touching lives

annual report and financial statements

2013

airtel

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Key Highlights

January

Launch of Wina Big promotion at Southern Sun Hotel

February

A young"Shaka" doing his thing at the N'cwala Traditional Ceremony in the Eastern Province.

March

Donation of school books to Chiboleleo Basic School in Ndola

April

Donation of computers to Lukalanya School in Mongu

Key Highlights

Key Highlights

May

Airtel Rising Stars participants posing for a photo just before the start of games in Lusaka

June

Donation of clothes and shoes to Kaza Orphanage with Sulu former Big Brother Housemate

July

Donation of computers at Kabumbu school in Mwansabombwe, Luapula Province

August

Airtel Rising Stars team celebrate after winning a match in games played in Lusaka

September

Zambia's Airtel Rising Stars emerged runners up in the Inter Country Airtel Rising Stars competition held in Nigeria

October

Launch of Zipezemo Mumahafu Promotion in Lusaka

November

Slap Dee, Zambia's local artist perfoming at the Itebete promotion launch

December

Airtel hosted a christmas party for orphans from My Fathers House orphanage

Key Highlights

Board of Directors

Mr. George Sokota

He has been a Partner with Deloitte & Touche, Zambia since 1976 and retired 31 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. In conjunction with the Ministry of Finance, he helped establish the Zambia Institute of Certified Accountants (ZICA).

He represents Bangladesh as Honorary Consul and has recently been 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. Vellapakkam Ganapathy Somasekhar

VG Somasekhar is the Executive Operations Director - Strategic Business Unit for Leadership Markets of Airtel Africa since 1st March 2014. Previously as the Managing Director for Airtel Uganda from December 2010, he led the business to a successful acquisition and integration of Airtel-Warid, the first in-country consolidation in Bharti Airtel.

Prior to joining Airtel, he was the Hub Head & Executive Senior Vice President of Reliance Communications – India, for the Telecom circles of Chennai, Tamil Nadu & Kerala. He has had pioneering experience in the mobile telecommunications sector in India since 1996. His professional work spans over 25 years in office automation and telecom industry.

He began his career with Xerox India and rose to the position of National Marketing Manager. In 11 years, he handled various responsibilities under Xerox, including launching of new technology products from Rank Xerox UK, establishing Indirect Channels and leading the implementation of quality process and training.

He joined the telecom industry in 1996, rolling out cellular mobile services with Escotel Mobile Communications as Chief Operating Officer Kerala. Some of his contributions and achievements include high mobile tele-density in Kerala and building a profitable new business from green field project stage.

VG graduated in Commerce from Madras University and attained Global Leadership training from Harvard Business School and "Telecom Management" from Thunderbird University, Arizona, in the United States. He has presented papers and talks in international and national forums on telecommunications and service industry.

Ms. Charity Chanda Lumpa

Charity Chanda Lumpa joined Airtel in May 2013 as the first female and Zambian Managing Director for Airtel Networks Zambia.

Prior to joining Airtel, she was Head Group Credit Administration at Ecobank Transitional Inc. based in Lome, Togo. Ms. Lumpa has also held various senior management positions at the Zambia National Tourist Board, Stanbic Bank, Barclays Bank Zambia and Citibank Zambia.

Ms. Lumpa' s financial institution experience in banking and business career, spans 29 years, having first worked as a Management Trainee with the Zambia State Insurance in 1984. She rose to the position of Marketing Assistant Manager before joining Citibank Zambia Limited in 1989 as the Head of Credit Administration. She later joined Barclays Bank Zambia in 1996 as the bank's first female Chief Risk Manager and deputy to the Risk Management Director. She held this position until 2000 when she was appointed the Head of Retail Performance (Southern Cluster) and was responsible for the management of all the Barclays Bank branches in the southern part of Zambia from Kabwe to Livingstone and from Mumbwa to Chipata including all the branches in Lusaka province.

Ms. Lumpa later joined Stanbic Bank where she was appointed to set up the Retail Bank in 2003 and left the bank when she was appointed Managing Director and Chief Executive Officer of the then Zambia National Tourist Board (ZNTB) in May of the same year. Ms. Lumpa obtained her Master's in Business Administration (Finance) degree in 2001, a Bachelor of Arts (Public Administration and Economics) in 1983 and a post graduate diploma in Marketing Management in 1989.

Mr. Dipak Patel

Mr. 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 interest 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. Andre Beyers

As Chief Marketing Officer, Andre is the architect of the Airtel brand strategy and says that "cellular is in his veins." His goal is to make Airtel the most loved brand in Africa by 2015 through meeting the emerging needs of customers with innovative, affordable and relevant solutions and connecting customers emotionally with the brand. Airtel is the world's fourth largest mobile communication company and is present in 20 countries with nearly 300 million active customers.

Previously Andre led Vodafone's marketing effort in South Africa for eight years, growing the brand into South Africa's best liked brand during this time. Prior to that, Andre was Managing Director of Draft FCB, South Africa's largest advertising agency group, where he played a significant part in growing such brands as Toyota and South African Airways into SA's most admired brands.

Andre studied Economics and Marketing at University of Stellenbosch in Cape Town and recently completed the Global Strategy Program at Harvard.

Chairman's Review

Dear Shareholders,

I am very delighted to report the sixth set of annual results for Airtel Networks Zambia plc since it joined the Lusaka Stock Exchange.

2013 has been an exceptionally interesting year and it has seen changes in the country as a whole and to the telecommunications industry in particular. Despite operating in an increasingly tough environment marked by fierce competition, inflationary pressure and exchange fluctuations, overall performance for the company remained strong and this is a testament of hard work by management, staff, our partners, dealers and agents.

Even with the changing operating environment, I remain very excited about the long term prospects for the industry as appetite for data grows rapidly and smartphone adoption accelerates. Non-voice revenue doubled in the year and will continue to grow in significance. This excellent performance also buoyed top line revenues allowing us to maintain our leadership in the market.

Rebasing

The currency rebasing/redenomination was perhaps one of this year's most significant economic condition change for many businesses in Zambia. With effect from 1 January 2013, the Government of Zambia redenominated the currency by the removal of three zero's (000) from the currency. In order to meet the statutory obligations related to the rebasing, the Company had to consolidate its shares while at the same time adjusting our tariffs accordingly.

I am pleased to advise that the rebasing was successfully implemented within the company without any major customer impacting incidences.

Re-organization of the Business – Zambian Towers Limited

During the course of the year the business was re-organized by the transferring of all the passive elements of its towers to Zambian Towers Limited, which is a fully owned subsidiary of Airtel Networks Zambia plc. This was approved by the minority shareholders at the Extra-Ordinary shareholders meeting held on 20th December 2013.

This is in line with global practices aimed at increasing operating efficiencies of the towers as they will now be handled by experts. We are confident that the after effects of this will provide operational development.

Know Your Customer (KYC) Regulation

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

Airtel Networks Zambia plc commenced the registration exercise on 31st August 2012 and ended on the 31st January 2014 in accordance with the Zambia Information and Communications Technology Authority Regulations (ZICTA).

Chairman's Review

It is with great pride that I announce that Airtel Networks Zambia Plc complied with the law and as at March 31st, 2014 had a registered customer base of 3,535,894 post the sim card registration deadline. We still continue to register new sim cards on the network and it is expected that the subscriber numbers will revert to the pre barring levels.

Working with the Community

As regards Corporate Social Responsibility (CSR), I am proud to say that Airtel Networks Zambia plc has continued to play a leading role in Zambia with over K5.4m having been spent on CSR alone in 2013 with about K4m going towards the Airtel Rising Stars (ARS) program.

