Changing Lives

2014

airtel

ANNUAL REPORT AND FINANCIAL STATEMENTS

TABLE OF CONTENTS

Key Highlights 4

Board of Directors 8

Chairman's Review 10

Executive Committee 14

Managing Director's Overview 16

Directors' Report 22

Corporate Governance Statement 24

Statement of Directors' Responsibilities 25

Independent Auditor's Report To The Members Of Airtel Networks Zambia Plc 26

FINANCIAL STATEMENTS

Consolidated Statement Of Profit Or Loss And Other Comprehensive Income 28

Airtel Networks Zambia Plc Consolidated Statement Of Financial Position 29

Consolidated Statement Of Changes In Equity 30

Consolidated Statement Of Cash Flows 31

Notes to the Consolidated Financial Statements 32

KEY HIGHLIGHTS

JANUARY

Wina Big launch at Southern Sun

FEBRUARY

Airtel Media Excellence Awards launch

MARCH

Wina Big first house handover

APRIL

Donation to Kabvumbu Shelter in Linda Compound

MAY

Airtel Money donation to Zambia Motor Sports Association

JUNE

Tree planting at Chikumbi Community School in Chibombo

KEY HIGHLIGHTS
continued...

JULY
Donation to Balm Medical Centre in Kabwata

AUGUST
Donation of mattresses and painting of Mother's shelter at UTH

SEPTEMBER
Signing of the MOU with Lusaka University to provide tablets for students

OCTOBER

Bin donation to Lusaka City Council

NOVEMBER

Airtel partnership with Zambia Nation Union of Teachers

DECEMBER

Donation to Smiling Kids Zambia during a Christmas donation in Chipata

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. VG 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 the 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.

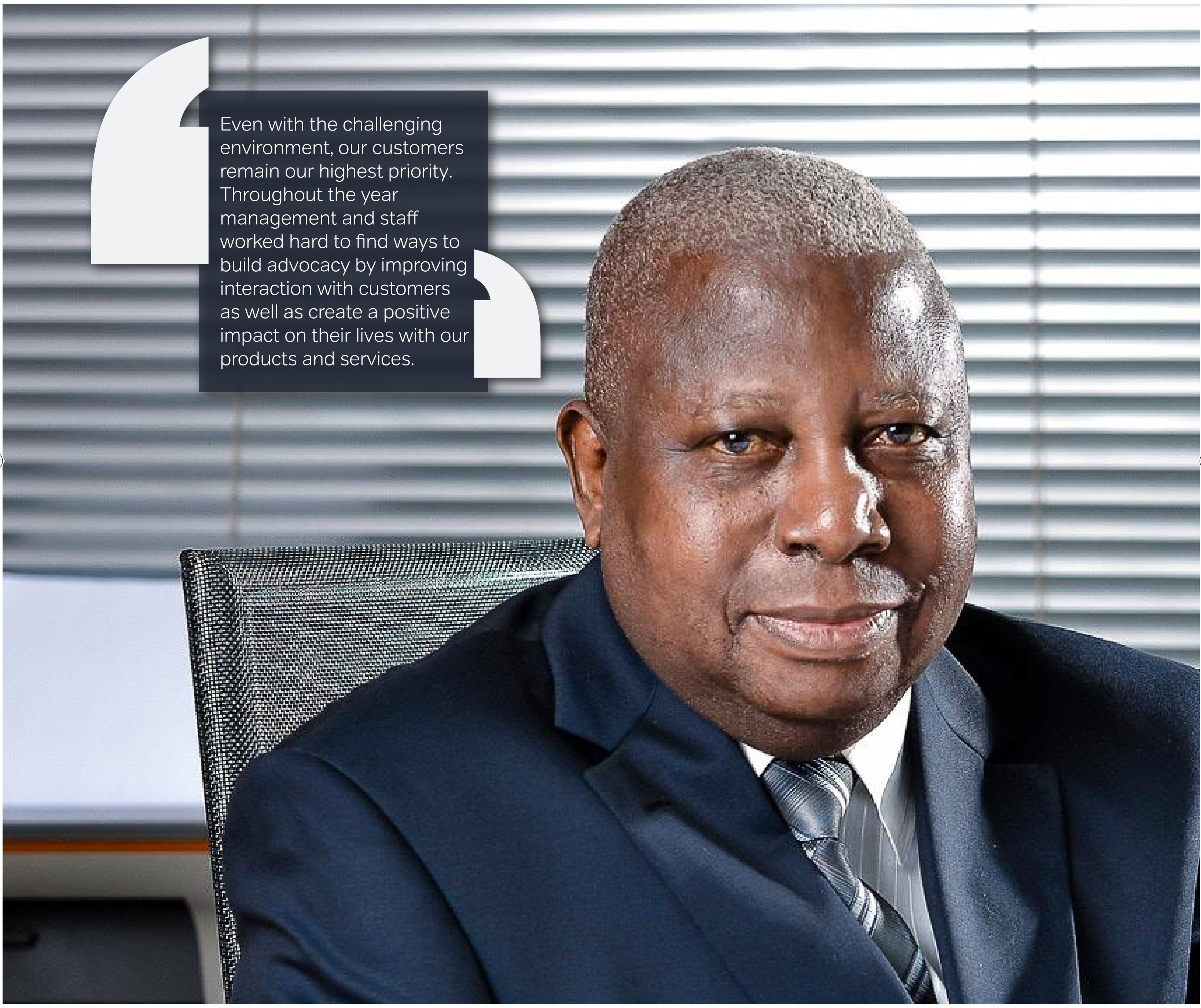
Ms. Lumpa later joined Stanbic Bank where she was appointed to set up the Retail Bank in 2003 and left the bank when she was appointed Managing Director and Chief Executive Officer of the then Zambia National Tourist Board (ZNTB) in May of the same year. Ms. Lumpa obtained her Master's in Business Administration (Finance) degree in 2001, a Bachelor of Arts (Public Administration and Economics) in 1983 and a Postgraduate 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 interests including being the Director and shareholder in Indongo Mining Limited and Panama Mining Limited. He has represented Zambia at various World Bank meetings and was the Chair Co-ordinator from 2005-2006 for the 32 least developed countries at WTO (World Trade Organisation) negotiations.

CHAIRMAN'S REVIEW



Dear Shareholders,

Iam very delighted to report the seventh set of annual results for Airtel Networks Zambia Plc. since it joined the Lusaka Stock Exchange.

2014 has been a challenging year, as the Telecommunications Industry has seen major changes in terms of how best to develop the business and how to interact with the world around us.

Even with the challenging environment, our customers remain our highest priority. Throughout the year management and staff worked hard to find ways to build advocacy by improving interaction with customers as well as the positive impact on their lives with our products and services.

Re-organization of the Business – Zambian Towers Limited

During the course of the year Airtel entered into an agreement with IHS Zambia Limited ("IHS"), in terms of which Airtel agreed the terms upon which it shall dispose of its entire equity interest in its wholly owned subsidiary, Zambian Towers Limited to IHS Zambia Limited.

