airtel

THE SMARTPHONE NETWORK

2019 ANNUAL REPORT

AND FINANCIAL STATEMENTS

Contents

WHO WE ARE

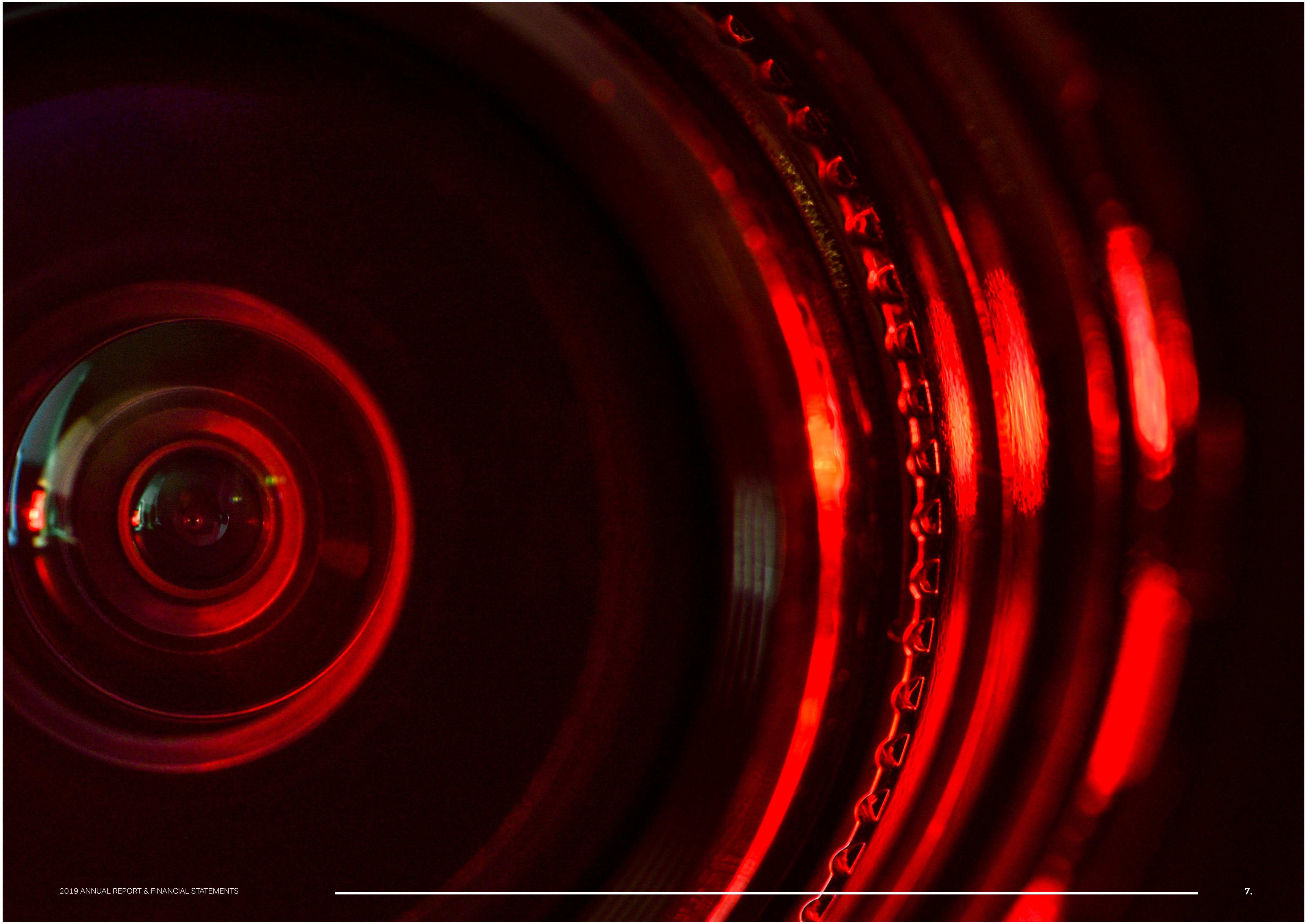
Airtel Africa is a leading provider of telecommunications and mobile money services, with a presence in 14 countries in Africa, primarily in East Africa and Central and West Africa. Airtel Africa offers an integrated suite of telecommunications solutions to its subscribers, including mobile voice and data services as well as mobile money services both nationally and internationally. The Group aims to continue providing a simple and intuitive customer experience through streamlined customer journeys.

MISSION

At Airtel, we provide globally admired technologies and services to give Zambians an easy and dependable way to connect to the world. We bring everything internet to everyone, everywhere.

VISION

Connected people are inspired people. In connecting Zambian’s to each other, we are empowering them to create opportunities, dream big and live well.



HIGHLIGHTS

1. JANUARY

Airtel launched the "MAKE THAT DIFFERENCE" initiative in December 2018 and continued in January 2019 with book donations to Kililabanda Orphange in Solwezi as well as Lubasi Homes in Livingstone.

2. FEBRUARY

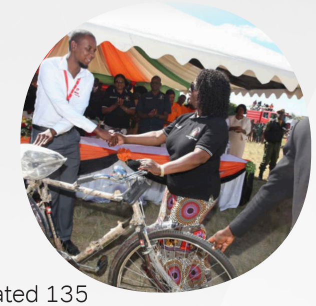
In partnership with a Non-Governmental Organisation (NGO) called Economic Liberation Association (ELA), Airtel trained over 60 youths from Chawama and John Howard Compounds on issues of financial literacy and Mobile Money banking.

3. MARCH

Barclays Bank Zambia Plc. partnered with Airtel Money to launch it's Wallet to Bank platform, a service that allows for the transfer of funds from an Airtel Money wallet to a Barclays account. Airtel Managing Director; Apoorva Mehrotra and his Barclays Bank counterpart, Mizinga Melu signed the agreement.

4. APRIL

In our bid to continue being a conduit of financial inclusion in Zambia by providing customer centric digital financial services and products, Airtel partnered with Unifone (Unity Finance) to enable customers' access loans to buy mobile phones via hire purchase.



5. MAY

The Company donated 135 bicycles to Safe Motherhood Action Groups (SMAGs) in partnership with the Esther Lungu Foundation Trust in an effort to enhance maternal child health initiatives. In the picture First lady, Mrs. Esther Lungu (2nd from right) receives bicycles from Airtel Territory Sales Manager; Mr. Chiinga Kangwa in Mkushi where the First lady donated bicycles to SMAGs.

6. JUNE

To commemorate World Blood Donation day which falls on June 14th every year, Airtel employees led by Managing Director; Apoorva Mehrotra donated blood in an effort to help save lives. In partnership with the Zambia National Blood Transfusion Service (ZNBTS), staff gave blood equivalent to providing blood for 100 children.

7. JULY

K12, 500 was donated towards the building of a Clinic in Nalolo area of Western Province after 56 year old medical Doctor Pota Kalima cycled 1, 023km from Mbala to Lusaka to fundraise for the building.

8. AUGUST

The United Nations High Commissioner for Refugees (UNHCR) in collaboration with UN Capital Development Fund, Standard Chartered Bank and Airtel Money helped make possible the improvement of digital financial services in Meheba Refugee Settlement. The collaboration aims to improve the access to SIM card and mobile wallet services; meet liquidity requirements within the settlement; and foster the digital financial literacy of persons of concern as part of the agenda to help achieve financial inclusion.

9. SEPTEMBER

Airtel launched the 077 new numbering range besides the already existing 097 numbering giving customers a chance to create numbers of their choice.

10. OCTOBER

The Ndola Public Library which has over a hundred people using their facilities each day received a shot in the arm through a donation from Airtel of assorted educational books and a router to connect to the internet, all worth K21, 000.

11. NOVEMBER

Airtel became the first mobile service provider in Zambia to roll out the 100% 4G sites. This culminated into the 100% 4G konse campaign with the positioning make #ThatConnection.

12. DECEMBER

In the spirit of the giving season, Airtel staff donated assorted gifts to 10 Orphanages across the 10 Provinces with staff dedicating an hour in each zone to play and interact with vulnerable children, in a campaign dubbed "Gift a child a smile".

MS. MONICA **MUSONDA**

Board Chairperson

Was appointed by the UN Secretary General to be a member of the Lead Group of the Scaling Up Nutrition Movement. She is a recipient of the 2017 African Agribusiness Entrepreneur of the Year award.

Monica Katebe Musonda is a dual qualified English Solicitor and Zambian Advocate with over 16 years post qualification experience. She has held senior positions in private practice with Clifford Chance & Edward Nathan as well as worked as corporate counsel at International Finance Corporation and for the Dangote Group. Her working experience with Aliko Dangote, one of Africa's most successful entrepreneurs gave her the impetus to start Java Foods.

Under her able leadership, Java Foods' vision is to become a leading food manufacturer in Southern Africa committed to providing high quality and nutritious food from local products at affordable prices.

Monica currently serves as Chairperson on the Boards of Airtel Networks Zambia Plc and Zambian Breweries. She also serves as Non-Executive Director on the Boards of Arcelor Mittal South Africa Plc, Dangote Industries Zambia Limited and Financial Sector Deepening Zambia. In 2016, she was appointed by the UN Secretary General to be a member of the Lead Group of the Scaling Up Nutrition Movement. She is a recipient of the 2017 African Agribusiness Entrepreneur of the Year award, which is an award conferred annually to entrepreneurs who demonstrate outstanding achievement in agricultural input and value addition in Africa.

Monica is also a 2013 Young Global Leader (World Economic Forum) and Archbishop Desmond Tutu Leadership Fellow while Forbes Magazine and Africa Investor named her as one of the leading Young Power Women in Business in Africa in 2013 and 2014 respectively. She is one of the few Zambian women involved in manufacturing/ agro-processing at a scalable level.

She holds a LL.B from the University of Zambia and an LL.M from the University of London.

MR. JITO KAYUMBA

Board Member

An advocate for innovative early childhood education and serves as Chairman of iSchool Zambia, an early childhood e-learning company.

Mr. Jito Kayumba is a partner at Kukula Capital, Zambia's pioneering Private Equity and Venture Capital firm. The company's impact investments have generated over 500 jobs and has developed the market for alternative capital in Zambia. Jito has led investments in numerous Zambian SMEs and actively participates in their strategy and development.

As a seasoned investment professional he is regularly called upon by numerous global fora to provide insight on development financing and investment in Africa. He is also an advocate for innovative early childhood education and serves as Chairman of iSchool Zambia, an early childhood e-learning company. He serves on other boards including Bank of Zambia, Pensions and Insurance Authority and other companies across various sectors.

Jito has also been recognized for his work in energy policy and the promotion of streamlined investment in energy ventures in Zambia, driven by Independent Power Producers.

As a certified Investment Advisor, he holds a degree in Political Science, specializing in Public Policy, Economics and Governance from Canada's Concordia University and a Master's in Business Administration from ALU School of Business.

MR. JAIDEEP PAUL

Board Member

Has been the Chief Finance Officer at Airtel Africa since May 2014 following a similar role at Airtel Nigeria. He has a total work experience of 29 years having started his career with Pricewaterhouse in 1989.

Mr Jaideep Paul joined Bharti Airtel Delhi Circle in 2002. He then worked as Chief Financial Officer of Bharti Retail (a franchisee of Walmart) for 2 years and Fairtrade LLC Muscat before joining Airtel Nigeria as Chief Financial Officer in September 2010.

Mr. Paul has been the Chief Finance Officer at Airtel Africa since May 2014 following a similar role at Airtel Nigeria. He has a total work experience of 30 years having started his career with Pricewaterhouse in 1989.

He continues to provide the Board with the ability to achieve financial discipline and enhance the overall efficiency of the organization. Mr Paul is a keen analyst with exceptional negotiation and relationship management skills and abilities.

He is a Commerce Graduate from Calcutta University and a Chartered Accountant from ICAI.

MS. ROGANY RAMIAH

Board Member

Is viewed as a trusted business advisor who has provided strategic advice and end to end functional support to regional executive Vice Presidents as well as Human Resources leaders.

Rogany Ramiah is a seasoned Human Resources Chief Officer, with more than 22 years of experience in the retail, media and consulting sectors, as well as 8 years as an Executive Board Director, whose global experience includes USA, Canada, U.K, China, India, Japan & Africa.

She is viewed as a trusted business advisor who has provided strategic advice and end to end functional support to regional executive Vice Presidents as well as Human Resources leaders in order to increase organisational performance, through talent management, performance and rewards, as well as developmental initiatives across 5 International markets.

Having operated in two retail formats, Game and Dion Wired who are under the MassMart/Walmart umbrella in 13 African countries, she developed and reinforced the correct leadership ethos across the businesses and reinforced a customer centric culture both internally and externally.

In the markets mentioned, Rogany was instrumental in stabilizing the general union environment, developing the Workforce Management strategy and crafting the re-engineering process and alignment of people costs to the business model.

Rogany steered accelerated talent bench strength, and ensured the efficient delivery of high potential development programs, instituted a talent assessment center and introduced competencies and standards of excellence to drive a high performance culture.

By assisting to leverage diversity and initiatives she enabled MassDiscounters to become one of the first retailers in South Africa to attain a level 3 Black empowerment status.

Before joining Airtel, she held senior executive roles at Massmart/Walmart (Canada, UK, China, Japan and India), and Independent newspapers. Rogany holds a degree in Psychology from the University of Witwatersrand and attended the Harvard University Division of Continuing Education.

MR. IAN FERRAO

Board Member

Led Vodacom Tanzania through an IPO process and managed to deliver a successful outcome for shareholders, Government and new investors, raising $213m and floating 25% of the business onto the Dar es Salaam stock exchange.

Ian Ferrao has spent 13 years leading Telecom organisations in Africa, both as an entrepreneur and a corporate CEO. His previous positions include CEO at Vodacom Tanzania PLC, CEO at Vodacom Lesotho, Chief Commercial Officer at Vodacom Business Africa and Commercial Director at AfriConnect Zambia.

Ian has behind him a track record for delivering turnaround and acceleration stories in all the Companies that he has led, with a strong understanding of Mobile Money and GSM growth drivers.

He also led Vodacom Tanzania through an IPO process and managed to deliver a successful outcome for shareholders, Government and new investors, raising $213m and floating 25% of the business onto the Dares Salaam stock exchange.

Ian joins Airtel Africa as the Regional Director for the East Africa Region (Kenya, Uganda, Tanzania, Malawi, Zambia and Rwanda). He is part of the Airtel Africa Executive Committee and is accountable for the profitable growth of the Airtel East Africa businesses.

He holds a First Class Honours Degree in BSc Management Sciences from the Warwick Business School.

MR. APOORVA MEHROTRA

Managing Director

Apoorva has over 24 years' experience in Operations, Sales and Marketing across the telecom industry as well as in the consumer durables and FMCG sectors.

Apoorva Mehrotra was appointed Managing Director for Airtel Networks Zambia Plc on 1st March 2018. Until his appointment, Apoorva was Airtel Zambia's Chief Commercial Officer.

He has over 24 years' experience in Operations, Sales and Marketing across the telecom industry as well as in the consumer durables and FMCG sectors.

Most notably, he spent 15 years at Vodafone, where his last posting was as Executive Vice President (EVP) & Business Head for the Delhi NCR Circle.

He holds a Masters' Degree in Management Studies (Marketing) and a Bachelor's Degree in Psychology.

OUR CORPORATE GOVERNANCE PHILOSOPHY

Airtel Networks Zambia Plc's Board and Management see Corporate Governance as a key driver for sustainable value creation, in that adherence to strong corporate governance principles helps the Company achieve its objectives, enables efficient risks management which in turn fosters the Company's reputation of excellence and integrity.