The main sectors that were impacted were health and education, where 46 schools and over 20,000 pupils benefited under the education program and 5 medical institutions/associations with over 100 people benefiting from various levels of health support.

In the year under review, CSR was institutionalized in the workplace and this saw a significant increase in voluntary staff involvement in various projects.

Corporate Governance

The Company continued to comply with the highest levels of corporate governance and this has been complemented by a code of conduct that has been rolled out to all employees and partners. In addition to the Board that comprises 5 Directors, there is as Audit Committee comprising two independent directors being Mr. Dipak Patel and Myself. The Audit committee had a meeting in every quarter of the financial year at which they reviewed the Company performance relative to financial and procedural compliance.

Management and Staff

I am pleased to advise that the company has made three key Management changes since the last Annual General Meeting. The first of these changes was the appointment, in April 2013, of Miss Charity Chanda Lumpa as its first Zambian Chief Executive Officer. Miss Lumpa is also the first female Chief Executive Officer within the Airtel Africa Group of Companies.

Other changes saw the appointments of Mr. Alok Verma as Chief Commercial Officer in December 2013, and Mr. Manish Dashputre as the Finance Director effective April 2014.

The year also saw the following additions to the executive team:

1. Mr. Joel Siwale - Supply Chain Management Director
2. Mrs. Brenda Thole :- Airtel Money Director
3. Mr. Sudarshan Deshpande:- Network Director
4. Mr. Dinesh Thampi:- Sales and Distribution Director

On behalf of the Board, I wish to thank all members of Airtel Networks Zambia Plc staff for their hard work, perseverance and dedication during this past year. They continue to be the driving force in the company's growth. I zealously look forward to working together with them as a team in 2014 and beyond.

Outlook

One of the key challenges faced during the year has been meeting our customer expectations in respect to network performance. In this regard I am happy to confirm that the capital expenditure in 2014, of just under US$100 million will be mostly spent on Network improvement and expansion.

Looking forward, our strategy for 2014 reflects our confidence in the opportunity for growth as our customers demand innovative and relevant products and services. Data will continue to be a strong growth pillar and hence our significant investment in the network. Under pinning this strategy is our ongoing focus on providing superior customer experience at every touch point.

In conclusion, I would like to extend my deepest gratitude to our valued shareholders for their confidence and continued support in our company in the past year and hope it will extend through the next. Airtel Networks Zambia Plc exits the year in a strong position having placed strong strategies for attractive growth with improved earnings.

Here is to another successful year!

George Sokota
Chairman

Executive Committee Team

Standing from left to right: Dinesh Thampi (Sales and Distribution Director), Joel Siwale (Supply Chain Director), Manish Dashputre (Finance Director), Nawa Mataa (Company Secretary), Joseph Kafwariman (Corporate Communications, Government Relations, Corporate Social Responsibility Director), Sudarshan Deshpande (Networks Director), Raphael Maseko (IT Director), Alok Verma (Chief Commercial Officer)
Sitting from left to right: Mumbi. K. Mwila (Human Resource Director), Muyunda Munyinda (Enterprise Director), Susan Mulikita (Regulatory Director), Charity Chanda Lumpa (Managing Director), Brenda Thole (Airtel Money Director), Walid Akkaoui (Marketing Director), Beatrice Mabhena (Commercial Controller).

Managing Director's Overview

Managing Director's Overview

Ready to Seize Business Growth Oppurtunities

Overview

The telecommunications industry continued to be affected by economic factors, most notably, the weak global economy through 2012 and 2013, along the financial uncertainty in Europe. Zambia's GDP remained largely unaffected by the global economic crisis and is expected to grow at approximately 8% per annum. Telecommunications remains a key input factor for economic growth and a facilitator of socio-economic development.

Over the long term, telecommunication spending is expected to show a modest recovery driven by earnings from professional and service occupations.

To keep afloat, telecommunication companies must continue to find innovative ways to keep pace with demands for more network applications and greater bandwidth, as a large percentage of business and individuals will continue to depend on the internet for their business transactions and processes.

The telecommunications industry in Zambia attained key milestones including the access to international submarine fiber optic cables for the first time which saw significant improvements in quality and pricing for broadband services.

Even in the context of challenging economic and regulatory conditions, I remain very excited about the prospects for Airtel Networks Zambia Plc as we continue to see an increase in customer appreciation for high speed data and other qualitative technological solutions that meet both personal and business objectives.

The economy has continued to make steady progress on the back of development in copper mining, agriculture and construction sectors, with copper exports being the main contributor.

Financial Review Of The Year 2013

The performance of the company continued to improve year on year despite stringent competition and regulation. Data (internet) and Value Added Services (VAS) revenue growth continued to be the key drivers and resilience in voice revenues was maintained coupled with strong cost discipline.

Managing Director's Overview

Managing Director's Overview

Overall, satisfactory progress was made in our strategic priorities as per below:

1. New Products and Services: We continued to lead the market with innovative products and services such as 5X, Ichongedwe and the Go-For-It Youth campaign.
2. We have committed close to $150m capital expenditure to improve our network coverage, capacity and quality of service across the country. This will see continued market leadership in coverage i.e. geographic footprint as well as 3G coverage.
3. Although the business revenues were challenged in the financial year due to competitive pressure on voice services and growing multi-SIM practices, we continued to lead the market.
4. EBITDA grew significantly on account of incremental revenue generation and efficient cost optimization.
5. Data revenue grew exponentially while Value Added Services (VAS) significantly contributed to the revenues, reflecting the business efforts in diversifying revenue generation.
6. Shareholder value was strengthened and ultimately a dividend is to be declared.

Customers and Product Offering

SIM card Registrations

The Zambia Information Communication Technology Authority (ZICTA) mandated SIM card registration exercise successfully concluded at the end of January 2014 with the company achieving 93% registrations of the revenue generating customers.

New Products

Airtel Networks Zambia Plc continued to lead the market with innovative products and services such as:

- Airtel life assurance: A product that gives life insurance cover to Airtel subscribers simply by topping up.
- Sliliza Express: An improved version of Siliza (Airtel Credit Services) which allows customers to automatically top up
- Blessing Connection: A Christian portal which provides Christian quotes, biblical material and gospel downloads

Network

With our commitment to provide high quality service and good customer experience, the initial network improvement had commenced from May 2013 and additional major investment has been planned from April 2014.

Capacity upgrades are to be rolled out in order to stabilize 2G voice and data quality.

Capacity expansion for 3G data and second carriers will be implemented in 104 sites even as infrastructure refurbishment and upgrade for all critical and back-bone sites continue to be a key focus to assure quality of service.

Zambian Towers Limited Transition

In January 2014, Airtel Networks Zambia Plc transferred the passive elements of the towers to Zambian Towers Limited which is the company's wholly owned subsidiary.

Airtel Networks Zambia Plc Additional Capital Share Floatation on LuSE

The company commenced the process to sell down to 90% of its shareholding. This will see the shares held by Zambians increase to 10%.

Corporate Social Responsibility (CSR)

Airtel continued to play a leading role in CSR initiatives in Zambia and contributed over K5.4m invested in support of our people and communities.

The activities continued to focus on education, sport (Airtel Rising Stars) and health. We continued with our flagship adoption of schools across the country, providing not only infrastructure support but also computers and allied technologies to aid technological development of pupils.

Prospects for 2014

The new financial year is expected to be characterized by rigorous regulation, stiff competition and a tough economic environment. We are well positioned to shoulder these challenges by tapping into the growth markets of data and a differentiated enterprise business. The Company will continue to maintain its revenue and customer market share leadership in 2014 and beyond as it continues to be the network with the widest geographical footprint offering its customers a differentiated service and product offering.

