AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED
(Incorporated in Zambia)

TABLE OF CONTENTS

CONTENTS **PAGES**

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

DIRECTORS' REPORT
for the year ended 31 December 2017

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

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. There have been no significant changes in the company's business during the year.

Share capital

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

Results and dividends

The Company had a profit after tax of **K 372 914** for the year ended 31 December 2017 (2016: loss K10,906,482).The directors do not recommend the payment of a dividend for the year under review (2016: Nil).

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.

Directors

The following director's held office during the year and to the date of this report.

Name	Position	Nationality	Date of appointment	Date of resignation
Mukesh Singla	Executive Director	Indian	29-Nov-16	31-Oct-17
Peter Correia	Executive Director	South African	3-Mar-15	
Rajeev Sethi	Executive Director	Indian	29-Mar-17	
Apoorva Methrotra	Executive Director	Indian	1-Nov-17	

None of the Directors held any shares in the company (2016: Nil).

Property, plant and equipment

During the year, the Company acquired plant & equipment of **K784,733** (2016: Nil). In addition, there was a movement of **K 38,414** (2016:K Nil) on assets in progress.

Number of employees and remuneration

Employee costs and benefits for the year amounted to **K 3 776 804** (2016: K 4 305 564). The average number of employees for each month of the year was as follows.

Month	2017	2016
January	**9**	13
February	**9**	13
March	**9**	12
April	**9**	12
May	**9**	12
June	**9**	12
July	**8**	11
August	**8**	10
September	**8**	10
October	**7**	9
November	**6**	9
December	**6**	9

Health and safety

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

Gifts and donations

The Company did not make any donations or gifts to charitable organisations and events during the financial year (2016: Nil).

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

DIRECTORS' REPORT (CONTINUED)
for the year ended 31 December 2017

Going Concern

In 2017, the company realised a net profit after income tax of **K372 914** (2016: loss of K10,906,482) for the year. At 31 December 2017 accumulated losses were **K 80,633,067** (2016: K 81,005,982). The company is in a net liabilty position of **K 78,633,067** (2016: K 79,005,982). 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 the 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 remains a 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 driven by and dependent on management achieving operational targets on subscriber numbers, churn rate and average revenue per user;

b) Will obtain funding from third parties; and

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 commitment to this effect from the major shareholders has been obtained by the 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.

Auditors

The Company's Auditors, Messrs Deloitte & Touche, indicated their willingness to continue in office. A resolution proposing their reappointment and authorising the Directors to fix their remuneration will be put to the Annual General Meeting.

STATEMENT ON CORPORATE GOVERNANCE

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

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

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

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

By order of the Board

COMPANY SECRETARY
Sonia Shamwana Chinganya

Date: 6-March-2018

STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

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

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The independent external auditors, Messrs Deloitte & Touche, have audited the financial statements and their report is shown on pages 4 and 5.

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

The annual financial statements are prepared on a going concern basis. Except as disclosed in Note 3(b), nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern in the foreseeable future.

In the opinion of the Directors:

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

Approval of the financial statements

The financial Statements of the company as indicated above, were approved by the Directors on 6 March **2018** and signed on behalf of the Board by:

Rajeev Sethi
CHAIRPERSON

Apoorva Mehrotra
DIRECTOR

Deloitte.

PO Box 30030
Lusaka
Zambia

Deloitte & Touche
Registered Auditors
Abacus Square
Plot No 2374/B
Thabo Mbeki Road
Lusaka
Zambia

Tel: +260 (211) 228677/8/9
Fax: +260 (211) 226915
www.deloitte.co.zm

INDEPENDENT AUDITOR'S REPORT

To the members of
Airtel Mobile Commerce Zambia Limited

REPORT ON THE AUDIT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Airtel Mobile Commerce Zambia Limited (the "Company) set out on pages 6 to 29, which comprise the statement of financial position as at 31 December 2017, 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 to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Banking and Financial Services Act, 1994 (as amended) and the Companies Act,1994 (as amended).

