bank Zambia PLC	K 20 million	MPR + 9.75%
(vi) Stanbic Bank Zambia Limited	K 20 million	MPR + 9 %

The company had drawn amounts as at the year-end of **K nil** and **US\$ 2.166 million** (2016: K Nil and US\$ 0.106 million).

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

21. TRADE AND OTHER PAYABLES

Particulars	2017 K'000	2016 K'000
Trade payables	421,184	595,064
Accrued expenses	101,686	116,617
Deferred income	101,646	106,225
Other payables	12,196	16,403
Dividend payable (note 28)	-	673
Total	636,712	834,982

Trade payables are non interest bearing and are normally settled on 60 day terms. Accrued expenses and other payables are non interest bearing and have an average term of six months. Deferred income is realised when a customer makes use of the talk-time that was carried forward.

The carrying amount of the above payables and accrued expenses approximate their fair values because of their short term nature.

22. BORROWINGS

Particulars	2017 K'000	2016 K'000
Short term loan	209,979	-
Draw down during the year	397,125	-
Repayments in the year	(211,800)	-
Unrealized foreign exchange difference	24,654	-
Outstanding balance	209,979	-

In July 2017 the Company obtained a short term credit facility from CITI Bank for US\$ 50 million at an interest rate of 1 month Libor + 1.25 % per annum. The facility is repayable within 12 months. The loan is unsecured.

23. CONTINGENT LIABILITIES

Legal proceedings

The company had some pending legal proceedings as at 31 December 2017. The management is of the opinion having obtained relevant legal advice that there will be no material losses arising from pending proceedings against the company.

Tax Proceedings

The Zambia Revenue Authority (ZRA) performed desktop reviews and raised the following administrative assessments with respect to Value Added Tax (VAT).

Two VAT administrative assessments totaling K 148.7 Million inclusive of fine under section 43 of the VAT Act were issued. As per ZRA, company had claimed incorrect input VAT claim by not filling the VAT returns in the manner prescribed by The Commissioner General in Section 16 of VAT Act.

The company has since challenged the assessment and awaiting feedback from the ZRA.

Basis the expert tax and legal opinion, no provision has been made in these financial statements as the company's management does not consider that there is probable loss to the company. (refer note 32)

Other than the above, there were no material contingent liabilities as at 31 December 2017.

24. CAPITAL COMMITMENTS

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

Particulars	2017 K'000	2016 K'000
At 31 December	297,086	113,427

25. LEASES

(a) Finance lease commitments

Finance lease commitments-As a Lessee 2017

Particulars	Future Minimum Lease Payment	Interest	Present/Fair Value
Not later than 1 year	147,040	78,000	69,040
Later than 1 year and not later than 5 years	588,160	227,017	361,143
Later than 5 years	393,858	51,952	341,906
Total	1,129,058	356,969	772,089

Finance lease commitments-As a Lessee 2016

Particulars	Future Minimum Lease Payment	Interest	Present/Fair Value
Not later than 1 year	147,477	85,124	62,354
Later than 1 year and not later than 5 years	589,909	263,748	326,160
Later than 5 years	542,380	94,284	448,096
Total	1,279,766	443,156	836,610

(b) Investment in finance lease

Particulars	2017 K'000	2016 K'000
Current finance lease payable	69,040	62,354
Non-current finance lease payable	703,049	774,256
Total	772,089	836,610

The movement for the year is as follows:

Particulars	2017 K'000	2016 K'000
At the beginning of the year	(836,610)	(963,856)
(Additions)/retirement during the year	7,298	(18,777)
Repayments during the year	56,040	51,040
Unrealised exchange gain / (losses) gains	1,183	94,983
Gross investment in finance leases	(772,089)	(836,610)
Less: Unearned future finance income on finance leases	-	-
Net investment in finance leases	(772,089)	(836,610)

The Company enters into finance leasing arrangements. The average term of finance leases entered into is 10 years. Unguaranteed residual dues of assets leased under the finance leases at the balance sheet date are estimated at K Nil.

The interest rate inherent in the leases is fixed/Variable at the contract date for all of the lease term.

The Directors consider that the fair value of the leases is equal to their carrying values as reflected in the balance sheet.