Simultaneously, significant investment has been committed to improving quality and coverage by the end of December 2014. Needless to say that, investment in our network will be an on-going priority.

We are grateful to our loyal customers for their support and we wish to commit that we will ensure that we remain focused on providing them great customer experience across all our services and product portfolio.

God bless you all.

Charity Chanda Lumpa
Managing Director


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Directors' Report

for the year ended 31 December 2013

The directors submit their report together with the audited financial statements for the year ended 31 December 2013, which disclose the state of affairs of the company.

Principal activities

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

Share capital

The company has an authorised, issued and fully paid share capital of K1.040 million divided into 104 million ordinary shares of 1 Ngwee each.

Results and dividend

The profit for the year of K320.020 million (2012: K139.156 million) has been added to retained earnings. The directors recommend the payment of a dividend of K6.2 per share for the period.

Directors

The following directors who held office during the period and to the date of this report were non-executive, other than the Managing Director:

George Sokota	-	Chairman		
Charity C Lumpa	-	Managing Director	-	Appointed 1 May 2013
Dipak Patel	-	Director	-	Appointed 20 Feb 2007
Christian De Faria	-	Director	-	Appointed 1 Dec 2013
Andre Beyers	-	Director	-	Appointed 17 Dec 2013
Jayant Khosla	-	Director	-	Resigned 29 Aug 2013
Suresh Reddy	-	Executive Director	-	Appointed 30 May 2013, Resigned 30 Nov 2013
Fayaz King	-	Managing Director	-	Resigned 21 Feb 2013
Stephen Torode	-	Director	-	Resigned 29 Mar 2013

Number of employees and remuneration

The total remuneration of employees during the period amounted to K100.434 million (2012: K79.402 million).

Month	Number of employees 2013	Number of employees 2012
January	291	380
February	288	378
March	287	374
April	285	378
May	285	380
June	280	373
July	293	374
August	296	370
September	299	361
October	305	354
November	308	292
December	306	291

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

Gifts and donations

During the year the company made donations of K1.449 million (2012: K0.991 million). The donations are mostly towards corporate social responsibility.

Roaming

Roaming revenue is earned from foreign telephone operators when their subscribers utilise the Airtel Networks Zambia plc network. The company received roaming revenue amounting to K35.349 million (2012: K40.472 million) during the period.

Property and equipment

The company purchased property and equipment amounting to K303.701 million (2012: K191.785 million). In the same period, the company transferred passive equipment amounting to K0.551 million to Zambian Towers in an internal reorganisation approved at the Extraordinary General Meeting (EGM) held in December 2013. The cost of the assets was removed from the Asset code and an intercompany asset was recognised. In the opinion of the directors, the carrying value of property and equipment is the same as their recoverable value.

Auditors

The auditors, Ernst & Young, have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the annual general meeting.

Statement on corporate governance

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

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

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

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

By order of the Board

Nawa Mataa
Company Secretary

Statement of Directors' Responsibility

for the year ended 31 December 2013

Directors' responsibilities in respect of the preparation of financial statements

The Zambia Companies Act requires the directors to prepare financial statements for each financial year that present fairly the state of the financial affairs of the company as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The Directors 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 company 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 company 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 Company as indicated above were approved by the directors on 20th May, 2014 and are signed on its behalf by:

George Sokota
Chairman

Dipak Patel
Director

Independent Auditor's Report to the Members of Airtel Networks Zambia Plc

Report on the financial statements
We have audited the financial statements of Airtel Networks Zambia plc set out on pages 6 to 52, which comprise the statement of financial position as at 31 December 2013 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.

Directors' responsibility for the financial statements
The company'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 Zambia 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 2013 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.

Other reports required by the Companies Act
As part of our audit of the financial statements for the year ended 31 December 2013, we have read the directors' report for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst & Young
Chartered Accountants

Henry C Nondo
Partner

2014
Lusaka

Statement of Profit or Loss and other Comprehensive Income

for the year ended 31 December 2013

	Note	**12 months to 31 December 2013 K'000**	9 months to 31 December 2012 K'000
Revenue	6	**1,618,796**	1,262,063
Cost of sales		**(263,830)**	(228,635)
Gross profit		**1,354,966**	1,033,428
Other operating expenses	8	**(6,702)**	(878)
Distribution costs		**(472,381)**	(367,832)
Administrative expenses		**(572,300)**	(427,178)
Other operating income	9	**2,271**	247
Operating profit		**305,854**	237,787
Finance costs		**(29,527)**	(4,673)
Profit before tax	11	**276,327**	233,114
Income tax credit/(expense)	13	**43,693**	(93,958)
Profit for the year/period		**320,020**	139,156
Other comprehensive income		**-**	-
Total comprehensive income		**320,020**	139,156
Earnings per share attributable to the shareholders of the company (expressed in Kwacha per share)			
Basic and diluted	14	**3.1**	1.3

Statement of Financial Position

for the year ended 31 December 2013

	Note	2013	2012
Assets		**K'000**	K'000
Non-current assets			
Property and equipment	17	**1,055,150**	1,654,203
Intangible assets	18	**5,953**	2,143
		1,061,103	1,656,346
Current assets			
Inventories	19	**9,917**	15,224
Trade and other receivables	20	**884,088**	436,588
Cash and cash equivalents	21	**106,028**	47,819
		1,000,033	499,631
Total assets		**2,061,136**	2,155,977
Equity and liabilities			
Equity			
Share capital	15	**1,040**	1,040
Share premium	15	**24,962**	24,962
Retained earnings		**943,225**	1,144,274
Total equity		**969,227**	1,170,276
Non-current liabilities			
Finance lease liabilities	25	**5,580**	6,279
Deferred tax liability	16	**69,168**	270,782
		74,748	277,061

Statement of Financial Position

for the year ended 31 December 2013 (continued)

Current liabilities			
Bank overdraft	21/23	**25,539**	120,072
Trade and other payables	22	**716,416**	551,504
Borrowings	24	**221,800**	-
Income tax payable	13	**53,406**	37,064
		1,017,161	708,640
Total liabilities		**1,091,909**	985,701
Total equity and liabilities		**2,061,136**	2,155,977

The financial statements on pages 27 to 71 were approved for issue by the board of directors on 20th May, 2014 and signed on its behalf by:

George Sokota
Chairman

Dipak Patel
Director

Statement of Changes in Equity

for the year ended 31 December 2013

	Share capital K'000	**Share premium K 000**	Retained earnings K'000	Total K'000
At 1 April 2012	**1,040**	**24,962**	**1,213,618**	**1,239,620**
Dividends paid for 2011 (note 30)	-	-	(104,000)	(104,000)
Interim dividends paid for 2012 (note 30)	-	-	(104,500)	(104,500)
Total comprehensive income	-	-	139,156	139,156
At 31 December 2012	**1,040**	**24,962**	**1,144,274**	**1,170,276**
At 1 January 2013	1,040	24,962	1,144,274	1,170,276
Deferred tax adjustment for 2012	-	-	24,430	24,430
Final dividends for 2012	-	-	(260,000)	(260,000)
Interim dividends for 2013	-	-	(133,590)	(133,590)
Reclassified dividends	-	-	(151,909)	(151,909)
Total comprehensive income	-	-	320,020	320,020
At 31 December 2013	**1,040**	**24,962**	**943,225**	**969,227**

