

AIRTEL TANZANIA PLC
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

AIRTEL TANZANIA PLC

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FOR THE YEAR ENDED 31 DECEMBER 2018

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AIRTEL TANZANIA PLC

CORPORATE INFORMATION

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Airtel House
Block 41, Kinondoni
Corner of A.H Mwinyi Road & Kawawa Road
P.O. Box 9623
Dar es Salaam

COMPANY CEO

Sunil Colaso
Airtel House
Block 41, Kinondoni
Corner of A.H Mwinyi Road & Kawawa Road
P.O. Box 9623
Dar es Salaam

COMPANY SECRETARY

David Marco Lema
Airtel House
Block 41, Kinondoni
Corner of A.H Mwinyi Road & Kawawa Road
P.O. Box 9623
Dar es Salaam

AUDITORS

Deloitte & Touche
Certified Public Accountants (Tanzania)
3rd Floor, Aris House, Plot 152, Haile Selassie Road, Oysterbay
P.O. Box 1559
Dar es Salaam

LAWYERS

ENSAfrica
6th Floor International Houes
Cnr Shaaban Robert Street and Garden Avenue
P.O. Box 7495
Dar es Salaam

GRK Advocates
3rd Floor Maktaba Complex
Bibi Titi Mohamed Road
P.O. Box 70681
Dar es Salaam

George & Robert, Attorneys at Law
Plot No 14, Gymkhana
Kanisa Road
P.O. Box 12023
Arusha

IMMMA Advocates
Plot No. 173, Block D,
Isamilo Area
P.O. Box 1906
Mwanza

ZG Africa Advocates
Unit 113, 1st Floor, Mayfair Plaza, Msasani
P.O. Box 70681
Dar es Salaam

AIRTEL TANZANIA PLC

CORPORATE INFORMATION (CONTINUED)

TAX ADVISORS

PricewaterhouseCoopers
Pemba House, 369 Toure Drive, Oysterbay,
P.O. Box 45
Dar es Salaam

Association of Tanzania Employers (ATE)
Dunga Street Kinondoni
1st Floor, SSTL Group Building
Plot No. 343/345 Block 42
P.O. Box 2971
Dar es Salaam

PRINCIPAL BANKERS

National Bank of Commerce Limited
P.O. Box 9062
Dar es Salaam

Diamond Trust Bank Tanzania Limited
P.O. Box 115
Dar es Salaam

Citibank Tanzania Limited
P.O. Box 71625
Dar es Salaam

Standard Chartered Bank Tanzania Limited
P.O. Box 9011
Dar es Salaam

NMB Bank PLC
P.O. Box 2653
Dar es Salaam

CRDB Bank PLC
P.O. Box 268
Dar es Salaam

Barclays Bank Tanzania Limited
P.O. Box 2475
Dar es Salaam

Bank of Africa Tanzania Limited
P.O. Box 3054
Dar es Salaam

AIRTEL TANZANIA PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2018

1. INTRODUCTION

The Directors submit their report together with the audited financial statements for the year ended 31 December 2018 which disclose the state of financial affairs of Airtel Tanzania PLC (the "Company"). These are separate financial statements of Airtel Tanzania PLC, which do not include financial statements of its subsidiaries namely Tanzania Towers Limited and Airtel Money Tanzania Limited. The results of operations for the year ended 31 December 2018 and financial position of the Tanzania Towers Limited and Airtel Money Tanzania Limited, as at the year then ended, are included in the consolidated financial statements of Airtel Tanzania PLC.

The Mission of the Company is to provide globally admired technologies and services to give Africa an easy and dependable way to connect to the world. The Company brings everything Internet to everyone.

The Vision of the Company is "Connected people are inspired people". The Company connects Africa's people to each other, empowering them to create opportunities, dream big, and live well.

The Company was incorporated under Companies Act, 2002 with certificate of incorporation number 41291 on 7 May 2001.

2. STATUS AND PRINCIPAL ACTIVITIES

The principal activity of the Company is the provision of telecommunication services and other related services using its licensed platforms.

3. RESULTS AND DIVIDEND

The financial results of the year are set out on page 13 of the financial statements. During the year no dividend was paid and the Directors do not recommend payment of dividend in respect of the year ended 31 December 2018 (2017: Nil).

4. FUTURE DEVELOPMENT PLAN

The Company will continue to offer value added services to its subscribers and implement effective marketing and promotion techniques.

5. DIRECTORS

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

Name	Position	Qualifications	Age	Nationality	Date appointed	Appointed by
Dr. Jehovaness Aikaeli	Chairman**	PhD in Economics	50	Tanzanian	1 March 2017	Bharti Airtel Tanzania BV
Gloria M. Mahinya	Member**	Msc. Business Systems Analysis and Design	61	Tanzanian	1 March 2017	Treasury Registrar
Nuru John Mhando	Member**	MBA Banking and Finance, CPA (T)	49	Tanzanian	16 April 2018	Treasury Registrar
Sunil Colaso	Member*	MBA in Marketing	51	Indian	1 April 2013	Bharti Airtel Tanzania BV
Raghunath Venkateswarlu Mandava	Member*	PG DGM (MBI); B. Tech (Hons) Electronics	51	Indian	22 November 2017	Bharti Airtel Tanzania BV
Jaideep Paul	Member*	Commerce Graduate, Chartered Accountant	57	Indian	1 March 2015	Bharti Airtel Tanzania BV
Daddy Mukadi	Member*	Masters of Law degree in Communications Law (LLM)	49	Congolese	23 June 2016	Bharti Airtel Tanzania BV

* Executive

** Non-executive

The Company secretary as at 31 December 2018 was David Marco Lema.

REPORT OF THE DIRECTORS (CONTINUED)

6. CORPORATE GOVERNANCE

The Board of Directors (the "Board") consists of four executive Directors and three non-executive Directors. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets.

The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board is required to meet at least four times a year (once every quarter). The Board delegates day to day management of the business to the Managing Director assisted by the Senior Management. Senior Management is invited to attend board meetings and facilitates the effective control of all the Company's operational activities, acting as a medium of communication and coordination between all the various business units. The Board met four times during the year. Major issues discussed during the meetings are:

- Performance review;
- Approval of annual plans; and
- Business challenges.