26. STATEMENT OF CASH FLOWS

(a) Cash generated from operations

Particulars	2017 K'000	2016 K'000
Profit before income tax	454,537	403,847
Adjustments for:		
Interest income (note 8)	(3,740)	(1,497)
Interest expense (note 10)	88,415	112,858
Depreciation expense (note 16)	400,533	448,926
Impairment loss recognised on trade receivables (note 19)	(323)	3,446
Amortisation of intangible assets (note 17)	5,981	462
Unrealised forex (gain)/loss	22,967	(76,206)
Changes in working capital:		
- trade and other receivables	32,392	34,883
- inventories	32,738	1,032
- trade and other payables	(260,888)	(114,434)
Cash generated from operations	772,612	813,317

26. STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

Particulars	1 January 2017	Financing cash flows	Non-cash changes	31 December 2017
Loans from financial Institutions	-	185,325	24,654	209,979
Forward contracts	-	-	-	-
Other borrowings	-	-	-	-
Finance leases	836,610	(56,040)	(8,481)	772,089

27. RELATED PARTY DISCLOSURES

The company is owned by Bharti Airtel Zambia Holdings BV (BAZHBV) which has 96.36% control of the shares. The remaining 3.64% are owned by public investors through the Lusaka Stock Exchange (LuSE).

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	2017 K'000	2016 K'000
Bharti Airtel Limited	India	Step up parent	10,778	18,070
Network i2i Ltd.	Mauritius	Step up parent	98,491	10,923
Airtel Malawi Limited	Malawi	Fellow subsidiary	2,886	10,241
Airtel Networks Kenya Limited	Kenya	Fellow subsidiary	2,683	-
Airtel Congo (RDC) S.A. (formerly known as Celtel Congo (RDC) S.a.r.l.)	Congo (DRC)	Fellow subsidiary	2,000	8,189
Airtel Tanzania Limited	Tanzania	Fellow subsidiary	1,770	7,362
Bharti Airtel (UK) Limited	United Kingdom	Fellow subsidiary	1,623	-
Bharti Airtel Services Limited	India	Fellow subsidiary	399	1,282
Airtel Networks Kenya Limited	Kenya	Fellow subsidiary	338	703
Bharti Airtel International (Netherlands) B.V.	Netherlands	Holding Company	272	511
Airtel Networks Limited	Nigeria	Fellow subsidiary	46	62
Airtel Uganda Limited	Uganda	Fellow subsidiary	38	55
Airtel Rwanda Limited	Rwanda	Fellow subsidiary	15	34
Airtel Madagascar S.A.	Madagascar	Fellow subsidiary	8	12
Airtel (Seychelles) Limited	Seychelles	Fellow subsidiary	8	6
Bharti Airtel Lanka (Private) Limited	Sri Lanka	Fellow subsidiary	4	1
Airtel Congo S.A	Congo B	Fellow subsidiary	1	1
Airtel Gabon S.A.	Gabon	Fellow subsidiary	1	1
Celtel Niger S.A.	Niger	Fellow subsidiary	0.44	1
Airtel Tchad S.A.	Chad	Fellow subsidiary	0.04	0
Airtel (Ghana) Limited (**)	Ghana	Fellow subsidiary	13	43
Airtel Burkina Faso (*)	Burkina Faso	Fellow subsidiary	-	1
Airtel Sierra Leone (*)	Sirrea Leone	Fellow subsidiary	-	14
Total			121,375	57,512