Statement of Cash Flows

for the year ended 31 December 2013

	Note	12 months to 31 December 2013 K 000	9 months to 31 December 2012 K 000
Cash flows from operating activities			
Cash generated from operations	28	**191,404**	545,823
Interest received	9	**357**	240
Interest paid	10	**(7,317)**	(5,854)
Income tax paid	13	**(117,771)**	(164,248)
Net cash generated from operating activities		**66,673**	375,961
Cash flows from investing activities			
Proceeds from disposal of equipment		**568,601**	470
Purchase of property and equipment	17	**(303,701)**	(191,785)
Purchase of intangible assets	18	**(3,063)**	-
Net cash flows used in investing activities		**261,837**	(191,315)
Cash flows from financing activities			
Advance on Borrowings		**221,800**	-
Finance lease		**(1,708)**	6,279
Dividends paid		**(393,590)**	(208,500)
Net cash flows used in financing activities		**(173,498)**	(202,221)
Movement in cash and cash equivalents			
Net increase/(decrease) in cash and cash equivalents		**155,012**	(17,575)
Net foreign exchange difference		**(2,270)**	
Cash and cash equivalents at beginning of period		**(72,253)**	(54,678)
Cash and cash equivalents at end of period	21	**80,489**	(72,253)

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 Company is listed on the Lusaka Stock Exchange and was incorporated in 1998 as Celtel Zambia Plc. In March 2013, there was a change of name and the address of its registered office is:

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

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 Company 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. As a result the financial statements are not comparable.

The government rebased the kwacha by removing three zeros. This became effective from 1 January 2013 and all financial statements with a year end after this date are to be prepared in rebased currency. The prior year figures have been restated in rebased form to be comparable with the current year rebased figures.

(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 company'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.

2.1 New standards and interpretations

(a) New standards and interpretations effective in 2013

Many standards or amendments became effective for the first time in the current financial year. These include IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 19 Employee Benefits (Revised 2011), IFRS 13 Fair Value Measurement, amendments to IAS 1 Presentation of Financial Statements and IFRS 12 Disclosure of Interest in Other Entities, IFRS 1 Government Loans-Amendments to IFRS 1, IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities-Amendments to IFRS 7, IAS 27 Separate Financial Statements, IAS 28 Investments in Associate and Joint Ventures, IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. Most of these standards did not have a significant impact on the Company as it does not have subsidiaries, associates, and is not party to any joint arrangements. The nature and the impact of the standards and amendments that had an impact on the financial statements of the Company are described below:

IFRS 10 Consolidated financial statements

IFRS 10 creates a new, broader definition of control than under current IAS 27 and as resulted in SIC 12 being withdrawn. IFRS 10 does not change the consolidation process; rather it changes whether an entity is consolidated by revising the definition of control.

The revised definition of control requires consideration of aspects such as de-facto control, substantive vs. protective rights, agency relationships, silo accounting and structured entities when evaluating whether or not an entity is controlled by the investor. This amendment is effective for periods beginning on or after 1 January 2013. There has been no impact on the Company's financial statements as the entity does not prepare consolidated financial statements.

IFRS 12 Disclosure of interest in other entities

The new standard applies to entities that have interest in subsidiaries, joint arrangements, associates and/ or structured entities. This amendment is effective for periods beginning on or after 1 January 2013.

The objective of the new disclosure requirements is to help the users of the financial statements understand the following:

- The effects of an entity's interest in other entities on its financial position, financial performance and cash flows.
- The nature of, and the risks associated with, the entity's interest in other entities.

IFRS 12 must be applied retrospectively in accordance with the requirements of IAS 8 for changes in accounting policy An entity may early adopt IFRS 12 before adopting IFRS 10,IFRS 11 and IAS 27 and 28.

There has been no impact on the Company's financial statements as the entity does not have interests in subsidiaries, joint arrangements, associates and/ or structured entities.

(a) New standards and interpretations effective in 2013 (continued)

Application of IFRS 13 has not materially impacted the fair value measurements of the Company, however additional disclosures where required, and are hereby provided in the individual notes relating to the assets and liabilities whose fair values were determined.

IAS 1 Presentation of Items of Other Comprehensive Income (OCI) – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at aa future point in time (e.g., net loss or gain on available for sale financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings, actuarial gains and losses on defined benefit plans). The amendments affect presentation only and had no impact on the Company's financial position or performance.

IAS 1 Clarification of the requirement for comparative information (Amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period.

The amendments clarify that the opening statement of financial position, presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes.

IAS 19 Employee Benefits (Revised)

IAS 19 (Revised) changes, amongst other things, the accounting for defined benefit plans. Some of the key applicable changes include the following:

For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in OCI when they occur. Amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognised in OCI with no subsequent recycling to profit or loss.

Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

(a) New standards and interpretations effective in 2013 (continued)

Termination benefits will be recognised at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognised under IAS 37 Liabilities.

The distinction between short-term and other long-term employee benefits will be based on expected timing of settlement rather than the employee's entitlement to the benefits.

The application of IAS 19 does not have a material impact on the results of the company as the entity does not have any defined benefit plans.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS.

IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

IFRS 1 Government loans – Amendments to IFRS 1

The IASB added an exception to the retrospective application of IFRS 9 Financial Instruments (or IAS 39 Financial Instruments: Recognition and Measurement, as applicable) and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. These amendments require first-time adopters to apply the requirements of IAS 20 prospectively to government loans existing at the date of transition to IFRS.

However, entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans.

The exception will give first-time adopters relief from retrospective measurement of government loans with a below market rate of interest. As a result of not applying IFRS 9 (or IAS 39, as applicable) and IAS 20 retrospectively, first-time adopters will not have to recognise the corresponding benefit of a below-market rate government loan as a government grant.

These amendments give first-time adopters the same relief that existing preparers of IFRS financial statements had on the first-time application of IAS 20 (as revised in May 2008) and, therefore, will reduce the cost of transition to IFRS.

The amendments may be applied earlier than the effective date, in which case, this must be disclosed. The amendment is not applicable to the Company as it does not have any government loans.

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

The amendments require an entity to disclose information about rights of set-off and related arrangements (e.g., collateral agreements). The disclosures will provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set off in accordance with IAS 32.

The amendments are applied retrospectively, in accordance with the requirements of IAS 8 for changes in accounting policy. If an entity chooses to early adopt the amendments, it also must make the disclosure required by IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7.

To extract the necessary data to prepare the new disclosures, entities may need to modify management information systems and internal controls.

IFRS 27 Separate Financial Statements (This must be discussed with IFRS 10)

IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities, which resulted in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements.

IFRS 10 must be applied using a modified retrospective approach. The entity will need to make an assessment of whether control exists at the date of initial application (i.e., the beginning of the annual reporting period in which IFRS 10 is applied for the first time). If the control assessment is the same between IFRS 10 and IAS 27/SIC-12, no retrospective application is required. However, if the control assessment under the two standards is different, retrospective adjustments have to be made. If more than one comparative period is presented, additional relief is given to require only one period to be restated.

The application of IAS 27 does not have a material impact on the results of the company as the entity does not prepare consolidated financial statements.

(a) New standards and interpretations effective in 2013 (continued)

IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. 'Control' in 'joint control' refers to the definition of 'control' in IFRS 10.

IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:

Joint operation — An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator must recognise all of its assets, liabilities, revenues and expenses, including its relative share of jointly controlled assets, liabilities, revenue and expenses.

Joint venture — An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. The option in IAS 31 to account for joint ventures as defined in IFRS 11 using proportionate consolidation has been removed.

Under these new categories, the legal form of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances.