Airtel has defined and enforced a set of rules and policies inspired by the LuSE Corporate Governance Code for Listed and Quoted Companies ("LuSE Rules"). The above corporate governance framework establishes the principles governing the relationship between stakeholders, employees, management and the board of directors of the Company.

The benefits resulting from adherence of these rules and policies include:

- Efficient processes — streamlining and consistency of tasks.
- Enhanced compliance —consistency of business practices and documented processes enable quick remediation to potential non-compliance.
- Reduced costs — repeatability, consistency and other costly inefficiencies.
- Culture — the Board of Directors and Management of Airtel Zambia instill a culture of governance across the Company through a thorough implementation of the principles outlining the Company's interaction with third parties. The leadership's behaviour defines the behaviour of the workforce, and it becomes far easier in such circumstances to fit in with the defined culture.
- Reputation — to support the Company's performance, it is of the utmost criticality to demonstrate to the shareholders, customers, employees and communities in which Airtel operates that the Company applies the highest standards of transparency and accountability.
- Financial sustainability — The Board of Directors' audit and risk committee ensures an independent and objective review of risks which have a potential to generate material liabilities to the Company. There are clear instructions from the Board of Directors, Audit Committee and senior management to all business units to extend the highest level of collaboration to the Company's auditors and to address all issues raised by them.

Sonia Shamwana - Chinganya - Company Secretary

As a listed company, Airtel through its Board of Directors' ensures that it not only adheres to best practices for corporate governance within the organization but also to the standards set out by the LuSE Rules.

The Board of Directors comprises the following six (06) Directors:

	Name	Title	Committee Membership
1.	Katebe Monica Musonda	Chairperson	REMCO
2.	Ian Ferrao	Member	None
3.	Jito Kayumba	Member	REMCO and Audit Committee
4.	Jaideep Paul	Member	Audit Committee
5.	Rogany Ramiah	Member	REMCO
6.	Apoorva Mehrotra	Managing Director	None

The Directors held the following meetings during the year under review:

Board meeting attendance for 2019

	Name of Director	18 February 2019	20 May 2019	22 August 2019	29 November 2019
1.	Ms. Monica Musonda	√	√	√	√
2.	Mr. Ian Ferrao	N/A	N/A	N/A	Appointed
3.	Mr. Jito Kayumba	√	√	√	√
4.	Mr. Raghunath Mandava	√	√	Resigned	N/A
5.	Mr. Apoorva Mehrotra	√	√	√	√
6.	Mr. Jaideep Paul	√	√	√	Proxy
7.	Mrs. Rogany Ramiah	N/A	N/A	Appointed	Proxy
8.	Mr Neelesh Singh	N/A	Appointed	√	Resigned

Audit Committee attendance for 2019:

	Name of Director	18 February 2019	20 May 2019	22 August 2019	29 November 2019
1.	Mr. Jito Kayumba	√	√	√	√
2.	Mr. Jaideep Paul	√	√	√	Proxy

Remuneration and Nomination Committee attendance for 2019:

	Name of Director	18 February 2019	20 June 2019
1.	Ms. Monica Musonda	√	√
2.	Mr. Raghunath Mandava	√	Proxy
3.	Mr. Jito Kayumba	√	√

AIRTEL PRODUCTS & SERVICES

ENTERPRISE BUSINESS

Airtel Networks (Z) Plc, having built a full domestic enterprise network to support tailoring of connectivity solutions for both small and medium enterprises, as well as large corporations and multinational organisations, is now ramping up to deploy services with commensurate service level agreements under contract with an inbuilt escalation matrix.

The business has benefited from the network modernisaton and upgrade over the last eighteen months, which has seen the deployment of the 100% 4G Konse roll out. This means that with the brand new 4G network, the enterprise Points of Presence (PoPs) of our Domestic Multi-Protocol Label Switching (MPLS) has increased multiple fold, exceeding 600 in number. This has also significantly improved resilience on service and redundancy options.

The deployment of fiber connecting to Kasumbalesa and Kariba has also improved the ability of the business to configure high capacity transmission circuits on these routes.

The Enterprise business product offering continues to include domestic MPLS network as well as customer tailored value propositions including Virtual Private networks (VPNs), Direct Internet Access (DIA), Access Point Name (APN) configurations and international circuits such as International Private Leased Circuits (iPLC) and Data Center hosting.

The business is able to offer wholesale capacity to some of our customers in the Internet Service Provider (ISP) segment owing to the large network capacity.

Our services in Fixed data are over and above the GSM product offerings like postpaid voice and data, corporate prepaid, bulk messaging and mobile broadband internet for home and small office use. Solutions in this area are tailored according to customer requirements, working together with our Enterprise pre-sales and technical and implementation engineers who are adequately supported by a middle and back office team of sales and support staff coordinated by an account manager.

100% 4G KONSE

Airtel has upgraded all its sites to 4G across the country making it the first Operator in Zambia to have 100% 4G coverage. This has been done to enable all subscribers experience ultrafast data speed. Airtel positions itself to be a leader in innovation and new technology hence leading the way as a smartphone network. The 100% 4G Konse campaign video has had over 2.9 million views on digital platforms in 3 months.This is the most watched video in Zambian history.

IKALI

We have continued to position our products at the core of meeting our customers needs with a “more-for-more” strategy. The Ikali product which offers Voice Minutes and Data MBs drives our ambition to give every customer a product that is affordable, whilst meeting their daily communication requirements. As at 31 December 2019, the Ikali customer penetration had reached 24% of Airtel’s total subscriber base.

NEW NUMBER RANGE 077

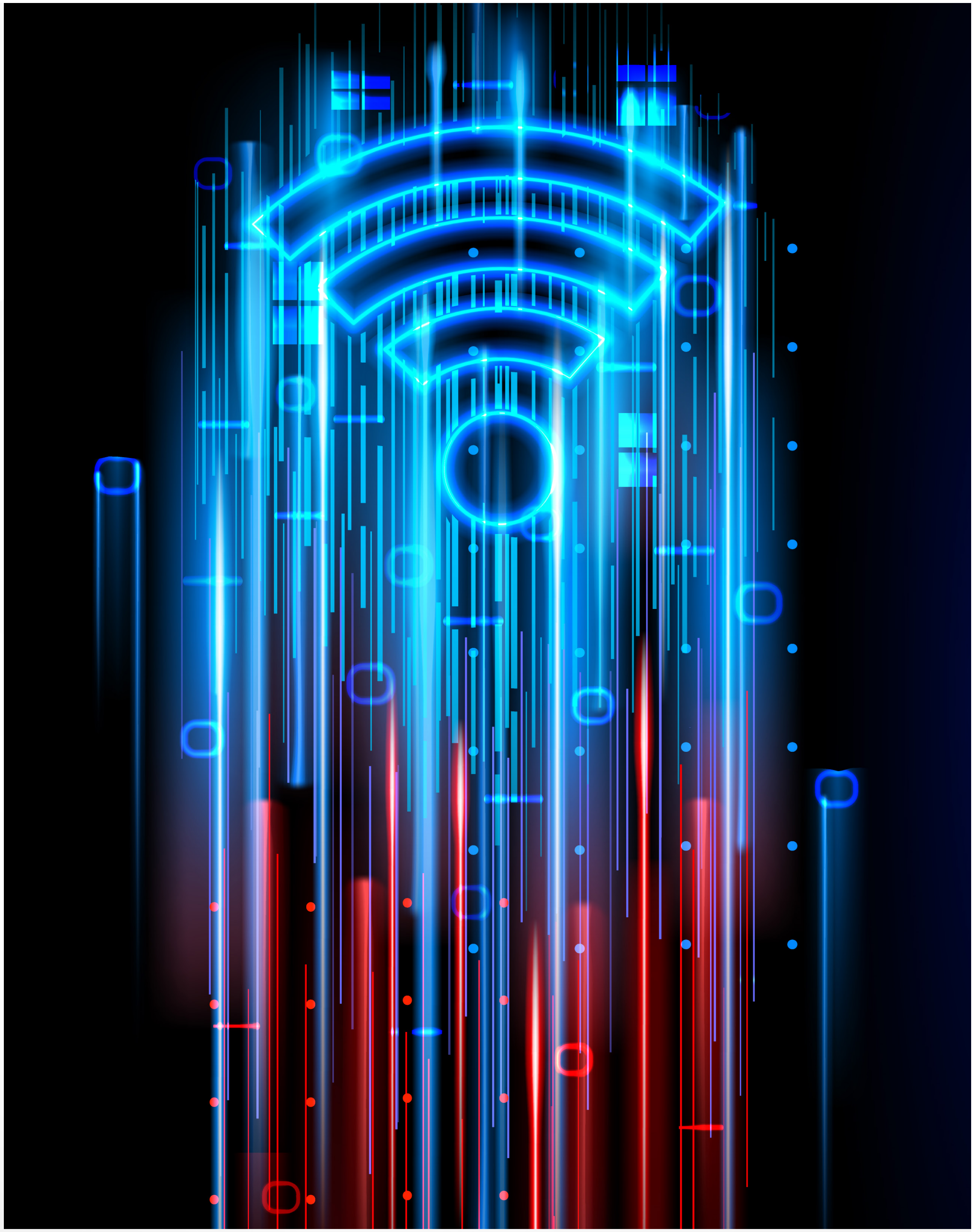
Airtel has experienced good customer growth in the past years, and hence acquired and launched a new number range 077 to meet the ever increasing demand and growth. We believe SIM availability is a key enabler for our customers to access the services provided by Airtel. With the new number range, existing and new subscribers can reserve premier numbers that could be anything from birthdays or any special number of significance of their choice.

LONG TERM DATA VALIDITY BUNDLES

We have also launched long term validity data bundles to ensure that our subscribers have a choice of bundles that they can use without worry of forfeiture. This gives freedom to our customers to purchase long term validity data bundles which range from 90 days to 365 days.

PAYING GSM PRODUCT USING AIRTEL MONEY

Airtel has positioned itself to be a leading Smartphone Network by enabling subscribers who wish to purchase GSM products using Airtel Money. This innovation brings convenience and simplicity by integrating products with Airtel Money. Customers can now simply buy both bundles and minutes on short codes *575# and *140# and pay using Airtel money.



LETTER TO THE SHAREHOLDERS

Dear Shareholders,

It is my pleasure to report on the annual results for Airtel Networks Zambia Plc (Airtel) for the financial year 2019.

2019 was another year of economic challenges for the country as a whole. The local currency depreciated against the United States Dollar (USD), and fuel prices increased amid unprecedented load shedding. The reduction in supply hours of grid electricity led to increased consumption in diesel across industries, further exacerbating the escalating energy costs. The foregoing resulted in the increase in prices of consumer goods and services.

Inflation deteriorated from 7.9% in December 2018 to 11.7% in December 2019 reflecting the deterioration in prices of basic goods and services in the country. The pricing of agricultural products in the year under review, as reported by farmers, did not reflect actual input costs and therefore many farmers did not make profits out of their produce and this aspect directly impacted their ability to spend.

Although the economy presented a generally gloomy outlook, Airtel managed to leverage on its global footprint in driving cost efficiency and innovation in product design and development to deliver growth in operating profits compared to the prior year.

In the first half of the year we re-engineered our flagship combo offer, So Che, by consolidating the offers that accompanied weekly and monthly subscriptions, discontinued bonus on payments using our sister company; Airtel Money and rationalized the data volumes that came with the combo bundle.We also introduced the option of paying for So Che and Ikali purchases using Airtel money within the sessions of the *140# short code. This was hugely successful and saw an increase in excess of 20% for purchases being channeled through Airtel Money within three months from the launch date.

Changes in the Telecommunications Industry

2019 saw an increase in Mobile telecommunications related fraud as a result, of fraudulent SIM Swap and KYC registration processes. ZICTA found it prudent to publish new guidelines, which were aimed at curbing some of the incidents that occurred in the market as a result of these fraudulent registrations and SIM Swaps. The new directives included the introduction of facial capture of subscribers at the point of registration and SIM swap. As reported last year, the newly implemented regulatory framework saw the announcement of a fourth mobile operator in Zambia. However, this fourth operator is yet to commence operations. That notwithstanding, Airtel stands poised to defend its position in the Zambian market in its continued commitment to provide 1st class telecommunication services to all people across Zambia.

In compliance with the new Zambia Information and Communications Technology Authority ("ZICTA") directive, the Company effected a single billing plan for all local voice calls billed on Pay As You Go (PAYG). The rate was K0.0167 which translates to K1 as per directive. This amounted to an effective reduction of approximately 11% from the initial effective voice PAYG rate.

Lusaka Securities Exchange Listing Requirements

In accordance with the harmonized listings requirements of the Lusaka Securities Exchange ("LuSE") of 2012, listed companies must have 25% of each class of equity securities held by the public ("minimum spread requirement"). However, Airtel currently only has a public shareholding of 3.64%.

A total of 4,084,810 shares held by Bharti Airtel Zambia Holdings BV (BAZH), the majority shareholder, were converted to dematerialized shares, bringing the total number of shares held by BAZH on the LuSE Central Securities Depository (CSD) to 22,256,000. In order to comply with the LuSE minimum spread requirement, BAZH, placed a 'Sell Order' of approximately 6.36% of the Airtel Zambia shares on the market.

There hasn't been any uptake of the shares due to serious liquidity challenges on the market, but Airtel remains committed to ensure compliance and has maintained the shares on the CSD.

Corporate Governance

The Company continues to comply with the highest levels of corporate governance. In this regard, both the Board and employees completed annual code of conduct reviews. In addition, the Board of Directors had their Annual Board Assessments and recommendations were made to the Board in order to streamline their respective roles to the Company. Four Board of Directors and Audit Committee meetings were held in the year ending 31st December 2019 with the Remuneration and Nomination Committee meeting twice in 2019.

Corporate Social Responsibility

Airtel does not see Corporate Social Responsibility as just an "add-on" governance requirement, but as an integral business practice. In the financial year under review, K221,000 was spent on CSR programs with emphasis on Education, Health and varied support to other vulnerable groups. Recognizing that Education is a key driver to higher productivity which is a prerequisite for national development, Airtel continued with its educational support and donated text books to St Edmund's Secondary School situated in Katuba area 50kilometres away from Zambia's capital city Lusaka.

Airtel also partnered with the Ndola City Council to donate educational books and a router to the Ndola City Library. As part of our CSR focus on health, Airtel contributed K12, 500 towards the building of a Clinic in Nalolo area of Western Province after 56 year old medical Doctor Pota Kalima cycled 1, 023 km from Mbala in Northern Province to Lusaka to fundraise for the building. The Doctor caught Airtel's attention when he was pictured in the local media at a rural Airtel booth loading talktime and data to be able to document his cycling on social media.

As part of the Employee Volunteering Initiative in order to support local authorities and commemorate the World Blood Donation day which falls on June 14th every year, Airtel employees led by Managing Director Mr. Apoorva Mehrotra donated blood in an effort to help save lives. In partnership with the Zambia National Blood Transfusion Service (ZNBTS), 26 members of staff volunteered to donate blood which translated to providing blood for 100 children.

Airtel also undertook a visit to Bethel Orphanage which is one of the recipients of data each month which helps the institution monitor the growing and feeding patterns of orphaned children. Under the SPOON institution, Airtel currently supports 9 Homes and Orphanages with data, whose overarching goal in Zambia is to improve the feeding and nutrition practices for children with disabilities and those currently living under institutional care. The visit was to familiarise Airtel how the data provided assists with the Monitoring App specially designed to monitor the children's' growth, feeding and general well-being.

In Kitwe, members of staff visited the Vision of Hope Orphanage as part of their engagement with the less privileged communities. They interacted with the children who comprised mainly of orphans and donated assorted food and groceries.