The Company is committed to the principles of effective corporate governance. The Directors also recognize the importance of integrity, transparency and accountability. During the year, the Board had the Board Audit Committee which constitutes one executive director and one non-executive director, to ensure a high standard of corporate governance throughout the Company. The Board Audit committee is required to meet twice a year. The Board Audit Committee met once during the year.

7. SHAREHOLDING OF THE COMPANY

On 19 April 2017 the shareholders signed and passed a special resolution for subdivision of Company's shares as follows: 41,000,000 issued and fully paid ordinary shares and 9,000,000 unissued shares, each of TZS 1,000 each to be subdivided into 5 shares of TZS 200 each.

The Company had two shareholders throughout the year to 31 December 2018 (2017: two shareholders). No Director had any interest in the shares of the Company.

The issued and paid up ordinary share of the Company as at 31 December 2018 were held as follows:

<u>Shareholder Name</u>	<u>Percentage</u>	<u>Number of shares</u>	<u>Citizenship</u>
Bharti Airtel Tanzania B.V	60%	123,000,000	Netherlands
Government of the United Republic of Tanzania	40%	82,000,000	Tanzania
	<u>100%</u>	<u>205,000,000</u>	

REPORT OF THE DIRECTORS (CONTINUED)

8. RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the Company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in assurance regarding:

- i. The effectiveness and efficiency of operations;
- ii. The safeguarding of the Company's assets;
- iii. Compliance with applicable laws and regulations;
- iv. The reliability of accounting records;
- v. Business sustainability under normal as well as adverse conditions; and
- vi. Responsible behaviors towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance with such measures by staff. Whilst no system, of internal control can provide absolute assurance against misstatement or losses, the Company's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively. The Board assessed the internal control systems throughout the financial year ended 31 December 2018 and is of the opinion that they met accepted criteria. The Board carries out risk and internal control assessment through the Board Audit Committee.

9. COMPLIANCE WITH LAWS AND REGULATIONS

The business operations of the Company are in compliance with the laws and regulations applicable in the United Republic of Tanzania.

10. WELFARE OF EMPLOYEES

(i) Employee engagement

The Company continued to put employee engagement at the heart of its operations. The Company ensured that there was a clear understanding and communication of challenging expectations at the beginning of the year, constructive feedback throughout the year and fair assessment at the year-end through line managers. The Company also ensured there was an increasing collaboration and bonding within functions through team building activities and cross functional projects.

(ii) Training

To equip the current managers and new managers with the leadership skills to enable them manage their teams, projects and other KPIs, the Company conducted a leadership training for Managers.

Staff were trained on various programs to ensure that they acquire necessary skills and knowledge to enable them deliver Company's goals efficiently and effectively.

The following training programs were provided during the year:

- Retail up Skill Academy this training program was provided to Sales and Distribution staff aiming to build skills in driving mobile money.
- Fire awareness program was provided to fire Marshalls aiming to raise awareness on how to respond in an event of fire.
- Airtel Money – Anti Money Laundering program has been provided to staffs as one of the key compliance programs.
- Code of conduct program was conducted to provide guideline on DO'S and DON'T'S of employment relationship.

REPORT OF THE DIRECTORS (CONTINUED)

10. WELFARE OF EMPLOYEES (CONTINUED)**(iii) Employee benefits and employee motivation**

Rewards & Recognition (R&R) Scheme have revamped as Mkali Wao Scheme have been motivational enough to improve the business in the market by defining the best sales performer and inculcate their competitiveness in Company Operations. The Company awarded more than seventy employees from the beginning of April to September 2018.

A bonus scheme is still in practice in 2018 to incentivize performing staff whose incentives payout depends on both Company and individual performance while the Sales and Business Enterprise departments continued to practice commission scheme based on individual's achievement of the given monthly and quarterly targets respectively. Long serving employees (5, 10 and 15 years) are dully recognized and rewarded for their service and commitment to the Company.

11. GENDER PARITY

As at 31 December 2018, the Company had 210 employees, out of which 45 were female and 165 were male (2017: 216 employees, out of which 46 were female and 170 were male).

Gender Parity	2018		2017	
	Count	Count	Count	%
Female	45	21%	46	21%
Male	165	79%	170	79%
Total Employees	210	100%	216	100%

12. POLITICAL AND CHARITABLE DONATIONS

The Company did not make any political donations during the year. Donations made to charitable organizations during the year amounted to TZS 49 million (2017: TZS 156 million).

13. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Airtel Tanzania PLC is committed to its stakeholders to conduct its business responsibly creating sustainability and positive impact. It forms an integral part of the country's cultural and financial fabric, and invests in a range of social projects.

Airtel FURSA - Youth Empowerment Program: (*FURSA means Opportunity*) is a flagship project that aims at empowering the youth by aiding them with grants, skills and mentorship drawing them closer to their dreams. The project aims at unlocking the potential in youth through various fields especially business.

Airtel FURSA-VSOMO - (*V stand for VETA while SOMO a Swahili word means Subject*) Airtel has partnered with Tanzania Vocational Education and Training Authority (VETA) to increase access to vocational learning in the country. By using mobile phones, Airtel and VETA provide affordable and quick alternative education reaching the youth in every corner of the country and equipping them with skills to self-employ or enter the workforce. VSOMO is an acronym for VETA SOMO which stands for new developed mobile application used to provide vocational training through smart phones. Launched in June 2016, the App has received over 40,000 downloads, over 12,000 registrations and over 180 students have been certified.

Employee CSR-Tunakujali Project: (*Airtel We Care Project*) Launched in 2014 this annual program focuses on enabling employees to participate fully in giving back to communities by identifying and implementing projects through their time, expertise etc. Employees' carryout fundraising initiatives to raise money with the Company support to implement projects that are impactful, sustainable, and measurable and demonstrate self-reliance/entrepreneur skills in their area of choice.

REPORT OF THE DIRECTORS (CONTINUED)

13. CORPORATE SOCIAL RESPONSIBILITY (CSR) (CONTINUED)

Millennium Village: This is an ongoing initiative between UN, Ericsson and Airtel through joint initiative to provide wireless communication services. The project has enabled communities at Mbola village cluster, a remote area in Tabora to access health services without physically visiting medical personnel. Airtel Tanzania PLC is the sole provider of communication networks.

