CONTENTS

KEY HIGHLIGHTS

JANUARY

01

First Car winner in the 1Bo promotion Ms. Kassandra Nene Satella receives keys to her brand new car from Director Government, Corporate Communications and CSR Mr. Joseph Kafwariman at Airtel Head Office.

FEBRUARY

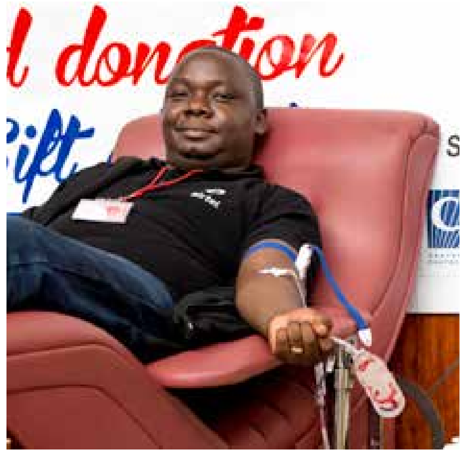
02

Airtel Director of Government Relations, Corporate Communications and CSR Mr. Joseph Kafwariman exchanges a Memorandum of Understanding with Acting British High Commissioner to Zambia Mr. Sean Melbourne. The Memorandum of Understanding is between Airtel and British Council under the Connecting Classrooms project where a total of 15 digital hubs will access free internet connectivity by the end of March 2016.

MARCH

03

Airtel staff member Mr. Joshua Sichinga donates blood to the University Teaching Hospital (UTH) Blood Bank. Thousands of lives are saved thanks to blood donated by people who, like Joshua and other Alrtel staff, take part in the blood drive.



APRIL

04

25 year old Dan Mweetwa won the grand prize of a house in the 1 bo promotion.

MAY

05

Airtel Managing Director Mr. Peter Correia and his team receiving the PMR awards which the company won. Airtel won the best first outstanding overall award based on corporate responsibility initiatives and investments; the company also scooped an outstanding first overall in Advertising Campaigns, Excellent – 1st Overall – Companies/Institutions doing most for the elderly/senior citizens and an Outstanding – 1st Overall – Telecommunications Companies

JUNE

06

Enterprise Director Mr. Muyunda Munyinda during the Intercompany relay, which Airtel took part in.

JULY

07

Airtel Managing Director Mr. Peter Correia handing over a PABX and computers to Minister of Labour Hon. Fackson Shamenda for their call centre at the Ministry of Labour.

AUGUST

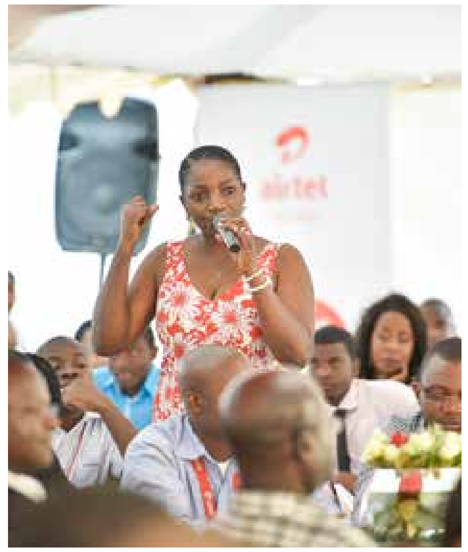
08

Pupils singing at Chilanga Basic School. This was during an event of the ongoing partnership between Airtel and British Council under the Connecting Classrooms project.

SEPTEMBER

09

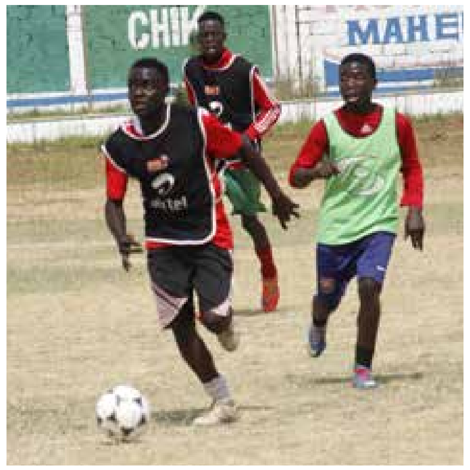
Songstress Maureen Lilanda performs during the repositioning of Airtel Money Shuwa Shuwa at Airtel Head office.



OCTOBER

10

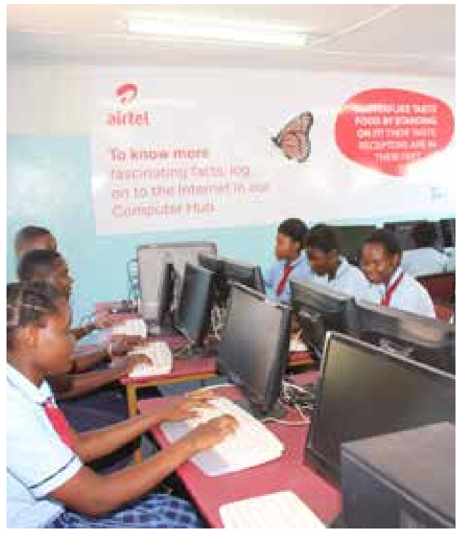
Airtel Talent Search programme is a football project that seeks to tap talent from school-going pupils from the grassroots. Provincial trials were held across the country.



NOVEMBER

11

Pupils using computers during the launch of another Digital Hub in Siavonga.



DECEMBER

12

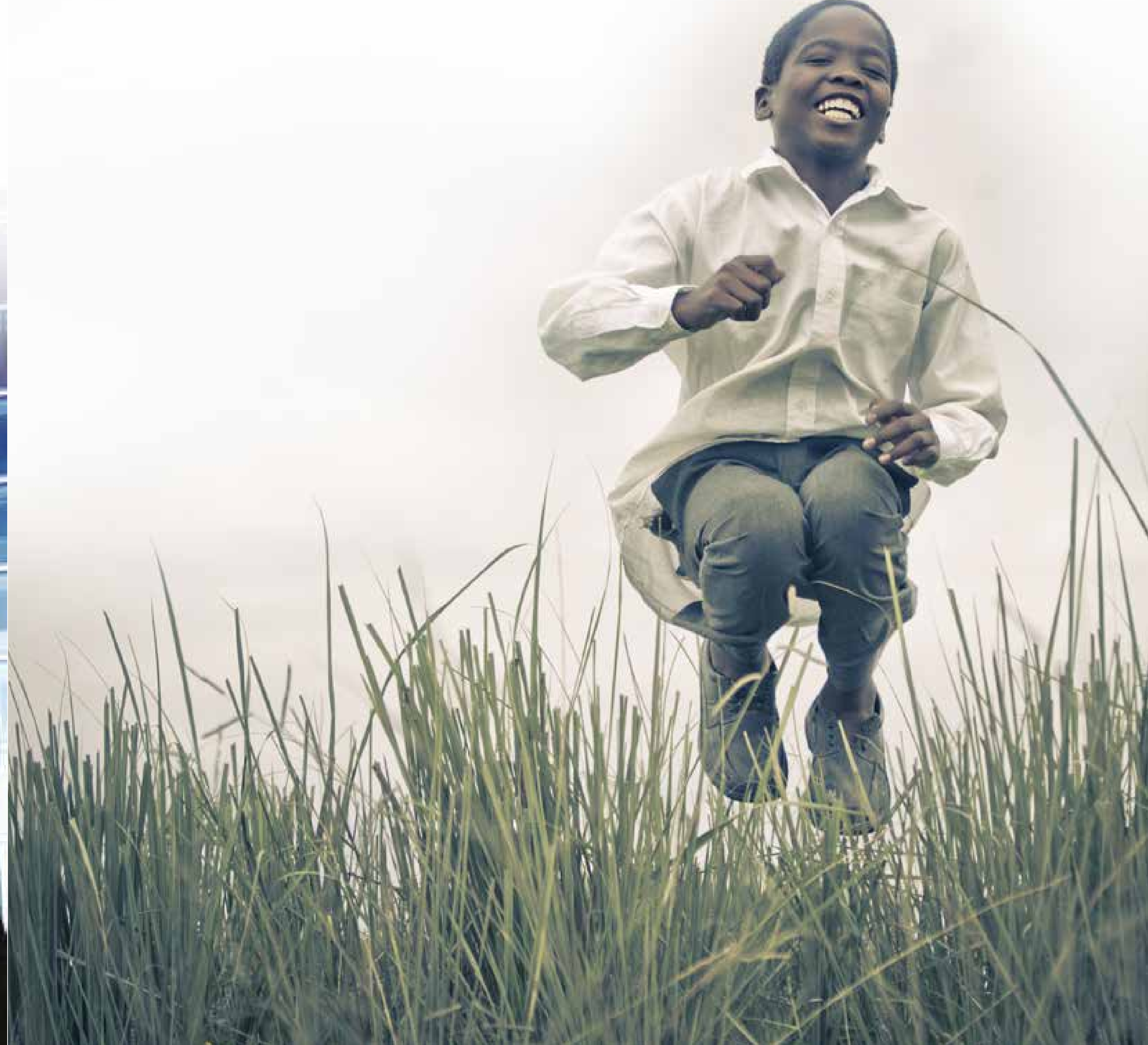
Airtel Managing Director Mr. Peter Correia donating food stuff to the Cancer Children's Ward at the University Teaching Hospital (UTH) in Lusaka.