In looking within, and noting that Cancer continues to affect many families including our own staff Airtel did an internal introspection by bringing the cervical and breast cancer screening to the Airtel staff that ordinarily would not have time to go and be checked. Over 60 women underwent screening. Cervical cancer kills more women in Africa than any other Cancer, and primarily strikes women aged 25 to 45 years which is the age group of our workforce.

And in the spirit of the giving as well as Employee Volunteerism, the Company donated assorted gifts to 11 Orphanages across the 10 Provinces with staff dedicating an hour in each zone to socialise with vulnerable children. The whole idea of the project was to make vulnerable children feel loved and accepted by the community at large. We are a company that continues to value inclusivity and thus, this was one of the ways members of staff could participate in enriching the lives of the less privileged. Over 400 children were reached across the 10 provinces with each receiving either a book or toy and members of staff spending an hour at each location to sing, dance, play and read with the children.

Awards

In August, Airtel emerged overall winner at the Zambia Agricultural Commercial Show winning the "Best ICT Exhibit." In October, the Company was awarded with the "service excellence" award at the 2019 Chartered Institute for Customer Management awards. In November, Airtel was also recognized as a leading company undertaking Corporate Social Responsibilities by a newly formed NGO called CSR Networks of Zambia.

Looking Forward

Airtel Zambia is proud to be the largest 4G network by national coverage with 1,356 4G sites as at 31 December 2019. We shall continue to deliver the best customer experience through our service center network across the country, where customer can interact with our friendly and experienced customer service agents. We will also continue to invest in the state of art call center to address all the customer service requirements of those customers that cannot reach our service centers.

Airtel's vision remains to become Zambia's largest broad band partner in its quest to drive an ICT based society, which will promote the growth of the economy anchored on the principles of the 2030 Zambia Vision and the 7th National Development Plan.

Acknowledgements

In conclusion, I wish to state that the year would not be a success without the input of my fellow Board members in leading the Company through this challenging year; to our Management and Staff for your dedicated efforts.

As a board we wish to show our gratitude to Mr Raghunath Mandava, the Airtel Africa Managing Director and Chief Executive Officer who was appointed as a Director on the Board of Airtel Africa and thereafter proceeded to tender in his resignation from the Airtel Networks Zambia Plc Board.

On behalf of Airtel Networks Zambia Plc, we wish to welcome our new Board members: Mr. Ian Ferrao, the new regional head of all the Airtel Operations in East and Central Africa and Mrs. Rogany Ramiah Head of Human Resources of all Airtel Africa Operations. Their established backgrounds and valuable expertise will be an asset to the Company.

Finally, we remain indebted to our shareholders for their continued support.

Monica Musonda
CHAIRPERSON

MANAGING DIRECTOR'S REPORT

Our Dear Shareholders,

In 2019, Airtel Networks Zambia Plc continued to improve its overall business performance. Competitor intensity heightened further in the year under review, however, the business continued on its growth path and our highly innovative and dedicated employees made this possible.

The Zambian economy faced tough times in 2019 with the local currency sharply depreciating by close to 30%. This depreciation spiraled into an increase in fuel prices and soon after, the prices of consumer goods and services followed through. Inflation increased to an estimated 11.7% in 2019 from 7.9% in 2018 which resulted in the inflationary pressures, prompting the Central Bank to hike the policy rate to 11.50% from 10.25%. The Central Bank also revised the Statutory Reserve Ratio to 9% from 5%. Consumer lending was also hit hard by the hike of retail lending rates resulting from the measure taken by the Central Bank, as liquidity tightened in the market.

Real Gross Domestic Product (GDP) growth for 2019 is estimated to remain subdued at 3.3% down from 3.5% in 2018. (Source - World Bank). This performance was mainly due to various challenges faced by industry in Zambia from low liquidity and high cost of capital, to climate change effects resulting in high cost of doing business that inhibited growth.

Despite the foregoing, 2019 saw Airtel score a major industry first to become the only network in the country to operate a 100% 4G network. This actualized our commitment to supporting the government's digital agenda as expounded in both the 7th National Development Plan as well as the Vision 2030.

One of the key development pillars enshrined in both the 7th National Development Plan and Vision 2030 revolves around digital inclusion and Airtel understands the central role that reliable internet connectivity plays in enabling social-economic activities.

Although competition remained fierce, playing on price and product, Airtel chose to boldly declare its 100% 4G milestone with a captivating marketing campaign dubbed "100% 4G Konse"- "Make #ThatConnection". The video rendering of the campaign headlined by the founding father of the nation Dr. Kenneth Kaunda amassed in excess of 2.9 million views across four key social media sites, Instagram, Facebook, YouTube and Twitter. The total views on Facebook alone plumeted to 2 million at the time of reporting. This complementary execution directly responded to two of the MISSION 2020 Strategic Pillars: "Leading with Data and Home Broadband" as well as being the "Largest Digital Brand in Zambia"

With the rollout of 4G technology on all sites, there is an envisaged accelerated rate of adoption of Information Communication Technology (ICT) by the population particularly in the rural parts. In an effort to educate and incentivize the market to adopt high speed internet on 4G, market promotions such as the "Smartphone Offer" and the "SIM upgrade offer" have been developed to drive customers towards acquiring more capable devices.

Additionally, as a way of lessening the initial cost burden that may come with the purchase of a 4G capable

device, customers had the option of acquiring a 4G Smartphone on hire-purchase, with a 6 months' payment option using a partner. In an effort to cater to customers who have 3G smartphones, the 4G MiFi presents a cost-effective enabler to accessing high speed 4G wireless internet.

Industry Update

Competitor aggression remained high across the players in the market with formidable product launches.

Airtel's Ikali however remained resolute and enjoyed significant acceptance across all customer segments. Due to the low disposable income faced by consumers as a result of rising prices, the telecommunications/ ICT products and services share of the consumer wallet reduced and therefore fueled multi SIMing behavior by customers, who are always hunting for bargains on the market. The entry of fourth mobile service provider has been deferred further with the newest revelations from the regulator pointing to a May 2020 deadline. A new telecom infrastructure company, Infratel, was incorporated under the Industrial Development Corporation which has pooled assets from Zamtel (Towers), ZESCO, (Fibre) and ZICTA (Data Centres).

Financial Overview

Customers

As at 31st December, 2019, total customers were 5.9mn whilst data customers were 3.4mn representing circa 60% of total customers.

Revenue and Cost

In the year under review, the industry recorded revenue growth despite sustained aggressive competition on pricing. We achieved gross revenue of K2, 154mn representing a growth of 10% compared to K1, 958mn achieved in 2018.

Data revenue grew by 27% in the year under review, at K672mn compared to K530mn in 2018. The growth in Data revenue was mainly due to 107% growth in traffic on the back of customers adopting our very competitively priced data bundles riding on a high speed and quality data network buoyed by our 100% 4G Konse campaign. Management is keen on ensuring the best customer experience as we grow customer adoption of data products and services.

Voice revenue grew by a modest 3% in the year under review, to K1, 184mn from K1, 149mn in 2018. Total Minutes of Use (MOU) increased by 10% in 2019 compared to 2018. In the year under review, there was a Regulatory induced Headline Price reduction, that followed a reduction in the Mobile Termination Rates effected from 1st March 2019, which impacted overall Voice Revenue Growth.

With the increase in load shedding coupled with fuel price increases, energy costs skyrocketed as Airtel sought to maintain Quality of Service by running sites on generators during the extended load shedding hours. Management has also continued to implement War On Wast initiatives to optimize costs.

Profit Margin

Operating profits increased by 15.5% mainly due to strong operating efficiencies driven by management during the year under review. Profit Before Tax (PBT) decreased by 5.9% due to significant exchange losses of ~ K270 million (mainly unrealized) following the depreciation of the Kwacha by an average of 24% in 2019 compared to 2018. The Kwacha remains unstable at upwards of ZMW14.5/$1. Any appreciation of the local currency against the USD will result in exchange gains in future periods and any depreciation will exacerbate the exchange losses.

The finance charges increased by K180mn compared to K108mn in the prior year. This was also partly due to the effect of depreciation on the local currency as our long term debt is denominated in USD. In addition, interest on our working capital facilities increased as we maximized usage of these facilities during most of the year compared to the prior year. The company reported a positive Profit After Tax (PAT) of K15.7mn down from K64.8mn in prior year. Management is also pleased to report positive cash generated from operations of K634mn for the year ended 31 December 2019.

Capital Expenditure

The company continued making strides in modernizing the network infrastructure in the year under review resulting in the delivery of 100% 4G Konse. The investment was made to enhance capacity and resilience to ensure continued quality customer experience on both voice and data. In 2019, the business spent a total of K470mn on the network modernization and an additional K84mn in building strong data infrastructure in anticipation of growth in customer numbers and traffic volumes.

Changes to Senior Management

There were some changes to the senior management team's composition with the recruitment of the Legal and Regulatory Director Mrs. Suzyo Akatama and the appointment of Mr Andrew Chuma as Sales and Distribution Director. Rajan Joshi was also appointed as Networks Director replacing Swithurn Mwenifumbo.

Airtel sadly saw the early retirement of Customer Experience Director Mrs. Venada Mwape, who had been in the organization for over 20 years.

2020 Outlook

With the framework laid out, Airtel will embark on a maximum penetration and adoption drive of 4G enabled devices and aided enablement, e.g. Pocket WiFi and Routers. With a continuously improving quality of service, there shall be a key focus towards enhancement of customer experience as a means to increase usage.

Multimedia content such as Airtel TV will also be a key thrust area as a means to growing the consumption of data and increased screen time on the Airtel powered 4G smart devices.

The year 2020 will see increased partnerships with government and other players in the industry as we look to aid attainment of business goals by small and large enterprises as well non-governmental organizations.

We are committed to ensuring a sustained positive view of our corporate citizenship in communities we operate while maintaining and growing trust and value for our shareholders. The management team in place has the right capabilities to ensure all this is adequately achieved.

Apoorva Mehrotra
MANAGING DIRECTOR

EXECUTIVE COMMITTEE

"The greatest leader is not necessarily the one who does the greatest things. He is the one that gets the people to do the greatest things."

— Ronald Reagan

Meet our Executive Committee
Standing: (L to R)
Rajan Joshi – Networks Director;
Hussam Eldin Baday – Marketing Director;
Andrew Chuma – Sales Director;
Suzyo Akatama – Legal & Regulatory Director;
Martin Jowi - Supply Chain Director;
James Chona - Airtel Money Director

Seated: (L to R)
Apoorva Mehrotra – Managing Director;
Sanjoy Ghosh – IT Director;
Bwembya Barbara Chikonde – Human Resource Director;
Mukesh Singla – Finance Director;
Muyunda Munyinda - Enterprise Business Director


MAKE THAT
CTION POSSIBLE
FEL 100% 4G KONSE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DIRECTORS' REPORT

for the year ended 31 December 2019

The Directors present their annual report on the affairs of the Company together with the financial statements and the auditor's report for the year ended 31 December 2019.

1. Principal activities

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

2. Share capital

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

3. Results for the year

The profit for the year amounted to **K15.743 million** (2018: K64.859 million). The Key reason for low profit for the year 2019 is devaluation of Kwacha. The impact of the same is **K259.86 million** (2018: K259.71 million). Additionally, interest expense on lease liabilities and borrowings increased to **K183.662 million** (2018: K108.817 million), driven by increase in principal amounts.The Company did not pay any dividends during the year (2018: K540.80 million , including K416 million for year 2017 and K124.80 million interim dividend for 2018).Further Directors do not propose a final dividend for the year ended 31 December 2019 (2018: Nil).

4. Directors

The following Directors held office during the year and to the date of this report:

Name	Role	Date of appointment/resignation
K. Monica Musonda (Non-ED)	Chairperson	Appointed on 23 March 2016
Apoorva Mehrotra (ED)	Managing Director	Appointed on 1 March 2018
Jito Kayumba (Non-ED)	Board Member	Appointed on 23 March 2016
Jaideep Paul (ED)	Board Member	Appointed on 2 November 2016
Raghunath Mandava (ED)	Board Member	Appointed on 1 November 2017
Ian Ferrao (ED)	Board Member	Appointed on 1 November 2017
Rogany Ramiah (ED)	Board Member	Appointed on 16 July 2019
Neelesh Singh (ED)	Board Member	Appointed on 6 February 2019 & resigned on 19 September 2019

5. Number of employees and remuneration

The total remuneration of employees during the year amounted to **K142.236 million** (2018: K117.898 million). The average number of employees for each month of the year was as follows:

Month	2019	2018
January	**204**	217
February	**207**	218
March	**204**	215
April	**203**	214
May	**207**	214
June	**205**	213
July	**205**	214
August	**199**	213
September	**201**	204
October	**200**	203
November	**202**	206
December	**206**	207

6. HEATH AND SAFTEY

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

7. GIFTS AND DONATIONS

During the year the Company made donations of **K0.221 million** (2018: K0.260 million). The donations are towards corporate social responsibility.

8. ROAMING

Roaming revenue is earned from foreign telephone operators when their subscribers utilise the Company's network. The Company accrued roaming revenue amounting to **K27.128 million** (2018: K31.153 million).

9. PROPERTY, PLANT AND EQUIPMENT

The Company purchased property, plant and equipment amounting to **K470.293 million** (2018: K535.008 million) during the year. In the opinion of the Directors, the recoverable amount of property, plant and equipment is not less than the carrying value.During the year the Company has made the payment towards the purchase of international bandwidth on indefeasible right of use (IRU) basis amounting to **K85.119 million** (2018: nil). The same has been presented as prepayment in the financial statements (note 19).

9. AUDITORS

The Company's Auditor, 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.

10. STATEMENT ON CORPORATE GOVERNANCE

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

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

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

The Company has put in place a Code of Conduct and Anti- Bribery & Anti-Corruption Policy 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 and Anti- Bribery & Anti-Corruption has been developed and is being used across the Company.

By order of the Board,

Sonia Shamwana-Chinganya
COMPANY SECRETARY
Lusaka

5 February 2020

STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

Directors' responsibilities in respect of the preparation of financial statements

The Companies Act, 2017 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its financial performance. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company. The Directors are further required to ensure the Company adheres to the corporate governance principles or practices contained in Part VII's Sections 82 to 122 of the Companies Act, 2017.

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 auditor, Messrs Deloitte & Touche, have audited the financial statements and their report is shown on pages 37 to 41.

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. 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 2019;
- 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 2019;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due;
- the financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2017; and
- the Directors have implemented and further adhered to the corporate governance principles or practices contained in Part VII, Sections 82 to 122 of the Companies Act, 2017.

Approval of the financial statements

The financial Statements of the Company as indicated above, were approved by the Directors on 5th **February 2020** and signed on behalf of the Board by:

K. Monica Musonda
Chairperson

Apoorva Mehrotra
Director

INDEPENDENT AUDITOR'S REPORT

To the members

Report on the financial statements

Opinion

We have audited the financial statements of Airtel Networks Zambia Plc set out on pages 42 to 83, which comprise the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 Airtel Networks Zambia Plc as at 31 December 2019, 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 Companies Act, 2017.

Basis of 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 sections 290 and 291 of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Revised July 2016), parts 1 and 3 of the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (Revised July 2018) and other independence requirements applicable to performing audits of financial statements in Zambia. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters

Revenue recognition

- The determination of revenue relating to the usage of airtime;
- Accounting treatment for promotional products and bundled products;
- The revenue computation process is highly automated, complex in nature, characterised by high volume of data and dynamic; and
- The revenue recording involves a manual transfer of information from the IT billing system to the general ledger.
- As a result of the significance of this process, the timing of the revenue recognition, volume of transactional data involved, manual interference in the transfer of data from the IT billing system to the general ledger, this was considered a key audit matter.
- The revenue recognition policy is disclosed in Note 3 (c) and revenue recognised disclosed in Note 7.