This was a result of Airtel's desire to focus on activities that are core to the Company as well as improving sites availability at a lower maintenance cost. The transaction was in line with the strategic direction of the Company of hiving off tower assets to an independent company.

The transaction is still subject to the parties obtaining all regulatory and shareholder approvals as required for transactions of this nature.

Competition

This past year has been a very competitive business year as we faced many challenges and intense competition from the market.

CHAIRMAN'S REVIEW

continued...

Airtel Networks Zambia Plc is an evolving entity and is committed to keep changing in order to remain a market leader in the ever-changing telecommunications world.

Financial Overview

Looking back at the financial year, there has been a rigorous focus on cost management and simplification has delivered a satisfactory financial result.

Airtel's revenues were K1,642 million for the twelve months ended 31st December 2014 compared to K1,618 million of 2013. Net profits have dropped to K69 million compared to K158 million of 2013 restated accounts. The business has seen a slight dip in margins due to an increase in Network costs as well as selling and distribution costs. Earnings per share decreased to K0.66 per share compared to K1.52 per share in 2013.

Airtel's business performance still shows the dedication and unquestionable commitment of a talented team of employees who are led by a strong and experienced management group as well as the unflinching support from stakeholders who believe in us.

Working with the Community

I am delighted to say that Airtel has continued to play a leading role in Corporate Social Responsibility (CSR) in Zambia with over K2 million having been spent on CSR in 2014 with additional spend of about K1.8 million which went towards the Airtel Rising Stars (ARS) program.

The main sectors that were impacted were Education, Health and Environmental protection programs. Over 10 medical institutions benefited from Airtel donations of various items, while over 25 schools benefited under the education program.

In 2014 CSR was institutionalized in the workplace and this saw a significant increase in voluntary staff involvement in CSR projects including participation in the We Care – 17 Days of CSR initiative.

The Company has received recognition for its efforts under CSR having received the following awards:

- Awarded by Zambia Public Relations Association's (ZAPRA) Best Corporate Social Responsibility (CSR) Program of the year-Overall
- The 'Best Social Media Campaign of the Year' for it's Go for It youth targeted promotion
- CSR Company of the year- Second position awarded by the Zambia Federation of Employers
- The prestigious Green Award- Best Practices in Environmental protection awarded by ZEMA Zambia Environmental Management (ZEMA)

The Company also received four PMR Africa Awards:

- Outstanding -1st overall Advertising Campaigns
- Outstanding -1st overall Telecommunications company
- Outstanding -1st overall Company in good Corporate Citizenship
- 2nd Overall – Most Innovative Company

Corporate Governance

The Company has 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 the Board that comprises 5 Directors, has held 3 meetings in the year as well as an Annual General Meeting in June. The Board has an Audit Committee comprising two independent directors being Mr. Dipak Patel and Myself. The Audit committee had 3 meetings in the 2014 financial year at which they reviewed the company's performance relative to financial and procedural compliance.

Management and Staff

The Company has made a few Management changes since the last Annual General Meeting.

Since the last report we bade farewell to the Managing Director Ms. Charity Chanda Lumpa, who decided to go on early retirement after having been at the helm of Airtel Networks Zambia for almost 2 years. The Board thanks her for her contribution to the company during her tenure.

The Board welcomed the new Managing Director Mr. Peter Correia who joined us on 1st March 2015. Mr. Correia joined the Airtel Family from Liquid Telecommunications Group where he has been the Managing Director for their South Africa Operations as well as the Group Director of Operations for the entire Liquid Group. He brings with him a wealth of broad and deep telecommunications experience and knowledge from several operators.

Other changes saw the appointments of Mr. Mustafa Kapasi as Chief Commercial Officer and Mr. Philippe Prodhomme as the Finance Director.
On behalf of the Board, I wish to thank all members of Airtel Networks Zambia's Plc. staff for their continued dedication to the business during the past year. The Board recognizes the good work being done by the team and is confident that Peter is inheriting a workforce that is ready to deliver.

Outlook

We have a clear strategy and our focus for the year ahead will be to improve our customer service, investing to maintain our network advantage and investing in future capability to build a foundation for sustainable long term growth.

We have a strong management team with committed employees at all levels. Together, they continually strive towards achieving excellence in operational performance and are mindful of efficient cost management, and understand the importance of earning public confidence and customer satisfaction in running a reliable Telecommunication company.

Our strategy for 2015 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 we are investing heavily in network expansion, speed and quality. This is clearly envisaged by the 147 new 3G sites planned for roll out in 2015. By the end of the year 2015, the Company intends to have 665 3G sites throughout the country.

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 exits the year in a strong position and we have in place strong strategies for attractive growth with improved earnings.

George Sokota
Chairman

EXECUTIVE COMMITTEE

Standing from left to right: Abhishek Budhawani (Networks Director), Sekou Omar Barry (Marketing Director), Joseph Kafwariman (Corporate Communication Government Relations & CSR Director), Nawa Mataa (Legal Counsel & Company Secretary), Dinesh Thampi (Sales & Distribution Director), Humphrey C. Chola (Customer Service Director) Mustafa Kapasi (Chief Commercial Officer)
Sitting from left to right: Muyunda Munyinda (Enterprise Director), Susan Mulikita (Regulatory Director), Peter Correia (Managing Director), Brenda Thole (Airtel Money Director), Bravo Emmanuel Mzee (Information Technology Director), Mumbi. K. Mwila (Human Resource Director)

MANAGING DIRECTOR'S OVERVIEW

The Zambian economic environment remained buoyant with a 6% GDP growth in 2014, on the back of strong performance in the Infrastructure Development sector and the Telecommunications Sector continuing to register growth. The Zambian population is exposed to a very good education level and it's affinity to new technologies are driving the Telecommunication sectors' growth as one of the highest in Sub Saharan Africa, in particular for mobile internet access.

Service providers have continued expanding coverage and 3G networks in particular, with a market penetration which has remained below 70%, the Zambian Telecommunications sector still has a lot of opportunities for steady growth in the coming years.

Over the long term, telecommunication services remain vital as catalysts to the growth of the Zambian economy. Data solutions and services show a healthy trajectory and will be the main battle ground amongst the players and Airtel is well poised to dominate this area with focused deliverables to the consumer personal and corporate alike. We continue to see an increased demand for better quality and superior services by customers and are well positioned to give our customers the value desired through our robust investments for the past and the ensuing year.

Airtel Networks Zambia Plc continues to invest in the expansion of its network with the company undertaking an $80m nationwide expansion program that saw improved coverage and quality by the end of 2014. The future investment in our great network will be centered on capacity management and ensuring 3G densification thereby improving customer experience and gearing the network for data/non voice services growth.