BEFORE WE BEGIN
WE WOULD LIKE TO INTRODUCE OURSELVES

We are Airtel, and rank amongst the top 3 telecom service providers in the world in terms of subscriber numbers. We are spread across 20 countries in Africa and Asia with over 350 million subscribers; over 70 million subscribers are in Africa. 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.

Mr. George Sokota

Mr. George Sokota was a Partner with Deloitte & Touche, Zambia from 1976 and only retired on 31st May 2010. He, with the Ministry of Finance and Cabinet Office, set up for the Government in conjunction with the EEC (European Economic Community) the Zambia Centre for Accountancy Studies (ZCAS), to provide accountancy professional studies locally. He has been Chairman of ZCAS from inception.

Mr. Sokota has served as Chairman or Board Member on several national and international companies and organizations over time.

He represents Bangladesh as Honorary Consul and he was recently appointed by the Zambian Government to sit on the committee managing the Zambian Challenge Fund Account.

He is a Fellow of the Institute of Chartered Accountants in England and Wales as well as a Fellow of the Association of Certified Accountants, United Kingdom, and of the Zambia Institute of Certified Accountants.

Mr. Dipak Patel

Mr. Dipak Patel, a Zambian citizen, has been on the Board of Directors since 2007. Mr. Patel is a seasoned politician and has held several political positions including that of Member of Parliament for Lusaka Central constituency from 1996 to 2001 as an independent and from 2001 to 2006 as an MP under the opposition party FDD (Forum for Democratic Development). He has served as minister for the Ministries of Youth, Sports and Child Development; Information and Broadcasting; and Trade, Commerce and Industry.

He is a former member of the National Executive Committee of the MMD (former rulling party), and a business man with wide ranging business interests including being the Director and shareholder in Indongo Mining Limited and Panama Mining Limited. He has represented Zambia at various World Bank meetings and was the Chair Co-ordinator from 2005-2006 for the 32 least developed countries at WTO (World Trade Organisation) negotiations.

Mr. Farhad Khan

Mr. Farhad Khan is the Chief Commercial Officer Airtel Africa. He joined Airtel from the MTN Group. His previous role was at MTN South Africa, where he held the position of Chief Sales & Distribution Officer since August 2013. He joined MTN in February 2003 as General Manager – Market Segment & Strategy. In October 2005, he was appointed as the Marketing and Customer Relations Executive at MTN Iran Cell. In June 2009, he was appointed as CEO of MTN Zambia. In January 2012, he was appointed as the Executive – Enterprise Business at the MTN Group Office, before taking up his most recent role.

As Chief Commercial Officer, Farhad will leverage his deep and broad commercial experience to focus on our commercial strategy for Africa, building a strong marketing team to drive a winning consumer value proposition and reinvigorating our Go-To-Market processes.

Mr. Christophe Soulet

Mr. Christophe Soulet joined Bharti Airtel in April 2014. Prior to joining Bharti Airtel, he had founded and led BIPB Middle East, the Business Intelligence leader providing genuine dashboards and decision tools to Big Data users (Banks, Telecoms, Retails). He offered QlikView consulting, training and support to 7 of the top 10 investment banks, telecoms operators, energy companies and consumer businesses in the UAE. He was also a Partner at KAB Telecoms Consulting.

Prior to founding BIPB Middle East and KAB Telecoms Consulting, Christophe was Chief Regional Officer Africa at Millicom International Cellular (MIC), covering 7 countries. He led and executed Africa strategy, focusing on two pillars: growing non-voice revenue in already saturated markets and planning coverage expansion in less densely populated areas in which he achieved 16% non-voice revenue contribution in 2012, contributing to an Africa EBIDTA rate of 36.8%.

In 2011 Christophe was Chief Regional Officer of MIC for a cluster of 3 African countries, where he led growth strategy plans for Ghana, DRC and Chad yielding a +9.5% revenue growth year on year for all markets.

Christophe has a Masters in Business Administration and Telecommunications from ENST Bretagne, a MSc from Institute Galilee in Telecoms Engineering. He also pursued postgraduate programs with the London Business School, the IMD and the Stanford Graduate School of Business.

He has a solid track record of success leading start-ups, turnarounds and rapidly growing companies in emerging countries.

Mr. Peter Correia

Mr. Peter Correia who joined Airtel on 1st March 2015, prior to which he had been with Liquid Telecommunications Group where he had been the Managing Director for their South Africa Operations as well as the Group Director of Operations for the entire Liquid Group.

Mr. Correia, a graduate of Electronic Engineering, came into Airtel with broad telecommunications experience from several operators. He worked with Siemens Ltd South Africa as an Electrical Engineer before joining the Vodacom Group as Manager Planning and Optimization for the South African GSM business. He then joined the Department of Posts & Telecommunications - South Africa, after which he moved on to MASCOM Botswana where worked as Project Director – Network Services. Peter then worked with Econet Wireless International, first as General Manager – Network Services - Zimbabwe, then as Chief Engineer Network services and later as Group Chief Technical Officer - South Africa. In February 2001, he moved to Mozambique Cellular SARL as Chief Executive Officer and later worked with Vodacom as Chief Operating Officer and Executive Director from 2005 to 2011, before moving to Liquid Telecommunications.

He brings with him a wealth of broad and deep telecommunications experience from several operators.

DIRECTORS ATTENDANCE MATRIX

The Company has continued to comply with the highest levels of corporate governance. In the interest of accountability, fairness and transparency the Board that comprises of 5 Directors, held 3 meetings in the year as well as an Annual General Meeting on 27th May 2015. The Board has an Audit Committee which comprises of two independent directors being Mr. George Sokota and Mr. Dipak Patel. The Audit committee also held 3 meetings in the 2015 financial year at which they reviewed the Company's performance relative to financial and procedural compliance.

BOARD MEETING ATTENDANCE FOR 2015

	Name of Director	3rd March 2015	10th June 2015	11th November 2015
1.	Mr. George Sokota	√	√	√
2.	Mr. Dipak Patel	√	√	√
3.	Mr. Peter Correia	√	√	√
4.	Mr. Somasekhar Vellapakkam	√	Alternate director in attendance	Had resigned
5.	Mr. Christophe Soulet	Predecessor was in attendance	Not Director at the time	√
6.	Mr. Farhad Khan	√	√	√

AUDIT COMMITTEE ATTENDANCE

	Name of Director	3rd March 2015	10th June 2015	11th November 2015
1.	Mr. George Sokota	√	√	√
2.	Mr. Dipak Patel	√	√	√

01 ENTERPRISE BUSINESS

Enterprise Business is a division focused on addressing the communications needs of business from Small Medium Enterprises to large multi-nationals. Airtel has increased investments in this area as the demand for total enterprise solutions from customers increases, buoyed by changes in technology, bringing about the need to transmit data over secure dedicated circuits.

In early 2015, Enterprise Business started its transformation to a full-fledged Internet Service Provider (ISP) by firstly rolling out of its national MPLS network across all provincial towns with the view to offering secure links for our corporate customers. The national MPLS will be connected to our existing international MPLS network, thus enabling our corporate customers to connect with their international offices and/or partners.

Additionally, Airtel continues to provide connectivity even in areas where there is no mobile network through our partnership in provision of satellite services. Therefore the division has transformed into provision of total enterprise solutions, especially data solutions, tailored to specific customer needs. These solutions are delivered with dedicated sales and Key Account Management structures, Technical and Pre-sales teams as well as Implementation and Transmission Engineers. Most of all, Quality of Service (QoS) is delivered at pre-agreed Service Levels (SLAs) as part of the customer Value Proposition and is fully supported by quality assurance and monitoring infrastructure.

02 SO CHE COMPOSITE PRODUCT

So Che [Just like that!] is a product that has been inspired by Airtel's wish to make the customers' mobile phone experience hassle free. This is a product that allows pre-paid customers to buy value packs which include SMS, voice minutes and data bundles that suit their usage needs at very affordable prices. So Che was born out of a genuine desire to make the customer's use of our products enjoyable and affordable; we went out into the trade and got customer feedback. It became apparent that customers are concerned about bill shock and they would like to ration their resources hence they opt for pre-paid service. So Che is an attempt to give a prepaid customer a postpaid experience.

The product is accessible through USSD as well as a physical recharge voucher. For USSD; a customer dials the USSD codes *140# on which they will have an option of selecting either the All-networks, Airtel minutes Packs which have daily, weekly or monthly packs, or the So Che Night Data Pack. For recharge vouchers the customer dials *140*PIN# to recharge for a SoChe pack.

The biggest win for So Che has been meeting and exceeding customer expected value with approximately 50% penetration on the Revenue Earning Customers.

03 AIRTEL MONEY SHUWA SHUWA CAMPAIGN

Airtel Money Shuwa Shuwa is Airtel's promise to our customers that everywhere they see the Airtel Money "Shuwa Shuwa" logo they are guaranteed to find enough electronic value (E-value) and cash for our customers to either send and receive money to/from their loved ones or business affiliates respectively. During 2015, Airtel Money was repositioned as a money transfer service as opposed to a bill payment service. The campaign was complimented with a 50% discount on all withdrawal fees to entice the market to try the service and reinforce Airtel Money's price competitiveness in the Money transfer realm in the country for a period of 3 months.

Furthermore, to build this element of trust in our communication we decided to engage a brand ambassador, Mr Kenneth Maduma. He was selected because he has been a well-known man of integrity and good reputation.