How our audit addressed the key audit matter

Our procedures included but were not limited to the following:

- Obtained an understanding of the Company's revenue streams .
- Performed walkthroughs of the different classes of revenue transactions and evaluated the design and implementation of controls.
- Obtained an understanding of promotional products and bundled products configurations to identify the related revenue streams and assessed the revenue recognition criteria for each stream for compliance with the applicable accounting standards.
- Involved our Risk Advisory specialist to test the controls within the billing systems and the control environment relevant to revenue. The procedures included but not limited to the following:
- Performed an IN (Billing system) to GL (General Ledger - Financial Reporting) Reconciliation. We ensured that amount captured in IN-GL reconciliation was reflected in IN closing balance and General Ledger.
- Reviewed key revenue controls performed by the Company's Revenue Assurance (RA) team to address the risk of revenue leakage. We verified the RA Dashboards (templates on which control activities are performed) were prepared and signed by the RA team on predefined intervals.
- In addition to the above we performed detailed substantive testing of journal entries processes around revenue to ensure these were appropriately authorised, complete and accurate.
- We found the operation of the controls over revenue to be effective, and our substantive testing did not reveal any material misstatements.

Tax matters

The entity operates in a fairly complex tax environment. There is inherent judgement involved in determining current tax liability.

This matter has been considered a key area of focus due to the inherent judgement and subjectivity involved.

We performed the following procedures among others:

- Assessed the design of the controls and operating effectiveness of controls around the management of the Company tax affairs and assessment of the accuracy of the tax computations.
- Reviewed correspondence between the ZRA and the company to identify potential liabilities.
- Engaged our tax specialist to review the tax computation for the year to ensure compliance with the tax legislation.
- Based on our audit, there were no uncorrected misstatements noted.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act, 2017, which we obtained prior to the date of this auditor's report, and the annual report which we obtained prior to the date of this auditor's report. 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 any form of assurance or 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 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 and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by of the Companies Act, 2017, and for such internal control as the Directors determine is necessary to enable the preparation of the 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 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.

- 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 management.

- 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, amongst 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.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Companies Act, 2017

The Companies Act, 2017 requires that in carrying out our audit of Airtel Networks Zambia Plc, we report on whether:

- there is a relationship, interest or debt which us, as the Company's auditor, have in the Company;
- there are serious breaches by the Company's Directors, of corporate governance principles or practices contained in Part VII's Sections 82 to 112 of the Zambia Companies Act of 2017; and
- there is an omission in the financial statements as regards particulars of loans made to a Company Officer (a director, Company secretary or executive officer of a Company) during the year, and if reasonably possible, disclose such information in our opinion.

In respect of the foregoing requirements, we have no matters to report.

Lusaka Stock Exchange Listing rules

In accordance with Section 8 (63) of the Lusaka Stock Exchange Listing rules, we report that the Company has complied with the requirements of section 8.63 (b) - (l) and (n) with regards disclosure of Directors' remuneration.

Deloitte & Touche

DELOITTE & TOUCHE

F. NCHIMUNYA (AUD/F000154)
PARTNER

Date: 10th February, 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

Particulars	Note	2019 K'000	2018 K'000
Revenue	7	**2,154,318**	1,958,037
Cost of sales		**(148,595)**	(159,580)
Gross profit		**2,005,723**	1,798,457
Other operating income	8	**10,499**	2,627
Distribution costs		**(714,889)**	(666,259)
Administrative expenses		**(631,704)**	(555,253)
Operating profit		**669,629**	579,572
Finance income	8	**223**	793
Net exchange losses	9	**(269,398)**	(241,068)
Finance cost	10	**(183,662)**	(108,817)
Profit before tax	11	**216,792**	230,480
Income tax expense	12	**(201,049)**	(165,621)
Profit and total comprehensive income for the year		**15,743**	64,859
Basic and diluted earnings per share (Kwacha)	13	**0.15**	0.62

There were no items of other comprehensive income for the year (2018: Nil)

STATEMENT OF FINANCIAL POSITION

at 31 December 2019

Particulars	Note	2019 K'000	2018 K'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	16	**1,540,977**	1,346,261
Right-of-use assets	17	**612,556**	547,681
Intangible assets	18	**3,178**	3,640
Deferred tax asset (net)	15	**28,696**	32,616
Other non-current assets	19	**152,704**	84,340
Total non-current assets		**2,338,111**	2,014,538
Current assets			
Inventories	20	**3,379**	675
Trade and other receivables	21	**158,016**	137,172
Contract assets	22	**30,445**	33,415
Derivative financial instruments	35	**6,750**	665
Amounts due from related parties	31	**139,818**	151,772
Bank and cash balances	23	**29,325**	32,258
Total current assets		**367,733**	**355,957**
Total assets		**2,705,844**	**2,370,495**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**1,040**	1,040
Share premium	14	**24,962**	24,962
Retained earnings		**(65,290)**	(37,784)
Total equity		**(39,288)**	**(11,782)**
Non current liabilities			
Borrowings	26	**521,062**	-
Lease liabilities	29	**947,291**	751,766
Total non-current liabilities		**1,468,353**	751,766
Current liabilities			
Bank overdraft	23	**154,705**	32,449
Borrowings	26	**243,162**	715,608
Trade and other payables	24	**404,887**	522,097
Contract liabilities	25	**79,667**	101,608
Derivative financial instruments	35	**6,085**	3,730
Amounts due to related parties	31	**152,531**	65,372
Lease liabilities	29	**155,327**	91,310
Current tax payable (net)	12	**80,415**	98,337
Total current liabilities		**1,276,779**	1,630,511
Total liabilities		**2,745,132**	2,382,277
Total equity and liabilities		**2,705,844**	**2,370,495**

The responsibilities of the Company's Directors with regard to the preparation of the financial statements are set out on page 36. The financial statements on pages **42** to **83** were approved for issue by the Board of Directors on **5 February 2020** and were signed on its behalf by:

Monica Musonda
Chairperson

Apoorva Mehrotra
Managing Director

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

Particulars	Notes	Share capital K'000	Share premium K'000	Dividend reserve K'000	Retained earnings K'000	Total K'000
Balance at 1 January 2018		1,040	24,962	-	438,157	464,159
Total comprehensive income for the year		-	-	-	64,859	64,859
Final dividend declared for 2017		-	-	416,000	(416,000)	-
Interim divided declared for 2018	32	-	-	124,800	(124,800)	-
Transfer to dividend payable	32	-	-	(540,800)	-	(540,800)
Balance at 1 January 2018		**1,040**	**24,962**	**-**	**(37,784)**	**(11,782)**
At 1 January 2019 - as previously stated		**1,040**	**24,962**	**-**	**(37,784)**	**(11,782)**
Transitional adjustment on adoption of IFRS 16 at 1 January 2019:						
- Right-of-use assets	17	-	-	-	168,733	168,733
- Lease liabilities	29	-	-	-	(241,132)	(241,132)
- Lease rent equalisation		-	-	-	190	190
Deferred tax on transition adjustment	15	-	-	-	28,960	28,960
At 1 January 2019 as restated		**1,040**	**24,962**	**-**	**(81,033)**	**(55,031)**
Total comprehensive income for the year		-	-	-	15,743	15,743
Balance at 31 December 2019		**1,040**	**24,962**	**-**	**(65,290)**	**(39,288)**

STATEMENT OF CASH FLOW

for the year ended 31 December 2019

Particulars	Note	2019 K'000	2018 K'000
Cash flows from operating activities			
Cash generated from operations	30	**820,382**	1,082,994
Interest received	8	**223**	793
Income tax paid	12	**(185,707)**	(196,683)
Net cash generated from operating activities		**634,898**	887,104
Cash flows from investing activities			
Purchase of property and equipment	16	**(470,293)**	(535,008)
Proceeds from disposal of property and equipment		**12,881**	-
Net cash flows used in investing activities		**(457,412)**	(535,008)
Cash flows from financing activities			
Proceeds from borrowings	26	**636,250**	938,570
Repayment of borrowings	26	**(655,974)**	(560,458)
Interest paid on borrowings	10	**(61,700)**	(27,226)
Interest paid on finance lease	10	**(121,962)**	(81,591)
Repayment of finance lease	29	**(99,289)**	(61,716)
Dividends paid to shareholders	32	**-**	(540,800)
Net cash flows used in financing activities		**(302,675)**	(333,221)
Movement in cash and cash equivalents			
Net (decrease)/increase in cash and cash equivalents		**(125,189)**	18,875
Cash and cash equivalents at beginning of period		**(191)**	(19,066)
Cash and cash equivalents at end of period	**23**	**(125,380)**	(191)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. CORPORATE INFORMATION

Airtel Networks Zambia plc is incorporated in Zambia under the Companies Act, 2017 as a public limited Company, and is domiciled in Zambia. The Company is listed on the Lusaka Stock Exchange and was incorporated in 1997 as Celtel Zambia Plc. In April 2013, there was a change of name and the address of its registered office is:

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

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

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on **5th February 2020**.

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 New and amended Standards that are effective for the current year

Impact of initial application of IFRS 16 Leases

In the current year, the Company, has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3(g). The impact of the adoption of IFRS 16 on the Company's financial statements is described below:

The date of initial application of IFRS 16 for the Company is 1st January 2019.

The Company has applied IFRS 16 using the modified retrospective approach as per para C8(b)(ii) of IFRS 16 which:

- requires the Company to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

(a) Impact on the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4. The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

(b) Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

(a) recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);

(b) recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss;

(c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of- use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

The Company has used the following practical expedients when applying the modified retrospective approach to leases previously classified as operating leases applying IAS 17.

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Company has elected to apply the low-value lease and short term lease recognition exemptions.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 January 2019.

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

(d) Financial impact of initial application of IFRS 16

The Company has recognised **K168.733 million** of right-of-use assets and **K241.132 million** of lease liabilities upon transition to IFRS 16. The difference of **K72.399 million** is recognised in retained earnings on the date of initial application.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	K'000
Impact on retained earnings as at 1 January 2019:	
Operating lease commitments at 31 December 2018	**1,244,150**
Effect of discounting the above amounts	**(457,064)**
Non Lease component not accounted for as lease liability	**(545,954)**
Lease liabilities recognised at 1 January 2019	**241,132**

The Company's weighted average incremental borrowing rates applied to lease liabilities recognised in the statement of financial position on 1 January 2019 are 14.66% for leases in Zambian Kwacha and 8.80% for leases in US Dollar.

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements

Amendments to IFRS 9 Prepayment Features with Negative Compensation	The Company has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.
Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IAS 12 Income Taxes and IAS 23 Borrowing Costs	The Company has adopted the amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year. The Annual Improvements include amendments to four Standards: <u>IAS 12 Income Taxes</u> The amendments clarify that the Company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Company originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. <u>IAS 23 Borrowing Costs</u> The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.
Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement	The Company has adopted the amendments of IAS 19 for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Company will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

IFRIC 23 Uncertainty over Income Tax Treatments

The Company has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Company to:

- determine whether uncertain tax positions are assessed separately or as a group; and

- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:

  – If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.

  – If no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

2.2 New and revised Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

Amendments to IAS 1 and IAS 8	Definition of material
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

Amendments to IAS 1 and IAS 8 Definition of material
The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards.

The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

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.

(b) Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

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 IFRS 16, 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.

(c) Revenue recognition

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

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

Revenue is recognised upon transfer of control of promised products or services to the customer at the consideration which the Company has received or expects to receive in exchange of those products or services, net of any taxes / duties and discounts. When determining the consideration to which the Company is entitled for providing promised products or services via intermediaries, the Company assesses whether the intermediary is a principal or agent in the onward sale to the end customer. To the extent that the intermediary is considered a principal, the consideration to which the Company is entitled is determined to be that received from the intermediary. To the extent that the intermediary is considered an agent, the consideration to which the Company is entitled is determined to be the amount received from the customer; the discount provided to the intermediary is recognised as a cost of sale.

The Company has entered into certain multiple-element revenue arrangements which involve the delivery or performance of multiple products, services or rights to use assets. At the inception of the arrangement, all the deliverables therein are evaluated to determine whether they represent distinct performance obligations, and if so, they are accounted for separately.

Total consideration related to the multiple element arrangements is allocated to each performance obligation based on their relative standalone selling prices. The stand-alone selling prices are determined based on the list prices at which the Company sells equipment and network services separately. Revenue is recognised when, or as, each distinct performance obligation is satisfied.

Service revenue is derived from the provision of telecommunication services to customers. The majority of the customers of the Company subscribe to the services on a pre-paid basis.

Telecommunication service revenues mainly pertain to usage, subscription and customer onboarding charges, which include activation charges and charges for voice, data, messaging and value added services.

Telecommunication services (comprising voice, data and SMS) are considered to represent a single performance obligation as all are provided over the Company's network and transmitted as data representing a digital signal on the network. The transmission consumes network bandwidth and therefore, irrespective of the nature of the communication, the customer ultimately receives access to the network and the right to consume network bandwidth.

A contract liability is recognised for amounts received in advance, until the services are provided or when the usage of services becomes remote.

The Company recognises revenue from these services when performance obligation has been met. Revenue is recognised based on actual units of telecommunication services provided during the reporting period as a proportion of the total units of telecommunication services consumed.

Subscription charges are recognised over the subscription pack validity period. Customer onboarding revenue is recognised upon successful onboarding of customer i.e. upfront.

Revenues recognised in excess of amounts invoiced are classified as unbilled revenue. If amounts invoiced / collected from a customer are in excess of revenue recognised, a deferred revenue / advance income is recognised.

Service revenues also includes revenue from interconnection / roaming charges for usage of the Company's network by other operators for voice, data, messaging and signaling services. These are recognised upon transfer of control of services being transferred over time.

Revenues from long distance operations comprise of voice services and bandwidth services (including installation), which are recognised on provision of services and over the period of respective arrangements.

Equipment sales mainly pertain to sale of telecommunication equipment and related accessories for which revenue is recognised when the control of equipment is transferred to the customer i.e. transferred at a point in time.

(d) Segment Reporting

A business segment is a Company of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(e) Foreign currencies

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss and other comprehensive income as net exchange (losses)/gains.

(f) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost. All property, plant and equipment is subsequently measured at historical cost less accumulated depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Impairment losses on property, plant and equipment are recognized in profit or loss during the period. Reversals of impairment losses are recognized in profit or loss during the period.

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

The carrying amount of property, plant and equipment that is disposed off is derecognized when the criteria for sale of goods in IFRS 15 is met.

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

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

Categories	Years
Leasehold buildings	20
Network equipment	3 – 20
Computer equipment	3
Office furniture and equipment	1 – 5
Customer premises equipment	5 – 6

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

(g) Leases

Policies applicable from 1 January 2019

The Company has applied IFRS 16 using the modified retrospective approach with effect from January 1, 2019. The Company elected to apply the practical expedient included in IFRS 16 and therefore retained its existent assessment under IAS 17 and IFRIC 4 as to whether a contract entered or modified before January 1, 2019 contains a lease.

At inception of a contract, the Company assesses a contract as, or containing, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether the contract involves the use of an identified asset, the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Company has the right to direct the use of the asset.

i. Company as a lessee

On initial application of IFRS 16, the Company recognised a lease liability measured at the present value of all the remaining lease payments, discounted using the lessee's incremental borrowing rate at January 1, 2019 whereas the Company has elected to measure right-of-use asset at its carrying amount as if IFRS 16 had been applied since the lease commencement date, but discounted using the lessee's incremental borrowing rate at January 1, 2019. The Company has elected not to recognise a lease liability and a right-of-use asset for leases for which the lease term ends within twelve months of January 1, 2019 and has accounted for these leases as short-term leases.