Airtel also invested in the refurbishment of Airtel Shops across the Country with an investment of $3m. The new look and feel aimed at connecting with our customer both existing and prospective has accommodated the Premier offering for the high value customer. In addition, a total of 31 express shops spread across the country have been established in partnership with local businesses to cater for our customers who may not have easy access to the Airtel shops. Call Centre capacity has also been increased to cater for increased customer demand for service information services.

Financial review of the year 2014

Revenue

As stated in the Chairman's message, revenues grew by 1% over 2013. The market, in the year under review was extremely competitive and was highly impacted by the KYC requirements that became mandatory for all new customer acquisitions. Some customers who could not meet the KYC requirements by the regulatory deadline were, unfortunately, disconnected in compliance with regulatory requirements. The growth was mainly led by Data Revenue, at 39% over 2013. I am confident that Data Revenue will continue to lead revenue growth in 2015 as well and we have and are investing in the data network to leverage the revenue growth opportunities.

The future investment in our great network will be centered on capacity management and ensuring 3G densification thereby improving customer experience and gearing the network for data/non voice services growth.

MANAGING DIRECTOR'S OVERVIEW

Operating Expenses

Operating Expenses in the year under review grew by 10%, owing to the increase in the number of sites and also impact of the depreciation of the Zambian Kwacha against US Dollar, on our US Dollar denominated operating expenses. As we invest in modernizing our network, we envisage optimization of Network Operating Expenses to enable us improve the earnings. Members of our staff have been engaged in a "WAR ON WASTE" to embed a culture of cost management at all levels in the business. I am confident this will result in a leaner and more efficient cost structure in our business

Other

The business generated positive cash flows from its operating activities and is projected to continue generating cash for reinvestment in the business.

Customers and Product offering

Airtel Money remains the most exciting product that we have introduced on the market which has allowed customers to not only pay for services in the comfort of their environment and to transfer money using their mobile devices but has also enhanced financial inclusion to customers in the remotest part of the country to be able to transact where banks are not available.

In the year under review we experienced tremendous growth across several facets; the base of transacting customers increased by 362%. This commendable increase in active customers consequently yielded total transactions processed increasing from 4.7million to 7.2million in 2014.

Revenues earned in the year amounted to ZMW 6.9 million, an increase of 91% from the previous year. This revenue was mainly generated from Bill payments and Money transfer services that contributed 49% and 34% respectively. Based on this performance exhibited in the year, we firmly believe that Airtel Money is definitely headed for even stronger growth in the coming years.

The year 2014 has been a year of transition for us, moving from an open market registration system to a 100% compliant bank comparable KYC system. To achieve this objective we deactivated many of our unidentified customer base in line with regulation. This process put strain on our consumer activations numbers to accommodate and comply 100% with KYC rules.

On the products side, we have had some world firsts. "internet.org" a joint initiative with Facebook to take internet to the poor and unconnected was an experiment we launched in the second half of the year.

We set out to grow our market while at the same time be responsive to our customers by offering unique products that saw the partnership with Facebook as the first of its kind in Africa, offering Free Facebook to our over 3 million plus customers.

Network

In the first quarter of 2014, the radio network had 1091 2G and 522 3G operational sites. The urban areas have been growing very fast hence more new residential areas developed in major dense urban towns like Lusaka, Kitwe, Ndola, Solwezi, Chingola, Kabwe, Livingstone etc.

To improve quality, 123 were deployed in the year. In addition, 111 2G sites were upgraded to 3G to improve the data experience for our customers in the rural areas. This project coupled with the transmission expansion under deployment has greatly improved the user data experience and network stability.

Zambian Towers Transition

The sale of 929 sites to the tower company has reached the final stage. The planned conclusion month is June 2015 subject to shareholder approval.

CSR

Our focus this year under Corporate Social Responsibility is to continue to be involved in programmes that seek to bring to life our business strategy and change lives in the environment we operate. As indicated by the Chairman, we have spent over K1, 186, 598 in various activities whose focus has been Health, Youth Empowerment and Education. In the coming year we expect to include Enterprise Development supported by Digital youth and Digital entrepreneurs' projects and also have a focus on the environment by supporting green projects.

Looking Ahead

As a major player in the telecommunication sector, we look forward to continued healthy relations with government and its various departments for open engagement.

We will continue to invest in the expansion of the network to ensure enhanced quality and coverage over most of the 752 618 square kilometers of Zambia. We will also ensure that we provide our customers with the best products and customer care knowing that our market is ever evolving and thus have to meet the new technological needs of our customers.

The main focus in the first half of the new financial year will be 90 3G sites. This project will mainly address Lusaka, Kitwe, Ndola, Kabwe, Solwezi, Kalumbila and Livingstone. The rest of the towns will be addressed in phase two with an additional 90 3G sites and 60 2G sites.

I remain very excited and positive about the long term prospects for Airtel Networks Zambia Plc. on the premise of long-term 3G densification.
I also see ourselves well positioned to enhance our revenue and customer market share leadership with a focus on:

- Continuing with our high service delivery and customer satisfaction with consistent and quality products
- Having more community support in the markets we operate in
- Continuing with the expansion program of sites across the country

God bless you all.

Peter Correia
Managing Director

Directors' Report 22

Corporate Governance Statement 24

Statement of Directors' Responsibilities 25

Independent Auditor's Report To The Members Of Airtel Networks Zambia Plc 26

FINANCIAL STATEMENTS

Consolidated Statement Of Profit Or Loss And Other Comprehensive Income 28

Airtel Networks Zambia Plc Consolidated Statement Of Financial Position 29

Consolidated Statement Of Changes In Equity 30

Consolidated Statement Of Cash Flows 31

Notes to the Consolidated Financial Statements 32

DIRECTORS' REPORT

for the year ended 31 December 2014

The Directors submit their report together with the audited financial statements for the year ended 31 December 2014, which disclose the state of affairs of Airtel Networks Zambia Plc ("the Company") and its subsidiary, Zambian Towers Limited (together "the Group").

Principal activities

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

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

Results and dividend

The profit for the year of K68.637 million (31 December 2013: K 158.197 million) has been added to retained earnings. The Directors recommend the payment of a dividend of K1.50 per share for the year (2013: K6.25 per share).

Directors

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

Name	Role	
George Sokota	Chairman	
Charity C. Lumpa	Managing Director	Retired 13 February 2015
Peter Correia	Director	Appointed 1 March 2015
Dipak Patel	Board Member	
Christian De Faria	Board Member	Resigned 20 May 2014
Andre Beyers	Board Member	Resigned 15 December 2014
Somasekhar G. Vellapekkam	Board Member	

All Directors were non-executive, other than the Managing Director:

Number of employees and remuneration

The total remuneration of employees during the year amounted to K115.625 million (2013: K100.434 million) and the average number of employees was as follows:

2014			
Month	**Number**	**Month**	**Number**
January	305	July	304
February	304	August	304
March	291	September	302
April	292	October	292
May	295	November	296
June	301	December	296

2013			
Month	Number	Month	Number
January	291	July	293
February	288	August	296
March	287	September	299
April	285	October	305
May	285	November	308
June	280	December	306

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

Gifts and donations

During the year the Group made donations of K1.365 million (2013: K1.449 million) to charitable organisations and activities.

