AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

ANNUAL REPORT AND

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2016

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

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AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

DIRECTORS' REPORT
for the year ended 31 December 2016

The directors submit their report together with the audited financial statements for the year ended 31 December 2016 which show the state of the company's affairs.

1. Principal activities

The principal activity of the company is to hold the funds in the Airtel Money infrastructure in trust, for Airtel Money E-value account holders.

2. Results and dividends

The Company incurred a loss before tax of K 10.9 million for the year ended 31 December 2016 (2015: loss K 19.12 million). The company recorded revenue of K13.99 million during the year 2016 (2015: K11.18).

The directors do not recommend the payment of any dividend for the year under review (2015: Nil).

3. Financial statements

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

4. Directors

The Directors who held office during the financial year and to the date of this report were:

Name	Position	Nationality	Date of appointment	Date of resignation
George Sokota	Chairman	Zambian	30-Apr-13	31-Mar-16
Nawa Mataa	Executive Director	Zambian	30-Apr-13	29-Jan-16
Mustafa Kapasi	Executive Director	Indian	9-May-15	6-Jun-16
Christine Sambwa	Non Executive Director	Kenyan	24-Feb-16	30-Nov-16
Peter Correia	Executive Director	South African	3-Mar-15	
Mukesh Singla	Executive Director	Indian	29-Nov-16	

None of the Directors had any interest in the issued and fully paid up shares of the Company.

5. Shareholding of the Company

The shareholding of the Company as at 31 December 2016 is as stated below:

Name of shareholder	2016 Number of shares	2016 % shareholding
Airtel Mobile Commerce Holding BV	2,000,000	1%
Airtel Mobile Commerce BV	198,000,000	99%
	200,000,000	100%

6. Plant and equipment

During the year, there were no disposals or additions to property and equipment. In addition, there was no movement on work in progress.

7. Employees

At the end of the year, the related wages and salaries cost was K4.3 million (2015: K4.02 million). The average number of employees during the year was 9 (2015: 18).

8. Gifts and donations

The Company has not made any donations or gifts during the financial year (2015: Nil).

9. Going concern

In 2016, the company realised a net loss after income tax of K10.9 million (2015: loss of K19.12 million) for the year. At 31 December 2016 accumulated losses were K 81 million (2015: K 70.10 million). The company is in a net liabilty position of K79.01 million (2015: 68.10 million). The operations of the company continue to depend heavily on sources of financing from its direct and indirect parent companies.

These conditions may result in Company's inability to realise its assets and discharge its liabilities in the normal course of business, consequently it may not able to maintain its going concern status.

The directors are of the opinion that the company is going concern on the basis that the company:

a) Will generate cash inflows from operations of at least the amount projected in the management's annual operating plan. The generation of sufficient cash flows from operations is dependent on management achieving operational targets on subscriber numbers, churn rate and average revenue per user;

b) Will obtain funding from the third parties; and

9. The directors are of the opinion that the company is going concern on the basis that the company: (Continued)

   c) The company will be able to obtain from the shareholders any additional funding required to meet its obligations as and when they fall due. A Letter of comfort dated 6 March, 2017 has been obtained from the major shareholders of company.

   The directors are confident that the funds described above will be available to the company to support its obligations as required and that it is therefore appropriate to prepare the financial statements on a going concern basis.

10. Auditors

Wherein Messrs Deloitte &Touche, Chartered Accountants, have confirmed their willingness and eligibilty under the provision of the Zambia Companies Act, 1994 to be as statutory auditors of the Company. Deloitte & Touche, Chartered Accountants, who are hereby appointed as Statutory Auditor of the Company in place of retireing statutory Auditor Messrs Ernst & Young, Chartered Accountants, to hold the office until the conclusion of the next Annual General Meeting. As required by the provisions of the Zambia Companies Act, 1994, their appointment should ratified by members each year at the AGM. Accordingly, requisite resolution forms part of the notice convening the AGM.