Community Radio: Airtel Tanzania has entered into a joint venture with UNESCO to sponsor 10 community radios set up in underprivileged areas with no radio broadcast, areas facing social cultural challenges. The objective is to focus on marginalized community - such as witchcrafts, high rate of HIV AIDS transmission, women circumcision, illiteracy, child education (the girls child not taken to school) the main aim is - to Enhance communication sector in the country.

Airtel Fursa Lab: Airtel through Airtel FURSA has partnered with Dar TechnoHama Business Incubator (DTBI) to set up a technology incubator at Kijitonyama Primary school. This is ongoing project which aims at enabling young entrepreneurs to have better cognitive capacity through coding and developing digital solutions in their community;

As of today, the lab has conducted training to over 600 people including students in primary and secondary schools, teachers and entrepreneurs to uplift their business.

Following are the project for 2018 to date:

- Computer Basics in Business Skills and Digital Records Keeping;
- Scratch programming and Robotics;
- Graphics design and web developing; and
- ICT development skills.

Maternal Health CSR Initiative: Airtel Tanzania in partnership with the CDC Foundation since 2014 recognizing the many challenges of maternal health in Tanzania and the potential change that providing basic information through MHealth Tanzania 'Wazazi Nipendeni Project. (Means "Parents Love Me").

Airtel and CDC through Wazazi Nipendeni project still continue to support pregnancy woman and mothers of newborn babies up to 16 weeks of age and her supporters (husbands, friends, family members as well as information seekers to get information concerning health pregnancy and safe motherhood free of charge.

To date Airtel sent and received 34,756,635 messages to an accumulative 510,123 Airtel subscribers and zero rates the government e-Gov USSD sessions for self-registration by end users and registrations by over 4,000 on-the-ground healthcare workers.

14. SOLVENCY

The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been appropriately prepared on the going concern basis. The Board of Directors has reasonable expectation that the Company has adequate support from the shareholders to continue in operational existence for the foreseeable future.

15. GOING CONCERN

During the year ended 31 December 2018, the Company incurred a net loss of TZS 36,734 million (2017: TZS 109,812 million). As at that date, accumulated losses were TZS 1,003,656 million (2017: TZS 967,804 million) and the Company was in a net current liability position of TZS 157,113 million (2017: TZS 189,234 million). The operations of the Company continue to depend on sources of financing from its direct and indirect parent companies.

REPORT OF THE DIRECTORS (CONTINUED)

15. GOING CONCERN (CONTINUED)

The Directors are of the opinion that the Company is a going concern on the basis that the Company:

- a) Will continue to generate cash inflows from operations of at least the amount projected in the management's annual operating plan. The generation of sufficient cash flows from operations is driven by and is dependent on management achieving operational targets on subscriber numbers, churn rate and average revenue per user;
- b) Will obtain funding from third parties including banks; and
- c) The Company will be able to obtain from the shareholders any additional funding required to meet its obligations as and when they fall due.

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

16. RELATED PARTY TRANSACTIONS AND BALANCES

All related party transactions and balances are disclosed in Note 31 of these financial statements

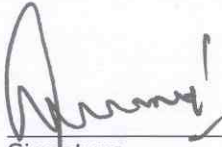
17. AUDITORS

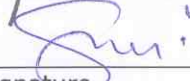
Deloitte & Touche were appointed auditors in 2018 and, having expressed their willingness, continue in office in accordance with Section 170 (2) of the Companies Act, 2002.

Approved by the Board of Directors on 29th March 2019 and signed on its behalf by:

SUNIL COLASU
Name of Director

Aloni M. Makinyo
Name of Director


Signature


Signature

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act, 2002 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the Company's state of affairs and its operating results for that year. The Companies Act, 2002 also requires the Directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

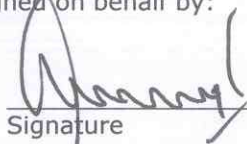
The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002, and for such internal controls as Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act, 2002. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

As stated in note 6 to the financial statements, the Directors are confident that sufficient funding sources will be available to the Company to support its obligations as required and that it is therefore appropriate to prepare the financial statements on the going concern basis.

Approved by the Board of Directors on 29th March 2019 and signed on behalf by:

SUNIL COLASO
Name of Director


Signature

Along M. Mahinye
Name of Director


Signature

AIRTEL TANZANIA PLC

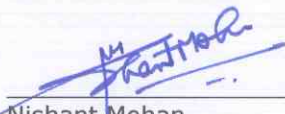
DECLARATION OF THE HEAD OF FINANCE

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the head of finance responsible for the preparation of financial statements of the entity concerned.

It is the duty of a head of finance to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with International Financial Reporting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as set out in the Statement of Directors' Responsibilities on an earlier page.

I, Nishant Mohan, being the Finance Director of Airtel Tanzania PLC hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2018 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements comply with applicable accounting standards and statutory requirements as on that date and that they have been prepared based on properly maintained financial records.



Nishant Mohan
Finance Director
NBAA Membership No: TACPA 2939

29th March 2019

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF AIRTEL TANZANIA PLC

Report on the Financial Statements

Opinion

We have audited the financial statements of Airtel Tanzania PLC (the "Company"), set out on pages 13 to 54, which comprise the statement of financial position at 31 December 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of Companies Act, 2002.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the National Board of Accountant and Auditors (NBAA) Code of Ethics, which is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), together with other ethical requirements that are relevant to our audit of the financial statements in Tanzania, and 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.

Other Information

The Directors are responsible for the other information, including the Report of the Directors. 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 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 of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, 2002; and for such internal controls as Directors determine are 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 of the Company, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

As required by the Companies Act, 2002 we report to you, based on our audit, that:

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit;
- (ii) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books of account; and
- (iii) the statements of financial position (balance sheet) and the statements of profit or loss and other comprehensive income (profit and loss account) are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is E.A. Harunani.