Roaming and Revenue

Roaming revenue is earned from foreign telephone operators when their subscribers utilise the Airtel Networks Zambia Plc network. The Group received roaming revenue during the year amounting to K34.356 million (31 December 2013: K35.349 million).

Property and Equipment

The Group purchased property and equipment amounting to K301.732 million (2013: K322.863 million) during the year. In the opinion of the Directors, the carrying value of property and equipment is not less than their recoverable value.

Disposal of Investment in Subsidiary

In the ongoing internal reorganisation, the Group shall be disposing of its interest in the subsidiary Zambian Towers Limited ("the Company") and the sale is expected to be made during the year ending 31 December 2015. The Group is currently under negotiations with the buyer and the process is to be finalised with the submission of the consolidated financial statements for the year ended 31 December 2014 with the Lusaka Stock Exchange.

Auditors

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

By order of the Board,

Nawa Mataa
SECRETARY

CORPORATE GOVERNANCE STATEMENT

for the year ended 31 December 2014

Airtel Networks Zambia Plc takes the issue of corporate governance seriously. The Group'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. The responsibilities for implementing the Group'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 Group 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 Group.

By order of the Board

Nawa Mataa **April 2015**
Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

for the year ended 31 December 2014

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

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

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

Approval of the financial statements

The financial statements of the Group were approved by the directors on …………………….. 2015 and signed on their 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 8 to 55, which comprise the statement of financial position as at 31 December 2014 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

Director's responsibility for the financial statements

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

Auditor's responsibility

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

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

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Airtel Networks Zambia plc as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Zambia Companies Act, 1994.

Report on Other Legal and Regulatory Requirements

As required by the Companies Act of Zambia we report to you, based on our audit, that:

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
(b) in our opinion proper books of accounts, other records and registers have been kept by the group, so far as appears from our examination of those books and registers; and
(c) the group's statement of financial position and profit and loss account are in agreement with the books of account.

Ernst & Young
Chartered Accountants

Henry C Nondo **2015**
Lusaka **Partner**

Practising Certificate Number: 0000601

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2014. (All amounts are in thousands of kwacha unless otherwise stated)

	Note	2014	2013 Restated *
Revenue	6	**1,642,297**	1,618,796
Cost of sales		**(342,412)**	(263,830)
Gross profit		**1,299,885**	1,354,966
Distribution costs		**(534,810)**	(473,320)
Administrative expenses		**(558,006)**	(584,695)
Other operating expenses	9	**(36,707)**	(6,702)
Other operating income	10	**3,091**	2,271
Operating profit		**173,453**	292,520
Finance costs	11	**(52,708)**	(29,805)
Profit before tax		**120,745**	262,715
Income Tax expense	12	**(52,108)**	(104,518)
Profit for the year		**68,637**	158,197
Other comprehensive income		**-**	-
Total comprehensive income		**68,637**	158,197
Earnings per share attributable to the equity holders of the Group - basic and diluted (Kwacha per share)	24	**0.66**	1.52

* Certain amounts shown here do not correspond to the 2013 financial statements and reflect adjustments made, refer Note 21.

The notes on pages 12 to 55 are an integral part of these financial statements.

AIRTEL NETWORKS ZAMBIA PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2014. (All amounts are in thousands of kwacha unless otherwise stated)

	Note	2014	2013 Restated*	2012 Restated*
ASSETS				
Non-current assets				
Property and equipment	13	**1,586,648**	1,617,299*	1,654,203
Intangible assets	14	**5,488**	5,953	2,143
		1,592,136	1,623,252	1,656,346
Current assets				
Inventories	15	**5,937**	9,917*	15,224
Trade and other receivables	16	**943,991**	374,955	436,588
Income Tax Receivable	12	**10,152**	-	-
Cash and cash equivalents	17	**96,132**	106,028	47,821
		1,056,212	490,900	499,633
Total assets		**2,648,348**	2,114,152	2,155,979
Equity and liabilities				
Equity				
Share capital	23	**1,040**	1,040	1,040
Share premium	23	**24,962**	24,962	24,962
Retained earnings		**172,178**	753,541*	1,140,221
Total equity		**198,180**	779,543	1,166,223
Liabilities				
Non-current liabilities				
Long term borrowings	20	**434,220**	-	-
Deferred tax liability	22	**232,434**	245,049*	274,644
Provisions for other liabilities and charges	27	**66,696**	57,991	-
		733,350	303,040	274,644
Current liabilities				
Bank overdraft	17, 18	**30,994**	25,539	120,072
Trade and other payables	19	**1,398,472**	730,824*	557,976
Income Tax payable	12	**-**	53,406	37,064
Short term borrowings	20	**287,352**	221,800	-
		1,716,818	1,031,569	715,112
Total liabilities		**2,450,168**	1,334,609	989,756
Total equity and liabilities		**2,648,348**	2,114,152	2,155,979

* Certain amounts shown here do not correspond to the 2013 financial statements and reflect adjustments made. Refer to Note 21.

The financial statements on pages 8 to 55 were approved for issue by the Board of Directors on ……………………………… 2015 and signed on its behalf by:

Chairman **Director**

The notes on pages 12 to 55 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014. (All amounts are in thousands of kwacha unless otherwise stated)

	Note	Share capital	Share premium	Retained earnings	Equity Total
At start of the year- as previously stated		1,040	24,962	1,144,274	1,170,276
Prior period adjustments					
- Restatement relating to deferred Income Tax		-	-	(3,862)	(3,862)
- Restatement relating to consolidation of subsidiary		-	-	(191)	(191)
At start of the year - restated		1,040	24,962	1,140,221	1,166,223
Deferred tax adjustment		-	-	24,430	24,430
Comprehensive income					
Profit and comprehensive income for the year as previously stated		-	-	320,020	320,020
Prior period adjustments					
- Restatement relating to deferred tax	21	-	-	(49,610)	(49,610)
- Restatement relating to consolidation of subsidiary	21	-	-	(112,213)	(112,213)
Profit and comprehensive income for the year restated		-	-	158,197	158,197
Prior period adjustments					
- Correction of prior year deferred tax posted	21	-	-	622	622
- Reversal of deferred tax adjustment	21	-	-	(24,430)	(24,430)
Transactions with owners					
Dividends paid					
- Final dividends for 2012		-	-	(260,000)	(260,000)
- Interim dividend for 2013		-	-	(133,590)	(133,590)
- Reclassification of dividends payables		-	-	(151,909)	(151,909)
Total transactions with owners		-	-	(545,499)	(545,499)
At end of year - restated		1,040	24,962	753,541	779,543
Year ended 31 December 2014					
At start of year - restated		1,040	24,962	753,541	779,543
Comprehensive income					
Profit and comprehensive income for the year		-	-	68,637	68,637
Transactions with owners					
- Dividends paid					
- Final dividends for 2013	29	-	-	(650,000)	(650,000)
Total transactions with owners		-	-	(650,000)	(650,000)
At end of year		1,040	24,962	172,178	198,180