By order of the Board

SECRETARY

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES
for the year ended 31 December 2016

Directors' responsibilities in respect of the preparation of financial statements

The Company's directors are responsible for the preparation and fair presentation of the financial statements of Airtel Mobile Commerce Zambia Limited, comprising the statement of financial position as at 31 December 2016, and statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with the International Financial Reporting Standards and the Companies Act of Zambia.

The directors' responsibility includes: designing, implementing and monitoring internal controls relevant to the preparation and fair presentation of financial statements that are free of material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. They are also responsible for safeguarding the assets of the Company.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

Approval of the financial statements

The financial statements of the company as indicated above, were approved by the directors on .....6/04/2017..... and are signed on its behalf by:

DIRECTOR **DIRECTOR**

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To the Shareholders of Airtel Mobile Commerce Zambia Limited

Report on the Audit of the Financial Statements

We have audited the financial statements of Airtel Mobile Commerce Zambia Limited set out on pages 8 to 40, which comprise the statement of financial position as at 31 December 2016, 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 notes to the financial statements, including a summary of significant accounting policies.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Airtel Mobil Commerce Zambia Limited as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Zambia.

Material Uncertainty Related to Going Concern

We draw attention to note 9 in the directors' report on pages 2 and 3 which indicates that the company has incurred a net loss of K10,906,482 for the year ended 31 December 2016 and, as at that date, the company's total liabilities exceeded its total assets by K79,055,982. The note also indicates that these conditions, along with other matters as set forth in the directors' report indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* and other independence requirements applicable to performing audits of Airtel Mobile Commerce Zambia Limited. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Airtel Mobile Commerce Zambia Limited

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

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Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of Zambia. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

Responsibilities of the Directors for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting processes.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Other reports required by the Companies Act

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 company, so far as appears from our examination of those books and registers; and

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

Ernst & Young
Chartered Accountants

Mike Musonda
Partner

12 April ***2017***
Lusaka

Practice certificate Number: AUD/F005781

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2016

	Notes	2016	2015
		K	K
Revenue	4	**13,999,062**	11,183,127
Cost of sales		**(8,256,128)**	(5,400,408)
Gross profit		**5,742,934**	5,782,719
Administrative expenses		**(16,898,992)**	(25,123,444)
Finance income	5	**383,963**	351,563
Loss before tax		**(10,772,095)**	(18,989,162)
Income tax expense	7	**(134,387)**	(132,245)
Loss for the year		**(10,906,482)**	(19,121,407)
Other comprehensive income		**-**	-
Total comprehensive loss		**(10,906,482)**	(19,121,407)

The notes on pages 12 to 40 form an integral part of these financial statements.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Notes	2016	2015
		K	K
ASSETS			
Non-current assets			
Plant and equipment	8	**529,649**	2,180,887
Current assets			
Trade and other receivables	9	**2,815,500**	1,661,131
Amounts due from related parties	15	**1,358,616**	545,302
Tax recoverable	7	**409,315**	151,549
Held in Trust	11	**23,758,143**	27,682,995
Cash and cash equivalents	10	**7,597,680**	2,633,703
		35,939,254	32,674,680
Total assets		**36,468,903**	34,855,567
EQUITY AND LIABILITIES			
Share capital	12	**2,000,000**	2,000,000
Accumulated losses		**(81,005,982)**	(70,099,500)
		(79,005,982)	(68,099,500)
Non-current liabilities			
Amounts due to related parties	15	**84,026,725**	62,539,375
Current liabilities			
Due to customers	13	**23,863,165**	27,948,761
Trade and other payables	14	**7,584,995**	12,466,931
		31,448,160	40,415,692
Total liabilities		**115,474,885**	102,955,067
Total equity and liabilities		**36,468,903**	34,855,567

The financial statements were approved by the board of directors and authorised for issue on .....6/04/2017..... and signed on their behalf by:

DIRECTOR **DIRECTOR**

The notes on pages 12 to 40 form an integral part of these financial statements.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Share capital	Accumulated losses	Total
	K	K	K
At 1 January 2015	2,000,000	(50,978,093)	(48,978,093)
Total comprehensive loss	-	(19,121,407)	(19,121,407)
At 31 December 2015	2,000,000	(70,099,500)	(68,099,500)
At 1 January 2016	2,000,000	(70,099,500)	(68,099,500)
Total comprehensive loss	-	(10,906,482)	(10,906,482)
At 31 December 2016	2,000,000	(81,005,982)	(79,005,982)

The notes on pages 12 to 40 form an integral part of these financial statements.