Deloitte & Touche
Certified Public Accountants (Tanzania)



Signed by: E. A. Harunani
NBAA Registration No. TACPA 1065
Dar es Salaam

20 MAY 2019

AIRTEL TANZANIA PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 TZS 'M'	2017 TZS 'M'
Revenue	7	466,806	490,547
Cost of sales	8	<u>(112,700)</u>	<u>(134,211)</u>
Gross profit		354,106	356,336
Other operating income		2,725	6,678
Administrative expenses	9	(214,762)	(224,277)
Distribution costs	11	(56,886)	(72,955)
Depreciation and amortization	12	<u>(90,709)</u>	<u>(104,180)</u>
Operating loss	13	(5,526)	(38,398)
Finance cost	14	(29,753)	(59,555)
Interest income		<u>38</u>	<u>93</u>
Loss before exceptional item and tax		(35,241)	(97,860)
Exceptional items	15	<u>-</u>	<u>(10,480)</u>
Loss before tax		(35,241)	(108,340)
Income tax expense	16(a)	<u>(1,493)</u>	<u>(1,472)</u>
Loss for the year		<u>(36,734)</u>	<u>(109,812)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u>(36,734)</u>	<u>(109,812)</u>

AIRTEL TANZANIA PLC

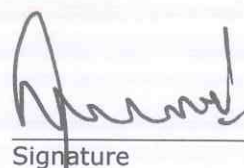
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018 TZS 'M'	2017 TZS 'M'
Assets			
Non-current assets			
Property, plant and equipment	17	359,528	423,572
Intangible assets	18	15,251	16,620
Investments	20	2	2
		<u>374,781</u>	<u>440,194</u>
Current assets			
Inventories	21	-	-
Trade and other receivables	22	92,906	78,197
Current income tax recoverable	16(c)	8,036	9,075
Cash and cash equivalents	23	12,543	7,598
		<u>113,485</u>	<u>94,870</u>
Total assets		<u>488,266</u>	<u>535,064</u>
Equity and liabilities			
Equity			
Ordinary shares	24	41,000	41,000
Share premium	24	8,755	8,755
Accumulated losses		(1,003,656)	(967,804)
Shareholders' deficit		<u>(953,901)</u>	<u>(918,049)</u>
Non-current liabilities			
Borrowings	25	1,102,892	1,081,368
Provisions	26	68,677	87,641
		<u>1,171,569</u>	<u>1,169,009</u>
Current liabilities			
Trade and other payables	27	246,774	257,808
Borrowings - current portion	25	7,761	10,400
Bank overdraft	28	16,063	15,896
		<u>270,598</u>	<u>284,104</u>
Total liabilities		<u>1,442,167</u>	<u>1,453,113</u>
Total equity and liabilities		<u>488,266</u>	<u>535,064</u>

The financial statements on pages 13 to 54 were approved and authorized for issue by the Board of Directors on 29th March 2019 and were signed on its behalf by:


SUNIL COLASO
Name

DIRECTOR
Title


Signature

Alexis M. Mahinga
Name

DIRECTOR
Title


Signature

AIRTEL TANZANIA PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital TZS 'M'	Share premium TZS 'M'	Accumulated losses TZS 'M'	Total TZS 'M'
As at January 2017	41,000	8,755	(857,992)	(808,237)
Loss for the year	-	-	(109,812)	(109,812)
At 31 December 2017	<u>41,000</u>	<u>8,755</u>	<u>(967,804)</u>	<u>(918,049)</u>
As at January 2018	41,000	8,755	(967,804)	(918,049)
IFRS 15 transition adjustment	-	-	882	882
Adjusted balance at January 2018	41,000	8,755	(966,922)	(917,167)
Loss for the year	-	-	(36,734)	(36,734)
At 31 December 2018	<u>41,000</u>	<u>8,755</u>	<u>(1,003,656)</u>	<u>(953,901)</u>

AIRTEL TANZANIA PLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 TZS 'M'	2017 TZS 'M'
Operating activities			
Loss before tax		(35,241)	(108,340)
<i>Adjustment for:</i>			
Depreciation of property, plant and equipment	17	87,405	101,840
Amortization of intangible assets	18	3,304	2,340
Accelerated depreciation - U900 Project	15	-	9,208
Loss on disposal of property, plant and equipment		-	385
Movement in provisions	26	(18,964)	19,801
Unrealized exchange loss on loans	25	29,402	27,650
IFRS 15 transition adjustment	26	882	-
Interest expense from loan		788	33,272
Interest income		(38)	(93)
Operating cash flows before movement in working capital		<u>67,538</u>	<u>86,063</u>
Movement in working capital			
(Increase)/decrease in trade and other receivables		(14,709)	10,067
Decrease in inventory		-	4,308
Decrease in trade and other payables		<u>(11,034)</u>	<u>(107,281)</u>
		41,795	(6,843)
Current income tax paid	16(c)	(454)	(493)
Interest received		<u>38</u>	<u>93</u>
Net cash flow generated from/(used in) operating activities		<u>41,379</u>	<u>(7,243)</u>
Investing activities			
Purchase of property, plant and equipment	17	(23,361)	(12,543)
Purchase of intangible assets	18	<u>(1,935)</u>	<u>(4,178)</u>
Net cash used in investing activities		<u>(25,296)</u>	<u>(16,721)</u>
Financing activities			
Proceeds from long-term borrowings	25	-	18,531
Repayments of long-term borrowings	25	(10,630)	(13,669)
Interest paid		<u>(675)</u>	<u>(1,034)</u>
Net cash flow (used in)/generated from financing activities		<u>(11,305)</u>	<u>3,828</u>
Net increase/(decrease) in cash and cash equivalents		4,778	(20,136)
Cash and cash equivalents at beginning of the year		<u>(8,298)</u>	<u>11,838</u>
Cash and cash equivalents at end of the year	23	<u>(3,520)</u>	<u>(8,298)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

Airtel Tanzania PLC is incorporated in the United Republic of Tanzania under the Companies Act, 2002 as a private limited liability Company, and is domiciled in Tanzania. The address of its registered office and principal place of business is indicated on page 1.

These are separate financial statements of Airtel Tanzania PLC which do not include financial statements of Tanzania Towers Limited and Airtel Money Tanzania Limited. The results of operations for the year ended 31 December 2018 and financial position of the Tanzania Towers Limited and Airtel Money Tanzania Limited, as at the year then ended, are included in the consolidated financial statements of Airtel Tanzania PLC.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

a) New standards and amendments to published standards effective for the year ended 31 December 2018

The following new and revised IFRSs have been applied in the current year and had no material impact on the amounts reported in these financial statements.

IFRS 9 Financial Instruments

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. 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 in note 22.

The application of IFRS 9 did not have a significant impact on the Company's financial statement as the Company was already compliant with the requirements.

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives.

IFRS 9 introduced new requirements for:

- a) The classification and measurement of financial assets and financial liabilities;
- b) Impairment of financial assets; and
- c) General hedge accounting.