Material Uncertainty Related to Going Concern

Without qualifying our opinion , we draw attention to Note **3(b)** to the financial statements which indicates that at 31 December 2017 the Company's current liabilities exceeded its current assets by K 79,335,034 (2016: K 79,535,630) and as at that date it had incurred a shareholder deficiency of K 78,633,067 (2016: K 79,005,982).These conditions along with other matters as set forth in Note **3(b)** to the fianancial statements, indicate the existence of a material uncertainty, which may cast significant doubt about the company's ability to continue as a going concern should financial support from related aprties no longer be availed.

Basis for opinion

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

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act, 1994 (as amended) which we obtained. 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 or

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

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1994 (as amended) and the Banking and Financial Services Act, 1994 (as amended) 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.

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 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 conditions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements

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

In accordance with section 64(2) of the Banking and Financial Services Act, 1994 (as amended), we report that in our opinion:

- 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;
- We are not aware of any transaction that has not been within the powers of the Company or which was contrary to the Act;
- The Company has complied with the provisions of this Act and the regulations, guidelines and prescriptions under this Act, and
- No transactions or conditions affecting the wellbeing of the Company have come to our attention that in our opinion are not satisfactory and require rectification.

Deloitte & Touche

DELOITTE & TOUCHE

Chungu

C CHUNGU
PARTNER
PC No: AUD/F000292

DATE: 7 March 2018

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

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

	Notes	2017	2016
		K	K
Revenue	7	**25 283 970**	13 999 062
Cost of sales		**(17 243 476)**	(7 932 292)
Gross profit		**8 040 494**	6 066 770
Distribution expenses		**(1 363 358)**	(10 577 504)
Administrative expenses		**(6 419 048)**	(6 988 233)
Operating Profit		**258 088**	(11 498 967)
Net exchange (loss) gain	8	**(145 739)**	342 909
Finance income	9	**393 629**	383 963
Profit (loss) before tax	10	**505 978**	(10 772 095)
Income tax expense	12	**(133 063)**	(134 387)
Profit (loss) and total comprehensive income (loss) for the year		**372 914**	(10 906 482)

There were no items of other comprehensive income during the year (2016: K nil)

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

STATEMENT OF FINANCIAL POSITION
at 31 December 2017

	Notes	2017	2016
		K	K
ASSETS			
Non-current assets			
Equipment	14	**701 967**	529 649
Current assets			
Trade and other receivables	15	**2 700 833**	2 815 500
Amounts due from related parties	21	**497 627**	1 354 925
Current tax asset	12	**395 528**	409 315
Funds held in Trust	16	**71 818 714**	22 348 962
Bank and cash balances	17	**2 841 778**	7 597 680
		78 254 480	34 526 382
Total assets		**78 956 447**	35 056 031
EQUITY AND LIABILITIES			
Share capital	18	**2 000 000**	2 000 000
Accumualated losses		**(80 633 067)**	(81 005 982)
Shareholders deficiency		**(78 633 067)**	(79 005 982)
Current liabilities			
Due to customers	19	**71 819 618**	23 018 983
Trade and other payables	20	**5 071 756**	7 081 364
Amounts due to related parties	21	**80 698 140**	83 961 666
		157 589 514	114 062 013
Total liabilities		**157 589 514**	114 062 013
Total equity and liabilities		**78 956 447**	35 056 031

The responsibilities of the Directors of the company with regard to the preparation of the financial statements are set out in on page 3. The financial statements on pages 6 to 29 were approved by the board of directors and authorised for issue on 6 March 2018 and signed on their behalf by:

Rajeev Sethi

Chairperson
Rajeev Sethi

Director
Apoorva Mehrotra

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

	Share capital	Accumulated losses (i)	Total
	K	K	K
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)
At 1 January 2017	2 000 000	(81 005 982)	(79 005 982)
Total comprehensive income	-	372 914	372 914
At 31 December 2017	**2 000 000**	**(80 633 067)**	**(78 633 067)**