IAS 28 has been amended to include the application of the equity method to investments in joint ventures.
The application of IAS 28 does not have a material impact on the results of the company as the entity does not account for Investments in Associates and Joint Ventures.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine.

IFRIC 20 applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine.

If the benefit from the stripping activity will be realised in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity recognises these costs as a non-current asset, only if certain criteria are met. This is referred to as the 'stripping activity asset'. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (continued)

If the benefit from the stripping activity will be realised in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity recognises these costs as a non-current asset, only if certain criteria are met. This is referred to as the 'stripping activity asset'. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset.

The interpretation is applied to production stripping costs incurred on or after the beginning of the earliest period presented. The interpretation does not require full retrospective application. Instead it provides a practical expedient for any stripping costs incurred and capitalised up to the start of the earliest period presented.

The application of IFRIC 20 does not have a material impact on the results of the company as the entity is not in the mining industry.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Repeated application of 1 & Borrowing cost.

The amendment clarifies that an entity that has stopped applying IFRS may choose to either:

(i) re-apply IFRS 1, even if the entity applied IFRS 1 in a previous reporting period, or

(ii) apply IFRS retrospectively in accordance with IAS 8 (i.e., as if it had never stopped applying IFRS) in order to resume reporting under IFRS.

Regardless of whether the entity re-applies IFRS 1 or applies IAS 8, it must disclose the reasons why it previously stopped applying IFRS and subsequently resumed reporting in accordance with IFRS.

Borrowing costs

The amendment clarifies that, upon adoption of IFRS, an entity that capitalised borrowing costs in accordance with its previous GAAP, may carry forward, without adjustment, the amount previously capitalised in its opening statement of financial position at the date of transition.

Once an entity adopts IFRS, borrowing costs are recognised in accordance with IAS 23 Borrowing Costs, including those incurred on qualifying assets under construction.

IAS 16 Property, Plant and Equipment – Classification of servicing equipment

The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

The application of IAS 16 – Classification of servicing equipment does not have a material impact on the results of the company as the entity does have servicing equipment in either property, plant and equipment or inventory

(a) New standards and interpretations effective in 2013 (continued)

IAS 32 Financial Instruments: Presentation Tax effects of distributions to holders of equity instruments

The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

IAS 34 Interim Financial Reporting: Interim financial reporting and segment information for total assets and liabilities

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments.

Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

IFRS 13 Fair Value Measurement: Short term receivables and payables

The amendment clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

The amendment is effective immediately.

IFRS 1 First-time Adoption of International Financial Reporting Standards: Meaning of 'effective IFRSs'

The amendment clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements.

The amendment is effective immediately.

(b) New standards and interpretations not yet effective in 2013

IFRS 14 Regulatory Deferral Accounts

IFRS 14 allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. Existing IFRS preparers are prohibited from applying this standard. 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 application of IFRS.

(b) New standards and interpretations not yet effective in 2013 (continued)

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.

The amendments are effective for annual period beginning on or after 1 January 2016 and the application of IFRS 14 does not have a material impact on the results of the company as the entity has not adopted such policy under its current GAAP, and as such would not be allowed to recognise them on first time application of IFRS

IAS 19 Defined Benefit Plans: Employee Contributions – Amendments to IAS 19

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit.

The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. Examples of such contributions include those that are a fixed percentage of the employee's salary, a fixed amount of contributions throughout the service period, or contributions that depend on the employee's age.

The amendments are applied retrospectively, in accordance with the requirements of IAS 8 for changes in accounting policy. Early application is permitted and must be disclosed.

The amendment becomes effective for annual periods beginning on or after 1 July 2014 and does not have a material impact on the results of the company as the entity does not have any defined benefit plans.

(b) New standards and interpretations not yet effective in 2013 (continued)

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

The amendments provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument. The amendments cover novations:

• That arise as a consequence of laws or regulations, or the introduction of laws or regulations

• Where the parties to the hedging instrument agree that one or more clearing counterparties replace the original counterparty to become the new counterparty to each of the parties

• That did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing

All of the above criteria must be met to continue hedge accounting under this exception. The amendments cover novations to central counterparties, as well as to intermediaries such as clearing members, or clients of the latter that are themselves intermediaries.

The amendments are applied retrospectively, in accordance with the requirements of IAS 8 for changes in accounting policy. However, entities that discontinued hedge accounting in the past, because of a novation that would be in the scope of the amendments, may not reinstate that previous hedging relationship. Earlier application is permitted and must be disclosed.

The amendments become effective for annual period beginning or after 1 January 2014 and is not applicable on the Company as it does not have derivatives or apply hedge accounting.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance because the entity has no intention to settle on a net basis, or to realise the asset or settle the liability simultaneously. The amendments become effective for annual periods beginning on or after 1 January 2014.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39 as well as hedge account. The standard was initially effective for annual periods beginning on or after 1 January 2013, but the effective date has subsequently been moved to 1 January 2018.

In subsequent phases, the IASB will address impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets and liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRIC 21 Levies

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain.

The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached.

This standard becomes effective for annual periods beginning on or after 1 January 2014 and will have no impact on the financial statements of the Company as it is not party to such levies.

IAS 36- Impairment of Assets (Amendment) -Disclosure requirements for the recoverable amount of impaired assets

The amendments clarify the disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarify the IASB's original intention: that the scope of these disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

These improvements are effective for annual periods beginning on or after 1 January 2014 and will have no impact of the financial statements of the Company as it does not have impaired assets measured at fair value less cost of disposal.

(b) New standards and interpretations not yet effective in 2013 (continued)

IFRS 2 Share-based Payment: Definitions of vesting conditions

Performance conditions and service condition are defined in order to clarify various issues, including the following:
- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

The amendement is 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 should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). The amendment is applied prospectively.

IFRS 8 Operating Segments: Aggregation of operating segments

The amendment clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. The amendment is applied retrospectively.

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 only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. The amendment is 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 asset may be revalued by reference to observable data on either the gross or the net carrying amount.

The amendment also clarifies that accumulated depreciation/amortisation is the difference between the gross and carrying amounts of the asset.

The amendment is applied retrospectively.

IAS 24 Related Party Disclosures: 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 disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

The amendment is applied retrospectively.

IFRS 3 Business Combinations: Scope executions 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 is applied prospectively.

IFRS 13 Fair Value Measurement: Scope of paragraph 52 (portfolio exception)

The amendment clarifies that the 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 is 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 amendments clarifies that IFRS 3, not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of assets or business combination.

The amendment is applied prospectively.

(c) Revenue recognition

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

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

The Company 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 company and when specific criteria have been met for each of the company'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 company 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 company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured;
(iii) Interest income is recognised on a time proportion basis using the effective interest method.

(d) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. In addition geographical segments operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

2. Summary of significant accounting policies (continued)

(e) Foreign currencies

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

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

(f) 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 substantially stated 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 the 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 the 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.

Funds borrowed 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.

2. Summary of significant accounting policies (continued)

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

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

Where assets are installed under operating leases on the premises of customers (commonly called Customer premise equipment -"CPE"), such assets continue to be treated as property, and equipment as the associated risks and rewards remain with the group and the management is confident of exercising control over them. These include VSAT Asset.

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
Intangible (Licences)	15

Gains and losses arising from retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement and disposal.

(g) Asset retirement obligation

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 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.

(h) Leases

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

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

For a finance lease contingent rents shall be charged as expense or income in the periods in which they are incurred.

(i) 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.

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

2. Summary of significant accounting policies (continued)

(j) Receivables

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

(k) 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.