Consumer insights from the market reveal that customers now understand that they can transfer money using Airtel Money and this can be shown in the increase of these transactions. More Zambian entrepreneurs are emerging as they are registering as Airtel Money Agents and contributing to the Airtel Money Agent Network countrywide.

04 DATA SERVICES

In Airtel's quest of being a, Smartphone network we provide customers with relevant products and services that compete with evolving industry trends world-wide. Below are some of the products and services Airtel provides.

1. Social bundles:
   These are social packs that provide unlimited access to social sites such as WhatsApp, Facebook and Twitter. These packs have been designed to meet the growing demand of customers using social media to keep them connected at affordable rates.

2. Data me2u:
   Data me2u allows Airtel customers to share part of their data bundle with their family and friends.

3. Buy for other:
   This service allows Airtel customers to purchase Data bundles & Social packs on behalf of other Airtel customers.

4. Interactive USSD:
   This is a service that sends notifications in form of USSD at bundle depletion to customers informing them of their data bundle depletion and offers the flexibility to purchase a data bundle or opt to browse on Pay As You Go.

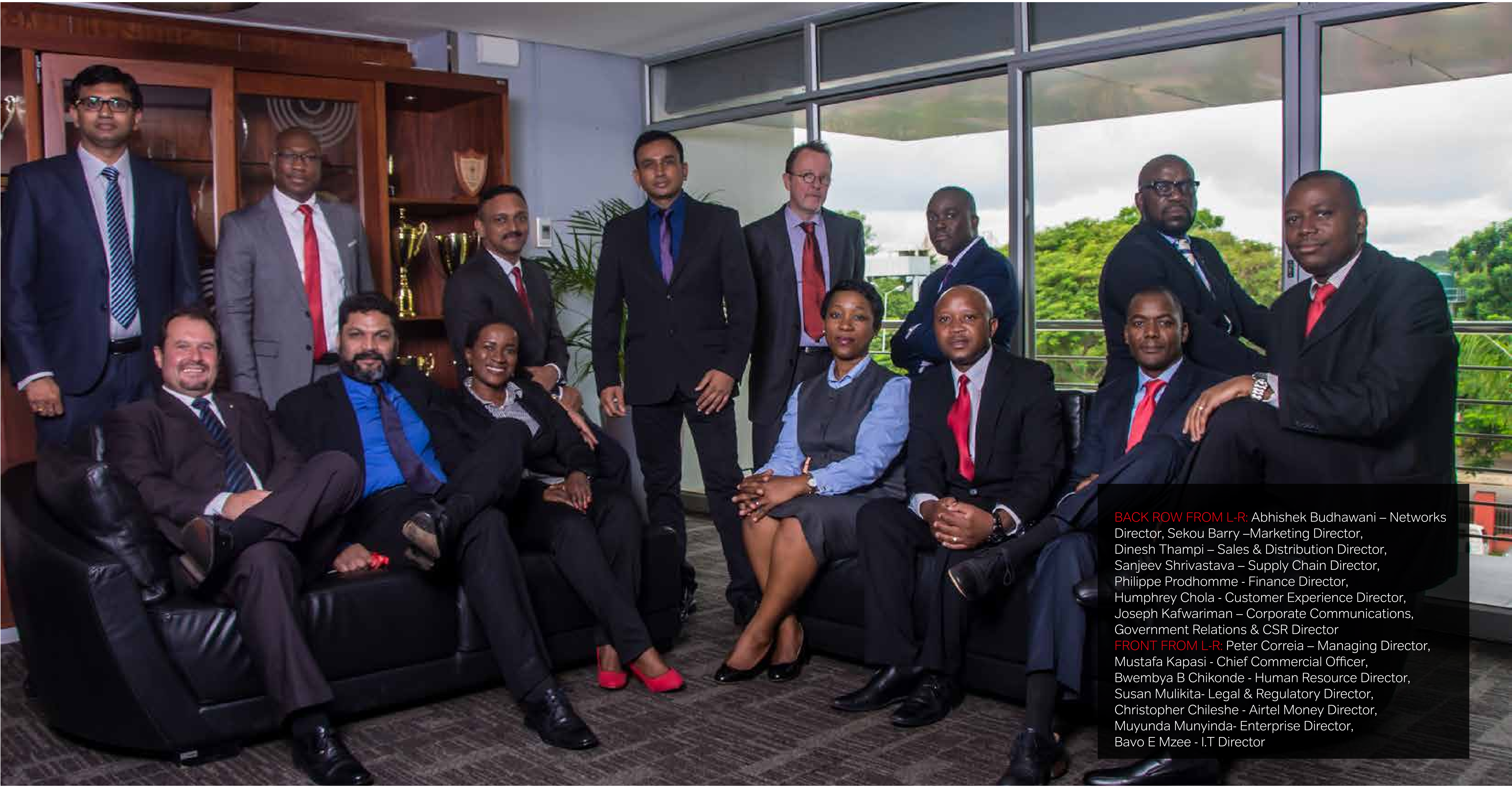
5. Vouchers – Dual and Data only:
   Airtel Zambia initiated a customer centric-product that is first in Zambia – Dual and Data Vouchers. Data only Vouchers have been specifically configured to be topped up as Data Bundles. Dual vouchers allow a customer to top up as normal talk time or as a Data Bundle starting from K10 scratch card and above.

6. Internet.org:
   Internet.org is an initiative in which Airtel has partnered with Facebook and aims at providing Free Basic Internet service to customers who cannot afford it or are in need of the internet. Airtel Zambia launched the initiative as the first world-wide. Customers can access free services such as Health, Education, Sport, Jobs and more.

7. Search with Google
   This is a free service offered on the Airtel website that allows Airtel customers to search for anything from Google right from the Airtel website.

Note: Accessing Google directly from the browser or clicking on external links is chargeable.

EXECUTIVE COMMITTEE



BACK ROW FROM L-R: Abhishek Budhawani – Networks Director, Sekou Barry –Marketing Director, Dinesh Thampi – Sales & Distribution Director, Sanjeev Shrivastava – Supply Chain Director, Philippe Prodhomme - Finance Director, Humphrey Chola - Customer Experience Director, Joseph Kafwariman – Corporate Communications, Government Relations & CSR Director
FRONT FROM L-R: Peter Correia – Managing Director, Mustafa Kapasi - Chief Commercial Officer, Bwembya B Chikonde - Human Resource Director, Susan Mulikita- Legal & Regulatory Director, Christopher Chileshe - Airtel Money Director, Muyunda Munyinda- Enterprise Director, Bavo E Mzee - I.T Director

LETTER TO SHAREHOLDERS

Zambia's economy in 2015 experienced some major setbacks due to a number of issues. By the end of December in the year under review, the inflation rate was at a record high of 21.10%. The severe electricity shortages, the drop in global copper prices to record lows and a fluctuating exchange rate did not help the business case for many companies operating in Zambia.

While the telecommunications industry generally continued to grow as more people became tech savvy, it too was not spared by the faltering currency and general downturn of the economy. Although the achieved growth was lower than anticipated, it is worth noting that it was driven mainly by ongoing consumer fixation with devices and more especially those with smartphones who are now, more than ever before, using data services more frequently. There has been strong growth in customer numbers due to product innovations and simpler and more relevant product offerings. New products have included the launch of composite bundles such as 'So Che' which have made mobile telephony more affordable to a larger section of the society.

Through our commitment to developing our network we have invested $48m dollars in the enhancement of our network for the year under review in a bid to improve the quality of service and expansion of the network.

In the year under review, our customer numbers have grown from a system subscriber base of 3.6 million in 2014, when some customer numbers were barred due to not being compliant with the new SIM card registration requirements to 4.6 million in December 2015. The company has taken some learnings from that experience and restructured the sales system which has helped to improve new customer additions, whilst being fully compliant.

Cost Management

During the year under review, the Company embarked on a Group led cost management initiative spanning across all Airtel Bharti operations dubbed 'War-on-Waste' (WoW) in the quest to manage business expenditure, improve operational efficiencies and generally improve profitability.

In Zambia this project involves a detailed review of of the business with a view to optimising costs without compromising quality of service delivery. So far we have achieved great strides by reviewing and renegotiating the dollar based Agreements and Contracts of Service with service providers. Other activities have included cutting down on customer non-value adding activities.
For nine months from April to December 2015, the 'WoW' initiative has achieved savings of K50, 287,082 against a target of K48, 930,214, a testimony of Airtel Zambia's commitment and focus on the initiative which is helping release shareholder value.

Re-organization of the Business – Sale of Zambian Towers Limited to IHS

We are glad to report that the transaction was concluded following receipt of all regulatory and shareholder approvals as required. The completion of the transaction enabled Airtel to raise funds to the value of $142.8m which has since been applied to loan repayments.

Competition

The competition environment has intensified, which was further exaggerated by the economic challenges experienced across all sectors. The effects of currency fluctuation has meant a reduction of Airtel's share of the customer's wallet both from the mobile perspective and in consideration of other equally pressing financial needs affecting customers. Airtel is cognizant of the effort required in order to remain relevant in the economy and to customers. Accordingly, Airtel is committed to ensure to provide goods and services that meet the customers demand.

Financial Overview (non-consolidating Zambian Towers)

Airtel has continued with a rigorous focus on cost management and simplification of service delivery. This has resulted in forestalling heavy losses in the face of an economic downturn.

Revenues have grown from K1,608m in 2014 to K 1,924m in 2015, a 20% growth enabled by the enhanced mobile internet services and innovative data and voice bundling portfolio.