27. RELATED PARTY DISCLOSURES (CONTINUED)

ii) Sale of goods and services

Name of Related Party	Country of incorporation	Relationship to Company	2017 K'000	2016 K'000
Bharti Airtel Limited	India	Step up parent	28,018	45,517
Airtel Congo (RDC) S.A. ((formerly known as Celtel Congo (RDC) S.a.r.l.)	Congo (DRC)	Fellow subsidiary	9,045	12,594
Airtel Tanzania Limited	Tanzania	Fellow subsidiary	6,386	24,243
Bharti Airtel (UK) Limited	United Kingdom	Fellow subsidiary	2,574	-
Airtel Malawi Limited	Malawi	Fellow subsidiary	2,523	6,166
Airtel Networks Kenya Limited	Kenya	Fellow subsidiary	851	564
Airtel Uganda Limited	Uganda	Fellow subsidiary	66	33
Airtel Networks Limited	Nigeria	Fellow subsidiary	62	18
Airtel Rwanda Limited	Rwanda	Fellow subsidiary	8	6
Airtel Madagascar S.A.	Madagascar	Fellow subsidiary	7	10
Airtel Congo S.A	Congo B	Fellow subsidiary	6	7
Jersey Airtel Limited	Jersey	Fellow subsidiary	5	3
Airtel Gabon S.A.	Gabon	Fellow subsidiary	3	7
Airtel (Seychelles) Limited	Seychelles	Fellow subsidiary	2	4
Celtel Niger S.A.	Niger	Fellow subsidiary	2	4
Airtel Tchad S.A.	Chad	Fellow subsidiary	2	21
Bharti Airtel Lanka (Private) Limited	Sri Lanka	Fellow subsidiary	0	-
Airtel (Ghana) Limited (**)	Ghana	Fellow subsidiary	14	59
Airtel Burkina Faso (*)	Burkina Faso	Fellow subsidiary	-	7
Airtel Sierra Leone (*)	Sirrea Leone	Fellow subsidiary	-	10
Total			49,574	89,273

iii) Management fees expenses

Name of Related Party	Country of incorporation	Relationship to Company	2017 K'000	2016 K'000
Bharti Airtel International (Netherlands) B.V.	Netherlands	Holding company	39,605	44,922

iv) Receivable from related parties

Name of Related Party	Country of incorporation	Relationship to Company	2017 K'000	2016 K'000
Airtel Mobile Commerce Limited	Zambia	Fellow subsidiary	80,432	71,001
Airtel Tanzania Limited	Tanzania	Fellow subsidiary	29,814	26,102
Bharti Airtel (UK) Limited	United Kingdom	Fellow subsidiary	6,576	8,537
Airtel Congo S.A	Congo B	Fellow subsidiary	5,933	3,826
Airtel Malawi Limited	Malawi	Fellow subsidiary	7,313	5,716
Airtel Congo (RDC) S.A. ((formerly known as Celtel Congo (RDC) S.a.r.l.)	Congo (DRC)	Fellow subsidiary	5,564	1,970
Airtel Networks Limited	Nigeria	Fellow subsidiary	738	174
Bharti Airtel Limited	India	Step up parent	618	9,169
Airtel Networks Kenya Limited	Kenya	Fellow subsidiary	501	362
Airtel Uganda Limited	Uganda	Fellow subsidiary	36	20
Bharti Hexacom Limited	India	Fellow subsidiary	33	-
Airtel Rwanda Limited	Rwanda	Fellow subsidiary	13	10
Airtel (Seychelles) Limited	Seychelles	Fellow subsidiary	1.45	0.26
Airtel Madagascar S.A.	Madagascar	Fellow subsidiary	0.93	2.75
Jersey Airtel Limited	Jersey	Fellow subsidiary	0.48	0.04
Celtel Niger S.A.	Niger	Fellow subsidiary	0.38	0.85
Robi Axiata Limited (Associates company of BISPL w.e.f. November 16, 2016)	Singapore	Fellow subsidiary	0.09	0.09
Airtel Tchad S.A.	Chad	Fellow subsidiary	0.08	2.73
Bharti Airtel Lanka (Private) Limited	Sri Lanka	Fellow subsidiary	0.02	-
Airtel (Ghana) Limited (**)	Ghana	Fellow subsidiary	-	57.59
Airtel Burkina Faso (*)	Burkina Faso	Fellow subsidiary	-	1.96
Airtel Sierra Leone (*)	Sirrea Leone	Fellow subsidiary	-	28
Total			137,576	126,981