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	Notes	2016	2015
		K	K
Operating activities			
Loss before tax		**(10,772,095)**	(18,989,162)
Adjustments to reconcile loss before tax to net cash flows:			
Depreciation	8	**1,651,238**	2,961,528
Interest received	5	**(383,963)**	(351,563)
Working capital adjustments:			
Increase in trade and other receivables		**(1,412,131)**	(823,487)
Increase in amounts due from related parties		**(813,314)**	(489,197)
Increase in amounts held in trust		**3,924,852**	(9,507,508)
Increase in trade and other payables		**(4,889,547)**	904,575
Increase in amounts due to customers		**(4,085,597)**	9,947,406
		(16,780,557)	(16,347,408)
Interest received	5	**383,963**	351,563
Income tax paid	7	**(126,779)**	(264,919)
Net cash flows used in operating activities		**(16,523,373)**	(16,260,764)
Investing activities			
Purchase of plant and equipment	8	**-**	(1,259,157)
Net cash flows used in investing activities		**-**	(1,259,157)
Financing activities			
Increase in amounts due to related parties		**21,487,350**	13,008,152
Net cash flows from financing activities		**21,487,350**	13,008,152
Net increase/(decrease) in cash and cash equivalents		**4,963,977**	(4,511,769)
Cash and cash equivalents at 1 January		**2,633,703**	7,145,472
Cash and cash equivalents at 31 December	10	**7,597,680**	2,633,703

The notes on pages 12 to 40 form an integral part of these financial statements.

1. CORPORATE INFORMATION

Airtel Mobile Commerce Zambia Limited is a private company limited by shares, incorporated in the Republic of Zambia on 21 August 2009. Its registered address is at Airtel House, Stand 2375, Corner Addis Ababa and Great East Road, Showgrounds, Lusaka 320001, Zambia.

The principal activity of the Company is to hold the funds in the Airtel Money infrastructure in trust, for Airtel Money e-Value account holders.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Zambian Kwacha (K), except when otherwise indicated.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been applied consistently unless otherwise stated.

2.2 SUMMARY OF SIGNFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

a) Foreign currencies

Functional and presentation currency

The financial statements are presented in Zambian Kwacha (K), which is also the Company's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency spot rates of at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Differences arising on settlement of translation of monetary items are recognised in profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNFICANT ACCOUNTING POLICIES (CONTINUED)

a) Foreign currencies (continued)

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

b) Revenue recognition

Revenue arises from billing customers for P2P (person to person) transactions; cash out (withdrawal) transactions, Airtel Money to bank transactions, collections of funds for customers purchasing goods and services using Airtel Money and commissions on sale of airtime and business revenue arising from bulk payment transactions and collections of funds for customers purchasing goods and services using Airtel Money.

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

The specific recognition criteria described below must also be met before revenue is recognised.

Rendering of services

Revenue from the use of the Airtel platform is recognised in the period in which the transactions arise.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. Interest income is included in finance income in the statement of profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNFICANT ACCOUNTING POLICIES (CONTINUED)

c) Plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. 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. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises such parts as separate component of assets with specific useful lives and provides depreciation over their useful life. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised in profit or loss as incurred.

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. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

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

Categories	**Years**
Computers	3
Furniture and fittings	1

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 9.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired;

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments – initial recognition and subsequent measurement (Continued)

i) Financial assets (Continued)

Derecognition (Continued)

Or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNFICANT ACCOUNTING POLICIES (CONTINUED)

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments – initial recognition and subsequent measurement (Continued)

iii) Offsetting of financial instrument

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

e) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at bank.

f) Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period.