(l) Borrowings

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

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

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

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

(m) Financial instruments

Non-derivative financial assets

The Company initially recognises loans and receivables on the date that they are originated. All other assets are recognized initially on the trade date at which the Company becomes a part to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has only non-derivative financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables, amounts due from related parties and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as` a component of cash and cash equivalents for the purpose of the statement of cash flows.

2. Summary of significant accounting policies (continued)

Impairment of financial asset

Financial assets are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of profit or loss and other comprehensive income.

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

Derecognition of financial assets

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

Non – derivative financial liabilities

The Company initially recognises financial liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Non-derivative financial liabilities comprise amounts due to related parties, trade and other payables and borrowings.

Non – derivative financial liabilities (continued)

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(n) Share capital

Issued 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.

(o) Payables

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

(p) Employee benefits

1. Retirement benefit obligations

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

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

2. Other entitlements

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

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, 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 is not recognised in the initial recognition of assets or liabilities in a transaction that is the initial recognition of goodwill or is not a business combination and" after "that" affects neither accounting nor taxable profit or loss. 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. 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.

(r) Intangible assets

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

Licences are initially measured at cost and subsequently amortised on a straightline basis over their useful lives. Intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation periods are reviewed annually and adjusted prospectively as required.

Gains or losses arising from derecognition of licences are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised. Intangible assets includes Licences and are amortised over a 15 year period.

(s) Dividends

Dividends payable to the company's shareholders are charged to equity in the period in which they are declared. Any dividend related tax is recognised in other comprehensive income or equity.

3. Critical accounting estimates and judgements

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

(i) Critical accounting estimates and assumptions

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

Receivables

Critical estimates are made by the directors in determining the recoverable amount of impaired receivables. Factors taken into consideration in making such judgements include historical trends and the number of days a debt is past its due date for payment. The carrying amount of impaired receivables is set out in Note 22.

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

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

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

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

- the classification of financial assets and leases
- determining whether assets are impaired, or not.

4. Financial risk management objectives and policies

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

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

Market risk

(i) Foreign exchange risk

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

Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies. 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 2013, if the Kwacha had weakened/strengthened by 5% against the US dollar with all other variables held constant, post tax profit for the period would have been K142.891 million (2012: K0.987 million) lower/higher, mainly as a result of US dollar denominated trade receivables, payables and borrowings. There would be no impact on equity.

4. Financial risk management objectives and policies (continued)

(i) Foreign exchange risk (continued)

Exposure to currency risk

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

	2013 K'000	2012 K'000
Cash & cash equivalents	**(24,831)**	(26,497)
Trade receivables	**51,973**	58,983
Trade payables	**(143,759)**	(254,048)
	(116,617)	(221,562)

The following significant exchange rates applied during the period:

	Average Rate 2013 K	2012 K
US$1	**5.563**	5.206

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risk

The company's interest bearing financial liability was the overdraft and the borrowing of K221.800 million which was at variable rate and on which it was therefore exposed to cash flow interest rate risk. The company regularly monitors financing options available to ensure optimum interest rates are obtained. At 31 December 2013, if effective interest rates on borrowings had been 2% higher/lower with all other variables held constant, post tax profit would have been K 146,340 (2012: K 117,080) lower/higher.

4. Financial risk management objectives and policies (continued)

Credit risk

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

The company is not significantly exposed to credit risk on the retail side since 99.5% of its customers are on the prepaid plan and majority of the distributors /dealers are primarily on cash basis, or their credit is covered by a bank guarantee.

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

The amount that best represents the company's maximum exposure to credit risk at 31 December 2013 is made up as follows:

	Note	2013 K'000	2012 K'000
Cash and cash equivalents	21	**106,028**	47,819
Trade receivables	20	**104,911**	190,271
Prepayment	20	**112,089**	213,905
Receivables from related companies	29	**563,282**	20,746
Other receivables	20	**103,806**	11,666
		990,116	484,407

Collateral is held for some of the above assets namely distributors with bank guarantees of K30.6 million and K3.255 million post-paid deposits as at 31 December 2013 (2012: K17.00 million). 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):

	2013	2012
	K'000	K'000
Past due but not impaired:		
- by up to 30 days	**32,044**	44,209
- by 31 to 90 days	**-**	11,386
- by 91 days and over	**374,700**	1,578
Total past due but not impaired	**406,744**	57,173
Receivables individually determined to be" "impaired:"		
Carrying amount before provision for""impairment loss	**223,530**	289,273
Provision for impairment loss (note 20)	**(118,619)**	(99,002)
Net carrying amount	**104,911**	190,271

4. Financial risk management objectives and policies (continued)

Liquidity risk

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

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

	Note	Less than 1 year K'000	Between 1 and 2 years K'000	Between 2 and 5 years K'000	Over 5 years K'000
At 31 December 2013:					
- Trade and other payables	22	716,416	-	-	-
- Related company payables	29	78,327	-	-	-
- Finance leases	25	-	-	5,579	-
- Bank overdrafts	21	25,539	-	-	-
- Dividend payable	22	151,909	-	-	-
- Borrowings	24	221,800	-	-	-
At 31 December 2012:					
- Trade and other payables	22	551,504			
- Related company payables	29	10,895	-	-	-
- Finance leases	25	-		6,279	-
- Bank overdrafts	21	120,072	-	-	-
- Dividend payable	22	-	-	-	-
- Borrowings	24	-	-	-	-

(i) Credit risk

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

	Note	**31 December 2013 K'000**	31 December 2012 K'000
Trade and other receivables	20	**771,999**	222,683
Cash and cash equivalents	21	**80,489**	(72,253)
		852,488	150,430

(a) Impairment losses

The aging of trade receivables at the reporting date was:

	31 December 2013 K'000 Gross amount	**31 December 2013 K'000 Impaired**	31 December 2012 K'000 Gross amount	31 December 2012 K'000 Impaired
30 days	70,727	-	154,896	5,786
60 days	28,197	-	49,030	8,477
90 days and above	124,606	118,619	85,347	84,739
	223,530	118,619	289,273	99,002

4. Financial risk management objectives and policies (continued)

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities.

31 December 2013

Financial liabilities	Total Carrying amount K'000	Within 1 yr K'000	Between 1-2 yrs K'000	Between 2-5 yrs K'000	Longer than 5 yrs K'000
Trade & other payables	486,179	486,179	-	-	-
Related company payables	78,327	78,327	-	-	-
Bank overdraft	25,539	25,539	-	-	-
	-				
Total	**590,045**	**590,045**	-	-	-

31 December 2012

Financial liabilities	Total Carrying amount K'000	Within 1 yr K'000	Between 1-2 yrs K'000	Between 2-5 yrs K'000	Longer than 5 yrs K'000
Trade & other payables	540,609	540,609	-	-	-
Related company payables	10,895	10,895	-	-	-
Bank overdraft	120,072	120,072	-	-	-
	-				
Total	**671,576**	**671,576**	-	-	-

5. Capital management

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

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

The gearing ratios at 31 December 2013 and 31 December 2012 were as follows:

	31 December 2013 K'000	31 December 2012 K'000
Total borrowings (including bank overdraft)	**247,339**	120,072
Less: cash and cash equivalents	**106,028**	47,819
Net debt	**141,311**	72,253
Total equity	**799,858**	1,170,276
Total capital	**1,047,197**	1,242,528
Gearing ratio	**13%**	6%

6. Revenue

Analysis of revenue by category:

	31 December 2013 K'000 (12 months)	31 December 2012 K'000 (9 months)
Airtime revenue	**1,158,403**	946,435
Data	**150,529**	47,567
SMS	**18,664**	36,585
Value added services content	**74,535**	59,367
Value added services other	**6,106**	33,421
Handsets and Accessories	**84,397**	72,667
Other Income	**3,083**	998
Roaming Revenue	**35,349**	40,472
Interconnect Revenue	**130,803**	104,611
Subscription Revenue	**81,227**	1,245
Connection Revenue	**9,907**	11,700
Discounts	**(134,207)**	(93,005)
	1,618,796	**1,262,063**

7. 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 geographical 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 company received roaming revenue amounting to K35.349 million (2012: K40.472 million) during the period.