27. RELATED PARTY DISCLOSURES (CONTINUED)

v) Payable to related parties

Name of Related Party	Country of incorporation	Relationship to Company	2017 K'000	2016 K'000
Bharti Airtel International (Netherlands) B.V.	Netherlands	Holding company	5,321	38,347
Airtel Malawi Limited	Malawi	Fellow subsidiary	2,242	2,262
Airtel Tanzania Limited	Tanzania	Fellow subsidiary	1,769	3,128
Bharti Airtel (UK) Limited	United Kingdom	Fellow subsidiary	2,036	7,538
Network i2i Ltd.	Mauritius	Step up parent	1,465	14,106
Bharti Airtel Limited	India	Step up parent	981	2,667
Airtel Networks Limited	Nigeria	Fellow subsidiary	886	899
Airtel Networks Kenya Limited	Kenya	Fellow subsidiary	630	1,834
Airtel Mobile Commerce Limited	Zambia	Fellow subsidiary	498	646
Nxtra Data Limited	India	Fellow subsidiary	492	557
Airtel Congo (RDC) S.A. ((formerly known as Celtel Congo (RDC) S.a.r.l.)	Congo (DRC)	Fellow subsidiary	115	4,973
Airtel Congo S.A.	Congo	Fellow subsidiary	88	726
Airtel Madagascar S.A.	Madagascar	Fellow subsidiary	109	110
Bharti Airtel Services Limited	India	Fellow subsidiary	44	1,839
Airtel Uganda Limited	Uganda	Fellow subsidiary	9	19
Bharti International (Singapore) Pte Ltd	Singapore	Fellow subsidiary	5	215
Airtel Rwanda Limited	Rwanda	Fellow subsidiary	1	2
Airtel Tchad S.A.	Chad	Fellow subsidiary	1	3
Airtel (Seychelles) Limited	Seychelles	Fellow subsidiary	0	2
Jersey Airtel Limited	Jersey	Fellow subsidiary	0	0
Celtel Niger S.A.	Niger	Fellow subsidiary	0	0
Airtel Gabon S.A.	Gabon	Fellow subsidiary	0	0
Bharti Airtel Lanka (Private) Limited	Sri Lanka	Fellow subsidiary	-	0
Airtel (Ghana) Limited (**)	Ghana	Fellow subsidiary	-	102
Airtel Burkina Faso (*)	Burkina Faso	Fellow subsidiary	-	0
Airtel Sierra Leone (*)	Sirrea Leone	Fellow subsidiary	-	4
Total			16,695	79,980

No provisions for impairment losses have been required in 2017 and 2016 for any related party receivables. Amounts due from/to related parties carry no interest, are receivable/payable on demand and are at arm length.

(*) Ceased to be related parties in 2017

(**) In 2017, there is a change in relationship from fellow subsidiary to joint venture of the group

vi) Key management compensation

Particulars	2017 K'000	2016 K'000
Salaries and other short-term employment benefits	42,186	42,181

vii) Compensation of directors for the year ended 31 December 2017

Particulars	Sitting Fees	Basic Salary	Performance Bonus (i)	Out of Country Allowance	Housing Allowance	Others	Total
Non-Executive							
Jito Kayumba	566	-	-	-	-	-	566
Monica K. Musonda	593	-	-	-	-	-	593
Executive							
Peter Correia	-	3,204	1,826	1,009	673	813	7,525
Total	1,159	3,204	1,826	1,009	673	813	8,684
Compensation of directors for the year ended 31 December 2016							
Non-Executive							
Jito Kayumba	290	-	-	-	-	-	290
Monica K. Musonda	475	-	-	-	-	-	475
George Sokota*	818	-	-	-	-	-	818
Dipak Patel*	708	-	-	-	-	-	708
Executive							
Peter Correia	-	3,336	2,133	1,026	685	858	8,038
Total	2,291	3,336	2,133	1,026	685	858	10,329

* Resigned as a Director of the Board

(i) Bonus for the year 2017 is on accrual basis/provisional figure. Actual may differ at the time of annual performance review.

28. DIVIDENDS PROPOSED AND PAID

Particulars	2017 K'000	2016 K'000
At 1 January	673	5,132
Dividends declared	416,000	104,000
Dividends paid	(416,673)	(108,459)
At 31 December	-	673
Proposed for approval at the Annual General Meeting		
Proposed dividends for 2017: K4.00 (2016: K4.00) per share	416,000	416,000

29. FAIR VALUE AND FINANCIAL ASSETS AND LIABILITIES

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.