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period;

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNFICANT ACCOUNTING POLICIES (CONTINUED)

f) Current versus non-current classification (continued)

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

g) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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 assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNFICANT ACCOUNTING POLICIES (CONTINUED)

g) Taxes (continued)

Deferred tax (continued)

- 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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNFICANT ACCOUNTING POLICIES (CONTINUED)

Value added tax

Expenses and assets are recognised net of the amount of sales tax, except:

When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable

When receivables and payables are stated with the amount of value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.3 CHANGES IN ACCOUNTING POLICIES

A number of new standards, amendments to standards and interpretations are mandatory for the year ended 31 December 2016, and have been adopted by the Company where relevant to the Company's operations.

a) New standards and interpretations effective in 2016

Many standards or amendments became effective for the first time in the current financial year. These include an amendment to IFRS 10,IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception-Amendments to IFRS 10,IFRS 12 and IAS 28 , IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11, IFRS 14 Regulatory Deferral Accounts, IAS 1 Disclosure Initiative – Amendments to IAS 1, IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38, IAS 16 and IAS 41 Agriculture: Bearer Plants - Amendments to IAS 16 and IAS 41, IAS 27 Equity Method in Separate Financial Statements – Amendments to IAS 27.

The nature and the impact of the standards and amendments that are applicable to the financial statements of the Company are described below:

2. ACCOUNTING POLICIES (CONTINUED)

2.3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IAS 1 Disclosure Initiative – Amendments to IAS 1

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

Key requirements

The amendments clarify:

- The materiality requirements in IAS 1 that specific line items in the statement(s) of profit or loss and Other Comprehensive Income 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 Other Comprehensive Income 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.

These amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement. Although these amendments clarify existing requirements of IAS 1, the clarifications may facilitate enhanced disclosure effectiveness.

The amendment is expected to enhance the disclosure requirements but did not impact on the recognition and measurement of the financial statements.

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.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

b) New standards and interpretations not effective in 2016

IFRS 9 Financial Instruments (continued)

Effective for annual periods beginning on or after 1 January 2018 *(continued)*

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 Other Comprehensive Income. The remainder of the change in fair value is presented in profit or loss, unless presentation in other comprehensive income of the fair value change in respect of the liability's credit risk 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.

In determining the appropriate period to measure ELCs, entities are generally required to assess based on 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, a simplified approach may be applied whereby the lifetime expected credit losses are always recognised.

The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and the business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The Company will be monitoring the discussions of the IFRS Transition Resource Group for Impairment of Financial Instruments (ITG) as it assesses the impact closer to the adoption date.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

b) New standards and interpretations not effective in 2016 (continued)

IFRS 15 Revenue from Contracts with Customers
IFRS 15 replaces all existing revenue requirements (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) in IFRS and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of gains or losses of some non-financial assets including disposals of 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 judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

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

Clarifications to IFRS 15

In April 2016, the IASB issued amendments to IFRS 15 to address several implementation issues discussed by the Joint Transition Resource Group for Revenue Recognition.

The amendments:

- Clarify when a promised good or service is distinct within the context of the contract;
- Clarify how to apply the principal versus agent application guidance, including the unit of account for the assessment, how to apply the control principle in service transactions and reframe the indicators;

2. ACCOUNTING POLICIES (CONTINUED)

2.3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

a) New standards and interpretations not effective in 2016 (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Clarifications to IFRS 15

- Clarify when an entity's activities significantly affect the intellectual property (IP) to which the customer has rights, which is a factor in determining whether the entity recognises revenue for licences over time or at a point in time; and

- Clarify the scope of the exception for sales-based and usage-based royalties related to licences of IP (the royalty constraint) when there are other promised goods or services in the contract.

Add two practical expedients to the transition requirements of IFRS 15 for: (a) completed contracts under the full retrospective transition approach; and (b) contract modifications at transition.