8. Other operating expenses

	31 December 2013 K'000 (12 months)	31 December 2012 K'000 (9 months)
Net foreign exchange losses, other than on borrowings and cash and cash equivalents	**(6,702)**	(878)

9. Other operating income

Interest income	**357**	240
Profit on disposal of equipment	**1,914**	7
	2,271	247

10. Finance costs

	31 December 2013 K'000 (12 months)	31 December 2012 K'000 (9 months)
Interest expense on borrowings	**(7,317)**	(5,854)
Net foreign exchange gains/(loss) on borrowings and cash and cash equivalents	**(22,210)**	1,181
Net finance costs	**(29,527)**	(4,673)

11. Profit before tax

The following items have been charged in arriving at the profit before income tax:

	31 December 2013 K'000 (12 months)	31 December 2012 K'000 (9 months)
Depreciation on property and equipment (Note 17)	**340,584**	226,413
Amortisation of intangible assets (Note 18)	**747**	637
Operating lease rentals	**18,044**	26,938
Receivables – provision for impairment losses	**558**	17,540
Write down of inventories	**-**	3,651
Employee benefits expense	**100,434**	79,402
Auditors' remuneration	**2,397**	839

12. Employee benefits expense

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

	31 December 2013 K'000	31 December 2012 K'000
Aon Zambia Pension Fund Administrators Limited	**6,196**	4,405
National Pension Scheme Authority	**2,011**	1,615

13. Income tax expense

Current income tax	**134,113**	83,966
Deferred income tax (Note 16)	**(177,806)**	9,992
	(43,693)	93,958

13. Income tax expense (continued)

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

	31 December 2013 K'000	31 December 2012 K'000
Profit before income tax	**276,328**	233,114
Tax calculated at the statutory income tax rate of 40%		
	110,531	93,246
Tax effect of:		
Expenses not deductible for tax purposes	**(154,224)**	434
Foreign exchange gains/(losses) of capital nature disallowed	**-**	278
Under/(over) provision from prior period	**-**	–
	(43,693)	93,958

Current income tax movement in the statement of financial position

At the start of the year/period	**37,064**	143,091
Current income tax charge	**134,113**	83,966
over provision	**-**	(25,745)
Payments during the period	**(117,771)**	(164,248)
At the end period	**53,406**	37,064

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

Income tax returns have been filed with the ZRA for the year ended 2011 and 2012. Quarterly payments for the year ended 31 December 2013 were made on the due dates during the period.

14. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the period. There were no potentially dilutive shares outstanding at 31 December 2012 or 31 December 2013. Diluted earnings per share is therefore the same as basic earnings per share.

	31 December 2013 K'000	31 December 2012 K'000
Profit attributable to the equity holders of the company	**320,020**	139,156
Weighted average number of ordinary shares	**104,000**	104,000
Basic earnings per share (Kwacha)	**3.1**	1.3

15. Share capital

	Number of shares (million)	Ordinary shares (K'000)	Share premium (K'000)
Balance at 31 December 2013	**104**	**1,040**	**24,962**
Balance at 31 December 2012	**5,200**	1,040	24,962

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

16. Deferred tax asset/(liability)

Deferred tax liability is calculated using the enacted income tax rate of 40% (2012: 40%). The movement on the deferred tax liability account is as follows:

	31 December 2013 K'000	31 December 2012 K'000
At start of period	**270,782**	235,045
Charge to profit or loss (Note 13)	**(177,806)**	9,992
(over)/under provision from prior period	**(23,808)**	25,745
At end of period	**69,168**	270,782

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16. Deferred tax asset/(liability)

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

	1 Jan K'000	Under/(over) provision (K'000)	Charged/ (credited to Profit/Loss) (K'000)	31 December (K'000)
Year ended 31 December 2013				
Deferred income tax liabilities				
Property and equipment:	307,708	–	(165,581)	142,127
Deferred income tax assets				
Other temporary deductible differences	(37,299)	(23,808)	(10,706)	(71,813)
Unrealised exchange losses	373	-	(1,519)	(1,146)
Net deferred income tax liability	**270,782**	**(23,808)**	**(177,806)**	**69,168**
Period ended 31 December 2012				
Deferred income tax liabilities				
Property and equipment:	268,424	26,156	13,128	307,708
Deferred income tax assets				
Unrealised exchange losses	(10,145)	(415)	10,933	373
Other temporary deductible differences	(23,234)	4	(14,069)	(37,299)
Net deferred income tax liability	**235,045**	**25,745**	**9,992**	**270,782**

17. Property and equipment

	Buildings	Finance Lease Asset	Telecom equipment	Switching Equipment	Fixture, fittings & office equipment	Motor vehicles	Capital work in progress	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Cost or valuation:								
At 1 April 2012	28,937	-	2,171,157	311,662	190,685	9,226	120,838	2,832,505
Additions	-	6,393	-	-	-	-	185,392	191,785
Transfers	-	-	164,723	-	37,058	-	(201,781)	-
Disposal	-	-	-	(488)	-	-	-	(488)
Adjustment	-	-	(337,735)	-	-	-	-	-
				337,735				
31 December 2012	**28,937**	**6,393**	**1,998,145**	**648,909**	**227,743**	**9,226**	**104,449**	**3,023,802**
At 1 Jan 2013	28,937	6,393	1,998,145	648,909	227,743	9,226	104,449	3,023,802
Additions	114,800	2,337	-	-	-	-	186,563	303,701
Transfers	6,826	-	306,100	(157,488)	76,436	-	(231,875)	-
Disposal	(26,106)	-	(1,091,452)	-	(130)	-	-	(1,117,688)
Adjustment	-	-	(3,521)	-	27,221	-	(19,183)	4,517
31 December 2013	**124,457**	**8,730**	**1,209,272**	**491,421**	**331,270**	**9,226**	**39,954**	**2,214,332**
Depreciation								
At 1 April 2012	**9,259**	**-**	**710,462**	**268,075**	**146,366**	**9,048**	**-**	**1,143,210**
Charge for the period	1,078	108	188,920	10,275	25,934	98	-	226,413
Disposal	-	-	-	(24)	-	-	-	(24)
At 31 December 2012	**10,337**	**108**	**899,382**	**278,326**	**172,300**	**9,146**	**-**	**1,369,599**
Charge for the year/(adjustment)	11,928	1,727	241,729	5,952	79,251	(3)	-	340,584
Disposal	(10,462)	-	(540,539)	-	-	-	-	(551,001)
Adjustment	-	-	-	-	-	-	-	-
At 31 December 2013	11,803	1,835	600,572	284,278	251,551	9,143	-	1,159,182
Carrying amount:								
At 31 December 2013	**112,654**	**6,895**	**608,700**	**207,143**	**79,719**	**83**	**39,954**	**1,055,150**
At 31 December 2012	18,600	6,285	1,098,763	370,583	55,443	80	104,449	1,654,203

17. Property and equipment (continued)

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 company. No assets have been pledged as security.