(a) Classification and measurement of financial assets

Financial assets

Initial recognition and measurement

Financial assets within the scope of IFRS 9 are classified as financial assets at fair value through profit or loss, fair value through other comprehensive Income and Amortized cost. The Company determines the classification of its financial assets at initial recognition

All financial instruments are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs.

The Company's financial assets include trade receivable, receivable from related part, other receivable, inventories and cash and cash equivalent

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

a) *New standards and amendments to published standards effective for the year ended 31 December 2018 (continued)*

(a) Classification and measurement of financial assets (continued)

Subsequent measurement

Where assets are measured at fair value, gains and losses are either recognized entirely in profit or loss (fair value through profit or loss, FVTPL), or recognized in other comprehensive income (fair value through other comprehensive income, FVTOCI).

For debt instruments the FVTOCI classification is mandatory for certain assets unless the fair value option is elected. A debt instrument that meets the following two conditions (Business Model Test and Cash Flow Characteristics test) must be measured at amortized cost (net of any write down for impairment) unless the asset is designated at FVTPL under the fair value option. Whilst for equity investments, the FVTOCI classification is an election.

For all equity investments in scope of IFRS 9 are to be measured at fair value in the statement of financial position, with value changes recognized in profit or loss, except for those equity investments for which the entity has elected to present value changes in 'other comprehensive income'. There is no 'cost exception' for unquoted equities. If an equity investment is not held for trading, an entity can make an irrevocable election at initial recognition to measure it at FVTOCI with only dividend income recognized in profit or loss

The classification of a financial asset is made at the time it is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. If certain conditions are met, the classification of an asset may subsequently need to be reclassified.

(b) Impairment of financial assets

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 in note 22.

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 recognized in profit and loss.

c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Initial recognition and measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings measured at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings measured at amortized cost, plus directly attributable transaction costs. The Company's financial liabilities include trade and other payables and interest bearing borrowings.

Subsequent measurement

After initial recognition, trade and other payables and interest-bearing borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

a) New standards and amendments to published standards effective for the year ended 31 December 2018 (continued)

c) Classification and measurement of financial liabilities (continued)

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

Fair Value Option

IFRS 9 contains an option to designate a financial liability as measured at FVTPL if:

- doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases, or
- the liability is part of a group of financial liabilities or financial assets and financial liabilities that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

A financial liability which does not meet any of these criteria may still be designated as measured at FVTPL when it contains one or more embedded derivatives that sufficiently modify the cash flows of the liability and are not clearly closely related.

IFRS 9 requires gains and losses on financial liabilities designated as at FVTPL to be split into the amount of change in fair value attributable to changes in credit risk of the liability, presented in other comprehensive income, and the remaining amount presented in profit or loss. This guidance allows the recognition of the full amount of change in the fair value in profit or loss only if the presentation of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. That determination is made at initial recognition and is not reassessed.

Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss, the entity may only transfer the cumulative gain or loss within equity.

(d) General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required.

IFRS 9 requires hedging gains and losses to be recognized as an adjustment to the initial carrying amount of non-financial hedged items (basis adjustment). In addition, transfers from the hedging reserve to the initial carrying amount of the hedged item are not reclassification adjustments under IAS 1 Presentation of Financial Statements and hence they do not affect other comprehensive income. Hedging gains and losses subject to basis adjustments are categorized as amounts that will not be subsequently reclassified to profit or loss in other comprehensive income.

The application of the IFRS 9 has had no impact on the results and financial position of the Company for the current and/or prior years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**a) New standards and amendments to published standards effective for the year ended 31 December 2018 (continued)**

IFRS 15 Revenue from contracts with customers The Company has adopted IFRS 15, Revenue from Contracts with Customers' applying the cumulative effect method applied retrospectively to the contracts that are not completed as of 1 January, 2018 (being the date of initial application). Accordingly, the comparative information has not been restated. The effect on adoption of the said standard is insignificant on these financial statements.

Revenue is recognized 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, discounts and process waivers. In order to determine if it is acting as a principal or as an agent, the Company assesses whether it is primarily responsible for fulfilling the performance obligation.

The Company's accounting policies for its revenue streams are disclosed in detail in note 3 below. Apart from providing more extensive disclosures for the Company's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Company. The amount of adjustment for each financial statement line item affected by the application of IFRS 15 is illustrated below.

Impact on profit or loss	TZS 'M'
Revenue	
Decrease due to recognising revenue net of commission	21,092
Distribution cost	
Decrease due to reclassification of commission to revenue	21,092
Decrease in income tax expense	63
Decrease in loss for the year	63

The impact of the application of IFRS 15 on opening deferred revenue is disclosed in note 27.

b) New and amended standards and interpretations in issue but not yet effected in the year ended 31 December 2018

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

IFRS 16 Leases	Effective for accounting periods beginning on or after 1 January 2019
IFRS 17 Insurance Contracts	Effective for accounting periods beginning on or after 1 January 2021
IFRIC 23 Uncertainty over Income Tax Treatments	Effective for accounting periods beginning on or after 1 January 2019
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	Effective for accounting periods beginning on or after 1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle - Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs	Effective for accounting periods beginning on or after 1 January 2019
Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement	Effective for accounting periods beginning on or after 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

b) New and amended standards and interpretations in issue but not yet effected in the year ended 31 December 2018 (continued)

The entity has not applied the following new and revised IFRSs that have been issued but are not yet effective (continued)

IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	Effective for accounting periods beginning on or after 1 January 2019
Amendment to IFRS 9 Prepayment Features with Negative Compensation	Effective for accounting period beginning on or after 1 January 2019

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 is effective for accounting periods beginning on or after 1 January 2019 and the Directors are still assessing the expected impact on the financial statements.

IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

IFRS 17 is effective for accounting periods beginning on or after 1 January 2021 and the Directors are still assessing the expected impact on the financial statements.

IFRIC 23 Uncertainty over income tax treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances.

IFRIC 23 is effective for accounting periods beginning on or after 1 January 2019 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

b) New and amended standards and interpretations in issue but not yet effected in the year ended 31 December 2018 (continued)

Annual Improvements to IFRS Standards 2015-2017 Cycle

Makes amendments to the following standards:

- **IFRS 3** and **IFRS 11** - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12** - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.
- **IAS 23** - 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 capitalization rate on general borrowings.