The amendments have an effective date of 1 January 2018, which is the effective date of IFRS 15. Entities are required to apply these amendments retrospectively. The amendments are intended to clarify the requirements in IFRS 15, not to change the standard.

Entities can choose to apply the standard using either a full retrospective approach with some limited relief provided, or a modified retrospective approach. Early application is permitted and must be disclosed.

The Company is still assessing the impact of this standard on the Company's financial statements and has constituted a team to assess its readiness. It is currently expected that the impact will mostly be on disclosure requirements which are likely to be more extensive. The Company will adopt this standard at the effective date.

IFRS 16 Leases

The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

b) New standards and interpretations not effective in 2016 (continued)

IFRS 16 Leases (continued)

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under IAS 17.

Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. Early application is permitted, but not before an entity applies IFRS 15.

The lease expense recognition pattern for lessees will generally be accelerated as compared to today. Key balance sheet metrics such as leverage and finance ratios, debt covenants and income statement metrics, such as earnings before interest, taxes, depreciation and amortisation (EBITDA), could be impacted. Also, the cash flow statement for lessees could be affected as payments for the principal portion of the lease liability will be presented within financing activities. Lessor accounting will result in little change compared to today's lessor accounting. The standard requires lessees and lessors to make more extensive disclosures than under IAS 17. Given the significant accounting implications, lessees will have to carefully consider the contracts they enter into to identify any that are, or contain, leases. This evaluation will also be important for lessors to determine which contracts (or portions of contracts) are subject to the new revenue recognition standard.

The impact of this amendment will be assessed closer to year of adoption. The standard is effective 1 January 2019.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

b) New standards and interpretations not effective in 2016 (continued)

IFRS 16 Leases (continued)

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

The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application is permitted. If an entity applies the amendments for an earlier period, it must disclose that fact.

The amendments are intended to remove existing divergence in practice in recognising deferred tax assets for unrealised losses. The standard is effective for annual periods beginning on or after 1 January 2017.The impact will be assessed in 2017.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Early application is permitted.

The amendments are intended to provide information to help investors better understand changes in an entity's debt. The standard will not have significant impact on the Company as the Company does not have debt instruments measured at fair value. The amendment is effective for annual periods beginning on or after 1 January 2017.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

b) New standards and interpretations not effective in 2016 (continued)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation
Or
(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Early application of interpretation is permitted and must be disclosed. First-time adopters of IFRS are also permitted to apply the interpretation prospectively to all assets, expenses and income initially recognised on or after the date of transition to IFRS.

The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration received or paid in foreign currency. The impact is still being assessed close to adoption date. The amendment is effective for annual periods beginning on or after 1 January 2018.

- **2012-2014 Cycle (issued in September 2014)**

In the 2012-2014 annual improvements cycle, the IASB issued five amendments to four standards, summaries of which are provided below. The changes are effective 1 January 2016.

IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations Changes in methods of disposal
Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered 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. The amendment had no significant impact on the financial statements of the Company as the Company does not have non-current assets held for sale.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

b) New standards and interpretations not effective in 2016 (continued)

IAS 19 Employee Benefits Discount rate: regional market issue

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment must be applied prospectively. This amendment had no impact as the Company is already applying a discount rate based on the currency in which the obligation is denominated which is Zambia.

- **2014-2016 Cycle (issued in December 2016)**

Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. The amendment is effective from 1 January 2018.

IAS 28 Investments in Associates and Joint Ventures Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarifies that: An entity that is a venture capital organisation, or other qualifying entity, may elect, an initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact.

IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of the disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments are effective from 1 January 2017 and must be applied retrospectively. The amendment will not have an impact on the Company as it does not have interest in other entities.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(a) Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Determination of functional currency

The primary objective of the Company is to generate returns in Kwacha (K), its capital raising currency. The liquidity of the Company is managed on a day-to-day basis in K. The Company's performance is evaluated in K. Therefore, management considers K as the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions.