AIRTEL MOBILE COMMERCE ZAMBIA LIMITED

STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

	Notes	2017	2016
		K	K
Operating activities			
Profit before tax		**505 978**	(10 772 095)
Adjustments to reconcile loss before tax to net cash flows:			
Depreciation expense	14	**612 415**	1 651 238
Interest income	9	**(393 629)**	(383 963)
Working capital adjustments:			
Decrease (increase) in trade and other receivables		**114 667**	(1 412 131)
Decrease (increase) in amounts due from related parties		**857 298**	(813 314)
Increase in amounts due to related parties		**(3 263 526)**	21 487 350
(Decrease) increase in amounts held in trust		**(49 469 752)**	3 924 852
Decrease in trade and other payables		**(2 009 608)**	(4 889 547)
Decrease (increase) in amounts due to customers		**48 800 636**	(4 085 597)
		(4 245 522)	4 706 793
Interest received	9	**393 629**	383 963
Income tax paid	12	**(119 276)**	(126 779)
Net cash flows used in operating activities		**(3 971 169)**	4 963 977
Investing activities			
Purchase of plant and equipment	14	**(784 733)**	-
Net cash flows used in investing activities		**(784 733)**	-
Net cash flows from financing activities		-	-
Net (decrease) increase in cash and cash equivalents		**(4 755 902)**	4 963 977
Cash and cash equivalents at beginning of the year		**7 597 680**	2 633 703
Cash and cash equivalents at end of year		**2 841 778**	7 597 680

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.

The address of the Company's registered office and principal place of business is disclosed as follows.

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

The Company's principal activities are disclosed on page 1 of the director's report.

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

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

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

Amendments to IAS 7 *Disclosure Initiative*

The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

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

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

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

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

Annual Improvements to IFRSs 2014-2016 Cycle

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

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

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

2.2 New and revised IFRSs in issue but not yet effective

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

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

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

2.2 New and revised IFRSs in issue but not yet effective (continued)

Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
Effective for annual periods beginning on or after a date to be determined.

IFRS 9 *Financial Instruments*

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

Key requirements of IFRS 9:

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

• with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

• in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

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

IFRS 15 *Revenue from Contracts with Customers*

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

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

2.2 New and revised IFRSs in issue but not yet effective (Continued)

IFRS 15 *Revenue from Contracts with Customers (continued)*

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

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

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

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

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

The Company recognises revenue from the following major sources:

- Merchant collection commission
- Bulk payment transaction fees
- Cash out fees
- Peer to Peer offnet transactions
- Mobile recharge sales
- Airtel money to bank transfers
- International money transfers

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

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

IFRS 16 *Leases*

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

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

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

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

Furthermore, extensive disclosures are required by IFRS 16.

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

2.2 New and revised IFRSs in issue but not yet effective (Continued)

As at 31 December 2017, the Company do not have non-cancellable operating lease commitments of K Nil million. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Company will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. Directors of the company do not anticipate significant impact on the amounts recognised in the Company's financial statements and this IFRS is not applicable to the company.
In contrast, for finance leases where the Company is a lessee, the Company has already recognised an asset and a related finance lease liability for the lease arrangement.
Further in cases where the Company is a lessor (for both operating and finance leases), the application of this standard is not applicable and the directors of the Company do not anticipate that the application of IFRS 16 will have an impact on the amounts recognised in the Company financial statements as the company is not a lessor.

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

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
i) the original liability is derecognised;
ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

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

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

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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

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

2.2 New and revised IFRSs in issue but not yet effective (Continued)

Amendments to IAS 40 *Transfers of Investment Property*

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

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

The directors of the Company anticipate that the application of these amendments may not have an impact on the Company's financial statements in future periods should there be a change in use of any of its properties.

Annual Improvements to IFRSs 2014 – 2016 Cycle

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

The amendments to IAS 28 clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

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

IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a.) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b.) 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).