The amendments to IFRS 13, IFRS 11, IAS 12 and IAS 23 are effective for annual periods beginning on or after 1 January 2019 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

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. An entity will now be required to use the updated assumptions from this re-measurement 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 re-measured under IAS 19.99 with the discount rate used in the re-measurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied.

The amendments to IAS 19 must be applied to annual periods beginning on or after 1 January 2019 and the Directors do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

b) New and amended standards and interpretations in issue but not yet effected in the year ended 31 December 2018 (continued)

IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The Directors do not anticipate that its adoption will result into material impact on the consolidated financial statements in future periods should such transactions arise.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 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, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The Directors do not anticipate that its adoption will result into material impact on the consolidated financial statements in future periods should such transactions arise.

c) Early adoption of standards

The Company did not early-adopt any new or revised standards in 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

a) Basis of preparation

The Company financial statements are prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board (IASB) and comply with the Companies Act, 2002. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The Company financial statements are presented in Tanzania Shillings ("TZS"), rounded to the nearest million ("000"), except where otherwise indicated.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

b) Revenue recognition

Revenue is recognized in line with IFRS 15 5-Step Model.

The five steps in the Model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenues from operations consist of recurring revenues, such as billings to customers, monthly subscription fees, roaming and airtime usage fees, and non-recurring revenues such as one-time connection fees and telephone equipment and accessory sales. Recurring revenue is recognized when the related service is rendered.

Unbilled revenues for airtime usage and subscription fees resulting from service provided from the billing cycle date to the end of each month are estimated and recorded. Revenues from connection fees are recognized when the customer is connected and able to use the service. Other revenues, which arise from service contracts, sale of telephones and accessories or other services, are recognized in the month during which the services or goods are provided. Prepaid cards enable the forward purchase of a specified amount of airtime by customers. Revenues are recognized as and when the cards are used. Direct costs associated with these cards which include both the cost of manufacturing the cards as well as dealer margins, are recognized when incurred, that is upfront, while the airtime costs are recognized as and when the revenue is being recognized. Unused airtime is carried in the statement of financial position and is included under deferred revenue within trade and other payables.

Bundled revenues are unbundled when reporting revenue at fair value of the individual components. This is taken as the Pay As You Go (PASG) rates which were prevailing in the highest peak usage period during the last quarter. These fair values shall remain stagnant for one quarter and are reviewed every quarter. However, if there is any major change (more than 5%) in the PAYG rate in a particular month, then the revised rate is taken during the quarter.

c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Tanzania Shillings, rounded to the nearest million which is the Company's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in Tanzanian Shillings using rates of exchange ruling at the dates of transaction. Foreign exchange gains/losses resulting from the settlement of such transactions and from translations at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

d) Property, plant and equipment

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

Where assets are installed on the premises of customers (commonly called Customer Premise equipment - "CPE ;"), such assets continue to be treated as property, plant and equipment as the associated risks and rewards remain with the Company and the management is confident of exercising control over them.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)**d) Property, plant and equipment (continued)**

The Company also enters into multiple element contracts whereby the vendor supplies plant and equipment and IT related services. These are recorded on the basis of relative fair value.

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 recognized in profit or loss on the date of retirement and disposal.

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 review, and adjusted prospectively. Land is not depreciated. Estimated useful lives of the assets are as follows:

Asset Classification	Useful Life	Depreciation rate
Buildings	20 years	5%
Network equipment	3 - 25 years	4% - 33.3%
Computer equipment	3 years	33.3%
Office furniture and equipment	1 - 5 years	20% - 100%
Motor vehicles	5 years	20%
Customer premises equipment	5 - 8 years	12.5% - 20%
Leasehold improvements	Over the period of the lease	Over the period of the lease

e) Intangible assets

Intangible assets comprise subscriber acquisition costs, lease line Indefeasible Right of Use (IRU) and acquired licenses.

Lease line IRU are irrevocable rights given by the Government to use the optic fibre equipment constructed underground.

If the arrangement is, or contains a lease, the lease is classified as either an operating lease or a financial lease. A financial lease of an IRU of network infrastructure is accounted for as a tangible asset. A financial lease of an IRU on capacity is accounted for as an intangible asset. The Company's IRU arrangements are principally capacity agreements.

The total useful life of Leased line IRU is 20 years and remaining useful life as at 31 December 2018 is 14 years.

Acquired licenses are shown at historical costs. Licenses have a finite useful life and are carried at costs less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of license over their estimated useful lives. The amortization charges are recognized in the statement of profit or loss.

Intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows for the purpose of assessing impairment. If there is an indication that the carrying value of an intangible asset is greater than its recoverable amount, it is written down to its recoverable amount and the resultant impairment loss taken to the profit and loss account.

f) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. The Company is leasing towers from Helios Towers Tanzania and other third party operators under operating lease agreements.

Company as a lessee

Finance leases that transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

f) Leases (continued)

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

g) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first in first out basis and includes additional expenses with respect to the cost of transport and handling.

Net realizable value is the estimated selling price in the ordinary course of the business less estimated costs necessary to make the sale.

Based on aging of handsets and accessories. The Company makes a provision for handsets and accessories as follows:

- a) 50% provision for handsets and accessories in the books if they are aged for more than 12 months but less than 24 months.
- b) 100% provision for handsets and accessories in the books if they are aged for more than 24 months.

h) Employment benefits

Retirement benefit obligations

All Company employees are either members of the National Social Security Fund ("NSSF") or PPF Pension Fund ("PPF"), which are defined contribution plans. A defined contribution plan is a pension 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 Company and employees both contribute 10% of the employees' gross salaries to the NSSF and PPF respectively. The contributions are recognized as employee benefit expense when they are due.

Other entitlements

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

i) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Asset retirement obligation (ARO)

This is a provision for costs expected in the future to dismantle telecommunication towers and restore the sites to their condition prior to installation of the Company's equipment. The costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the asset retirement liability. The unwinding of the discount is expensed as incurred and recognized in profit or loss as a finance cost. The estimated future costs of ARO are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Dividends

Dividends on ordinary shares are charged to equity in the year in which they are declared. Proposed dividends are shown as a separate component of equity until declared. No dividends were proposed during the year.

k) Financial instruments

(i) Financial assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, fair value through other comprehensive Income and Amortized cost. The Company determines the classification of its financial assets at initial recognition

All financial instruments are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs.