18. Intangible assets

	Cellular License K'000	ISP K'000	Total K'000
Cost			
At 1 April 2012	4,309	125	4,434
Additions"	-	-	-
At 31 December 2012	4,309	125	4,434
Additions	3,063	-	3,063
At 31 December 2013	**7,372**	**125**	**7,497**
Amortisation			
At 1 April 2012	1,529	125	1,654
Charge for the period	637	-	637
At 31 December 2012	2,166	125	2,291
Charge for the period	(747)	-	(747)
At 31 December 2013	**1,419**	**125**	**1,544**
	-	-	-
Net book value			
At 31 December 2013	**5,953**	**-**	**5,953**
At 31 December 2012	2,143	-	2,143

19. Inventories

	31 December 2013	31 December 2012
	K'000	K'000
Merchandise held for sale	**14,913**	19,967
Less provision for obsolete stock	**(4,996)**	(4,743)
	9,917	15,224

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to K95.8 million (2012: K85.3 million). There was no inventory write down in the year ended 31 December 2013 (2012: K 3,651,000). In addition, there were no reversals of inventory (2012: nil).

20. Trade and other receivables

	K'000	K'000
Trade receivables	**223,530**	289,273
Less provision for impairment losses	**(118,619)**	(99,002)
	104,911	190,271
Prepayments	**112,089**	213,905
Receivables from related companies (Note 29)	**563,282**	20,746
Other receivables	**103,806**	11,666
	884,088	436,588

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

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

At start of year/period	**99,002**	80,219
Provision for the year/period	**558**	17,540
Exchange difference	**19,059**	1,243
At end of year/period	**118,619**	99,002

21. Cash and cash equivalents and overdrafts

	31 December 2013	31 December 2012
	K'000	K'000
Cash and cash equivalents	**106,028**	47,819
Bank overdrafts	**(25,539)**	(120,072)
	80,489	(72,253)

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.

22. Trade and other payables

	31 December 2013	31 December 2012
	K'000	K'000
Trade payables	**228,709**	93,186
Amounts due to related companies (Note 29)	**78,327**	10,895
Dividends payable	**151,909**	-
Accrued expenses	**221,516**	385,367
Deferred income	**31,090**	57,889
Other payables	**4,865**	4,167
	716,416	551,504

Trade payables are non interest bearing and are normally settled on 60 day terms. For terms and conditions with related parties, refer to Note 30. 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.

23. Bank overdraft

The company has two overdraft facilities with limits of up to K50 million and $11 million respectively. The facilities are annual facilities subject to review. The company had drawn amounts as at the period end of K nil million and US$4.6 million (2012: K42.161 million and US$8.5 million).

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

24. Borrowings

	31 December 2013 K'000	31 December 2012 K'000
Current borrowings		
Citibank short term loan	**221,800**	-

The organisation borrowed a short term loan from Citibank which is payable in a single bullet payment in December 2014. The loan was for an amount of USD 40,000 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.

25. Finance lease liabilities

Gross finance lease liabilities– minimum lease payments:	31 December 2013 K'000	31 December 2012 K'000
Not later than 1 year	**-**	-
Later that 1 year and not later than 5 years	**5,579**	6,279
Later than 5 year	**-**	-
	5,579	6,279
Future finance charges on finance leases	**-**	-
Movement on the finance lease liabilities:		
Opening balance	**6,279**	-
Additions in the year	**1,708**	6,279
Fair value adjustment	**(2,407)**	-
	5,580	6,279

26. Contingent liabilities

As disclosed in note 20, the VAT liability on interconnect revenue between Celtel (now known as Airtel Networks Zambia Plc) and Zamtel crystallized in 2009 and became payable to the ZRA in line with the agreement dated 5 February 2008. The delayed recognition and settlement of the VAT liability attracts penalties and interest from the ZRA. The directors have appealed to the Commissioner General of the ZRA to waive these penalties and interest. No liability has therefore been recognized in respect of the potential penalties and interest that the ZRA would charge based on the directors strong belief that their appeal will be successful as this case is similar to that of VAT on interconnect charges between Celtel, MTN and Cell Z in 2008 where penalties and interest charged were waived upon successful appeal. Were the ZRA to reject the appeal, the company would have to pay K10 billion. The company is party to various litigation in which it is a defendant. Having obtained legal advice, the directors are of the view that the resolution of these cases will not result in any material financial loss.

27. Commitments

Capital commitments

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

	31 December 2013	31 December 2012
	K'000	K'000
Balance as at 31 December	**26,484**	150,032

Operating lease commitments

At the statement of financial position date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 December 2013	31 December 2012
	K'000	K'000
Not later than 1 year	**14,688**	29,810
Later than 1 year and not later than 5 years	**69,779**	124,329
Later than 5 years	**178,278**	113,003
	262,745	267,142

Operating lease payments represent rentals for properties where base stations are situated, which are payable by the company. Leases are negotiated for an average term of 5 years and rentals are fixed for an average of 5 years. The lease is non cancellable as such there are no penalties.

28. Cash generated from operations

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

	31 December 2013	31 December 2012
	K'000	K'000
Profit before income tax	**276,327**	233,114
Adjustments for:		
Interest income	**(357)**	(240)
Interest expense	**7,317**	5,854
Property, plant and equipment adjustment	**(4,517)**	-
Depreciation	**340,584**	226,413
Amortisation of intangible assets	**747**	637
Fair value adjustment	**2,407**	-
Profit on sale of property and equipment		
Changes in working capital:	**(1,914)**	(6)
- trade and other receivables	**(447,500)**	7,427
- inventories	**5,307**	(10,508)
- dividend payable reclassified from retained		
earnings	**(151,909)**	-
- trade and other payables	**164,912**	83,132
Cash generated from operations	**191,404**	545,823

29. Related party transactions

The company 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 following transactions were carried out with related parties:

(i) Purchase of goods and services	**31 December 2013**	31 December 2012
	K'000	K'000
Bharti Airtel International B.V	**-**	-
Fellow subsidiaries	**27,587**	-
	27,587	-

The following balances arising from transactions carried out with related parties were outstanding at the statement of financial position date:

Notes to the Financial Statements

for the year ended 31 December 2013

29. Related party transactions (continued)

(ii) Receivable from related parties	**31 December 2013**	31 December 2012
	K'000	K'000
Fellow subsidiaries	**563,282**	20,746
(iii) Payable to related parties		
Bharti Airtel International B.V	**54,281**	(226)
Fellow subsidiaries	**24,046**	11,121
	78,327	10,895

Amounts due from and to related parties carry no interest, are receivable on demand and are at arms length.

(iv) Key management compensation		
Salaries and other short-term employment benefits	**31,189**	16,048
	31,189	16,048
(v) Directors' remuneration		
Fees for services as a director	**1,523**	794

No provisions for impairment losses have been required in 2013 and 2012 for any related party receivables.

30. Dividends proposed and paid

	31 December 2013	31 December 2012
	K'000	K'000
Dividends for 2013/2012/2011/2010: K20 per share	**545,499**	364,000
Dividends paid for 2013,2012/2011	**(393,590)**	(208,500)
Dividends payable	**151,909**	155,500

30. Dividends proposed and paid (continued)

Proposed for approval at the Annual General Meeting

	2013	2012
	K'000	K'000
Dividends for 2013: K6.25 (2012: K2.50) per share	**650,000**	260,000

31. Events after reporting date

No material events or circumstances have arisen between the accounting date and the date of this report which materially affects the financial position of Airtel Networks Zambia Plc as reflected in these financial statements.


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