Gross profit increased from K1,373m to K1,548m during the period. The Company has been able to contain operating expenses growth to 12% despite strong pressure on the US$ denominated expenses due to Kwacha depreciation. The operating margin before depreciation and exceptional income from sale of Zambian Towers increased 15% from K399m to K451m.

Operating profit including Zambian Towers shares sale proceeds increased from K401m to K1117m before exchange adjustments that accounted for K535m negative effect on the profit and loss statement. As a result net profit increase was limited to K134m – from K69m last year to K203m in 2015.

Corporate Social Responsibility

Under our Corporate Social Responsibility plans we have embarked on the drive to change the lives of the vulnerable in our society through our various community investment programs, which are focused on women and children's health and education, youth empowerment and environmental protection. Over K2,226,290 was spent on CSR in 2015, with an additional K771,000 towards the Airtel youth soccer Talent Search initiative.

Overall 28 schools benefited from the Airtel educational programs country wide, while over seven (07) medical institutions benefited from Airtel donations to their maternity and pediatric wards. The year also saw the majority of our employees getting involved in changing lives in the communities by volunteering to participate in departmental and Zonal CSR activities by sparing thoughts and time for the needy by way of donations to the less privileged and vulnerable countrywide.

Airtel has collaborated with other co-operating partners and Government Ministries in supporting programs and priorities that impact on national development.
Airtel has received the following awards from various entities in recognition of its efforts in changing lives:

1. Green Award – Environmental Management Agency
2. Outstanding first overall award for Companies held in high esteem as good corporate citizens – PMR Africa awards
3. Outstanding first overall in Advertising Campaigns - PMR Africa awards
4. Excellent – 1st Overall – Company doing most for the elderly/senior citizens - PMR Africa awards
5. Outstanding – 1st Overall – Telecommunications Companies in Zambia- PMR Africa awards
6. Best company in Corporate Social Responsibility Community – community initiatives Bharti Change Maker Gold Award

Corporate Governance

The Company has continued to comply with the highest levels of corporate governance. In compliance to corporate governance requirements the Board of Directors held three (03) meetings in the year as well as an Annual General Meeting in May. The Audit Committee of the Board also held three (03) meetings in the year at which they reviewed the Company's performance relative to financial and procedural compliance.

Changes to the Board

There were a few changes to the Board, with Mr. Somasekhar Ganapathy, then Executive Operations Director, resigning and the vacancy being filled by Mr. Christophe Claude Gabriel Soulet the newly-appointed Executive Operations Director.

Changes to the Senior Management Team

Mr. Joel Siwale Supply Chain Director resigned and Mrs. Mumbi Mwila Human resources Director was seconded to Group. Ms. Bwembya Chikonde took over as Human Resources Director while Mr. Sanjeev Shrivastava has been appointed to act as the Supply Chain Director.

Outlook

Taking cognizance of the prevailing challenging environment we remain committed to enhancing the positive social impact of our services and products. In response to the increasing demand for data we have positioned ourselves to strengthen and expand the network in order to provide the best service to our customers.

The worst in terms of economic performance appears to be over, though the outlook still seems challenging. Nonetheless, Airtel will remain resilient and will embrace radical changes necessary to guarantee the future.

We embark on this journey with resilience, sure that we can count on our shareholders, customers, and the various key stakeholders to believe in us enough to support our objectives which, in our view, is essential for us to succeed. On behalf of the Board and Management, we thank all shareholders and members of staff of Airtel Networks Zambia PLC for their commitment and hard work, perseverance and dedication during this past year.

You all continue to be the driving force in the Company's growth.

George Sokota

CHAIRMAN

Peter Correia

MANAGING DIRECTOR

DIRECTORS' REPORT

for the year ended 31 December 2015

The directors submit their report together with the audited financial statements for the year ended 31 December 2015, which disclose the state of affairs of Airtel Networks Zambia Plc ("the Company") and its subsidiary, Zambian Towers Limited (together "the Group").

Principal activities

The principal activity of the Group is the provision of cellular radio telecommunication services. There have been no significant changes in the Group's business during the year.

In the opinion of the directors, the principal activities of the Group continue to be within the telecommunications services sector.

Results and dividend

The profit for the year of K 203.021 million (31 December 2014: K 68.637 million) has been added to retained earnings. The directors recommend the payment of a dividend of K1.00 per share for the year (2014: K 1.5 per share).

Directors

The directors who held office during the year and to the date of this report are disclosed below

Name	Role	
George Sokota	Chairman	
Charity C Lumpa	Managing Director	Resigned 28 February 2015
Peter Correia	Managing Director	Appointed 1 March 2015
Dipak Patel	Board Member	
Farhad Khan	Board Member	Appointed 3 March 2015
Somasekhar G Vellapekkam	Board Member	Resigned 31 July 2015
Christophe Soulet	Board Member	Appointed 1 August 2015

Directors have recommended payment of a dividend of K100 million (2014: K156 million).

Number of employees and remuneration

The total remuneration of employees during the year amounted to K139.595 million (2014: K115.625 million) and the average number of employees was as follows:

2015

Month	Number
January	303
February	306
March	302
April	301
May	299
June	290

Month	Number
July	289
August	284
September	282
October	303
November	300
December	288

2014

Month	Number
January	305
February	304
March	291
April	292
May	295
June	301

Month	Number
July	304
August	304
September	302
October	292
November	296
December	296

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

Gifts and donations

During the year the Group made donations of K1.647 million (2014: K1.365 million) to charitable organisations and activities.

Roaming revenue

Roaming revenue is earned from foreign telephone operators when their subscribers utilise the Airtel Networks Zambia Plc network. The Group received roaming revenue during the year amounting to K52.656 million (31 December 2014: K34.356 million).

Property and equipment

The Group purchased property and equipment amounting to K1,328.250 million (2014: K301.732 million) during the year. This includes K802 million being the lease back of assets disposed off in the sale of Zambian Towers. These assets have been leased back under a finance least. In the opinion of the directors, the carrying value of property and equipment is not less than their recoverable value.

Disposal of investment in subsidiary

In the ongoing internal reorganisation, the Group has disposed off its interest in the subsidiary Zambian Towers Limited ("the Company") and the sale was completed on 31 August 2015.

Auditors

The Group's auditors, Ernst and Young (EY), have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the annual general meeting.

By order of the Board,

Sandra Malupande
Company Secretary

March 2016

STATEMENT OF DIRECTORS' RESPONSIBILITY
for the year ended 31 December 2015

The Zambia Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and of the company standing alone as at the end of the financial year and of the Group's financial performance. It also requires the directors to ensure that the Group keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and it's subsidiary. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Zambia Companies Act of 1994. The directors are of the opinion that the financial statements present fairly the state of the financial affairs of the group and of its profit in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Nothing has come to the attention of the directors to indicate that the Group will not remain a going concern for at least twelve months from the date of this statement.

Approval of the financial statements
The financial statements of the Group were approved by the directors on …………………….. 2016 and signed on their behalf by:

George Sokota
Chairman

Peter Correia
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIRTEL NETWORKS ZAMBIA PLC

Report on the financial statements
We, Ernst and Young, have audited the financial statements of Airtel Networks Zambia plc set out on pages 25 to 61, which comprise the statement of financial position as at 31 December 2015 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

Director's responsibility for the financial statements
The group's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 1994 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Airtel Networks Zambia plc as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Zambia Companies Act, 1994.

Report on Other Legal and Regulatory Requirements
As required by the Companies Act of Zambia we report to you, based on our audit, that:

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) in our opinion proper books of accounts, other records and registers have been kept by the group, so far as appears from our examination of those books and registers; and

(c) the group's statement of financial position and profit or loss account are in agreement with the books of account.

Ernst & Young
Chartered Accountants

Henry C Nondo
Partner
Lusaka

March 2016

Practising Certificate Number: AUD/F000136

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2015

Income			
Revenue	6	1, 952, 449	1, 642, 297
Cost of sales		(374, 942)	(234, 647)
Gross profit		1, 577, 507	1, 407, 650
Distribution costs		(717, 978)	(642, 575)
Administrative expenses		(727, 840)	(558, 006)
Other operating expenses	9	-	(36, 707)
Other operating income	10	604, 989	3, 091
Operating profit		736, 678	173, 453
Finance cost	11	(573, 232)	(52, 708)
Profit before tax		163, 446	120, 745
Income tax expense	12	39, 575	(52, 108)
Profit for the year		203, 021	68, 637
Other comprehensive income		-	-
Total comprehensive income		203, 021	68, 637
Earnings per share attributable to the equity holders of the Group - basic and diluted (Kwacha per share)	23	1.95	0.66

The notes on pages 32 to 63 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

(all amounts are in thousands of kwacha unless otherwise stated)

Statement of Financial Position	Note	2015	2014
Property and equipment	13	2, 077, 343	1, 586, 648
Intangible assets	14	5, 025	5, 488
		2, 082, 368	1, 592, 136
Current assets			
Inventories	15	35, 606	5, 937
Trade and other receivables	16	456, 351	943, 991
Income Tax Receivable	12	78, 738	10, 152
Cash and cash equivalents	17	37, 115	96, 132
		607, 810	1, 056, 212
Total assets		2, 690, 178	2, 648, 348
EQUITY AND LIABILITIES			
Equity			
Share capital	22	1, 040	1, 040
Share premium	22	24, 962	24, 962
Retained earnings		332, 448	172, 178
Total equity		358, 450	198, 180
Liabilities			
Non current liabilities			
Long term borrowings	20	-	434, 220
Deferred tax liability	21	132, 004	232, 434
Provisions for other liabilities and charges	26	-	66, 696
		132, 004	733, 350
Current liabilities			
Bank overdraft	17, 18	149, 893	30, 994
Trade and other payables	19	2, 049, 831	1, 398, 472
Short term borrowings	20	-	287, 352
		2, 199, 728	1, 716, 818
Total liabilities		2, 331, 168	2, 450, 168
Total equity and liabilities		2, 690, 178	2, 648, 348