The Company's financial assets include cash and short-term deposits (included under cash and cash equivalents), trade and other receivables, interCompany loan receivable and deferred consideration related to the managed services project.

Subsequent measurement

Where assets are measured at fair value, gains and losses are either recognized entirely in profit or loss (fair value through profit or loss, FVTPL), or recognized in other comprehensive income (fair value through other comprehensive income, FVTOCI).

For debt instruments the FVTOCI classification is mandatory for certain assets unless the fair value option is elected. A debt instrument that meets the following two conditions (Business Model Test and Cash Flow Characteristics test) must be measured at amortized cost (net of any write down for impairment) unless the asset is designated at FVTPL under the fair value option. Whilst for equity investments, the FVTOCI classification is an election.

All equity investments are to be measured at fair value in the statement of financial position, with value changes recognized in profit or loss, except for those equity investments for which the Company has elected to present value changes in 'other comprehensive income'. There is no 'cost exception' for unquoted equities. If an equity investment is not held for trading, a Company can make an irrevocable election at initial recognition to measure it at FVTOCI with only dividend income recognized in profit or loss

The classification of a financial asset is made at the time it is initially recognized, namely when the Company becomes a party to the contractual provisions of the instrument. If certain conditions are met, the classification of an asset may subsequently need to be reclassified.

De-recognition

A financial asset, or where applicable a part of a financial asset or part of a group of similar financial assets is derecognized when:

- The Company has no obligation to pay amounts to the eventual recipient unless it collects equivalent amounts on the original asset
- The Company is prohibited from selling or pledging the original asset (other than as security to the eventual recipient), the entity has an obligation to remit those cash flows without material delay.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Financial instruments (continued)

(i) Financial assets (continued)

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 in note 22.

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 recognized in profit and loss.

The Company uses a provision matrix to measure the expected credit loss of trade receivables. Refer note 22 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.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings measured at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings measured at amortized cost, plus directly attributable transaction costs. The Company's financial liabilities include trade and other payables and interest bearing borrowings.

Subsequent measurement

After initial recognition, trade and other payables and interest-bearing borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

Fair Value Option

IFRS 9 contains an option to designate a financial liability as measured at FVTPL if:

- doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases, or
- the liability is part or a group of financial liabilities or financial assets and financial liabilities that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

A financial liability which does not meet any of these criteria may still be designated as measured at FVTPL when it contains one or more embedded derivatives that sufficiently modify the cash flows of the liability and are not clearly closely related.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Financial instruments (continued)

(ii) Financial liabilities (continued)

IFRS 9 requires gains and losses on financial liabilities designated as at FVTPL to be split into the amount of change in fair value attributable to changes in credit risk of the liability, presented in other comprehensive income, and the remaining amount presented in profit or loss. This guidance allows the recognition of the full amount of change in the fair value in profit or loss only if the presentation of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. That determination is made at initial recognition and is not reassessed.

Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss, the entity may only transfer the cumulative gain or loss within equity.

De-recognition

A financial liability should be removed from the balance sheet when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognized in profit or loss.

(iii) Offsetting of financial instruments

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

l) Cash and cash equivalents

Cash on hand, demand and time deposits with banks whose original maturities do not exceed three months are classified as cash and cash equivalents in the statement of cash flows. Bank overdrafts are deducted from these balances to arrive at cash and cash equivalents.

m) Tax

Income tax

Income tax expense is the aggregate of the charge to profit or loss in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Income Tax Act, 2004.

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Tax (continued)

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

Excise duty

Excise duty is defined in accordance with Section 124 of the Excise (Management and Tariff) Act 2004. It is at 17% on all electronic communication services with the exception of inbound roaming and a few other items agreed upon with the Tanzania Revenue Authority (TRA). It is included in the face value of the voucher on sale.

Excise duty was charged at 10% on Mobile money transfer charges during the year. Excise duty is charged at a zero rate for revenue from roaming services within East African Community member states as required by the law.

Value added tax

Revenues, expenses and assets are recognized net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables and payables are stated with the amount of value added tax included.

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

n) Cost of sales

All costs directly linked to the selling of telecommunication services and equipment are classified under cost of sales. They exclude those period costs that would be incurred regardless of whether the Company make any sales.

For the Company, Cost of Goods sold includes interconnect costs, roaming costs, cost of handsets and accessories, leased line charges, license fees and regulatory charges, cost of cards and other direct costs associated to sales.

o) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Impairment of non-financial Assets (continued)

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

p) Fair value measurement

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

q) Current versus non-current classification

The Company presents assets and liabilities in the statements of financial position based on current/non-current classification.

An asset is current when it is either:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within 12 months after the reporting period
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when either:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Company's accounting policies, management has exercised judgment and estimates in determining the amounts recognized in the financial statements. The most significant uses of judgment and estimates are as follows:

a) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities.

b) Deferred tax assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

c) Income tax

Significant judgement is required in determining the Company's overall tax provision and the recoverability of estimated tax losses. There are many transactions for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax issues, based on estimates of whether additional taxes will be due. Where the final outcome of tax matters is different from the amounts that were initially recorded, such differences will have an impact on the current and any deferred income tax provisions in the period in which the determination is made.

d) Property, plant and equipment

Critical estimates are made by the Directors in determining depreciation rates for property, plant and equipment and their residual values. The rates used are set out in Note 3 (d) above.

e) Impairment losses on trade receivables

At each reporting date, the Company performs impairment analysis for trade and other receivables based on the respective individual customers or a group of related customers or group of minor receivables with homogeneous characteristics. Assessment of impairment is made based on the actual available data and past history. In assessing for impairment the Company considers the current ability of the debtors to pay based on the observed trend and any additional information that help management to determine whether there is a measurable decrease in the estimated future cash flows of an individual debtor or a group of debtors. Where any impairment is established the Company records it in the profit or loss the extent that is not expected to be recovered.

Refer to note 22 for more details on impairment of trade and other receivables.

f) Impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of the cash flow.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

f) Impairment of non-financial assets (Continued)

Intangible assets are tested for impairment annually as well as at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

g) Contingencies and provisions

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

Litigation and other judicial proceedings as a rule raise difficult and complex legal issues and are subject to uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case, issues regarding the jurisdiction in which each suit is brought and differences in applicable law. Upon resolution of any pending legal matter, the Company may be forced to incur charges in excess of the presently established provisions and related insurance coverage. It is possible that the financial position, results of operations or cash flows of the Company could be materially affected by the unfavorable outcome of litigation.