Going concern

Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

4. Revenue

	2016	2015
	K	K
P2P Commission	**300,458**	271,792
Cash Out Commission	**8,465,630**	4,940,744
Bank Transfer Commission	**15,516**	2,767
Merchant Collection Revenue	**3,333,786**	4,453,958
Batch Payment Commission	**501,151**	389,747
Airtime Sales Commission	**1,304,530**	1,120,268
Other fees and charges	**46,134**	3,851
IMT	**31,858**	-
	13,999,062	11,183,127

5. Finance income

	2016	2015
	K	K
Interest income	**383,963**	351,563

6. Loss before tax

Loss before tax is stated after charging the following:

	2016	2015
	K	K
Depreciation	**1,651,238**	2,961,528
Accounting and auditing fees	**159,598**	204,010
Salaries and wages	**4,305,564**	4,016,971
Exchange loss	**(342,909)**	252,332

7. Income tax

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

(a) Statement of profit or loss

	2016	2015
	K	K
Current income tax:		
Other adjustments	-	9,198
Current income tax charge	**134,387**	123,047
Income tax expense	**134,387**	132,245

7. Income Tax (Continued)

(b) Statement of financial position

	2016	2015
At 1 January	(151,549)	(18,875)
Payment during the year	(126,779)	(88,834)
Tax withheld	(265,374)	(176,085)
Other adjustment	-	9,198
Current tax charge for the year	134,387	123,047
At 31 December	(409,315)	(151,549)

(c) Tax reconciliation

Reconciliation of tax expense and the accounting profit multiplied by the Company's applicable tax rates for the years ended 31 December 2016 and 31 December 2015:

	2016	2015
	K	K
Loss before income tax	(10,772,095)	(18,989,162)
Tax at the statutory income tax rate of 35%	(3,770,233)	(6,646,207)
Expenses not deductible for tax purposes	253,170	146,225
Other adjustments	-	9,198
Unrecognised deferred tax	3,651,450	6,623,029
Income tax charge reported in the statement of profit or loss	134,387	132,245

d) Deferred tax

Deferred tax has not been recognised in respect of the following items:

	Statement of financial position		Statement of profit or loss	
	2016	2015	2016	2015
Deferred tax liabilities	K	K	K	K
Exchange differences	99,799	88,316	11,483	88,316
Accelerated depreciation for tax purposes	-	-	(76,610)	(478,960)
	99,799	88,316	(65,127)	(390,644)
Deferred tax assets				
Accelerated depreciation for tax purposes	(147,760)	(71,150)	-	-
Other provisions	(262,617)	-	(262,617)	-
Tax losses	(22,928,127)	(23,650,961)	(3,323,706)	(6,232,385)
	(23,338,504)	(23,722,111)	(3,586,323)	(6,232,385)
Deferred tax credit to statement of profit or loss			(3,651,450)	(6,623,029)
Deferred tax asset net	(23,238,705)	(23,633,795)		

No deferred tax asset has been recognised for unused tax losses due to uncertainty over the timing of the availability of sufficient taxable profits against which deferred tax asset may be utilised.

*Further, brought forward deferred tax amounts have been adjusted to exclude forfeited tax losses for the 2011/2012 tax year as per the provisions of the Income Tax Act, 1966.

8. Plant and equipment

	Computers	Furniture & other equipments	Assets in progress	Total
	K	K	K	K
Cost				
At 1 January 2015	2,479,722	-	2,702,552	5,182,274
Additions	1,211,492	9,251	38,414	1,259,157
Transfer	-	2,565,052	(2,565,052)	-
Reversal (*)	(30,738)	-	(137,500)	(168,238)
At 31 December 2015	3,660,476	2,574,303	38,414	6,273,193
At 1 January 2016	3,660,476	2,574,303	38,414	6,273,193
Additions	-	-	-	-
Transfer	-	-	-	-
Reversal (*)	-	-	-	-
At 31 December 2016	3,660,476	2,574,303	38,414	6,273,193
Depreciation				
At 1 January 2015	1,130,778	-	-	1,130,778
Charge for the year	1,021,985	1,939,543	-	2,961,528
At 31 December 2015	2,152,763	1,939,543	-	4,092,306
At 1 January 2016	2,152,763	1,939,543	-	4,092,306
Charge for the year	1,016,479	634,759	-	1,651,238
At 31 December 2016	3,169,242	2,574,302	-	5,743,544
Net book value				
At 31 December 2016	491,234	1	38,414	529,649
At 31 December 2015	1,507,713	634,760	38,414	2,180,887