The financial statements on pages 27 to 63 were approved for issue by the Board of Directors on ……………..... 2016 and signed on its behalf by:

---------------------------------- Chairman

---------------------------- Director

The notes on pages 32 to 63 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

(all amounts are in thousands of kwacha unless otherwise stated)

Year ended 31 December 2013	Note	Share Capital	Share Premium	Retained Earnings	Equity Total
Year ended 31 December 2014					
At start of year - restated		1, 040	24, 962	753, 541	779, 543
Total comprehensive income for the year		-	-	68, 637	68, 637
Transactions with owners Dividends paid - Final dividends for 2013	28	-	-	(650, 000)	(650, 000)
At end of year		1, 040	24, 962	172, 178	198, 180
At 1 January 2015		1, 040	24, 962	172, 178	198, 180
Final dividends for 2014		-	-	(156, 000)	(156, 000)
Discontinued operations				113, 244	113, 244
Total comprehensive income for the year		-	-	203, 021	203, 021
At 31 December 2015		1, 040	24, 962	332, 448	358, 450

The notes on pages 32 to 63 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2015

(all amounts are in thousands of kwacha unless otherwise stated)

Cash flows from operating activities	Note	2015	2014
Cash generated from operations	27	820, 901	592, 230
Interest received		34, 015	1, 280
Interest paid		(51, 768)	(12, 209)
Income tax paid		(79, 727)	(119, 461)
Net cash generated from operating activities		723, 421	461, 840
Cash flows from investing activities			
Purchase of property and equipment	13	(526, 063)	(301, 732)
Proceeds from sale of investment and subsidiary	14	628, 971	-
Proceeds from disposal of property and equipment		-	6
Net cash flows used in investing activities		102, 908	(301, 726)
Cash flows from financing activities			
Borrowings received (repaid)		(721, 573)	499, 772
Finance lease movements			
Dividends paid	28	(282, 672)	(675, 237)
Net cash utilised in financing activities		(1, 004, 245)	(175, 465)
Net (decrease)/decrease in cash and cash equivalents		(177, 916)	(15, 351)
Impact of foreign exchange differences on cash and cash equivalents		-	-
Cash and cash equivalents at start of year		65, 138	80, 489
Cash and cash equivalents at end of the year	17	(112, 778)	65, 138

The notes on pages 32 to 63 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

1. General information
Airtel Networks Zambia Plc is incorporated in Zambia under the Zambia Companies Act as a public limited company, and is domiciled in Zambia. The Group is listed on the Lusaka Stock Exchange and was incorporated in 1998 as Celtel Zambia Plc. The registered address is as detailed below:

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

2. 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.

The Group changed the accounting date in the period ended 31 December 2012 from year ended 31 March in order to align with the change of the tax year end in Zambia.

(a) Basis of preparation
The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Zambia Kwacha (K), rounded to the nearest thousands.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(b) New standards and interpretations effective in 2015

Standards issued but not yet effective up to the date of issuance of the financial statements are listed below.

Improvements to existing standards

2012 – 2014 Annual improvement cycle (issued September 2014)

In September 2014, the IASB issued Annual Improvements to IFRSs 2012-2014 Cycle, which contains five amendments to four standards, excluding consequential amendments. The amendments are effective for annual periods beginning on or after 1 January 2016. Below is a list of applicable amendments.

IFRS 7 – Servicing Contracts
Paragraphs 42A - H of IFRS 7 require an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The Board was asked whether servicing contracts constitute continuing involvement for the purposes of applying these disclosure requirements. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. The Company will consider the clarification where applicable.

IFRS 7 – Applicability of the offsetting disclosures to condensed interim financial statements.
In December 2011, IFRS 7 was amended to add guidance on offsetting of financial assets and financial liabilities. In the effective date and transition for that amendment, paragraph 44R of IFRS 7 states that "An entity shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The interim disclosure standard, IAS 34, does not reflect this requirement, however, and it is not clear whether those disclosures are required in the condensed interim financial report.

IFRS 7 – Applicability of the offsetting disclosures to condensed interim financial statements continued.

The amendment removes the phrase 'and interim periods within those annual periods' from paragraph 44R, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. However, the Board noted that IAS 34 requires an entity to disclose ' an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period'. Therefore, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, the Board would expect the disclosures to be included in the entity's condensed interim financial report. The Company will consider the amendment where applicable when it becomes effective.

IAS 34 Disclosure of information 'elsewhere in the interim financial report
IAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. However, it is unclear what the Board means by 'elsewhere in the interim financial report'.

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete. The Company will consider the amendment when it becomes effective.

IFRS 5 – Changes in methods of disposal
Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5.

IFRS 5 – Changes in methods of disposal continued
The amendment must be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted. The Company will consider the amendment where applicable when it becomes effective.

2010 – 2012 Annual improvement cycle (issued December 2013)

IFRS 2 – Share based payment
The amendment defines 'performance conditions' and 'service conditions' to clarify various issues including;
- A performance condition must contain a service condition.
- A performance target must be met while the counterparty is rendering a service
- A performance target may relate to the operations or activities of an entity or those of another entity in the same group.
- A performance condition maybe a market or non market condition.
- If the counter party, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

The amendment is applicable for share based payments for which the grant date is on or after 1 July 2014 and must be applied retrospectively.
IFRS 3 – Business Combinations – Accounting for contingent consideration in a business combination
The amendment clarifies that all contingent consideration arrangements classified as liabilities or assets arising from a business combination must be subsequently measured at fairvalue through profit or loss whether or not they fall within the scope of IFRS 9(or IAS 39, as applicable).
The amendment must be applied prospectively

IFRS 8 – Operating Segment – Aggregation of

operating segments
The amendment clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8.12, including a brief description of operating segments that have been aggregated and the economic activities (e.g sales and gross margins) used to assess whether the segments are similar.

The amendment must be applied retrospectively.

IFRS 8 – Operating Segment – Reconciliation of the total of the reportable segments assets to the entity's assets
The amendment clarifies that the reconciliation of segment assets to total assets is required to disclose only if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The amendment must be applied retrospectively.

IAS 16 Property, plant and equipment and IAS 38 Intangible Assets – Revaluation Method – proportionate restatement of accumulated depreciation/amortisation
The amendment to IAS 16 and IAS 38 clarifies that the revaluation can be performed as follows;

- Adjust the gross carrying amount to the market value Or
- Determine market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value

The amendment also clarify that the accumulated depreciation/amortisation is the difference between the gross and carrying amounts of the assets

The amendment must be applied retrospectively.

IAS 24 Related Party Disclosure – Key management personnel
The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosure.
In addition, an entity that uses a management entity is required to disclose the expenses incurred for management expenses.

The amendment must be applied retrospectively.

2011 – 2013 Annual improvement cycle (issued December 2013)

IFRS 3 Business Combinations – Scope exceptions for joint ventures

- The amendment clarifies that; Joint Arrangements, not just joint ventures are outside the scope of IFRS 3
- The scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The amendment must be applied prospectively.

IFRS 13 Fair Value Measurement – Scope of paragraph 52 (portfolio exception)
The amendment clarifies that portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable)

The amendment must be applied prospectively.

IAS 40 Investment Property – Interrelationship between IFRS 3 and IAS 40 (ancillary services)
The description of ancillary services in IAs 40 differentiates between investment property and owner-occupied property (i.e property, plant and equipment). The amendment clarifies that IFRS 3, not the description of ancillary services in IAs 40, is used to determine whether the transaction is the purchase of an asset or a business combination

The amendment must be applied prospectively.

(c) New standards and interpretations not yet effective in 2015

IFRS 9 Financial Instruments

Effective for annual periods beginning on or after 1 January 2018.

Classification and measurement of financial assets
All financial assets are measured at fair value on initial recognition, adjusted for transaction costs if the instrument is not accounted for at fair value through profit or loss (FVTPL).

Debt instruments are subsequently measured at FVTPL, amortised cost or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.

There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.

Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) (without subsequent reclassification to profit or loss).

Classification and measurement of financial liabilities
For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect ofthe liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment
The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to: debt instruments accounted for at amortised cost or at FVOCI; most loan commitments; financial guarantee contracts; contract assets under IFRS 15; and lease receivables under IAS 17 Leases.

Entities are generally required to recognise either 12-months' or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognised.

Hedge accounting
Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, can be qualitative.

A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measureable.

The time value of an option, any forward element of a forward contract and any foreign currency basis spread, can be excluded from the designation as the hedging instrument and accounted for as costs of hedging.

More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

Early application is permitted for reporting periods beginning after 24 July 2014. The transition to IFRS 9 differs by requirements and is partly retrospective and partly prospective. Despite the requirement to apply IFRS 9 in its entirety, entities may elect to apply early only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard.

The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting.