For new lease contracts, the Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee in the statement of financial position. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), variable lease payments that are based on consumer price index ('CPI'), the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Subsequently, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments including due to changes in CPI or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or when the lease contract is modified and the lease modification is not accounted for as a separate lease. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the related right-of-use asset has been reduced to zero.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

Subsequent to initial recognition, right-of-use asset are stated at cost less accumulated depreciation and any impairment losses and adjusted for certain remeasurements of the lease liability. Depreciation is computed using the straight-line method from the commencement date to the end of the useful life of the underlying asset or the end of the lease term, whichever is shorter. The estimated useful lives of right-of-use assets are determined on the same basis as those of the underlying property and equipment.

In the statement of financial position, the right-of-use assets and lease liabilities are presented separately.

When a contract includes lease and non-lease components, the Company allocates the consideration in the contract on the basis of the relative stand-alone prices of each lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short term leases of machinery that have a lease term of 12 months or less and leases of low value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. Company as a lessor

Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under a finance lease are recognised as receivables at an amount equal to the net investment in the leased assets. Finance lease income is allocated to the periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

Policies applicable prior to 1 January 2019

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

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

For a finance lease interest and depreciation is charged as expense in the periods in which they are incurred.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average cost method, and includes all expenditure incurred in bringing the inventories to their present value and condition, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

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

(I) 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.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Interest income is recognised in profit or loss.

(J) 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 amortised costs.

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.

(k) Statement of cash flows

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.

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method;
When calculating the effective interest rate, the entity estimates the cash flows

considering all contractual terms of the financial instrument but does not consider future credit losses.
Any differences between proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest rate.

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

(m) Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss:
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging

relationship, exchange differences are recognised in profit or loss; and

- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligation.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. The financial instrument has a low risk of default,

2. The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

3. Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the trade receivables has crossed the law of limitation period past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Company has both legal right and intention to offset.

Hedge accounting

The Company designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognised in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

The Company discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.
Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Company expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Company discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

(n) Share capital and Share premium

Issued ordinary shares are classified as 'share capital' in equity when the Company has an unconditional right to avoid delivery of cash or another financial asset, that is, when the dividend and repayment of capital are at the sole and absolute discretion of the Company and there is no contractual obligation whatsoever to that effect. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(o) Payables

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

(p) Employee benefits

1. Retirement benefit obligations

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

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

2. Other entitlements

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

(q) Income tax

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

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

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised, except:
when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

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

(r) Intangible assets

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

Licenses are initially measured at cost and subsequently amortised on a straight-line basis over their useful lives. Intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation periods are reviewed annually and adjusted prospectively as required. Gains or losses arising from derecognition of licenses are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised. Licenses are amortised over a period of 15 years .

(s) Impairment of non-financial assets

Property, plant and equipment (PPE), right-of-use assets (ROU) and intangible assets

PPE, ROU 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 the statement of profit and 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.

(t) Dividends

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

(u) 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.

(v) 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.

(w) Comparatives

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

(x) Earning per share (EPS)

The Company presents the Basic and Diluted EPS data. Basic EPS is computed by dividing the profit for the period attributable to the shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted EPS is computed by adjusting, the profit for the year attributable to the shareholders and the weighted average number of shares considered for deriving Basic EPS, for the effects of all the shares that could have been issued upon conversion of all dilutive potential shares. The dilutive potential shares are adjusted for the proceeds receivable had the shares been actually issued at fair value. Further, the dilutive potential shares are deemed converted as at beginning of the period, unless issued at a later date during the period.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Critical accounting estimates and assumptions

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

Receivables

Critical estimates are made by the Directors in determining the recoverable amount of impaired receivables. The Company uses a provision matrix to measure the expected credit loss of trade receivabless. Factors taken into consideration in making such judgments include historical trends and the number of days a debt is past its due date for payment. The carrying amount of impaired receivables is set out in Note 21.

Taxes

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 reporting date.

Determination of residual values and useful lives

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

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

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

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

(a) Multiple element contracts with vendors

The Company has entered into multiple element contracts for supply of goods and rendering of services. In certain cases, the consideration paid is determined independent of the value of supplies received and services availed. Accordingly, the supplies and services are accounted for based on their relative fair values to the overall consideration. The supplies with finite life under the contracts have been accounted under Property, Plant and Equipment and / or as Intangible assets, since the Company has economic ownership in these assets and represents the substance of the arrangement.

(b) Arrangement containing lease

The Company assesses the contracts entered with telecom operators / passive infrastructure services providers to share tower infrastructure services so as to determine whether these contracts that do not take the legal form of a lease convey a right to use an asset or not. The Company has determined, based on an evaluation of the terms and conditions of the arrangements that such contracts are in the nature of leases.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: Market risk (including Foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

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

Market risk

(i) Foreign exchange risk

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

Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies and hedging through foreign currency forward contract. Policy is consistent with previous period.

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

The assumption in calculation of the sensitivity analysis is that: the sensitivity of the relevant statement of profit or loss is the effect of the assumed changes in the respective market risk, the sensitivity of equity is calculated by considering the effects of the assumed changes of the underlying risks.
At 31 December 2019, if the Kwacha had weakened/strengthened by 5% against the US dollar with all other variables held constant, post tax profit for the period would have been **K77.049 million** (2018: K77.400 million) lower/higher, mainly as a result of US dollar denominated trade receivables, payables , lease liability and borrowings. There would be no impact on equity.

Exposure to currency risk

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

Particulars	2019 K'000	2018 K'000
Cash & cash equivalents (net) (note 23)	**(28,854)**	291
Trade and other receivables (note 21)	**125,715**	93,834
Trade and other payables (note 24)	**(65,387)**	(83,445)
Lease Liability (note 29)	**(808,230)**	(843,076)
Borrowings (note 26)	**(764,224)**	(715,608)
Total	**(1,540,980)**	(1,548,004)

The following US Dollar exchange rates applied during the period:

Particulars	2019 K	2018 K
Average Rate	**12.902**	10.464
Closing Rate	**13.895**	11.927

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risk

The Company's interest bearing financial liabilities were the overdraft of **K154.705 million** (2018: K32.449 million) and the borrowing of **K764.224 million** at year end (2018: K715.608 million) which was at fixed rates for an agreed period (subject to the significant change in market condition) and on which it was therefore not exposed to cash flow interest rate risk. The Company regularly monitors financing options available to ensure optimum interest rates are obtained. At 31 December 2019, if effective interest rates on borrowings had been 2% higher/ lower with all other variables held constant, pre tax profit would have been **K18.379 million** (2018: K14.961 million) lower/higher.

Credit risk

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

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

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

The amount that best represents the company's maximum exposure to credit risk at 31 December 2019 is made up as follows:

Particulars	Note	2019 K'000	2018 K'000
Cash and cash equivalents	23	**29,325**	32,258
Trade receivables (net)	21	**57,042**	62,818
Total		**86,367**	95,076

Impairment losses

The aging of trade receivables at the reporting date was:

Particulars	2019 K'000	2019 K'000	2018 K'000	2018 K'000
	Gross amount	**Impaired**	Gross amount	Impaired
30 days	**23,969**	**-**	45,502	-
60 days	**31,495**	**-**	15,720	-
90 days and above	**79,751**	**78,173**	111,664	110,068
Total	**135,215**	**78,173**	172,886	110,068

Collateral is held for some of the above assets namely distributors with bank guarantees of **K9.42 million**, **K1.128 million** post-paid deposits and **K5.740 million** channel partner deposits as at 31 December 2019 (2018: K9.65 million bank guarantees and K1.114 million post-paid deposits and K4.461 million channel partner deposits respectively). Trade receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

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

Particulars	2019 K'000	2018 K'000
Past due but not impaired:		
by up to 30 days	**25,097**	9,431
by 31 to 90 days	**6,398**	6,290
by 91 days and over	**1,438**	1,488
Total past due but not impaired	**32,933**	17,209

Liquidity risk

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

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

Particulars	Note	Less than 1 year K'000	Between 1 & 2 years K'000	Between2 & 5 years K'000	Over 5 years K'000
At 31 December 2019					
- Trade and other payables	24	**404,887**	-	-	-
- Related company payables	31(v)	**152,531**	-	-	-
- Bank overdrafts	23	**154,705**	-	-	-
- Borrowings	26	**243,162**	**347,375**	**173,687**	-
At 31 December 2018					
- Trade and other payables	24	522,097	-	-	-
- Related company payables	31(v)	65,372	-	-	-
- Bank overdrafts	23	32,449	-	-	-
- Borrowings	26	715,608	-	-	-

6. CAPITAL MANAGEMENT

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

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

The gearing ratios at 31 December 2019 and 31 December 2018 were as follows:

Particulars	2019 K'000	2018 K'000
Total borrowings (including bank overdraft and finance lease)	**2,021,547**	1,591,133
Less: cash and cash equivalents	**(29,325)**	(32,258)
Net Debt	**1,992,222**	1,558,875
Total equity	**(39,288)**	(11,782)
Total capital	**1,952,934**	1,547,093
Gearing ratio	**102%**	101%

7. REVENUE

The Entity derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines.

Particulars	2019 K'000	2018 K'000
Analysis of revenue by category:		
Airtime revenue	**1,184,516**	1,149,448
Data revenue	**672,048**	530,118
Interconnect revenue	**201,128**	211,131
Value added services content	**73,222**	79,542
Short Messaging Services	**55,058**	48,483
Other Services	**50,376**	36,959
Roaming revenue	**27,128**	31,153
Connection revenue	**12,934**	11,667
Handsets and accessories	**6,810**	12,559
Trade discount	**(128,902)**	(153,023)
Total	**2,154,318**	1,958,037

Management expects that amounts relating to unsatisfied contracts as of the year ended 31 December 2019 on Bundled Handsets will be recognised as revenue during the next reporting period.

Company has adopted IFRS 15 for Revenue Reporting and therefore to ensure the comparability, for the Year 2018 K 153.023 million has been reclassified from distribution cost to revenue.

8. OTHER OPERATING & FINANCE INCOME

Particulars	2019 K'000	2018 K'000
Gain on disposal of property, plant and equipment	**7,756**	-
Other operating income	**2,743**	2,627
Finance/Interest Income	**223**	793
Total	**10,722**	3,420

9. NET EXCHANGE LOSS

Particulars	2019 K'000	2018 K'000
Net exchange (loss)/gain arose on:		
Lease liabilities	**(137,442)**	(136,738)
Borrowings and cash and cash equivalents	**(122,421)**	(122,969)
Other balances	**(9,535)**	18,639
Total	**(269,398)**	(241,068)

10. FINANCE COSTS

Particulars	2019 K'000	2018 K'000
Finance lease charges	**121,962**	81,591
Interest expense on borrowings	**61,700**	27,226
Total	**183,662**	108,817

11. PROFIT BEFORE TAX

Particulars	2019 K'000	2018 K'000
Profit before tax is stated after crediting:		
Interest income (note 8)	**223**	793
Receivables - impairment recovered during the year (note 21)	**791**	3,703
and after charging:		
Depreciation on property and equipment (Note 16, 17)	**270,451**	264,557
Employee benefits expense	**142,236**	117,898
Depreciation on right-of-use assets (Note 17)	**113,584**	81,223
Amortisation of long-term prepayment (Note 19)	**15,498**	9,592
Receivables – provision for impairment losses (note 21)	**6,717**	6,457
Auditors' remuneration	**2,238**	2,072
Amortisation of intangible assets (Note 18)	**462**	462
Operating lease rentals	**-**	31,098

12. INCOME TAX

Particulars	2019 K'000	2018 K'000
Current income tax	**156,436**	181,110
Deferred income tax (Note 15)	**32,880**	(9,739)
Prior year additional tax charge	**11,733**	546
Prior year excess deferred tax liability reversal (note 15)	**-**	(6,296)
Income tax expense	**201,049**	165,621

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:

Particulars	2019 K'000	2018 K'000
Profit before income tax	**216,792**	230,480
Tax calculated at the statutory income tax rate of 40%	**86,717**	92,192
Tax effect of:		
Expenses not deductible for tax purposes (net)	**69,719**	89,464
Origination and reversal of timing differences (note 15)	**32,880**	(16,035)
Prior year additional tax charge	**11,733**	-
Income tax expense	**201,049**	165,621

Income tax payable

Current income tax movement in the statement of financial position:

Particulars	2019 K'000	2018 K'000
At January	**98,337**	113,364
Current income tax charge	**156,436**	181,110
Prior year additional tax charge	**11,733**	546
Payments during the year	**(185,707)**	(196,683)
Other adjustment entries	**(384)**	-
At end of the year	**80,415**	98,337

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

Income tax provisional returns have been filed with the Zambia Revenue Authority (ZRA) for the year ended 31 December 2019. Quarterly payments for the year ended 31 December 2019 were made on the due dates during the period.

13. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. There were no potentially dilutive shares outstanding at 31 December 2019 and 31 December 2018. Diluted earnings per share is therefore the same as basic earnings per share.

Particulars	2019 K'000	2018 K'000
Profit attributable to the equity holders of the company	**15,743**	64,859
Weighted average number of ordinary shares (Nos '000)	**104,000**	104,000
Basic/diluted earnings per share (Kwacha)	**0.15**	0.62

14. SHARE CAPITAL

Particulars	Number of shares (million) Nos'000	Ordinary Shares K'000	Share Premium K'000
At 31 December 2019	**104**	**1,040**	**24,962**
At 31 December 2018	104	1,040	24,962

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

15. DEFERRED TAX

Deferred tax liability is calculated using the enacted income tax rate of **40%** (2018: 40%). The movement on the deferred tax account is as follows:

Particulars	2019 K'000	2018 K'000
1 January	**(32,616)**	(16,581)
Charge to profit or loss	**32,880**	(9,739)
Credit to retained earnings (ii)	**(28,960)**	-
Prior year excess liability reversal (i)	**-**	(6,296)
At 31 December	**(28,696)**	(32,616)

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

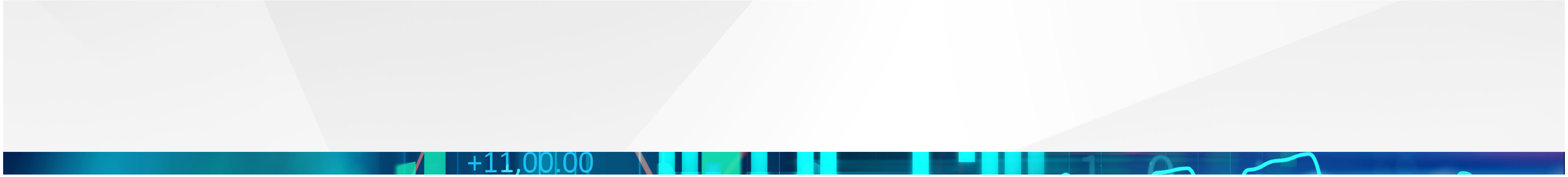
Particulars	At 1 January K'000	Charged/ (credited) to profit/loss K'000	Charged/ (credited) to retained K'000	At 31 December K'000
2019				
Deferred income tax liabilities				
Property and equipment	**420,192**	**(219,319)**	**-**	**200,873**
Unrealised Exchange gains	**1,374**	**(7,802)**	**-**	**(6,428)**
Deferred income tax assets				
Other temporary deductible differences	**(317,944)**	**259,503**	**-**	**(58,441)**
Other provisions	**(51,175)**	**2,761**	**-**	**(48,414)**
Unrealised exchange losses	**(85,063)**	**99,946**	**-**	**14,883**
IFRS 16 implementation impact	**-**	**(102,209)**	**(28,960)**	**(131,169)**
Net deferred income tax liability (asset)	**(32,616)**	**32,880**	**(28,960)**	**(28,696)**
2018				
Deferred income tax liabilities				
Property and equipment	169,044	251,148	-	420,192
Unrealised exchange gains	(481)	1,855	-	1,374
Deferred income tax assets				
Other temporary deductible differences	(123,231)	(194,713)	-	(317,944)
Other provisions	(56,339)	5,164	-	(51,175)
Unrealised exchange losses	(5,574)	(79,489)	-	(85,063)
Net deferred income tax liability/ (assets)	**(16,581)**	**(16,035)**	**-**	**(32,616)**

(i) In 2018 the Company computed the deferred tax basis balance sheet approach, which resulted into the excess liability reversal of K6.296 million and the same is nil in 2019.