* The adjustment was made against accruals due to an overprovision made in the previous year. This was excluded in the statement of cash flows as it is a non-cash item.

9. Trade and other receivables

	2016	2015
	K	K
Trade receivables	965,154	547,895
Other receivables	1,670,948	848,712
Prepayments	179,398	264,524
	2,815,500	1,661,131

Trade receivables are non-interest bearing and are generally on terms of 30 days.

9. Trade and other receivables (Continued)

As at 31 December 2016, trade receivables with an initial carrying value of K282,597 (2015: K77,565) were impaired and fully provided for. See below for the movements in the provision for impairment of receivables:

	impaired	Collectively impaired	Total
	K	K	K
At 1 January	52,326	45,115	97,441
Charge for the year	25,239	-	25,239
Unused amounts reversed	-	(45,115)	(45,115)
At 31 December 2015	77,565	-	77,565
Charge for the year	205,032	-	205,032
At 31 December 2016	282,597	-	282,597

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

		Neither past	Past due but not impaired			
	Total	impaired	< 30 days	30 - 60 days	60 - 90 days	> 90 days
	K	K	K	K	K	K
2016	1,192,996	-	362,800	538,003	108,826	183,367
2015	555,330	-	216,937	126,785	72,043	139,565

10. Cash and cash equivalents

	2016	2015
	K	K
Cash at bank	7,597,680	2,633,703

Bank accounts bear interest at the rate of 9.5% (4.5%).

11. Held in trust

	2016	2015
	K	K
Trust account	21,426,315	26,685,182
Interest account	2,331,827	997,813
	23,758,143	27,682,995

Funds held on behalf of customers are held on bank accounts, bearing interest at the rate of 9.5% (2015: 9.5%).

The Bank of Zambia has approved interests on held in trust bank accounts on condition that it is used for customer education.

12. Share capital

	2016	2015
	K	K
Authorised share capital:		
200,000,000 ordinary shares of K 0.01 each	**2,000,000**	2,000,000
Issued and fully paid:		
200,000,000 ordinary shares of K 0.01 each	**2,000,000**	2,000,000

13. Due to customers

E-Value balances	**19,914,315**	23,539,370
E-Value Held in suspense	**1,617,023**	3,411,578
Interest Earned from Trust Account	**2,331,827**	997,813
	23,863,165	27,948,761

14. Trade and other payables

Trade payables	**2,214,122**	1,314,457
Other payables	**5,370,873**	11,152,474
	7,584,995	12,466,931

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

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

15. Related party disclosures

(a) Amounts due from related parties

Name of related parties	Nature of relationship	Nature of transactions	Balance at 31.12.2016
			K
Airtel Networks Zambia Plc	Fellow subsidiary	Bulk payment transactions	649,926
Airtel Mobile Commerce Malawi Limited	Fellow subsidiary	Cross border transactions	397,906
Airtel Mobile Commerce DRC Limited	Fellow subsidiary	Cross border transactions	310,784
			1,358,616

Name of related parties	Nature of relationship	Nature of transactions	Balance at 31.12.2015
			K
Airtel Networks Zambia Plc	Fellow subsidiary	Bulk payment transactions	310,656
Airtel Mobile Commerce Malawi Limited	Fellow subsidiary	Cross border transactions	234,646
			545,302

The above amounts due from related parties have no fixed repayment terms. The Company reserves the right to demand payment at any time it desires.