Apart from the 'own credit risk' requirements, classification and measurement of financial liabilities is unchanged from existing requirements. IFRS 9 is applicable for annual periods beginning on or after 1 January 2018. The Company is still assessing the impact of the standard.

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28

Effective for annual periods beginning on or after 1 January 2016.
The amendments address issues that have

arisen in applying the investment entities exception under IFRS 10.
The amendments to IFRS 10 clarify that the exemption (in IFRS 10.4) from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The amendments to IFRS 10 and IAS 28 provide helpful clarifications that will assist preparers in applying the standards more consistently. However, it may still be difficult to identify investment entities in practice when they are part of a multi-layered group structure.

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

Effective for annual periods beginning on or after 1 January 2016.

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

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

The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

The amendments will effectively eliminate diversity in practice and give preparers a consistent set of principles to apply for such transactions. However, the application of the definition of a business is judgemental and entities need to consider thedefinition carefully in such transactions.

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11

Effective for annual periods beginning on or after 1 January 2016.

The amendments require an entity acquiring an interest in a joint operation in which the activity of the joint operation constitutes a business to apply, to the extent of its share, all of the principles in IFRS 3, and other IFRSs, that do not conflict with the requirements of IFRS 11. Furthermore, entities are required to disclose the information required in those IFRSs in relation to business combinations.

The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by the entity to the joint operation on its formation.

Furthermore, the amendments clarify that for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be remeasured if the joint operator retains joint control.

The amendments are applied prospectively. Early application is permitted and must be disclosed. The amendments to IFRS 11 increase the scope of transactions that would need to be assessed to determine whether they represent the acquisition of a business or an asset, which would be highly judgemental. Entities need to consider the definition carefully and select the appropriate accounting method based on the specific facts and circumstances of the transaction.

IFRS 14 Regulatory Deferral Accounts

Effective for annual periods beginning on or after 1 January 2016.

IFRS 14 allows an entity, whose activities are subject to rateregulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its firsttime adoption of IFRS. The standard does not apply to existing IFRS preparers. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time applicationof IFRS.

Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate regulation and the effects of that rate regulation on its financial statements.

Early application is permitted and must be disclosed.

IFRS 15 Revenue from Contracts with Customers

Effective for annual periods beginning on or after 1 January 2017.

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non- financial
assets including property, equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 will be applied using a five-step model:

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

IFRS 15 Revenue from Contracts with Customers

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences, warranties, rights of return, principal-versus agent considerations, options for additional goods or services and breakage.

IAS 1 Disclosure Initiative – Amendments to IAS 1

Effective for annual periods beginning on or after 1 January 2016.

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements.

The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in

aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.

IAS 1 Disclosure Initiative – Amendments to IAS 1

Effective for annual periods beginning on or after 1 January 2016.

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements.

The amendments clarify:
- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.

Early application is permitted and entities do not need to disclose that fact because the Board considers these amendments to be clarifications that do not affect an entity's accounting policies or accounting estimates. These amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38

Effective for annual periods beginning on or after 1 January 2016.

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

IAS 27 Equity Method in Separate Financial Statements – Amendments to IAS 27

The amendments are effective prospectively. Early application is permitted and must be disclosed. Entities currently using revenue-based amortisation methods for property, plant and equipment will need to change their current amortisation approach to an acceptable method, such as the diminishing balance method, which would recognise increased amortisation in the early part of the asset's useful life. Revenue generated may be used to amortise an intangible asset only in very limited circumstances.

Effective for annual periods beginning on or after 1 January 2016.

The amendments to IAS 27 Separate Financial Statements allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Therefore, an entity must account for these investments either:
- At cost
- In accordance with IFRS 9 (or IAS 39) Or
- Using the equity method

The entity must apply the same accounting for each category of investments.

A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first- time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

- The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The amendments eliminate a GAAP difference for countries where regulations require entities to present separate financial statements using the equity method to account for investments in subsidiaries, associates and joint ventures.

(d) Consolidation

The entity must apply the same accounting for each category of investments.

A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first- time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

Effective for annual periods beginning on or after 1 January 2016.

The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The amendments eliminate a GAAP difference for countries where regulations require entities to present separate financial statements using the equity method to account for investments in subsidiaries, associates and joint ventures.

Subsidiary
The consolidated financial statements combine the financial statements of Airtel Networks Zambia Plc and its subsidiary, Zambian Towers Limited. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis at fair value However, non-controlling interest's that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are recognised at either fair value or proportionate share of the recognised amounts of acquiree's identifiable net assets.

When the Group ceases to control a subsidiary, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss

Intra-group balances, and any unrealised income and expenses arising from intra- group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. The subsidiary follows the same accounting policies as the parent company.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Management Committee that makes strategic decisions for the Group.

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Kwacha ("K") which is the Group's functional currency.

(i) Transactions and balances

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 within 'finance income or cost'.

(g) Property and equipment

All categories of property and equipment are initially recorded at cost. GSM switching equipment is subsequently shown at market value, based on valuations by external independent valuer, less subsequent accumulated depreciation and impairment loss. All other property 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. In addition, reversals of impairment losses on revalued assets are recognized in other comprehensive income during the year.

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 of 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 Group 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 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
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.

(h) Intangibles

Separately acquired cellular and internet service provision licenses are shown at historical cost. These licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over the estimated useful life of the license.

(i) Financial assets

(i) Classification

All financial assets of the Group excluding cash and cash equivalents are classified as trade receivables. The directors determine the classification of the financial assets at initial recognition.

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

(ii) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(j) Trade receivables

Trade receivables are amounts due from customers for services provided or goods sold in the ordinary course of business. If collection is expected in one year they are a classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

(k) 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 selling expenses.

(l) 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. They are measured at amortised cost. Overdrafts are disclosed as current liabilities within borrowings

(lm) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(n) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) 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

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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

(p) 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 (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The Group leases certain property and equipment. Leases of property and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long- term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(q) Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

(r) Asset retirement obligations

Asset retirement obligations (ARO) are provided for those operating lease arrangements where the Group has a binding obligation at the end of the lease period to restore the leased premises in a condition similar to inception of lease. ARO are provided at the present value of expected costs to settle the obligation using discounted cash flows and are recognised as part of the cost of that particular asset. The initially recorded provision is capitalised against the cost of the asset. The cash flows are discounted at a current pre-tax rate that reflects the time value of money and the risks specified to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

(s) Revenue recognition

Group revenue arises from billing customers for air time usage, monthly subscription, connection fees, reconnection fees, 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 Group's activities. Revenue is shown net of value-added tax (VAT), excise duties, discount and rebates.

Revenue for access charges, airtime usage and data usage by customers is recognised as services are performed. Unbilled revenue resulting from services already provided are accrued at the end of each period and unearned revenue from services to be provided in future periods are deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

The Group recognises revenue when the amount of revenue, and the associated costs incurred or to be incurred, can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of services are recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a percentage of the total services to be provided;

(ii) Sales of goods are recognised, when the risks and rewards of ownership are transferred, in the period in which the Group any delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured

(t) Other income

Interest is recognised on a time proportion basis with reference to the principal amount receivable and the effective interest rate applicable.

(u) Employee benefits

The Group operates a defined contribution scheme for all its employees. The Group 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 Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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

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

(v) Dividend

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

(w) 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.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

3. Critical accounting estimates and judgements in applying accounting policies

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 judgements

The Group makes estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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 21.

Taxes

Uncertainties exist with respect to the interpretation of tax regulations, changes in tax laws, and the amount and timing of future taxable income.

Determination of residual values and useful lives

Judgements and estimations are used when determining the residual values and useful lives of assets on an annual basis.

ii) Critical judgments in applying the entity's accounting policies

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

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

4. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, cash flow risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The Group does not hedge any risks.

Financial risk management is carried out by the Finance Department under policies approved by the Board of Directors.

Note that the only Group disclosures for financial risk management are included in these financial statements as disclosures for the Company standing alone are not materially different.

Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from 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. This 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 2014, if the Kwacha had weakened/strengthened by 5% against the US dollar with all other variables held constant, post tax profit for the year would have been (2013: K142,891) lower/ higher, mainly as a result of US dollar denominated trade receivables, payables and borrowings.

The Group's exposure to foreign exchange risk was as follows:

		2015	2014
Cash & cash equivalents		(67, 081)	14, 989
Trade receivables		75, 507	42, 199
Trade payables		(144, 480)	(211, 344)
		(136, 054)	(154, 156)

The following significant exchange rates changes applied during the year. (Average)

		2015	2014
US $1		8. 643	6. 385

(ii) Price risk

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

(iii) Cash flow and Interest rate risk

The Group's interest bearing financial liability was the overdraft of K 146.893 million (2014: K 30.994 million) and the borrowing of K nil million (2014:K 721.572 million) which was at variable rate and on which it was therefore exposed to cash flow interest rate risk. The Group regularly monitors financing options available to ensure optimum interest rates are obtained.

At 31 December 2015, if effective interest rates on borrowings had been 2% higher/lower with all other variables held constant, post tax profit would have been K nil (2014: K 98,567) 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 Group and arises from cash equivalents and deposits with financial institutions and principally from credit exposures to customers relating to outstanding receivables.

The Group 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.

For banks and financial institutions, only reputable institutions are used.