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The financial statements have been prepared on a going concern basis, which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

In 2017, the company realised a net profit after income tax of **K372 914** (2016: loss of K10,906,482) for the year. At 31 December 2017 accumulated losses were **K 80,633,067** (2016: K 81,005,982). The company is in a net liabilty position of **K 78,633,067** (2016: K 79,005,982). 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 a 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 driven by and dependent on management achieving operational targets on subscriber numbers, churn rate and average revenue per user;
b) Will obtain funding from third parties; and
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 commitment to this effect from the major shareholders has been obtained by the 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Revenue recognition

Revenue arises from billing customers for P2P (person to person offnet) 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.

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.

(d) Foreign Currencies

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

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

Non-monetary 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).

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'.

(e) Equipment

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 equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of 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.

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.

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.

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

Assets are depreciated to the residual values on a straight-line basis over the estimated useful lives. The asset's 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:

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Equipment (continued)

Categories	Years
Computers	3
Furniture and fittings	2 – 5

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.

(f) Impairment of non financial assets

Equipment and Intangible assets

Equipment and intangible assets with definite lives are reviewed for impairment, whenever events or changes in circumstances indicate that their carrying values may not be recoverable. For the purpose of impairment testing, the recoverable amount (that is, higher of the fair value less costs to sell and the value-in-use) is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets, in which case the recoverable amount is determined at the cash-generating-unit ('CGU') level to which the said asset belongs. If such individual assets or CGU are considered to be impaired, the impairment to be recognised in profit or loss is measured by the amount by which the carrying value of the asset / CGU exceeds their estimated recoverable amount and allocated on pro rata basis. Impairment losses, if any, are recognised in statement of profit and loss.

Reversal of impairment losses

Impairment losses are reversed and the carrying value is increased to its revised recoverable amount provided that this amount does not exceed the carrying value that would have been determined had no impairment loss been recognised for the said asset in previous years.

(g) Receivables

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

(h) Cash and cash equivalents

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

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

(i) Borrowings

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Statement of cash flow

Cash flows are reported using the indirect method as per IAS-7"Statement of cash flows", whereby profit for the period is adjusted for the effect of transactions of a non-cash nature, any deferral or accrual of past or future cash operating receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities are segregated.

(k) Financial instruments

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

Non-derivative financial assets

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

Derecognition of financial assets

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

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

The Company has only non-derivative financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

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

(l) Impairment of financial asset

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of financial asset (continued)

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

Non – derivative financial liabilities

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

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

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

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

(m) Share capital

Issued ordinary shares are classified as 'share capital' in equity.

(n) Payables

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

(o) Contingencies

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised and disclosed only where an inflow of economic benefits is probable.

(p) Comparatives

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

(q) Employee benefits

Retirement benefit obligations

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

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

Other entitlements

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

(r) Taxes

Current income tax

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Taxes (continued)

Deferred tax

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.

(s) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(t) Dividend

Dividend payable to the company's shareholders are charged to equity in the period in which they are declared.

(u) Interest income

Interest income from a financial asset is recognised when its is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected useful life of the financial asset to that asset's net carrying amount on initial recognition.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(i) Critical accounting estimates and assumptions

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

Receivables

Critical estimates are made by the directors in determining the recoverable amount of impaired receivables. Factors taken into consideration in making such judgements include historical trends and the number of days a debt is past its due date for payment. The carrying amount of impaired receivables is set out in Note 15.

Taxes

1. Current income tax

Current Income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date.

2. Deferred tax

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date.

Determination of residual values and useful lives

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

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

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

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

5. 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.

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.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

(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.

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.

(i) 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.