15. Related party disclosures (Continued)

(b) Amounts due to related parties

Name of related parties	Nature of relationship	Nature of transactions	Balance at 31.12.2016
			K
Airtel Networks Zambia Plc	Fellow subsidiary	Expenses paid on behalf	83,522,699
Airtel Mobile Commerce Malawi Limited	Fellow subsidiary	Crossborder transactions	276,285
Airtel Mobile Commerce DRC Ltd	Fellow subsidiary	Crossborder transactions	227,741
			84,026,725

Name of related parties	Nature of relationship	Nature of transactions	Balance at 31.12.2015
			K
Airtel Networks Zambia Plc	Fellow subsidiary	Expenses paid on behalf	61,909,834
Airtel Mobile Commerce Malawi Ltd	Fellow subsidiary	Crossborder transactions	264,056
Airtel Mobile Commerce BV	Immediate holding	Expenses paid on behalf	365,485
			62,539,375

The above amounts due to related parties have no fixed repayment terms. The related parties reserve the right to demand payment at any time it desires.

Terms and conditions of transactions with related parties:

Outstanding balances at year-end are unsecured and non-interest bearing. There have been no guarantees provided or received for any related parties receivables or payables. For the year ended 31 December 2016, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2015: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

16. Financial risk management objectives and policies

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

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

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

16. Financial risk management objectives and policies (Continued)

Market risk

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

(i) Foreign exchange risk

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

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

(ii) Interest rate risk

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

(iii) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trading activities as well as placement and balances with other counterparties, advances to customers, deposits held with various services providers, prepayments and bank balances. The Company does not involve itself in trading activities hence it is not exposed to credit risk.

(iv) Concentration of credit risk

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

(v) Liquidity risk

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

16. Financial risk management objectives and policies (Continued)

(v) Operational risk

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

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

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

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

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

Capital management

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

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

Operations

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

16. Financial risk management objectives and policies (Continued)

Risk management

Risk is inherent in the company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing viable operations.

Exposure to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk arises in the normal course of the company's business.

Credit risk

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

	2016	2015
	K	K
Trade and other receivables	**2,815,500**	1,661,131
Amounts due from related parties	**1,358,616**	545,302
Cash and cash equivalents	**7,597,680**	2,633,703
	11,771,796	4,840,136

The following are the contractual maturities of financial liabilities:

	Carrying amount	
	2016	2015
	K	K
Financial liabilities		
Amounts due to related parties	**84,026,725**	62,539,375
Trade and other payables	**7,584,995**	12,466,931
Due to customers	**23,863,165**	27,948,761
	115,474,885	102,955,067

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

Financial liabilities	Within 1 year	Between 1 - 2 years	Between 2 - 5 years	Greater than 5 years	Total
	K	K	K	K	K
31 December 2016					
Amounts due to related parties	874,678	-	-	83,522,699	84,397,377
Due to customers	21,531,335	-	-	-	21,531,335
Trade and other payables	9,916,822	-	-	-	9,916,822
	32,322,835	-	-	83,522,699	115,845,534

16. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Financial liabilities (Continued)

	Within 1 year	Between 1 - 2 years	Between 2 - 5 years	Greater than 5 years	Total
	K	K	K	K	K
31 December 2015					
Amounts due to related parties	629,541	-	-	61,909,834	62,539,375
Due to customers	26,950,948	-	-	-	26,950,948
Trade and other payables	13,464,744	-	-	-	13,464,744
	41,045,233	-	-	61,909,834	102,955,067

17. Capital commitments

There are no material capital commitments as at 31 December 2016 (2015: Nil).

18. Contingent liabilities

There were no other material contingent liabilities as at 31 December 2016 (2015: Nil).

19. Immediate and ultimate holding company

Airtel Mobile Commerce Zambia Limited's immediate and ultimate holding company is Airtel Mobile Commerce BV, a company incorporated in Netherlands.

20. Events after the reporting date

There have been no material events after the reporting date which would require disclosure in or adjustment to the financial statements for the year ended 31 December 2016.