The notes on pages 12 to 55 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2014. (All amounts are in thousands of kwacha unless otherwise stated)

	Note	2014	2013
Cash flows from operating activities			
Cash generated from operations	28	**592,230**	743,362
Interest received		**1,280**	357
Interest paid		**(12,209)**	(7,578)
Income Tax paid		**(119,461)**	(117,771)
Net cash generated from operation		**461,840**	618,370
Cash flows from investing activities			
Purchase of property and equipment	13	**(301,732)**	(303,700)*
Purchase of intangible assets	14	**-**	(3,063)
Proceeds from disposal of property and equipment		**6**	16,903
Net cash utilised in investing activities		**(301,726)**	(289,860)
Cash flows from financing activities			
Borrowings received		**499,772**	221,800
Finance lease movements		**-**	(1,708)
Dividends paid	29	**(675,237)**	(393,590)
Net cash utilised in financing activities		**(175,465)**	(173,498)
Net (decrease)/decrease in cash and cash equivalents		**(15,351)**	155,012
Impact of foreign exchange differences on cash and cash equivalents		**-**	(2,272)
Cash and cash equivalents at start of year		**80,489**	(72,251)
Cash and cash equivalents at end of the year	17	**65,138**	80,489

* Certain amounts shown here do not correspond to the 2013 financial statements and reflect adjustments.

The notes on pages 12 to 55 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2014

1. General information

Airtel Networks Zambia Plc is incorporated in Zambia under the Zambia Companies Act as a Public Limited Company and is domiciled in Zambia. The Group is listed on the Lusaka Stock Exchange and was incorporated in 1998 as Celtel Zambia Plc. The registered address is as detailed below :
Airtel Networks Zambia Plc
Airtel House
Corner of Addis Ababa and Great East Road
Stand 2375
P.O. Box 320001
Lusaka

2. Summary of significant accounting policies

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

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

(a) Basis of preparation

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

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

(b) New standards and interpretations effective in 2014

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2014.

IFRS 10, IFRS 12 and IAS 27 Investment Entities -Amendments to IFRS 10, IFRS 12 and IAS 27

Effective for annual periods beginning on or after 1 January 2014.

The investment entities' amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The key amendments include:

- 'Investment entity' is defined in IFRS 10 Consolidated Financial Statements
- An entity must meet all three elements of the definition and consider whether it has our typical characteristics in order to qualify as an investment entity
- An entity must consider all facts and circumstances, including its purpose and design, in making its assessment
- An investment entity accounts for its investments in subsidiaries at fair value through profit or loss in accordance with IFRS 9 (or IAS 39, as applicable), except for investments in subsidiaries that provide services that relate to the investment entity's investment activities, which must be consolidated
- An investment entity must measure its investment in another controlled investment entity at fair value
- A non-investment entity parent of an investment entity is not permitted to retain the fair value accounting that the investment entity subsidiary applies to its controlled investees

For venture capital organisations, mutual funds, unit trusts and others that do not qualify as investment entities, the existing option in IAS 28 Investments in Associates and Joint Ventures, to measure investments in associates and joint ventures at fair value through profit or loss, is retained.

The amendments must be applied retrospectively, subject to certain transition relief. The amendments are effective for annual periods beginning on or after 1 January 2014. Early application is permitted and must be disclosed. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

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

Effective for annual periods beginning on or after 1 July 2014.

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 must be applied retrospectively.

These changes provide a practical expedient for simplifying the accounting for contributions from employees or third parties in certain situations. These amendments have no impact on the group, since the Group does not account for defined benefit plan under IAS 19.

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 Group'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. These amendments have no impact on the Group, since none of the assets and liabilities in the Group has any offsetting arrangements.

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.

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

(b) New standards and interpretations effective in 2014 (continued)

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 Group as it does not have derivatives or apply hedge accounting.

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 Group as it is not party to such levies.

Improvements to existing standards

2010- 2012 annual cycle of improvements (issued December 2013)

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs that contain changes to 9 standards. The changes are effective from 1 July 2014 either prospectively or retrospectively. A summary of each amendment is described below:

IFRS 13 Fair value measurement - Portfolio exception

The amendment clarifies that the portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is not expected to affect the Group as it does not have financial assets, financial liabilities and other contracts that meet this criterion.

IAS 16 Property, plant and equipment and IAS 38 Impairment - Revaluation method-proportionate restatement of accumulated depreciation

The amendment clarifies that revaluation can be performed by adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying amount and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value The amendment also clarified that accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount of the asset (i.e., gross carrying amount –accumulated depreciation/amortisation = carrying amount).

The amendment to IAS 16.35(b) and IAS 38.80(b) clarifies that the accumulated depreciation/ amortisation is eliminated so that the gross carrying amount and carrying amount equal the market value. The Group has not revalued its land and buildings and will consider the amendment when it becomes effective.

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 not expected to have an impact on the Group as no entity provides key management services to the Group.

2012 – 2014 Annual improvement cycle (issued September 2014)

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

IFRS 7 – Servicing Contracts

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

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

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

IAS 34 Disclosure of information 'elsewhere in the interim financial report'

IAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. However, it is unclear what the Board means by 'elsewhere in the interim financial report'.
The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

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

IFRS 5 – Changes in methods of disposal

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

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

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

(b) New standards and interpretations effective in 2014 (continued)

IFRS 9 Financial Instruments
Effective for annual periods beginning on or after 1 January 2018.

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

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

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

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

Classification and measurement of financial liabilities
For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

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

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

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

A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measureable. The time value of an option, any forward element of a forward contract and any foreign currency basis spread, can be excluded from the designation as the hedging instrument and accounted for as costs of hedging.

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

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

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

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

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

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

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10.

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

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

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

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

Effective for annual periods beginning on or after 1 January 2016. The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

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

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

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

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

(b). New standards and interpretations effective in 2014 (continued)

Furthermore, entities are required to disclose the information required in those IFRSs in relation to business combinations.
The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by the entity to the joint operation on its formation.
Furthermore, the amendments clarify that for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be remeasured if the joint operator retains joint control.

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

IFRS 14 Regulatory Deferral Accounts
Effective for annual periods beginning on or after 1 January 2016.

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

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

Early application is permitted and must be disclosed.

IFRS 15 Revenue from Contracts with Customers
Effective for annual periods beginning on or after 1 January 2017.

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

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

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

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

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.
The standard also specifies how to account for the incremental costs of obtaining a contract and the

costs directly related to fulfilling a contract.

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

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

IAS 1 Disclosure Initiative – Amendments to IAS 1

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

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

The amendments clarify:

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

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. Early application is permitted and entities do not need to disclose that fact because the Board considers these amendments to be clarifications that do not affect an entity's accounting policies or accounting estimates.

These amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

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

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

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

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

(b). New standards and interpretations effective in 2014 (continued)

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

The amendments to IAS 27 Separate Financial Statements allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with IFRS 9 (or IAS 39) Or
- Using the equity method

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

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

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

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

2. Summary of significant accounting policies (continued)

(c) Consolidation

Subsidiary

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

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

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

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

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

(d) Segment reporting

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss and other comprehensive income within 'finance income or cost'.

(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 subsequently measured at historical cost less accumulated depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

2. Summary of significant accounting policies (continued)

(f) Property and equipment (continued)

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

When funds borrowed are specifically for the purpose of obtaining a qualifying asset, the entity determines the amount of the borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of the borrowings.

The carrying amount of property, plant and equipment that is disposed 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 components of assets with specific useful lives and provides depreciation over their useful lives. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

Categories	Years
Buildings	20
Network equipment	3 – 20
Computer equipment	3
Office furniture and equipment	2 – 5
Vehicles	3 – 5
Customer Premises equipment	5 – 6

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

(g) Intangibles

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

(h) Financial assets

(i) Classification

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

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

(ii) Impairment

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

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(i) Trade receivables

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

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

(j) 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.

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

2. Summary of significant accounting policies (continued)

(l) Share capital

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

(m) Trade payables

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

(n) Borrowings

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

When calculating the effective interest rate, the entity estimates the cash flows considering all contractual terms of the financial instrument.

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

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

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

(o) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

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

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

(p) Provisions

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

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

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

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

(q) Asset retirement obligations

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

(r) Revenue recognition

Group revenue arises from billing customers for air time usage, monthly subscription, connection fees, reconnection fees, sale of simcards, handsets and accessories and interconnection revenue.

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

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

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

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

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

(s) Other income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2014

2. Summary of significant accounting policies (continued)

(t) Employee benefits

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

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

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

(u) Dividend

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

(v) Income Tax

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

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

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

3. Critical accounting estimates and judgements in applying accounting policies

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

(i) Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Receivables

Critical estimates are made by the directors in determining the recoverable amount of impaired receivables. Factors taken into consideration in making such judgements include historical trends and the number of days a debt is past its due date for payment. The carrying amount of impaired receivables is set out in Note 21.

Taxes

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

Determination of residual values and useful lives

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

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

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

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

4. Financial risk management

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

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

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

Market risk

(i) Foreign exchange risk

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

Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies. This policy is consistent with previous period.

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

4. Financial risk management (continued)

Market risk(continued)

(i) Foreign exchange risk (continued)

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

At 31 December 2014, if the Kwacha had weakened/strengthened by 5% against the US dollar with all other variables held constant, post tax profit for the year would have been (2013: K142,891) lower/higher, mainly as a result of US dollar denominated trade receivables, payables and borrowings.

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

	2014	2013
Cash and cash equivalents	**14,989**	(24,831)
Trade receivables	**42,199**	51,973
Trade payables	**(211,344)**	(143,759)
	(154,156)	(116,617)

The following significant exchange rates applied during the year

	K	K
US $1	**6.385**	5.563

(ii) Price risk

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

(iii) Cash flow and Interest rate risk

The Group's interest bearing financial liability was the overdraft and the borrowing of K 721,572 million (2013:K221.8 million), which was at variable rate and on which it was therefore exposed to cash flow interest rate risk. The Group regularly monitors financing options available to ensure optimum interest rates are obtained.

At 31 December 2014, if effective interest rates on borrowings had been 2% higher/lower with all other variables held constant, post tax profit would have been K 98,567 (2013: K146,340) lower/higher.

Credit risk

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

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

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

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

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

	2014	2013
Cash and cash equivalents	**96,132**	106,028
Trade and other receivables	**529,750**	223,530
	625,882	329,558

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 2014 (2013: K17 million bank guarantees and K nil post-paid deposits).

All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

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

	2014	2013
Past due but not impaired		
- by up to 30 days	**442,060**	32,044
- by 31 to 90 days	**-**	-
- by 90 days and over	**-**	374,700
	442,060	406,744

4. Financial risk management (continued)

Market risk(continued)

(ii) Credit risk (continued)

Receivables individually determined to be impaired

	2014	2013
Carrying amount before impairment	**510,382**	223,530
Provision for impairment	**(66,305)**	(118,619)
	444,077	104,911

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

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

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

	Note	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2013:					
Trade and other payables		228,709	-	-	-
Bank overdrafts	17	25,539	-	-	-
Borrowings	20	221,800	-	-	-
Other payables and accrued expenses		226,428	-	-	-

Capital risk management

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

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

The gearing ratios at 31 December 2014 and 31 December 2013 were as follows:

	2014	2013
Total borrowings including bank overdraft	**752,566**	247,339
Less: cash and cash equivalents	**(96,132)**	(106,028)
Net debt	**656,434**	141,311
Total equity	**198,180**	779,543
Total capital	**854,614**	920,854
Gearing ratio	**77%**	15%

5. Segment reporting

Management has determined the operating segments based on the reports reviewed by the Executive Management Committee that are used to make strategic decisions. The committee considers the business as a single operating segment, being Zambia operations, as the information reported to the Executive Management Committee for the purpose of strategic decision making is not presented per product line.

The reportable operating segment derives its revenue primarily from the sale of voice and data services to subscribers of the network and to foreign telephony operators when their subscribers utilise the Airtel Zambia network. Other revenue consists of connection and subscription charges and sale of mobile handsets to customers.

The Executive Management Committee assesses the performance of the operating segment based on a measure of Earnings Before Interest Tax Depreciation and Amortisation.
The breakdown of the revenue from all services is shown in note 6.

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

6. Revenue

	2014	2013
Airtime revenue	**1,175,860**	1,158,403
Data	**209,472**	150,529
Short message services (SMS)	**61,243**	18,664
Value Added Services - content	**71,218**	74,535
Value Added Services - other	**2,004**	6,106
Handsets and accessories	**31,286**	84,397
Other revenue	**34,592**	3,083
Roaming revenue	**34,356**	35,349
Interconnect revenue	**146,340**	130,803
Subscription revenue	**35,461**	81,227
Connection revenue	**7,383**	9,907
Discounts	**(166,918)**	(134,207)
	1,642,297	1,618,796

7. Profit before income tax

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

	2014	2013
Employee benefits expense (Note 8)	**115,625**	100,434
Depreciation on property and equipment (Note 13)	**292,321**	349,299
Amortisation of intangible assets (Note 14)	**465**	747
Operating lease rentals	**154,774**	18,044
Write down of inventories (Note 15)	**2,785**	-
Receivables provision for impairment losses (Note 16)	**10,737**	558
Auditor's remuneration	**1,548**	2,434

8. Employee benefits expense

Salaries , wages and staff related expenditure		
Retirement benefit costs	**106,291**	92,227
- Aon Zambia Pension Fund Administrators Limited	**6,965**	6,196
- National Pension Scheme Authority	**2,369**	2,011
	115,625	100,434