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

	Note	Carrying amount 2017	2016
		K	K
Financial assets			
Trade receivables (net)	15	**989 088**	965 154
Cash and cash equivalents		**2 841 778**	7 597 680
		3 830 866	8 562 834

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

	Total	Neither past due nor impaired	Past due but not impaired < 30 days	30 - 60 days	60 - 90 days	Past due and impaired > 90 days
	K	K	K	K	K	K
2017	**1 521 167**	**588 200**	**315 959**	**69 280**	**-**	**547 729**
2016	1 247 751	318 277	300 465	439 648	2 199	187 163

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.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

	Note	Carrying amount 2017	2016
		K	K
Financial liabilities			
Amounts due to related parties	21 (c)	**80 698 140**	83 961 666
Trade and other payables	20	**5 071 756**	7 081 364
		85 769 896	91 043 030

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 2017					
Amounts due to related parties	**2 868 779**	-	-	**77 829 361**	**80 698 140**
Trade and other payables	**5 071 756**	-	-	-	**5 071 756**
	7 940 535	-	-	**77 829 361**	**85 769 896**
31 December 2016					
Amounts due to related parties	8 904 572	-	-	75 057 094	83 961 666
Trade and other payables	7 081 364	-	-	-	7 081 364
	15 985 936	-	-	75 057 094	91 043 030

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 bv 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:

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Operational risk (continued)

·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.

(i) 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.

(ii) Operations

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

6. 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.

7. REVENUE

	2017	2016
	K	K
Fees on cash withdrawals	16 692 999	8 465 630
Merchant Collection Commission	4 254 319	3 333 786
Airtime Sales Commission	2 484 436	1 304 530
Batch Payment Commission	1 069 023	501 151
P2P Charges (off net)	323 289	300 458
Other fees and charges	310 765	46 134
Bank Transfer Commission	100 546	15 516
Commission on international money transfers	48 593	31 858
	25 283 970	13 999 062

8. NET EXCHANGE (LOSS) GAIN

Net exchange (loss) gain	(145 739)	342 909

9. FINANCE INCOME

Interest income on bank balances	393 629	383 963

10. PROFIT (LOSS) BEFORE TAX

Profit (loss) before tax is stated after crediting:		
Interest income (note 9)	393 629	383 963
and after charging:		
Depreciation on property, plant and equipment (note 14)	612 415	1 651 238
Auditors' remuneration	721 364	159 598
Employee benefits expenses	3 776 804	4 305 564
Receivables - provision for impairment losses (note 15)	249 484	205 032

11. EMPLOYEE BENEFIT EXPENSE

	2017 K	2016 K
The following contributions to pension funds were included within the salaries and wages expenses:		
Aon Zambia Pension Fund Administrators Limited	**230 013**	358 366
National Pension Scheme Authority	**76 531**	95 067

12. INCOME TAX EXPENSE

The components of income tax expense for the years ended 31 December 2017 and 2016 are:

	2017 K	2016 K
Adjustment	-	24 648
Current income tax charge	**133 063**	109 739
	133 063	134 387

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

	2017 K	2016 K
Profit (loss) before income tax	**505 978**	(10 772 095)
Tax calculated at the statutory income tax rate of 35%	**177 092**	(3 770 233)
Tax effect of:		
Timing differences	**38 201**	3 651 450
Expenses not deductible for tax purposes	**(82 231)**	253 170
	133 063	134 387

Current tax asset

Current income tax movement in the statement of financial position:

	2017 K	2016 K
At 1 January	**(409 315)**	(151 549)
Payments during the year	**(119 276)**	(126 779)
Witholding tax	-	(265 374)
Current tax charge for the year	**133 063**	134 387
At 31 December	**(395 528)**	(409 315)

Tax losses are analysed as follows

Charge year	1.1.2017 K	Tax losses utilised K	Expired tax losses K	31.12.2017 K
2011/12	11 561 544	-	(11 561 544)	(0)
2012	10 911 846	-	(10 911 846)	0
2013	10 078 310	-	-	10 078 310
2014	17 215 661	-	-	17 215 661
2015	17 806 813	-	-	17 806 813
2016	9 496 303	-	-	9 496 303
Current year loss	-	-	-	595 658
Total tax losses	**77 070 477**	-	**(22 473 390)**	**55 192 746**