The interconnection agreement between the Group 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 Group's maximum exposure to credit risk at 31 December 2014 is disclosed below. The above table does not include the impact of prepayments as they are not financial assets

	2015	2014
Cash and cash equivalents	78, 738	96, 132
Trade and other receivables	374, 393	529, 750
	453, 131	625, 882

Collateral is held for some of the above assets namely distributors with bank guarantees of K30.6 million and K0.9 million post-paid deposits as at 31 December 2015 (2013: K17 million bank guarantees and K nil post-paid deposits).

All 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):

	2015	2014
Past due but not impaired:		
- by up to 30 days	77, 137	442, 060
- by 31 to 90 days	47, 443	-
- by 91 days and over	249, 813	-
	374, 393	442, 060
Receivables individually determined to be impaired:		
Carrying amount before impairment	374, 393	510, 382
Provision for impairment loss	(103, 954)	(66, 305)
	270, 439	444, 077

The credit quality of financial assets that are neither past due nor impaired is rated as 'Pass' based on internal rating guidelines.
Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. 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 businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual

	Note	Less than 1 year	Between 1 & 2 years	Between 2 & 5 years	Over 5 years
At 31 December 2015:					
- Trade and other payables	16	1, 062, 662			
- Bank overdrafts	17	149, 892	-	-	-
- Borrowings	20	-	-	-	-
		Less than 1 year	Between 1 & 2 years	Between 2 & 5 years	Over 5 years
At 31 December 2014:					
- Trade and other payables	16	660, 744	-	-	-
- Bank overdrafts	17	30, 994	-	-	-
- Borrowings	20	287, 352	-	497, 508	-

undiscounted payments.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group'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 Group may limit the amount of dividends paid to shareholders, issue new shares, or manage its net debt levels.

The Group 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.

	2015	2014
Total borrowings including bank overdraft	149, 893	752, 566
Less: cash and cash equivalents	37, 115	(96, 132)
Net debt	112, 778	656, 434
Total equity	358, 450	198, 180
Total capital	471, 228	854, 614
Gearing ratio	24%	77%

The gearing ratios at 31 December 2015 and 31 December 2014 were as follows:

5. 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 6.

Roaming revenue is earned from foreign telephony operators when their subscribers utilise the Airtel Zambia network. The Group received roaming revenue amounting to K34.356 million (2013: K35.349 million) during the year.

6. Revenue

	2015	2014
Airtime revenue	1, 356, 455	1, 248, 860
Data	294, 899	179, 624
Short message services (SMS)	77, 030	107, 312
Value added services content	21, 802	31, 716
Value added services other	-	-
Handsets and Accessories	82, 929	31, 303
Other revenue	28, 782	34, 575
Roaming Revenue	52, 656	31, 529
Interconnect Revenue	208, 082	137, 814
Subscription Revenue	-	
Connection Revenue	9, 414	6, 482
Discounts	(179, 600)	(166, 918)
	1, 952, 449	1, 642, 297

7. Profit before income tax

The following items have been charged/(credited) in arriving at profit before income tax

	2015	2014
Employee benefits expense (Note 8)	139, 388	115, 625
Depreciation on property and equipment (Note 13)	376, 662	292, 321
Amortisation of intangible assets (Note 14)	464	465
Operating lease rentals	163, 348	154, 774
Write down of inventories (Note 15)	1, 131	2, 785
Receivables – provision for impairment losses Note 16)	47, 419	10, 737
Auditors' remuneration	5, 266	1, 548

8. Employee benefits expense

	2015	2014
Salaries, wages and staff related expenditure		
Retirement benefit costs	129, 224	106, 291
- Aon Zambia Pension Fund	7, 632	6, 965
Administrators Limited		
- National Pension Scheme Authority	2, 532	2, 369
	139, 388	115, 625

9. Other operating expense

Net foreign exchange losses, other than on borrowings and cash and cash equivalents	-	36, 707

10. Other operating income

Other Income	2, 573	1, 805
Interest income	-	1, 280
Profit on disposal of subsidiary	628, 972	6
Loss from the disposal off subsidiary - Excluding Exchange Differences	(26, 556)	-
	604, 989	3, 091

11. Finance costs

	2015	2014
Interest expense on borrowings	52, 637	11, 120
Asset retirement obligation unwinding of discount	-	3, 434
Other interest costs	9, 519	495
Net foreign exchange (gain)/loss on borrowings and cash equivalents	511, 076	37, 659
	573, 232	52, 708

12. Income tax expense

	2015	2014
Current income tax expense	(47, 380)	64, 723
Deferred tax credit	86, 955	(12, 615)
	39, 575	52, 108

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2015	2014
Profit before income tax	163, 446	120, 745
Tax calculated at the statutory income tax rate of 40% (2013: 40%)	65, 378	48, 298
Tax effect of:		
Expenses deductible for tax purposes	(25, 803)	-
Expenses not deductible for tax purposes	-	3, 810
Income tax (credit)/expense)	39, 575	52, 108
Current income tax movement		
At start of year	(10, 152)	53, 406
Current income tax charge	11, 408	64, 723
Non cash tax group entry	267	(8 ,820)
Payments during the year	(79, 727)	(119, 461)
At end of year	(78, 738)	(10, 152)

Income tax returns have been filed with the ZRA for the year ended 2014 and 2015. Quarterly payments for the year ended 31 December 2015 were made on the due dates during the year.

13. Property and equipment

	Buildings	Finance Lease Asset	Telecom equipment	Switching Equipment	Fixture, Fittings & office equipment	Motor vehicles	Capital work in progress	Total
Cost or valuation:								
At 1 Jan 2014	124, 457	8, 730	2, 301, 514	491, 421	331, 270	9,226	59, 117	3, 325, 735
Additions	6, 052	-	90, 644	-	22, 272	-	182, 764	301, 732
Transfers	-	-	46, 143	-	294	-	(46, 437)	-
Disposal	-	-	-	-	(140)	-	-	(140)
Adjustments	-	-	-	-	-	-	-	-
At 31 December 2014	130, 509	8, 730	2,438, 301	491, 421	353, 696	9,226	195, 444	3, 627, 327
At 1 Jan 2015	130, 509	8, 730	2, 438, 301	491, 421	353, 696	9,226	195, 444	3, 627, 327-
Additions	2, 960	-	1, 171, 258	-	82, 861	-	71, 171	1,3 28, 250
Transfers	-	(8, 730)	-	-	-	-	-	(8,730)
Disposal	(1)	-	(1, 126, 084)	-	(443)	-	(9, 534)	(1, 136, 062)
31 Dec 2015	133, 468	-	2, 483, 475	491, 421	436, 114	9,226	257, 081	3, 810, 785
Depreciation								
At 1 Jan 2014	11, 803	1, 835	1, 149, 826	284, 278	251, 551	9,143	-	1, 708, 436
Charge for period	6, 357	2, 582	211, 510	8, 631	63, 203	38	-	292, 321
Disposal	-	-	-	-	(140)	-	-	(140
Reversal of depreciation			32, 306				7, 756	40, 062
At 31 Dec 2014	18, 160	4, 417	1, 393, 642	292, 909	314, 614	9,181	7, 756	2, 040, 679
At 1 January 2015	18, 160	4, 417	1, 393, 642	292, 909	314, 614	9,181	7, 756	2, 040, 679
Charge for the year	11, 963	(4, 417)	195, 470	53, 348	70, 012	21	3, 764	330, 161
Disposals	-	-	(637, 363)	-	(34)	-	-	(637, 397)
At end of the year	30, 123	-	951, 749	346, 257	384, 592	9,202	11, 520	1, 733, 443
Net book value								
31 December 2015	103, 345	-	1, 531, 726	145, 164	51, 522	24	245, 561	2, 077, 343
31 December 2014	112, 349	4, 313	1, 044, 659	198, 512	39, 082	45	187, 688	1, 586, 648

A schedule listing of the properties as required by section 193 and the second schedule of the Zambia Companies act, 1994 is available for inspection by the members or their authorised representatives at the registered office of the group.
All passive assets have been sold to the subsidiary. No assets have been pledged as security.

14. Intangible assets

	Cellular Licence	Internet Service Provision (ISP) license ISP licence	Total
Year ended 31 December 2014			
Opening net book amount	5, 953	-	5, 953
Additions	-	-	-
Amortisation	(465)	-	(465)
Closing net book amount	5, 488	-	5, 488
At 31 December 2014			
Cost	7, 372	-	7, 372
Accumulated depreciation	(1, 884)	-	(1, 884)
Net book amount	5, 488	-	5, 488
Year ended 31 December 2015			
Opening net book amount	5, 488	-	5, 488
Additions	-	-	-
Write back of amortisation	(463)	-	(463)
Closing net book amount	5, 025	-	5, 025
At 31 December 2015	7, 372	-	7, 372
Cost	(2, 347)	-	(2, 347)
Accumulated depreciation			
Net book amount	5, 025	-	5, 025

15. Inventories

	2015	2014
Handsets	53, 556	15, 278
Less: Provision for impairment	(17, 950)	(9, 341)
	35, 606	5, 937

The cost of inventories recognised as 'cost of sales' amounted K 42.7 million (2013 to K 95.8 million). There were as inventory write down in the year of K,2.875 million (2013 : nil) . In addition, there were no reversals of inventory write downs (2013: nil)

16. Trade and other receivables

	2015	2014
Trade receivables	374, 393	529, 750
Less: Provision for impairment losses	(103, 954)	(66, 608)
Trade receivables – net	270, 439	463, 142
Prepayments	97, 892	147, 491
Receivables from related parties	60, 140	268, 329
Other receivables	27, 880	65, 029
	456, 351	943, 991

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

The movement in the provision for impairment loss is as follows:

Group	2015	2014
At start of the year	66, 305	118, 619
Additional provision	52, 428	10, 737
Exchange difference	(14, 779)	(62, 748)
At the end of the year	103, 954	66, 608

17. Cash and cash equivalents

	2015	2014
Cash at bank and in hand short term bank deposits		
maturing within 3 months	37, 115	96, 132
Bank overdrafts (Note 18)	(149, 893)	(30, 994)
Cash and cash equivalents	(112, 778)	65, 138

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 call rates. Cash at banks earns interest at floating rates based on daily bank deposit rates. Bank overdrafts are at an average interest rate of 14%.