9. Other operating expense

Net foreign exchange losses, other than on borrowings and cash and cash equivalents	**36,707**	6,702

10. Other operating income

Other Income	**1,805**	-
Interest income	**1,280**	357
Profit on disposal of property and equipment	**6**	1,914
	3,091	2,271

11. Finance costs

	2014	2013
Interest expense on bank borrowings	**11,120**	7,321
Asset retirement obligation unwinding of discount	**3,434**	261
Other interest costs	**495**	-
Net foreign exchange gain/(loss) on borrowings and cash and cash equivalents	**37,659**	22,223
	52,708	29,805

12. Income Tax expense

Current Income Tax expense	**64,723**	134,113
Deferred tax credit (Note 22)	**(12,615)**	(29,595)
	52,108	104,518

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

Profit before Income Tax	**120,745**	262,715
Tax calculated at the statutory Income Tax rate of 40% (2013: 40%)	**48,298**	105,086
Tax effect of:		
Expenses not deductible for tax purposes	**3,810**	(568)
Income Tax (credit)/expense	**52,108**	104,518

Current Income Tax movement

At start of year	**53,406**	37,064
Current Income Tax charge	**64,723**	134,113
Non cash tax group entry	**(8,820)**	-
Payments during the year	**(119,461)**	(117,771)
At end of year	**(10,152)**	53,406

Income Tax returns have been filed with the ZRA for the year ended 2013 and 2014. Quarterly payments for the year ended 31 December 2014 were made on the due dates during the year.

13. Property and equipment

	Buildings	Finance Lease Equipment	Telecom Equipment	Switching Equipment	Fixtures, Fittings and Office Equipment	Motor Vehicles	Capital Work in Progress	Total
Cost or valuation								
At 1 January 2013	28,937	6,393	1,998,145	648,909	227,743	9,226	104,449	3,023,802
Additions	114,800	2,337	-	-	-	-	205,726	322,863
Transfers	6,826	-	306,100	(157,488)	76,437	-	(231,875)	-
Disposal	(26,106)	-	-	-	(130)	-	-	(26,236)
Adjustments	-	-	(2,731)	-	27,220	-	(19,183)	5,306
At 31 December 2013	124,457	8,730	2,301,514	491,421	331,270	9,226	59,117	3,325,735
At 1 January 2014	124,457	8,730	2,301,514	491,421	331,270	9,226	59,117	3,325,735
Additions	6,052	-	90,644	-	22,272	-	182,764	301,732
Transfers	-	-	46,143	-	294	-	(46,437)	-
Disposal	-	-	-	-	(140)	-	-	(140)
At 31 December 2014	130,509	8,730	2,438,301	491,421	353,696	9,226	195,444	3,627,327
Depreciation								
At 1 January 2013	10,337	108	899,382	278,326	172,300	9,146	-	1,369,599
Charge for period	11,928	1,727	250,444	5,952	79,251	(3)	-	349,299
Disposal	(10,462)	-	-	-	-	-	-	(10,462)
At 31 December 2013	11,803	1,835	1,149,826	284,278	251,551	9,143	-	1,708,436
At 1 January 2014	11,803	1,835	1,149,826	284,278	251,551	9,143	-	1,708,436
Charge for the year	6,357	2,582	211,510	8,631	63,203	38	-	292,321
Disposals	-	-	-	-	(140)			(140)
Reversal of depreciation	-	-	32,306	-	-		7,756	40,062
At end of the year	18,160	4,417	1,393,642	292,909	314,614	9,181	7,756	2,040,679
Net book value								
31 December 2014	112,349	4,313	1,044,659	198,512	39,082	45	187,688	1,586,648
31 December 2013	112,654	6,895	1,151,688	207,143	79,719	83	59,117	1,617,299

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2014

14. Intangible assets

	Cellular License	Internet Service Provision (ISP) License	Total
Year ended 31 December 2013			
Opening net book amount	2,143	-	2,143
Additions	3,063	-	3,063
Write back of amortisation	747	-	747
Closing net book amount	5,953	-	5,953
At 31 December 2013			
Cost	7,372	-	7,372
Accumulated depreciation	(1,419)	-	(1,419)
Net book amount	5,953	-	5,953
Year ended 31 December 2014			
Opening net book amount	5,953	-	5,953
Additions	-	-	-
Amortisation	(465)	-	(465)
Closing net book amount	5,488	-	5,488
At 31 December 2014			
Cost	7,371	-	7,371
Accumulated depreciation	(1,883)	-	(1,883)
Net book amount	5,488	-	5,488

15. Inventories

	2014	Group 2013
Handsets	**15,278**	14,913
Less: Provision for impairment	**(9,341)**	(4,996)
	5,937	9,917

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

16. Trade and other receivables

	2014	Group 2013
Trade receivables	**529,750**	223,530
Less: Provision for impairment losses	**(66,608)**	(118,619)
Trade receivables – net	**463,142**	104,911
Prepayments	**147,491**	119,790
Receivables from related parties	**268,329**	46,453
Other receivables	**65,029**	103,801
	943,991	374,955

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.

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

Group	**2014**	2013
At start of the year	**118,619**	99,002
Additional provision	**10,737**	558
Exchange difference	**(62,748)**	19,059
At the end of the year	**66,608**	118,619

17. Cash and cash equivalents

	2014	2013
Cash at bank and in hand short term bank deposits maturing within 3 months	**96,132**	106,028
Bank overdrafts (Note 18)	**(30,994)**	(25,539)
Cash and cash equivalents	**65,138**	80,489

For the purposes of the cash flow statement, cash and cash equivalents comprise the cash in hand, and deposits held at call with the bank, net of bank overdraft. Deposits held at call earn interest at the respective call rates. Cash at banks earns interest at floating rates based on daily bank deposit rates. Bank overdrafts are at an average interest rate of 14%.

18. Bank overdrafts

The group has two overdraft facilities with limits of up to K50 million and $11 million respectively. The facilities are annual facilities subject to review. The group had drawn amounts as at the yearend of K 0.6 million and US 4.7 million (2013: K nil million and US$ 4.6 million).

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

19. Trade and other payables

	Group	
	2014	2013
Trade payables	**372,219**	228,709
Amounts due to related parties (Note 31)	**92,819**	92,688
Dividends payable	**126,672**	151,909
Accrued expenses	**362,578**	221,563
Deferred income	**101,267**	31,090
Other payables	**342,917**	4,865
	1,398,472	730,824

Trade payables are non interest bearing and are normally settled on 60 day terms. For terms and conditions with related parties, refer to Note 31. Accrued expenses and other payables are non interest bearing and have an average term of six months. Deferred income is realised when a customer makes use of the talk-time that was carried forward.