13. DEFERRED TAX

Deferred tax assets have not been recognised in respect of the items below because it is not considered probable that future taxable profit will be available against which they can be realised.
Had deferred income tax being recognised it would have been caculated using the enacted income tax rate of 35% and the movement on the deferred income tax account would have been as follows:

	2017 K	2016 K
At beginning of year	**(19 271 799)**	(19 587 254)
Charge (credit) for the year	**(38 201)**	(3 651 450)
At end of year	**(19 310 000)**	(23 238 705)

13. DEFERRED TAX (CONTINUED)

	1.01.2016	Movement	31.12.2016
	K	K	K
Deferred tax assets			
Tax losses	(19 604 421)	(3 323 706)	(22 928 127)
Other provisions	-	(262 617)	(262 617)
Property plant and equipment	(71 150)	(76 610)	(147 760)
	(19 675 571)	(3 662 933)	(23 338 504)
Deferred tax liabilities			
Exchange differences	88 316	11 483	99 799
	88 316	11 483	99 799
Total deferred tax assets	(19 587 254)	(3 651 450)	(23 238 705)
	01.01.2017	**Movement**	**31.12.2017**
Deferred tax assets			
Tax losses **(i)**	(19 108 981)	(208 480)	(19 317 461)
Other provisions	(262 617)	92 706	(169 911)
Property plant and equipment	(147 760)	177 372	29 612
	(19 371 598)	61 598	(19 457 760)
Deferred tax liabilities			
Exchange differences	99 799	(99 799)	-
	99 799	(99 799)	-
Total contingent deferred tax assets	**(19 271 799)**	**(38 201)**	**(19 457 760)**

(i) The opening balance of deferred tax asset with respect to the tax losses have been reinstated taking into account, that the Year 2012 tax loss has been forfeited at the beginning of the year 2017.

14. EQUIPMENT

	Computers	Furniture & other equipments	Assets in progress	Total
	K	K	K	K
Cost				
At 1 January 2016	3 660 476	2 574 303	38 414	6 273 193
At 31 December 2016	3 660 476	2 574 303	38 414	6 273 193
At 1 January 2017	3 660 476	2 574 303	38 414	6 273 193
Additions	-	784 733	-	784 733
Adjustment	-	38 414	(38 414)	-
At 31 December 2017	**3 660 476**	**3 397 450**	**-**	**7 057 926**
Depreciation				
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
At 1 January 2017	3 169 242	2 574 302	-	**5 743 544**
Charge for the year	404 937	207 478	-	**612 415**
At 31 December 2017	**3 574 179**	**2 781 780**	**-**	**6 355 959**
Net book value				
At 31 December 2017	**86 297**	**615 669**	**-**	**701 967**
At 31 December 2016	491 234	1	38 414	529 649

15. TRADE AND OTHER RECEIVABLES

	K	K
Trade receivables	**1 521 169**	1 247 751
Less impairment provision	**(532 081)**	(282 597)
	989 088	965 154
Other receivables	**1 711 745**	1 670 948
Prepayments	**-**	179 398
	2 700 833	2 815 500

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

As at 31 December 2017, trade receivables with an initial carrying value of **K532,081** (2016: K282,597) were impaired and fully provided for. The movement in impairment provisions is as follows:

	Individually impaired	Collectively impaired	Total
	K	K	K
At 1 January 2016	77 565	-	77 565
Charge for the year	205 032	-	205 032
Unused amounts reversed	-	-	-
At 31 December 2016	282 597	-	282 597
Charge for the year	249 484	-	249 484
At 31 December 2017	532 081	-	532 081

16. FUNDS HELD IN TRUST

	2017	2016
	K	K
Cash at bank held in trust	**66 788 090**	20 017 135
Interest earned on cash at bank held in trust	**5 030 624**	2 331 827
	71 818 714	22 348 962

Funds held on behalf of customers are held on bank accounts bearing an interest at the rate of **9.5%** (2016: 9.5%) per annum.