18. Bank overdrafts

The Group has two overdraft facilities with limits of up to K40 million and $12.3 million respectively. This USD facility can be drawn both in USD and ZMW and is dependant on the prevailing exchange rate at the time of the requirement. The facilities are annual facilities subject to review. The group had drawn amounts as at the year-end of K 76.9 million and US 6.98 million (2014: K 0.6 million and US$ 4.7 million).

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

19. Trade and other payables

	2015	2014
Trade payables	1, 712, 180	372, 219
Amounts due to related parties (Note 31)	92, 741	92, 819
dividends payable	-	126, 672
Accrued expenses	140, 913	362, 578
Deferred income	109, 640	101, 267
other payables	(5, 643)	342, 917
	2, 049, 831	1,398, 472

Trade payables are non interest bearing and are normally settled on 60 day terms. For terms and conditions with related parties, refer to Note 31. 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.

20. Borrowings

	Interest Rate	Maturity	2015	2014
Current borrowings				
Short Term Portion of long term loans	Libor +1.1%	31.12.2015	-	31, 928
Citibank short term loan	Libor +1.1%	31.12.2015	-	255, 424
			-	287, 352
Non-Current Borrowings				
Standard Chartered Bank Loan	Libor +1.45%	31.12.2018	-	210, 725
Barclays Bank Loan	Libor +3.2%	31.12.2018	-	223, 495
Total Borrowings			-	434, 220
Total group borrowings			-	721, 572

The organisation rolled forward a short term loan from Citibank which is payable in a single bullet payment in December 2015. The loan was for an amount of USD 40 million with an applicable interest rate of 1 Month Libor Plus a margin of 1% per annum. The fair value of the loan approximates its fair value because of its short term nature. The business also obtained a USD 40 million 5 year facility from Barclays Bank at an Interest rate of 3 months Libor Plus of 3.2% and a USD 55 million 5 year facility from Standard Chartered Bank at an interest rate of 1 months Libor plus 1.45%. The two loans were obtained to finance operational working capital and all borrowings are unsecured.

In the year 2015 all the borrowings mentioned above were paid off by the company and as such at year end there are no more obligations towards the borrowings.

21. Deferred tax liability

The gross movement on the deferred tax account is as follows:

	2015	2014
At start of year	134, 289	146, 448
Charge to profit and loss	(2, 285)	(12, 159)
	132, 004	134, 289

The movement in deferred tax assets and liabilities during the year is as follows

Year ended 31 December 2015	1.1.2015	Charged/ (credited) to profit and loss	31.12.2015
Deferred income tax liabilities			
Property and equipment	337, 848	76, 276	261, 572
Deferred income tax assets Other temporary deductible differences	(71, 286)	(142, 451)	(213, 737)
Unrealised exchange (losses)/gain	(18, 944)	55, 605	36, 661
Taxes and losses	15, 184	62, 692	47, 508
Net deferred tax liability	232, 434	100	132, 004
Year ended 31 December 2014	1.1. 2014	Charged/ (credited) to profit and loss	31.12.2014
Deferred income tax liabilities			
Property and equipment	317, 413	20, 435	337, 848
Deferred income tax assets			
Other temporary deductible differences	(47, 383)	(23, 903)	(71, 286)
Unrealised exchange differences	(1, 150)	(17, 794)	(18, 944)
Tax losses	(23, 831)	8, 647	(15, 184)
Net deferred tax liability	**69, 169**	**(12, 159)**	**232, 434**

22. Share Capital

	Number of shares (million)	Ordinary shares	Share Premium
		K	K
Balance at 1 January 2014 and 31 December 2015	104	1, 040	24, 962
As at 31 December 2014	104	1, 040	24, 962

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

23. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year. There were no potentially dilutive shares outstanding at 31 December 2015 or 31 December 2014.

Diluted earnings per share are therefore the same as basic earnings per share.

	2015	2014
Profit attributable to the equity holders	203, 021	68, 637
Weighted average number of ordinary shares	104, 000	104, 000
Basic and diluted earning per share	1.95	0.66

24. Contingent liabilities

In the year under audit the Zambia Revenue Authority issued VAT assessments for the period 2010 – 2012 for VAT not correctly declared amounting to a liability of K50 million which was subsequently revised to K30 million after the group contested the intiail assessment. The Group has engaged tax experts to engage Zambia Revenue Authority who have advised that assessment amount is not due except for K5.9 million which has since been settled with Zambia Revenue Authority. No liability for unsettled amounts has been recognised.

In addition, the government enacted a law on Withholding tax on winnings from gaming, betting and lotteries. The group runs promotions whose winnings could potentially fall under this law. The group is reviewing all promotions to determine any potential liabilities. No liability has been recognised in respect of the potential liability as the group is of the view that it is not liable.

Further, in the year 2009 for the months of May and June the Group did not pay exercise duty to the tax authorities as they sought to offset against refund claims they were expecting from the authorities. They eventually paid the principal however due to the passage of time the amounts attracted interest which the Zambia Revenue Authority has already communicated of the amount being due amounting to K5.7million.

No liability has been recognised in respect of the matter because there is a counter claim against Zambia Revenue Authority in which a lower court ruled in favour of the group after which Zambia Revenue Authority appealed to the Supreme Court.

Lastly, the tax authorities performed an assessment for customs and exercise duty for the period 2009 to 2012 and estimated that the group is to pay outstanding taxes amounting to USD 7.1 million which the group has refuted because there is a parallel matter before the courts that has already been ruled in favour of the Group. No liability has been recognised in this respect.

25. Commitments

Capital commitments

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

	2015	2014
Property and equipment	100, 110	140, 790

Operating lease commitments

Operating lease payments represent rentals for properties where base stations are situated, which are payable by the group. Leases are negotiated for an average term of 5 years and rentals are fixed for an average of 5 years. The leases are non-cancellable

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2015	2014
Not later than 1 year	179, 814	199, 404
Later than 1 year and not later than 5 years	917, 969	797, 616
Later than 5 years	1, 767, 989	2, 193, 444
	2, 865, 499	3, 190, 464

26. Provisions

	2015	2014
Lease equalisation reserve	2, 677	5, 233
Provision for Capex creditors - ARO	-	38, 443
Provision for finance costs - ARO	-	17, 749
Other provisions	4, 589	2, 821
	7, 266	64, 246

27. Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations:

	2015	2014
Profit before income tax	163, 446	120, 745
Adjustments for:	-	-
Interest income	(34, 015)	(1, 280)
Interest expense	51, 768	12, 209
Group property and equipment	(232)	40, 062
Group Adjustments to operating expenses	-	7, 753
Non tax group entry	2, 161	8, 820
Depreciation	330, 161	292, 320
Amortisation of intangibles	463	464
Non cash item	-	(154)
Profit on sale of property and equipment	(6)	(6)
Changes in working capital:		
• trade and other receivables	487, 640	(502, 743)
• inventories	(29, 669)	3, 980
• trade and other payables	(150, 816)	601, 355
• Aro provision	-	8, 705
Cash generated from operations	820, 901	592, 230

28. Dividends paid

	2015 K'000	2014 K'000
Opening balance	126, 672	151, 909
Dividends declared	156, 000	650, 000
Dividends paid	(282, 672)	(675, 237)
Dividends payable	-	126, 672

Proposed for approval at the Annual General Meeting:

Dividends proposed for 2015: K 0.96 (2014: K1.5) per share	100, 000	156, 000

29. Related party transactions

The Group is owned by Bharti Airtel Zambia Holdings BV (BAZHBV) which has 96.4% control of the shares. The remaining 3.6% are owned by public investors through the Lusaka Stock Exchange (LuSE). The ultimate holding company of the Group is Bharti Airtel International B.V.

The following transactions were carried out with related parties:

i) Purchases of goods and services

	2015	2014
Fellow subsidiaries	62, 657	57, 682

ii) Receivables from related parties

	2015	2014
Fellow subsidiaries	60, 140	103, 586

iii) Payable to related parties

	2015	2014
Bharti Airtel International NV	-	-
Fellow subsidiaries	62, 657	92, 819
At end of period	62, 657	92, 819

Amounts due from and to related parties carry no interest, are receivable on demand and are at arms length. No provision for impairment losses have been required in 2015 and 2014 for any related party receivables.

iv) Key management compensation

Key management includes members of senior management who form the Executive Committee of the Company. The compensation paid or payable to key management for employee services is shown below:

	2015	2014
Salaries and other short-term employment benefits	40, 202	30, 302

v) Directors' remuneration

Fees for services as a director	878	1,394

30. Subsequent events

There were no material subsequent events for the year ended 31 December 2015. The directors are not aware of any other matter or circumstances since the financial year end and the date of this report, not otherwise dealt with in the financial statements, which significantly affects the financial position of the company and the results of its operations.

NOTES