Particulars	Carrying Amount		Fair Value	
	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Financial assets				
Assets carried at fair value through profit or loss				
Derivatives - not designated as hedging instruments				
- Currency swaps, forward and option contracts	2,467	917	2,467	917
- Interest rate swaps	-	-	-	-
- Embedded derivatives	-	-	-	-
Assets carried at amortised cost				
Fixed deposits with banks	-	-	-	-
Cash and bank balances	2,591	146,057	2,591	146,057
Trade and other receivables	124,958	185,496	124,958	185,496
Amounts due from related parties	137,577	126,981	137,577	126,981
Other financial assets	1,728	191	1,728	191
Total	269,321	459,642	269,321	459,642

Particulars	Carrying Amount		Fair Value	
	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Financial Liabilities				
Liabilities carried at fair value through profit or loss				
Derivatives - not designated as hedging instruments				
- Currency swaps, forward and option contracts	(3,237)	(1,125)	(3,237)	(1,125)
- Interest rate swaps	-	-	-	-
- Embedded derivatives	(1,506)	(256)	(1,506)	(256)
Liabilities carried at amortised cost				
Borrowings- floating rate	(231,636)	(1,061)	(231,636)	(1,061)
Borrowings- fixed rate	-	-	-	-
Trade & other payables	(1,207,260)	(1,458,618)	(1,207,260)	(1,458,618)
Amounts due to related parties	(16,694)	(79,980)	(16,694)	(79,980)
Other financial liabilities	(8,615)	(7,804)	(8,615)	(7,804)
Total	(1,468,948)	(1,548,844)	(1,468,948)	(1,548,844)

29. FAIR VALUE AND FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(A) Assets/Liabilities measured at fair value

As of 31 December 2017			
Particulars	Level 1	Level 2	Level 3
Financial assets			
Derivatives - not designated as hedging instruments			
- Currency swaps, forward and option contracts		2,467	
- Interest rate swaps		-	
- Embedded derivatives		-	
Financial liabilities			
Derivatives - not designated as hedging instruments			
- Currency swaps, forward and option contracts		(3,237)	
- Interest rate swaps		-	
- Embedded derivatives		(1,506)	
As of 31 December 2016			
Particulars	Level 1	Level 2	Level 3
Financial assets			
Derivatives - not designated as hedging instruments			
- Currency swaps, forward and option contracts		917	
- Interest rate swaps		-	
- Embedded derivatives		-	
Financial liabilities			
Derivatives - not designated as hedging instruments			
- Currency swaps, forward and option contracts		(1,125)	
- Interest rate swaps		-	
- Embedded derivatives		(256)	

(B) Assets/Liabilities measured at fair value

Particulars	Fair value hierarchy	Valuation technique	Inputs used
Financial assets			
Derivatives - not designated as hedging instruments			
- Currency swaps, forward and option contracts	Level 2	Market valuation techniques	Forward foreign currency exchange rates, Interest rates to discount future cash flow
- Interest rate swaps	Level 2	Market valuation techniques	Prevailing/forward interest rates in market, Interest rates to discount future cash flow
- Embedded derivatives	Level 2	Discounted Cash Flow	Amount payable in future, Forward foreign currency exchange rates, Interest rates to discount future cash flow
Financial liabilities			
Derivatives - not designated as hedging instruments			
- Currency swaps, forward and option contracts	Level 2	Market valuation techniques	Forward foreign currency exchange rates, Interest rates to discount future cash flow
- Interest rate swaps	Level 2	Market valuation techniques	Prevailing/forward interest rates in market, Interest rates to discount future cash flow
- Embedded derivatives	Level 2	Discounted Cash Flow	Amount payable in future, Forward foreign currency exchange rates, Interest rates to discount future cash flow

30. EMPLOYEE BENEFIT EXPENSES

The following contributions to pensions/funds were included within the employee benefits expenses:

Particulars	2017 K'000	2016 K'000
Aon Zambia Pension Fund Administrators Limited	7,308	7,253
National Pension Scheme Authority	2,390	2,323

31. 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 7.

32. EVENTS AFTER REPORTING DATE

The following significant event occurred after the reporting date that require disclosure in the financial statements for the year ended 31 December 2017.

With respect to a contingent matter of K148.7 million on account of incorrect Input VAT claims, ZRA considered the appeal made by the company and on 9th January 2018 Zambia Revenue Authority issued a response in favour of the company.

Consequently, the ZRA formally dropped their assessments and have only charged the company a penalty totaling to K190,080, for the returns identified that were not completed in the manner prescribed by the Commissioner General.(Refer note 23)

This image shows a full page of blank white paper with horizontal red lines. The lines are evenly spaced and run across the width of the page, typical of notebook paper or a document template. There are no margins, text, or other markings present.

This image shows a single sheet of white paper with horizontal red ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins or other markings on the paper.

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