17. BANK AND CASH BALANCES

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

18. SHARE CAPITAL

	2017	2016
	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

19. DUE TO CUSTOMERS

Customer deposits	**66 788 090**	20 263 742
Interest earned on trust account	**5 031 528**	2 755 242
	71 819 618	23 018 984

20. TRADE AND OTHER PAYABLES

Trade payables	**1 746 396**	1 503 462
Other payables	**3 325 360**	5 577 902
	5 071 756	7 081 364

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.

The company has financial risk management policies in place to ensure that all payables are paid within pre agreed credit terms.

21. RELATED PARTY DISCLOSURES

Airtel Mobile Commerce Zambia Limited's immediate parent company is Airtel Mobile Commerce BV, a company incorporated in Netherlands and Step up parent company is Bharti Airtel Limited , a company incorporated in India.

The shareholding of the Company as at 31 December 2017 and 2016 is as stated below:

Name of shareholder	2017 and 2016 Number of shares	% shareholding
Airtel Mobile Commerce Holding	2 000 000	1%
Airtel Mobile Commerce BV	198 000 000	99%
	200 000 000	100%

(a) Amounts due from related parties

Name of related parties	Nature of relationship	Country of of incoporation	Nature of transactions	Balance at 31.12.2017 K
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Cross charges for bulk payment tool	497 627
				497 627

Name of related parties	Nature of relationship	Country of of incoporation	Nature of transactions	Balance at 31.12.2016 K
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Cross charges for bulk payment tool	646 074
Airtel Mobile Commerce Malawi Ltd	Fellow subsidiary	Malawi	Cross border transactions	397 906
Airtel Mobile Commerce DRC Ltd	Fellow subsidiary	DRC	Cross border transactions	310 945
				1 354 925

(b) Sale of services to related parties

Name of related parties	Nature of relationship	Country of of incoporation	Nature of transactions	Balance at 31.12.2017 K
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Airtime sales commissions	2 484 436
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Bulk payment transaction fees	229 139
				2 713 575

Name of related parties	Nature of relationship	Country of of incoporation	Nature of transactions	Balance at 31.12.2016 K
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Airtime sales commissions	1 304 530
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Bulk payment transaction fees	335 419
				1 639 949

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.

21. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Amounts due to related parties

Name of related parties	Nature of relationship	Country of of incoporation	Nature of transactions	Balance at 31.12.2017
				K
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Expenses paid on behalf	**80 365 883**
Airtel Mobile Commerce BV	Immediate parent	Netherlands	Expenses paid on behalf	**332 257**
				80 698 140
				Balance at 31.12.2016
				K
Airtel Networks Zambia Plc	Fellow subsidiary	Zambia	Expenses paid on behlaf	83 127 842
Airtel Mobile Commerce Malawi Ltd	Fellow subsidiary	Malawi	Cross border transactions	276 285
Airtel Mobile Commerce DRC Ltd	Fellow subsidiary	DRC	Cross border transactions	227 741
Airtel Mobile Commerce BV	Immediate Parent	Netherlands	Expenses paid on behlaf	329 798
				83 961 666

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.

There is no impairment of receivables relating to amounts owed by related parties as on 31 December 2017 and 2016.

22. FAIR VALUE MEASUREMENT

Fair value of financial assets (Trade Receivable , amount due from related parties , amount held in trust ,and bank & cash balance) and financial liabilities (Trade and other payable , amount payable to related parties , and amount due to customer) approximate to their carrying amount as on 31 December 2017 and 2016 on account of their current nature and they are recognized at amortized cost as on 31 December 2017 and 2016.

23. CAPITAL COMMITMENTS

There are no material capital commitments as at 31 December 2017 (2016: Nil).

24. CONTINGENY LIABILITIES

There were no other material contingent liabilities as at 31 December 2017 (2016: Nil).

25. EVENTS AFTER THE REPORTING PERIOD

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 2017.