(ii) The Company adopted IFRS 16 in 2019 and elected to recognise transitional adjustment through retained earnings on the date of application. The deferred tax impact of the amounts adjusted through retained earnings was **K28.960 million**.

16. PROPERTY , PLANT AND EQUIPMENT

Particulars	Leasehold buildings K'000	Equipment under financelease at cost K'000	Telecom equipment K'000	Fixture,fittings office & other IT equipment K'000	Capital work in progress (i) K'000	Total K'000
Historical Cost:						
At 1 January 2018	133,154	812,396	2,581,398	520,943	118,829	4,166,720
Additions	-	-	-	-	535,008	535,008
Transfers	(72)	13,087	413,070	42,603	(468,688)	-
Asset Retirement	-	(10,623)	-	-	-	(10,623)
Reclassified (Note 17)	-	(814,860)	-	-	-	(814,860)
At 31 December 2018	**133,082**	**-**	**2,994,468**	**563,546**	**185,149**	**3,876,245**
At 1 January 2019	**133,082**	**-**	**2,994,468**	**563,546**	**185,149**	**3,876,245**
Additions	-	-	-	-	470,293	470,293
Transfers	-	-	518,088	50,476	(568,564)	-
Asset Retirement	-	-	(16,115)	(1,229)	-	(17,344)
At 31 December 2019	**133,082**	**-**	**3,496,441**	**612,793**	**86,878**	**4,329,194**
Depreciation						
At 1 January 2018	40,838	188,825	1,724,321	491,511	8,757	2,454,252
Charge for the year (i)	6,472	81,223	230,181	28,608	(704)	345,780
Asset Retirement	-	(2,869)	-	-	-	(2,869)
Reclassified (Note 17)	-	(267,179)	-	-	-	(267,179)
At 31 December 2018	**47,310**	**-**	**1,954,502**	**520,119**	**8,053**	**2,529,984**
At 1 January 2019	**47,310**	**-**	**1,954,502**	**520,119**	**8,053**	**2,529,984**
Charge for the year (i)	6,451	-	242,239	26,552	(4,791)	270,451
Asset Retirement	-	-	(11,000)	(1,218)	-	(12,218)
At 31 December 2019	**53,761**	**-**	**2,185,741**	**545,453**	**3,262**	**2,788,217**
Carrying amount:						
At 31 Decemeber 2019	**79,321**	**-**	**1,310,700**	**67,340**	**83,616**	**1,540,977**
At 31 Decemeber 2018	85,772	-	1,039,966	43,427	177,096	1,346,261



A schedule listing of the properties as required by section 279 and the second schedule of the Companies Act, 2017 is available for inspection by the members or their authorised]representatives at the registered office of the Company.

(i) In 2018 & 2019, there was a reversal of provision/charge due to the deployment of aged capital inventory.

17. RIGHT-OF-USE ASSETS

Particulars	Leasehold buildings K'000	Telecom equipment K'000	Motor vehicles K'000	Total K'000
Cost				
At 1 January 2018	**-**	**-**	**-**	**-**
Reclassified (Note 16)	-	814,860	-	814,860
At 31 December 2018	**-**	**814,860**	**-**	**814,860**
At 1 January 2019	**-**	**814,860**	**-**	**814,860**
Transitional adjustment on adoption of IFRS 16 (note 2.1 d)	6,356	156,217	6,160	168,733
Additions	96	13,383	-	13,479
Asset retirement	-	(7,002)	-	(7,002)
At 31 December 2019	**6,452**	**977,458**	**6,160**	**990,070**
Depreciation				
At 1 January 2018	-	-	-	-
Reclassified (Note 16)	-	267,179	-	267,179
At 31 December 2018	**-**	**267,179**	**-**	**267,179**
At 1 January 2019	**-**	**267,179**	**-**	**267,179**
Charge for the year	2,549	107,727	3,308	113,584
Asset retirement	-	(3,249)	-	(3,249)
At 31 December 2019	**2,549**	**371,657**	**3,308**	**377,514**
Carrying amount:				
At 31 December 2019	**3,903**	**605,801**	**2,852**	**612,556**
At 31 December 2018 (i)	-	547,681	-	547,681

(i) In the previous year, the Company only recognised right-of-use assets in relation to leases that were classified as 'finance leases' under IAS 17 - Leases.

18. INTANGIBLE ASSETS

Particulars	Cellular license K'000	Internet service provider license K'000	Total K'000
Cost			
At 1 January 2018	7,372	125	7,497
At 31 December 2018	7,372	125	7,497
At 1 January 2019	**7,372**	**125**	**7,497**
At 31 December 2019	**7,372**	**125**	**7,497**
Amortization			
At 1 January 2018	3,270	125	3,395
Charge for the year	462	-	462
At 31 December 2018	3,732	125	3,857
At 1 January 2019	**3,732**	**125**	**3,857**
Charge for the year	462	-	462
At 31 December 2019	**4,194**	**125**	**4,319**
Carrying amount			
At 31 December 2019	**3,178**	**-**	**3,178**
At 31 December 2018	3,640	-	3,640

19. OTHER NON-CURRENT ASSETS

Particulars	2019 K'000	2018 K'000
Indefeasible right of use (IRU) of bandwidth (i)	**147,438**	84,340
Deferred customer acquisition cost (ii)	**5,266**	-
Total	**152,704**	84,340

(i) Indefeasible right of use (IRU) of bandwidth

Particulars	Indefeasible right of use (IRU) K'000
Cost	
At 1 January 2018	107,630
At 31 December 2018	107,630
At 1 January 2019	**107,630**
Additions	85,119
At 31 December 2019	**192,749**
Amortization	
At 1 January 2018	5,519
Charge for the year	9,592
At 31 December 2018	15,111
At 1 January 2019	**15,111**
Charge for the year	15,498
At 31 December 2019	**30,609**
Carrying amount	
At 31 December 2019	**162,140**
At 31 December 2018	92,519

Indefeasible right of use (IRU) of bandwidth

Particulars	2019 K'000	2018 K'000
Current prepayment	**14,702**	8,179
Non-current prepayment	**147,438**	84,340
Total	**162,140**	92,519

(a) In 2017, the Company took international bandwidth on indefeasible right of use (IRU) basis which is being amortised over a period of 10 to 15 years. Additional 15-year IRU has been taken in 2019.

(b) During the year amount of international bandwidth on indefeasible right of use (IRU) basis , has been reclassifed from Intangible Assets to Prepayments and reported as current or non-current assets basis the unamortised period. Further , the amortisation of prepayment is being reported as a part of distribution expenses.

(ii) Deferred customer acquisition cost

Particulars	2019 K'000	2018 K'000
At the beginning of the year	-	-
Expenses deferred	28,883	-
Amounts relating to prior year*	27,957	-
Amortisation	(30,860)	-
At the end of the year	**25,980**	-
Deferred customer acquisition cost		
Current prepayment	**20,714**	-
Non-current prepayment	**5,266**	-
Total	**25,980**	-

*In prior years, based on the then available information, the Company considered that the average life of customers across its network was less than 12 months and had taken the practical expedient available under IFRS 15 not to defer customer acquisition costs on recognition and amortise over the average anticipated customer life, but to expense customer acquisition costs as incurred. With increased and more reliable data the Company now estimates that the historic average customer life is longer than 12 months and believes that its churn rate provides the best indicator of anticipated average customer life and has updated its policy on cost deferral recognition in these financial statements with a financial impact of increasing profits before tax by **K25.980 million**. The amounts relating to the prior and earlier years are not considered to be material requiring restatement of the prior year financial statements.

20. INVENTORIES

Particulars	2019 K'000	2018 K'000
Merchandise held for sale	**26,667**	23,827
Less provision for obsolete stock	**(23,288)**	(23,152)
Balance as at 31 December	**3,379**	675

The cost of inventories recognized as an expense and included in 'cost of sales' amounted to **K12.79 million** (2018: K19.06 million).

There was inventory write down in the year ended 31 December 2019 of **Nil** (2018: K11.017 million). In addition, there were reversals of inventory write down of **K1.313 million** (2018: nil).

21. TRADE AND OTHER RECEIVABLES

Particulars	2019 K'000	2018 K'000
Trade receivables	**135,215**	172,886
Less provision for impairment losses	**(78,173)**	(110,068)
Net trade receivables	**57,042**	62,818
Prepayments	**75,380**	54,482
Other receivables	**25,594**	19,872
Total	**158,016**	137,172

The average credit period on sales of goods is 30 days. No interest is charged on outstanding trade receivables. The expected credit loss (ECL) is mainly based on the ageing of the receivable balances and historical experience. The receivables are assessed on an individual basis or grouped into homogeneous groups and assessed for impairment collectively, depending on their significance. Moreover, trade receivables are written off on a case to case basis if deemed not to be collectible on the assessment of the underlying facts and circumstances.

The Company uses a provision matrix to measure the expected credit loss of trade receivables. Refer to note below for details on the impairment of trade receivables. Based on the industry practices and the business environment in which the entity operates, management considers that the trade receivables are credit impaired if the payments are more than 90 days past due (Interconnect more than 9 months).

The Company performs on-going credit evaluations of its customers' financial condition and monitors the credit-worthiness of its customers to which it grants credit in its ordinary course of business. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount due Where the financial asset has been written-off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit and loss.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The entity writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables has crossed the law of limitation period past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

As the entity's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Entity's different customer base.

Particulars	2019 K'000	2018 K'000
Balance as at 1 January	**110,068**	107,314
Transfer to credit-impaired	**6,717**	6,457
Amounts recovered	**(791)**	(3,703)
Amounts written off during the year as uncollectible	**(37,821)**	-
Balance as at 31 December	**78,173**	110,068

22. CONTRACT ASSETS

Amounts received in advance from prepaid customers for delivery of internet and voice service.

Particulars	2019 K'000	2018 K'000
Revenue from interconnect customers	**12,961**	15,201
Revenue from post paid customers	**10,394**	8,478
Revenue from sale of handsets to corporate/enterprise Customers	**6,047**	8,298
Revenue from roaming customers	**1,043**	1,438
Current	**30,445**	33,415
Non-Current	**-**	--

Amounts relating to contract assets are balances due from customers under Sale of Bundled Handsets Contracts , Post Paid contracts , Interconnect Contract and Roaming Contract that arise when the Company receives payments from customers in line with a series of performance related milestones. The Company will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

The directors of the Company always measure the Expected Credit Loss on the amounts due from customers , taking into account the ageing of receivables, historical default experience and the industry practices and the business environment in which the entity operates. None of the amounts due from customers at the end of the reporting period is past due.

23. CASH AND CASH EQUIVALENTS

Particulars	2019 K'000	2018 K'000
Cash and bank balances	**29,325**	32,258
Bank overdrafts	**(154,705)**	(32,449)
Total	**(125,380)**	(191)

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

The Company has four overdraft facilities with limits of up to **K40 million** and **US$14.36 million** as shown below. These facilities are subject to annual review. Overdraft facilities from Citibank Zambia Limited and Standard Chartered Bank Zambia Plc is available for utilization in both USD and (ZMW).

(i)	Citibank Zambia Limited	$ 12 million	3 Months Libor + 1.65% (MPR+ 9.25%)
(ii)	Standard Chartered Bank Zambia Plc	$ 2.36 million	1 Months Libor + 2% (MPR+ 9%)
(iii)	Barclays Bank Zambia Plc	K 20 million	MPR +7%
(vi)	Stanbic Bank Zambia Limited	K 20 million	MPR +5%

The Company had drawn amounts as at the year-end of **K119.887 million** and **US$ 2.506 million** (2018: K 25.656 million and US$ 0.680 million).
The overdraft limit was not exceeded at any time during the period and all the overdraft facilities are unsecured.

24. TRADE AND OTHER PAYABLES

Particulars	2019 K'000	2018 K'000
Trade payables	**306,806**	413,819
Accrued expenses	**90,450**	100,895
Other payables	**7,631**	7,383
Total	**404,887**	522,097

Trade payables are non interest bearing and are normally settled on 60 day average terms. Accrued expenses and other payables are non interest bearing and have an average term of six months.

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

25. CONTRACT LIABILITIES

Particulars	2019 K'000	2018 K'000
Amounts received in advance from prepaid customers for delivery of internet and voice service.		
Deferred income	**79,667**	101,608
Current	**79,667**	101,608
Non-current	**-**	-
Total	**79,667**	101,608

Revenue relating to internet and voice services is recognised over time , when a customer makes use of the talk-time that was carried forward. There is no significant change in contract liability balances during the reporting period.

26. BORROWINGS

Particulars	2019 K'000	2018 K'000
Current portion	**243,162**	715,608
Non-current portion	**521,062**	-
Total	**764,224**	715,608

The borrowings are due to the following commercial banks:

Particulars	Standard Chartered bankZambia Plc K'000	Citibank Zambia Limited K'000	Barclays Bank Zambia Plc.	Barclays Bank Mauritius Limited	Total K'000
At 1 January 2018	-	209,979	-	-	209,979
			-	-	
Draw down during the year	647,725	290,845	-	-	938,570
Repayments in the year	(59,634)	(500,824)	-	-	(560,458)
Unrealized foreign exchange difference	127,517	-	-	-	127,517
At 31 December 2018	715,608	-	-	-	715,608
At 1 January 2019	**715,608**	-	-	-	**715,608**
Draw down during the year	**-**	**-**	**305,400**	**330,850**	**636,250**
Repayments in the year	**(655,974)**	**-**	**-**	**-**	**(655,974)**
Unrealized foreign exchange difference	**9,840**	**-**	**28,080**	**30,420**	**68,340**
At 31 December 2019	**69,474**	-	**333,480**	**361,270**	**764,224**

"In July 2019 the Company obtained a **US$50 Million** medium term credit facility lent jointly by **Barclays Bank Zambia Plc. (US$24 Million)** and **Barclays Bank Mauritius Limited (US$26 Million**). The Loan carries an interest rate of 3 month Libor + 2.25 % per annum. The facility is repayable within 36 months. The loan is guaranteed by Bharti Airtel International (Netherlands) B.V. but unsecured.

In May 2018 & July 2018 the Company obtained a short term credit facility from SCB Bank for **US$ 50 Million** and **US$15 million** respectively. The Loan carries an interest rate of 6 month Libor + 2.5 % per annum. The facility is repayable within 12 months. US$ 50 Million was repaid in July, 2019 and US$ 5 Million was repaid in November, 2019. The balance is due in May 2020. The loan is unsecured. "

27. CONTINGENT LIABILITIES

Legal proceedings

The Company had some pending legal proceedings as at 31 December 2019, however, management is of the opinion, having obtained relevant legal advice, that there will be no material losses arising from pending proceedings against the Company.