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

20. Borrowings

	Interest rate	Maturity	2014	2013
Current borrowings				
Short term portion of long term loans	Libor +1.1%	31.12.2015	**31,928**	-
Citibank short term loan	Libor +1.1%	31.12.2015	**255,424**	221,800
			287,352	221,800
Non current borrowings				
Standard Chartered Bank loan	Libor +1.45%	31.12.2018	**210,725**	-
Barclays Bank Loan	Libor +3.2%	31.12.2018	**223,495**	-
Total Borrowings			**434,220**	-
Total Group borrowings			**721,572**	221,800

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

All borrowings are unsecured.

21. Prior year adjustment

The Group has restated the prior year financial statements in respect of four prior year errors.

(a) As stated in Note 28 of the financial statements, the Group has control of Zambian Towers Limited. In the prior year financial statements, the Group did not prepare consolidated financial statements as required by IFRS 10. The current year financial statements have been prepared consolidating the results and position of Airtel Networks Zambia Plc and its subsidiary Zambian Towers Limited.

(b) In the prior year, group deferred tax was wrongly recognised in the statement of changes in equity under retained earnings

(c) The deferred tax liability in prior years were under stated

(d) Other payables were wrongly classified as finance leases

The opening balances as at 1 January 2013 and comparative information for the year ended 31 December 2013 have hence been restated. The impact is summarised below :

Statement of comprehensive income –year ended 31 December 2013

	Before restatement	Consolidation of Zambian Towers Limited	Correction of computation of deferred tax liability	After restatement
Gross profit	1,354,966	(13,612)	-	1,341,354
Operating profit	305,854	(13,612)	-	292,242
Profit before tax	276,327	(13,612)	-	262,715
Income Tax credit/(charge)	43,693	(98,601)	(49,610)	(104,518)
Profit for the year	320,020	(112,213)	(49,610)	158,197

21. Prior year adjustment

Statement of financial position

	Before restatement	After restatement	Before restatement	After restatement
	31.12.2013	01.12.2013	31.12.2012	31.12.2012
Non current liabilities				
Deferred tax liability	69,168	245,049	270,782	274,644
Finance lease liability	5,580	-	6,279	-
Current liabilities				
Trade and other payables	725,244	730,824	551,504	557,783

Statement of changes in equity relating to deferred tax

Deferred tax adjustment for group entries	24,430	24,430
Reclassification	-	(24,430)
Correction of prior year entry	-	622
Total deferred tax in statement of changes in equity	24,430	622

22. Deferred tax liability

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

	Group	
	2014	2013 Restated
At start of the year	**245,049**	274,644
Credit to profit and loss	**(12,615)**	(29,595)
	232,434	245,049

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

Year ended 31 December 2014	**1.1.2014**	**Charged/ (credited) to profit and loss**	**31.12.2014**
Deferred Income Tax liabilities			
Property and equipment	**317,413**	20,435	337,848
Deferred Income Tax assets			
Other temporary deductible differences	**(71,214)**	(15,285)	(86,499)
Unrealised exchange differences	**(1,150)**	(17,765)	(18,915)
Net deferred Income Tax liability	**245,049**	(12,615)	232,434

Year ended 31 December 2013	**1.1.2013**	**Charged/ (credited) to profit and loss**	**31.12.2013**
Deferred Income Tax liabilities			
Property and equipment	307,708	9,705	317,413
Deferred Income Tax assets			
Other temporary deductible differences	(33,437)	(37,777)	(71,214)
Unrealised exchange (losses)/gain	373	(1,523)	(1,150)
Net deferred Income Tax liability	274,644	(29,595)	245,049

23. Share capital

	Number of shares (million)	Ordinary shares K	Share Premium K
Balance at 1 January 2013 and 31 December 2013	104	1,040	24,962
As at 31 December 2014	104	1,040	24,962

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

24. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year. There were no potentially dilutive shares outstanding at 31 December 2013 or 31 December 2014.

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

Profit attributable to the equity holders	**68,637**	158,197
Weighted average number of ordinary shares	**104,000**	104,000
Basic and diluted earning per share	**0.66**	1.52

25. Contingent liabilities

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

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

25. Contingent liabilities (continued)

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

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

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

26. Commitments

Capital commitments

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

	2014	2013
Property and equipment	**140,790**	26,484

Operating lease commitments

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

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

	2014	2013
Not later than 1 year	**199,404**	14,688
Later than 1 year and not later than 5 years	**797,616**	69,779
Later than 5 years	**2,193,444**	178,278
	3,190,464	262,745

27. Provisions

	2014	2013
Lease equalisation reserve	**5,233**	5,233
Provision for Capex creditors -ARO	**38,443**	38,443
Provision for finance costs -ARO	**17,749**	14,315
Provisions for network expenses	**4,893**	-
Other provisions	**378**	-
	66,696	57,991

28. Cash generated from operations

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

	2014	2013
Profit before Income Tax	**120,745**	262,715
Adjustments for:		
Interest income	**(1,280)**	(357)
Interest expense	**12,209**	7,578
Reversal on group property and equipment	**40,062**	(4,517)
Group Adjustments to operating expenses	**7,753**	
Non tax group entry	**8,820**	
Depreciation	**292,320**	349,299
Amortisation of intangibles	**464**	747
Non cash item	**(154)**	2,407
Profit on sale of property and equipment	**(6)**	(1,914)
Changes in working capital:		
– trade and other receivables	**(502,743)**	61,628
– inventories	**3,980**	(13,856)
– trade and other payables	**601,355**	231,541
– Aro provision	**8,705**	-
Reclassification of dividends payable to trade payables	**-**	(151,909)
Cash generated from operations	**592,230**	743,362

29. Dividends paid

	2014	2013
	K'000	K'000
Opening balance	**151,909**	155,500
Dividends declared	**650,000**	389,999
Dividends paid	**(675,237)**	(393,590)
	126,672	151,909
Proposed for approval at the annual general meeting		
Dividends proposed for 2014:K1.50 (2013: K6.25) per share	**156,000**	650,000

30. Related party transactions

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

The following transactions were carried out with related parties:

(i) Purchases of goods and services

	2014	2013
Fellow subsidiaries	**57,682**	27,587

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

(ii) Receivables from related parties

Fellow subsidiaries	**103,586**	46,453

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2014

30. Related party transactions (continued)

(iii) Payable to related parties

Bharti Airtel International NV	**-**	54,281
Fellow subsidiaries	**92,819**	38,407
	92,819	92,688

Amounts due from and to related parties carry no interest, are receivable on demand and are at arms length. No provision for impairment losses have been required in 2014 and 2013 for any related party receivables.

(iv) Key management compensation

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

Salaries and other short term employee benefits	**30,302**	31,189

(v) Directors' remuneration

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

Fees for services as a Director	**1,394**	1,523

31. Subsequent events

Subsequent to the reporting date, the company has decided to sell off their investments in Zambian Towers Company Limited and the sale is likely to happen in the near future. As the details of the sale are not yet concluded, the investment has been retained as an Investment in Subsidiary as opposed to Asset Held for Sale.

NOTES

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