Tax proceedings

At 31 December 2019, there were open assessments issued by the Zambia Revenue Authority (ZRA) relating to Income tax, Withholding tax, Excise Duty and Value Added Tax (VAT). Management evaluated the individual assessments to determine and provide for the expected eventual liability.

Based on management's evaluation, assessments totalling **K5.04 million** (2018: K0.87 million) were deemed probable and provided for. As at 31 December 2019 , there was no assessment identified under contingent liability (2018: K2.47 million), as the possibility of payout on remaining assessments was deemed remote.

Taxes , duties and other demands

(Under adjudication / appeal / dispute)

Taxes , duties and other demands (Under adjudication / appeal / dispute)	2019 K'000	2018 K'000
Income Tax	-	1,183
Value Added Tax	-	395
Excise Duty	-	888
Total	-	2,466

28. CAPITAL COMMITMENTS

Capital expenditure contracted (gross) for at the reporting date but not recognised in the financial statements is as follows:

Particulars	2019 K'000	2018 K'000
At 31 December	**181,774**	253,337

The capital expenditure will be funded through working capital.

29. LEASE LIABILITIES

(a) Analysed as:

Particulars	2019 K'000	2018 K'000
Non-current	**947,291**	751,766
Current	**155,327**	91,310
Total	**1,102,618**	843,076

(b) Maturity analysis:

Particulars	2019 K'000	2018 K'000
Less than one year	**269,679**	178,450
Later than one year but not later than two years	**257,512**	174,877
Later than two years but not later than five years	**774,717**	524,631
Later than five years but not later than nine years	**191,954**	300,298
Later than nine years	**776**	2,101
Total	**1,494,638**	1,180,357
Less: future finance charges	**(392,020)**	(337,281)
Total	**1,102,618**	843,076

(c) The movement for the year is as follows:

Particulars	2019 K'000	2018 K'000
At the beginning of the year	**843,076**	772,089
Transitional adjustment on adoption of IFRS 16 (note 2.1 d)	**241,132**	-
Additions during the year	**13,479**	4,455
Retirement during the year	**(4,606)**	-
Repayments during the year	**(99,289)**	(61,716)
Unrealised exchange losses	**108,826**	128,248
Net investment in finance leases	**1,102,618**	843,076

The Company enters into finance leasing arrangements. The average term of finance leases entered into is 10 years. Unguaranteed residual dues of assets leased under the finance leases at the balance sheet date are estimated at K Nil.

The interest rate inherent in the leases is fixed/variable at the contract date for all of the lease term.

The Directors consider that the fair value of the leases is equal to their carrying values as reflected in the balance sheet.

In the previous year, the Company only recognised lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 - Leases.

30. STATEMENT OF CASH FLOWS

(a) Cash generated from operations

Particulars	2019 K'000	2018 K'000
Profit before income tax	**216,792**	230,480
Adjustments for:		
Interest income (note 8)	**(223)**	(793)
Interest expense (note 10)	**183,662**	108,817
Depreciation expense - PPE (note 16)	**270,451**	264,557
Depreciation expense - ROU (note 17)	**113,584**	81,223
Amortisation of non-current assets (note 19)	**15,498**	9,592
Impairment loss recognised on trade receivables (note 21)	**5,926**	2,754
Amortisation of intangible assets (note 18)	**462**	462
Unrealised forex (gain)/loss	**177,166**	267,971
Other operating income (note 8)	**(1,043)**	-
Gain on disposal of property, plant and equipment (note 8)	**(7,756)**	-
Other non-current assets	**(83,862)**	-
Changes in working capital:		
- trade and other receivables	**(17,931)**	77,368
- inventories	**(2,704)**	1,161
- trade and other payables	**(49,640)**	39,402
Cash generated from operations	**820,382**	1,082,994

(b) Reconciliation of liabilities arising from financing activities

Particulars	1 January 2019 K'000	Financing cash flows K'000	Non-cash changes K'000	31 December 2019 K'000
Loans from financial Institutions	**715,608**	**(19,724)**	**68,340**	**764,224**
Lease liabilities	**843,076**	**(99,289)**	**358,831**	**1,102,618**
Particulars	**1 January 2018**	**Financing cash flows**	**Non-cash changes**	**31 December 2018**
Loans from financial Institutions	209,979	378,112	127,517	715,608
Lease liabilities	772,089	(61,716)	132,703	843,076

31. RELATED PARTY DISCLOSURES

The Company is owned by Bharti Airtel Zambia Holdings BV (BAZHBV) which has 96.36% shareholding. The remaining 3.64% is owned by public investors. The Company is listed on the Lusaka Stock Exchange (LuSE).

The following transactions were carried out with related parties:

i) Purchase of goods and services

Name of Related Party	Country of incorporation	Relationship to Company	2019 K'000	2018 K'000
Airtel Mobile Commerce Limited	Zambia	Fellow subsidiary	**110,417**	37,090
Bharti Airtel (UK) Limited	United Kingdom	Fellow subsidiary	**21,718**	12,582
Network i2i Ltd.	Mauritius	Step up parent	**5,942**	5,155
Airtel Malawi Limited	Malawi	Fellow subsidiary	**2,589**	1,794
Airtel Networks Kenya Limited	Kenya	Fellow subsidiary	**2,096**	2,719
Centum Learning Limited	India	* Other related party	**1,328**	1,698
Bharti Airtel Zambia Holdings B.V.	Netherlands	Holding Company	**1,136**	2,701
Airtel Congo (RDC) S.A.((formerly known as Celtel Congo (RDC) S.a.r.l.)	Congo (DRC)	Fellow subsidiary	**1,073**	1,187
Bharti Airtel Limited	India	Step up parent	**847**	4,133
Nxtra Data Limited	India	Fellow subsidiary	**397**	414
Airtel Networks Limited	Nigeria	Fellow subsidiary	**267**	360
Airtel Tanzania Limited	Tanzania	Fellow subsidiary	**263**	509
Airtel Rwanda Limited	Rwanda	Fellow subsidiary	**91**	46
Airtel Uganda Limited	Uganda	Fellow subsidiary	**54**	35
Airtel Madagascar S.A.	Madagascar	Fellow subsidiary	**4**	6
Airtel (Seychelles) Limited	Seychelles	Fellow subsidiary	**3**	5
Airtel Congo S.A	Congo B	Fellow subsidiary	**3**	2
Celtel Niger S.A.	Niger	Fellow subsidiary	**1**	-
Bharti Airtel Lanka (Private) Limited	Sri Lanka	Fellow subsidiary	**-**	1
Total			**148,229**	70,437

ii) Sale of goods and services

Name of Related Party	Country of incorporation	Relationship to Company	2019 K'000	2018 K'000
Bharti Airtel (UK) Limited	United Kingdom	Fellow subsidiary	**50,969**	30,659
Airtel Mobile Commerce Limited	Zambia	Fellow subsidiary	**14,308**	4,135
Airtel Networks Limited	Nigeria	Fellow subsidiary	**8,772**	4,403
Airtel Congo (RDC) S.A. ((formerly known as Celtel Congo (RDC) S.a.r.l.)	Congo (DRC)	Fellow subsidiary	**8,385**	9,907
Airtel Malawi Limited	Malawi	Fellow subsidiary	**5,947**	7,486
Airtel Tchad S.A.	Chad	Fellow subsidiary	**3,491**	1
Airtel Uganda Limited	Uganda	Fellow subsidiary	**1,676**	180
Network i2i Ltd.	Mauritius	Step up parent	**1,268**	-
Airtel Networks Kenya Limited	Kenya	Fellow subsidiary	**506**	1,954
Airtel Congo S.A	Congo B	Fellow subsidiary	**426**	4
Airtel Rwanda Limited	Rwanda	Fellow subsidiary	**414**	12
Airtel Tanzania Limited	Tanzania	Fellow subsidiary	**410**	655
Bharti Airtel Limited	India	Step up parent	**31**	8,896
Airtel Madagascar S.A.	Madagascar	Fellow subsidiary	**2**	5
Jersey Airtel Limited	Jersey	Fellow subsidiary	**2**	1
Airtel (Seychelles) Limited	Seychelles	Fellow subsidiary	**1**	-
Airtel Gabon S.A.	Gabon	Fellow subsidiary	**1**	1
Celtel Niger S.A.	Niger	Fellow subsidiary	**1**	1
Total			**96,610**	68,300

iii) Management fees expenses

Name of Related Party	Country of incorporation	Relationship to Company	2019 K'000	2018 K'000
Bharti Airtel International (Netherlands) B.V.	Netherlands	Step up parent	**59,680**	42,262

iv) Receivable from related parties

Name of Related Party	Country of incorporation	Relationship to Company	2019 K'000	2018 K'000
Airtel Tanzania Limited	Tanzania	Fellow subsidiary	**41,912**	35,809
Airtel Congo (RDC) S.A. ((formerly known as Celtel Congo (RDC) S.a.r.l.)	Congo (DRC)	Fellow subsidiary	**31,071**	23,363
Airtel Mobile Commerce Limited	Zambia	Fellow subsidiary	**19,561**	61,465
Bharti Airtel (UK) Limited	United Kingdom	Fellow subsidiary	**18,684**	9,650
Airtel Malawi Limited	Malawi	Fellow subsidiary	**14,123**	15,230
Airtel Networks Limited	Nigeria	Fellow subsidiary	**5,997**	4,084
Airtel Tchad S.A.	Chad	Fellow subsidiary	**3,761**	-
Network i2i Ltd.	Mauritius	Step up parent	**1,355**	-
Celtel Niger S.A.	Niger	Fellow subsidiary	**1,087**	0.69
Bharti Airtel Limited	India	Step up parent	**977**	855
Airtel Rwanda Limited	Rwanda	Fellow subsidiary	**463**	14
Airtel Networks Kenya Limited	Kenya	Fellow subsidiary	**326**	1,062
Airtel Uganda Limited	Uganda	Fellow subsidiary	**54**	196
Airtel Gabon S.A.	Gabon	Fellow subsidiary	**12**	11
Airtel Congo S.A	Congo B	Fellow subsidiary	**435**	11
Airtel (Seychelles) Limited	Seychelles	Fellow subsidiary	**-**	0.03
Airtel Madagascar S.A.	Madagascar	Fellow subsidiary	**-**	1
Bharti Airtel Lanka (Private) Limited	Sri Lanka	Fellow subsidiary	**-**	0.3
Airtel (Ghana) Limited	Ghana	Joint Venture	**-**	3
Singapore Telecommunication Limited	Singapore	Significant Influence Company	**-**	16
Total			**139,818**	151,772

v) Payable to related parties

Name of Related Party	Country of incorporation	Relationship to Company	2019 K'000	2018 K'000
Airtel Mobile Commerce Limited	Zambia	Fellow subsidiary	**110,970**	35,340
Bharti Airtel International (Netherlands) B.V.	Netherlands	Step up parent	**12,399**	7,504
Network i2i Ltd.	Mauritius	Step up parent	**11,571**	5,431
Bharti Airtel Zambia Holdings B.V.	Netherlands	Holding Company	**4,405**	2,701
Bharti Airtel (UK) Limited	United Kingdom	Fellow subsidiary	**2,901**	2,690
Airtel Tanzania Limited	Tanzania	Fellow subsidiary	**2,350**	2,059
Bharti Airtel Limited	India	Step up parent	**1,767**	635
Airtel Malawi Limited	Malawi	Fellow subsidiary	**1,369**	2,794
Airtel Networks Kenya Limited	Kenya	Fellow subsidiary	**1,309**	2,753
Airtel Networks Limited	Nigeria	Fellow subsidiary	**1,236**	1,094
Airtel Rwanda Limited	Rwanda	Fellow subsidiary	**811**	620
Nxtra Data Limited	India	Fellow subsidiary	**804**	339
Centum Learning Limited	India	* Other related party	**394**	1,002
Airtel Madagascar S.A.	Madagascar	Fellow subsidiary	**151**	130
Airtel Congo (RDC) S.A. ((formerly known as Celtel Congo (RDC) S.a.r.l.)	Congo (DRC)	Fellow subsidiary	**103**	256
Airtel (Ghana) Limited	Ghana	Joint Venture	**20**	-
Africa Towers N.V.	Netherlands	Fellow subsidiary	**10**	10
Airtel Uganda Limited	Uganda	Fellow subsidiary	**4**	10.60
Airtel Tchad S.A.	Chad	Fellow subsidiary	**2**	1.63
Airtel (Seychelles) Limited	Seychelles	Fellow subsidiary	**1**	0.52
Airtel Congo S.A	Congo B	Fellow subsidiary	**-**	0.37
Airtel Gabon S.A.	Gabon	Fellow subsidiary	**-**	0.02
Celtel Niger S.A.	Niger	Fellow subsidiary	**-**	0.15
Jersey Airtel Limited	Jersey	Fellow subsidiary	**-**	0.20
Bharti Airtel Services Limited	India	Fellow subsidiary	**(46)**	-
Total			**152,531**	65,372

No provisions for impairment losses have been required in 2019 and 2018 for any related party receivables.

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

* Other related parties' though not 'Related Parties' as per the definition under IAS 24, 'Related

party disclosures', have been included by way of a voluntary disclosure, following the best corporate governance practices.

vi) Key management compensation

Particulars	2019 K'000	2018 K'000
Salaries and other short-term employment benefits	**44,299**	35,517

vii) Compensation of directors for the year ended 31 December 2019

Particulars	Sitting Fees K'000	Basic Salary K'000	Performance Bonus (i) K'000	Out of Country Allowance K'000	Housing Allowance K'000	Others	Total
Non-Executive							
Jito Kayumba	**523**	**-**	**-**	**-**	**-**	**-**	**523**
Monica K. Musonda	**670**	**-**	**-**	**-**	**-**	**-**	**670**
Executive							
Apoorva Mehrotra	**-**	**3,707**	**1,480**		**793**	**1,369**	**7,349**
Total	**1,193**	**3,707**	**1,480**	**-**	**793**	**1,369**	**8,542**
Compensation of directors for the year ended 31 December 2018							
Non-Executive							
Jito Kayumba	466	-	-	-	-	-	466
Monica K. Musonda	593	-	-	-	-	-	593
Executive							
Apoorva Mehrotra	-	2,361	1,352	115	526	734	5,088
Peter Correia *	-	598	-	-	123	317	1,038
Total	1,059	2,960	1,352	115	649	1,050	7,185

* Resigned as a Director of the Board.

(i) Bonus for the year 2019 is on accrual basis/provisional figure. Actual may differ at the time of annual performance review.

32. DIVIDENDS PROPOSED AND PAID

Particulars	2019 K'000	2018 K'000
At 1st January	**-**	-
Final dividends declared for the previous year	**-**	416,000
Interim dividend declared for the current year	**-**	124,800
Dividends paid	**-**	(540,800)
At 31 December	**-**	**-**

33. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (FINANCIAL INSTRUMENTS)

Set out below is a comparison by class of the carrying amount and fair value of the financial instruments that are recognised in the financial statements. The carrying amount of the financial assets and financial liabilities approximate their fair values because of their short term nature as shown below.

Classes and categories of financial instruments and their fair values

The following table combines information about:

- Classes of financial instruments based on their nature and characteristics;
- The carrying amounts of financial instruments;
- Fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
-
- Fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

Fair value hierarchy levels 1 to 3 are based on the degree to which 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 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Carrying Value					Fair Value			
	Financial assets		Financial liabilities			Level			
Particulars	FVTPL – mandatorily measured K'000	Amortised cost K'000	FVTPL - mandatorily measured K'000	Amortised cost K'000	Total K'000	1 K'000	2 K'000	3 K'000	Total K'000
31 December 2019									
Cash and bank balances	-	**29,325**	-	-	**29,325**	-	-	-	-
Trade and other receivables	-	**62,729**	-	-	**62,729**	-	-	-	-
Contract assets	-	**30,445**	-	-	**30,445**	-	-	-	-
Amounts due from related parties	-	**139,818**	-	-	**139,818**	-	-	-	-
Derivative financial Assets	**6,750**	-	-	-	**6,750**	-	**6,750**	-	**6,750**
Other financial Assets	-	**1,941**	-	-	**1,941**	-	-	-	-
Bank overdraft	-	-	-	**(154,705)**	**(154,705)**	-	-	-	-
Trade and other payables	-	-	-	**(313,727)**	**(313,727)**	-	-	-	-
Amounts due to related parties	-	-	-	**(152,531)**	**(152,531)**	-	-	-	-
Lease liabilities	-	-	-	**(1,102,618)**	**(1,102,618)**	-	-	-	-
Short term borrowings	-	-	-	**(243,162)**	**(243,162)**	-	-	-	-
Long term borrowings	-	-	-	**(521,062)**	**(521,062)**	-	-	-	-
Derivative financial Liability	-	-	**(6,085)**	-	**(6,085)**	-	**(6,085)**	-	**(6,085)**
Other financial liabilities	-	-		**(10,690)**	**(10,690)**	-	-	-	-
31 December 2018									
Cash and bank balances	-	32,258	-	-	32,258	-	-	-	-
Trade and other receivables	-	63,038	-	-	63,038	-	-	-	-
Contract assets	-	33,415	-	-	33,415	-	-	-	-
Amounts due from related parties	-	151,772	-	-	151,772	-	-	-	-
Derivative financial Assets	665	-	-	-	665	-	665	-	665
Other financial assets	-	1,941	-	-	1,941	-	-	-	-
Bank overdraft	-	-	-	(32,449)	(32,449)	-	-	-	-
Trade and other payables	-	-	-	(437,617)	(437,617)	-	-	-	-
Amounts due to related parties	-	-	-	(65,372)	(65,372)	-	-	-	-
Lease liabilities	-	-	-	(843,076)	(843,076)	-	-	-	-
Short term borrowings	-	-	-	(715,608)	(715,608)	-	-	-	-
Derivative financial Liability	-	-	(3,730)	-	(3,730)	-	(3,730)	-	(3,730)
Other financial liabilities	-	-	-	(9,488)	(9,488)	-	-	-	-

Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Valuation technique(s) and key inputs(s)	Significant unobservable input(s)	Relationship and sensitivity of unobservable inputs to fair value
Foreign currency forward contracts	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

Foreign exchange forward contracts

It is the policy of the Company to enter into foreign exchange forward contracts to manage the foreign currency risk associated with anticipated sales and purchase transactions of the exposure generated.

For the hedges of highly probable forecast sales and purchases, as the critical terms (i.e. the notional amount, life and underlying) of the foreign exchange forward contracts and their corresponding hedged items are the same, the Company performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rates.

Foreign currency forward contract assets and liabilities are presented in the line 'Derivative financial instruments' (either as asset or as liabilities) within the statement of financial position.

34. EMPLOYEE BENEFIT EXPENSE

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

Particulars	2019 K'000	2018 K'000
Aon Zambia Pension Fund Administrators Limited	**7,509**	7,333
National Pension Scheme Authority	**2,581**	2,429

35. DERIVATIVE FINANCIAL INSTRUMENTS

The details of derivative financial instruments are as follows:

Particulars	2019 K'000	2018 K'000
Foreign currency forward contracts (assets)	**6,750**	665
Foreign currency forward contracts (liabilities)	**(6,085)**	(3,730)

36. SEGMENT REPORTING

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

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

The executive management committee assesses the performance of the operating segment based on a measure of Earnings before Interest Tax Depreciation and Amortisation.

The breakdown of the revenue from all services is shown in note 7.

37. EVENTS AFTER REPORTING DATE

There were no material subsequent events for the year ended 31 December 2019. The Directors are not aware of any other matter or circumstances since the financial year end and the date of this report, not otherwise dealt with in the financial statements, which significantly affects the financial position of the company and the results of its operations.

APPENDICES

Ian **Ferrao**

REGIONAL DIRECTOR FOR EAST AFRICA, AIRTEL AFRICA

NATIONALITY
British

EDUCATION
BSc Management Sciences, Warwick Business School, First Class Honours Degree

CONTACT DETAILS
+27 82 997 2999

ian@ferrao.co.uk or ianferrao@gmail.com

PREVIOUS JOBS

CEO – Vodacom Tanzania PLC
CEO – Vodacom Lesotho
Chief Commercial Officer (CCO) - Vodacom Business Africa
Shareholder & Commercial Director - AfriConnect Zambia

CORE COMPETENCIES

Executive Management – Telecoms & Financial Services
Strategic & Operational Planning and Execution
Complex Corporate Turn arounds & Growth acceleration
Building Executive Management Teams & Culture Transformations
Initial Public Offering, Investor Relations & Listed Company Governance
Stakeholder Management and Corporate Reputational enhancements

MEDIA LINKS

Media Links are available on my Linkedin Profile under the Experience section:
https://www.linkedin.com/in/ian-ferrao-65b8301/

Social Media, Vodacom Tanzania and Vodacom Lesotho photos:
https://www.instagram.com/ianferrao/
https://twitter.com/ianferrao (#vodacomtzrocks, #vtlrocks, #vclrocks)

PROFESSIONAL EXPERIENCE

AUG 2015 - AUG 2018

Vodacom Tanzania PLC – CEO
A subsidiary of Vodacom Group and leading Mobile Operator and Financial Services Provider in Tanzania

Board level objective: To turnaround the company from negative growth to positive, whilst absorbing a new aggressive entrant into the market, in order to improve cashflow yields and become a strong dividend payer

- Overall P&L accountability ($430m revenue / $130m EBITDA)
- Development of Strategic Turnaround Plan and its execution
- Overall accountability and reporting to Board of Directors
- Responsible for 550 Direct and 1,250 Indirect Employees
- Management of key stakeholders in a complex Political environment
- Navigation of the Company through difficult Regulatory conditions (including a Mandatory IPO)

Key Achievements

- IPO: First Telecoms Company to list 25% of equity on the Tanzania Stock Exchange raising $213m
- Returning top line Service Revenue back to +ve growth using M-Pesa (Mobile Money) as key driver
- Returning company to paying a dividend yield with significant operational NPAT improvement
- Delivering a successful first Post IPO AGM with >1,500 shareholders present
- Expansion of RMS and CMS following many quarters of under-performance vs market
- Protecting against new aggressive entrant (Viettel) using defensive commercial strategies
- Data network expansion focus - 3G coverage, 4G launched and investment in data experience
- M-Pesa acceleration with Mobile money hitting 30% of revenue - a focus on Mobile Payments
- People & Leadership improvements - large swings in Leadership indexes, E-NPS and org culture
- Mitigation of Key Regulatory risks: Sim Registration, QoS, CEIR, MNP

JAN 2013 – AUG 2015

Vodacom Lesotho – CEO
A subsidiary of Vodacom Group (VOD) offering fixed & mobile services in the Kingdom of Lesotho.

Board level objective: To restore +ve growth to the business, recover falling market share and manage the Company through changing regulatory environment.

Main Responsibilities:
- Overall P&L accountability for a R1bn business, operating with >40% EBITDA margin
- Development and execution of Strategic Business Plan
- Overall accountability and reporting to Board, Audit committee and REMCO
- Responsibility for end to end operations - Commercial, Technology, Finance, Legal & Regulatory, People
- Reputation management with key stakeholders - Local Shareholders, Government of Lesotho, Regulatory bodies and the business community

Key Achievements
- Recovery of top line Service Revenue from -ve growth to +ve double digit growth (+50% in 3 FY's)
- Net Promoter Score: -ve 4 points to +ve 9-point lead against competitor, #1 across all measures
- Stabilizing & recovery of market share: win back of HVC and CMS improved by 6% to 79%
- Cost cutting Programme delivering > 10% of costs saved (Interconnect, RIM, VAS providers, Distribution)
- M-Pesa launch - fastest base penetration in Vodacom Group markets - 60% of base registered accounts, 10% active penetration, fast growing revenue run-rates
- LTE launch - acquisition of 800Mhz spectrum, commercial 4G launch across Lesotho
- License Renewal submission completed and process initiated to renew license for 20 years
- Strong People Survey results– employee satisfaction index (e-NPS) grown by 71% points from -4 to 67%

AUG 11 - JAN 13

Vodacom Business Africa – Chief Commercial Officer (CCO)
The 3rd largest operation in the Vodafone Group with turnover > R75bn ($7bn), publicly listed on the JSE and market leader in South Africa, delivering mobile, fixed and converged services across multiple African markets.

Main Responsibilities:
- P&L accountability for > R7bn revenue and contribution margins across multiple sales segments (Strategic, Corporate, SME, SOHO, Public Sector, International)
- Development of Vodacom's Enterprise Strategy for South Africa and African operations and management of the strategy's execution plans
- KPI tracking, management reporting and decision analysis (Financial, Customer Analytics, Operational analytics, Deal profitability)
- Commercial innovation – mobile deal structuring for specific market segments, A&R management, product development business cases
- Accountable for VB Africa revenue of $100m with responsibility for group P&L – EXCO and Board participation
- Formation of Vodacom Business International Sales team aligning operations with Vodafone Global Enterprise and building new global channel partners

JUN 10 - JULY 11

Vodacom Business Africa – Commercial Director, Zambia

Main Responsibilities:
- Transition of AfriConnect Zambia into the Vodacom Group including financial integration, HR alignment, brand and product portfolios, strengthening or group relationships etc.
- Continuation of AfriConnect strategy development & execution to cement market leadership position and strengthen revenue and margin base for Zambia
- Recruitment, training and development for Senior Executive succession planning – aggressive headhunting within local market and organizational re-structuring.
- Achievement: Revenue growth post sale > 100% in 12 months

APR 06 - JUN 10

AfriConnect Zambia Ltd – Commercial Director & Shareholder
A start-up WiMAX ISP that grew to become the largest broadband and data network provider in Zambia, utilizing a range of networks and technologies to deliver high speed connectivity to Corporate, SME and Residential customers across Zambia Main Responsibilities:
The initial board level objective was to re-organize the Company, secure the financial sustainability, review the strategy & business model, expand & grow the customer base and take the company to an exit within 5 years

- Deploying Company Strategy & Business Plans to bring profitability and +ve cashflow to operations
- Initial debt financing for CAPEX and rapid growth of the nationwide networks
- Formulating the investment plans, company profiling, 5-year business plans, investor pitch documentation and creating market awareness for opportunity
- Leading the SPA negotiations and due diligence delivery with the Vodacom Group M&A, Regulatory and Legal teams

- Key Achievements:
- Sale of Company to Vodacom Group at competitive EV/EBITDA
- Company Turnover increase from start-up to $20m per annum
- High client growth within 5 years across Enterprise & Consumer
- Start-up –ve profitability grown to a steady +25% EBITDA margin created through structured revenue growth and cost management
- Nationwide expansion – single office to 20 regional offices and POPs

NOV 04 - MAR 06

Deloitte Consulting: Strategy & Ops Consultant

Nokia EMEA Region: Project Max (Marketing Sourcing effectiveness)
- Assisting in identifying opportunities to deliver over €80 million of business benefits to Nokia Marketing
- Designing a Marketing Sourcing Maturity Model, used to identify gaps within the INS organization and managing the spend analysis work stream
- Category profiling for several categories including Media, Creative services, Production, Online, Events, Sponsorship, Retail & Market Research
- Country profiling for Marketing spend within the UK, Germany, Austria, France

Rogany **Ramiah**

CHIEF HUMAN RESOURCES OFFICER AT AIRTEL AFRICA

EDUCATION

Harvard University

Harvard Division of Continuing Education: Design Thinking, 2016 - 2016

University of the Witwatersrand
Psychology

SUMMARY

Senior Human Resources Executive, with more than 22 years of experience in the retail, media and consulting sectors, as well as 8 years as an Executive Board Director.

Global experience includes USA, Canada, U.K, China, India, Japan & Africa. Expertise in leading both complexity and scale, supporting countries within a matrix organization in business strategy, cultural transformation, business process reengineering and organizational re-design.

C-suite leadership development, succession planning, development of high performing teams, and increasing engagement. Extensive experience in multi-union environments.

Adaptive thinker, cross-culturally competent, adept at trans-disciplinary approaches, transformational, results-driven, digital mindset and forward thinking.

EXPERIENCE

CHIEF HUMAN RESOURCES OFFICER AT AIRTEL AFRICA
MAY 2019 - PRESENT

Executive Committee member, Design & Lead People Transformation Agenda, Build & Lead People & Organizational Strategy, Create People Centric Digital Workforce, Strategic Talent Acquisition and Talent leadership strategies. Thought partner to CEO & Exco.

EXECUTIVE HUMAN RESOURCES AT MASSMART / WALMART
JULY 2018 - DECEMBER 2018 (6 MONTHS)

International People Division (Canada, UK, China, Japan & India) at Walmart/Massmart.
May 2016 - December 2018 (2 years 8 months)

Trusted business advisor providing strategic advice, and end to end functional support to Regional Executive Vice President, in countries' C-suite and Human Resources leaders to increase organizational performance, through talent management, performance and rewards, as well as developmental initiatives for 5 International markets.

Improving International Executive Onboarding using Design Thinking and Agile methodology.

Part of the team that developed & implemented the Differentiated Performance & Rewards strategy across multiple International markets.

EXECUTIVE BOARD DIRECTOR: HUMAN RESOURCES AT MASSDISCOUNTERS (MASSMART / WALMART)
NOVEMBER 2007 - APRIL 2016 (8 YEARS 6 MONTHS)

Operates in two retail formats Game and Dion Wired in South Africa and 14 Africa countries.

Developed and reinforced the correct leadership ethos across the business, transitioning CEO & other Board members, develop and reinforce a customer centric culture both internally and externally.
Stabilised union environment, re-aligned people costs, and ensured continuous efficiency extraction. Led change management & transformation initiatives.

Developed the Workforce Management strategy, crafted the re-engineering process and aligned people costs to the business model.

Accelerated talent bench strength, and ensured the efficient delivery of high potential development programs Instituted a talent assessment center and introduced competencies and standards of excellence to drive a high performance culture.

Leveraged diversity and led the initiatives that enabled MDD to become one of the first retailers in South Africa to attain a level 3 BBBEE status.

Full accountability for Labor Law compliance, union relations (11 unions) & governance (labour) in SA & 14 African countries. Managed internal communication via the introduction of a TV & Radio station as well as a staff magazine.

GROUP EXECUTIVE: HUMAN RESOURCES AT INDEPENDENT NEWSPAPERS
MARCH 1997 - OCTOBER 2007 (10 YEARS 8 MONTHS)

Developed a collaborative environment & ensured that best practices were leveraged across the group. Managed people costs in line with budgets and 5 year strategic plans.

Led the Workforce Management strategy and ensured that the systems strategy supported this key business imperative. Re-engineered and drove a continuous improvement mindset to ensure high productivity, removal of duplication of effort and to improvement of efficiencies. Full accountability for Labor Law compliance, union relations (7 unions) & governance (labour).

Full accountability for change management during the digital transformation of the origination where dual platforms (print and online) were run.

Part of the Group Executive Committee. Directed Group HR/IR strategies and policies; formulated implementation plans with full accountability for the rollout thereof through the regional HR structures.

Crafted and actively promoted the company's transformation & diversity initiatives. Developed the first trainee sub-editor project in the media industry.

NOTES:

airtel

THE **SMARTPHONE** NETWORK

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