In determining the amount of the ARO provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the asset from the site and the expected timing of those costs.

5. FINANCIAL RISK MANAGEMENT

The Company principal financial liabilities are comprised of interest bearing loans and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations.

The Company's activities expose it to a variety of financial risks including liquidity risk, market risk and credit risk. Market risk comprises interest rate risk, foreign exchange risk and price risk. The Company does not have significant exposure to price risk since no price sensitive financial instruments are held.

The Company's overall risk management program focuses on the unpredictability of financial market and seeks to minimize potential adverse effects on its financial performance, but the Company does not hedge any risks. Risk management is carried out by the Finance Department under policies approved by the Company's Treasury Department.

The Company has in place the risk management framework which is reviewed periodically by the board.

Market risks

i) Foreign exchange risk

The Company's exposure to foreign exchange risk arises from purchases, especially imports of network equipment, and borrowings that are denominated in foreign currencies, primarily the US dollar. The Company also has financial assets and financial liabilities denominated in foreign currencies and therefore it is exposed to it is exposed to the fluctuation of exchange rates between various currencies.

The Company mitigate foreign exchange risk by making prompt payment and buying foreign currencies whenever the rates move in its favor. Furthermore, currency exposure arising from liabilities denominated in foreign currencies is managed primarily through holding of certain bank balances in the relevant foreign currencies.

The following table demonstrate the sensitivity to possible changes in the exchange rate between the Tanzanian shilling and foreign currencies (Mainly US dollar, other currencies are considered to be immaterial), with all other variables held constant, of the Company's profit before tax (due to changes in carrying amount of monetary assets and liabilities).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risks (continued)*i) Foreign exchange risk (continued)*

		Effect on loss after tax TZS 'M'
Net effect based on the year end as at 31 December 2018	-10%	(110,989)
	10%	110,989
Net effect based on the year end as at 31 December 2017	10%	(113,542)
	-10%	113,542

The sensitivity analysis has been determined based on net exposure at 31 December 2018. The change of 10% is what is used when determining the foreign currency transaction risk reported internally to key management personnel to assess reasonably possible changes in foreign exchange rates.

The table below summarizes the Company's exposure to foreign currency exchange rate risk at 31 December 2018 and 2017. Included in the table are the Company's financial instruments, categorized by currency (all amounts expressed in millions of Tanzanian Shillings):

At 31 December 2018	USD	Euro	Others
Financial assets			
Trade and other receivables	43,249	-	-
Cash and cash equivalents	2,765	-	-
	<u>46,014</u>	<u>-</u>	<u>-</u>
Financial liabilities			
Borrowings	1,102,892	-	-
Trade and other payables	29,183	4	2
Borrowings - current portion	7,761	-	-
Bank overdraft	16,063	-	-
	<u>1,155,899</u>	<u>4</u>	<u>2</u>
Net currency exposure	<u>(1,109,885)</u>	<u>(4)</u>	<u>(2)</u>
At 31 December 2017			
Financial assets			
Trade and other receivables	31,420	-	-
Cash and cash equivalents	2,712	-	-
	<u>34,132</u>	<u>-</u>	<u>-</u>
Financial liabilities			
Borrowings	1,081,368	-	-
Trade and other payables	61,889	7	2
Borrowings - current portion	10,400	-	-
Bank overdraft	15,896	-	-
	<u>1,169,553</u>	<u>7</u>	<u>2</u>
Net currency exposure	<u>(1,135,421)</u>	<u>(7)</u>	<u>(2)</u>

5. FINANCIAL RISK MANAGEMENT (CONTINUED)**Market risks (continued)***i) Foreign exchange risk (continued)*

Exchange rates applicable were as follows:

	TZS: USD
On 1 January 2018	2,240
On 31 December 2018	2,300
On 1 January 2017	2,181
On 31 December 2017	2,240

ii) Interest rate risk

The Company's financial instruments that are interest bearing are borrowings due to related and third parties. Interest rates on term loans change with LIBOR, which fluctuates from time to time. Exposure to interest rate risk is not hedged, but from time to time the Company negotiates with the lenders on its prime lending rate.

Where necessary the Company refinances its borrowings in order to ensure its borrowing terms remain competitive. Refer to note 25 for more details on loans and borrowings.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates the impact on profit or loss of a defined interest rate shift.

Credit risk

Credit risk is the risk that one party to financial instrument will fail to discharge an obligation causing the other party to incur financial loss. Financial assets, which potentially subject the Company to credit risk, consist mainly of deposits held by banks as well as trade and other receivables. The Company manages the risk by banking with reputable regulated financial institutions. Credit risk with respect to accounts receivables is limited due to thorough scrutiny before offering the service, barring from service when the debts become doubtful for post-paid customers whose debtors are collected using experienced collection agencies.

A large portion of the Company's revenue is however from prepaid airtime in which dealers and aggregators makes up a distribution network. Most of the Company's dealers and aggregators operate on cash basis with few cases on credit following successful application of the credit facility. All credit limits are supported by bank guarantees. The Company considers risk of default to be low in this case and the impact would not be significant since this makes up less than five percent of total.

The amount that best represents the Company's maximum exposure to credit risk at year-end is made up as follows:

	2018	2017
	TZS'M'	TZS 'M'
Trade receivables	51,854	42,927
Receivables from related parties	31,087	28,083
Other receivables	19,081	15,234
	<u>102,022</u>	<u>86,244</u>

No collateral is held for any of the above assets. Furthermore, the Company does not grade the credit quality of receivables. All the receivables that are neither past due or impaired are within their approved limits and no receivables have had their terms renegotiated.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)***Credit risk (continued)***

None of the above assets are past due or impaired except for the amounts in trade receivables which are overdue for more than 90 days and for interconnect receivables more than 1 year.

	2018 TZS'M'	2017 TZS 'M'
By up to 30 days	8,606	6,484
By up to 60 days	6,412	5,919
Over 60 days	<u>36,836</u>	<u>30,524</u>
Total past due	<u>51,854</u>	<u>42,927</u>
Impaired during the year	<u>28,355</u>	<u>23,953</u>

All receivables past due for more than 90 days and for interconnect more than 1 year are considered to be impaired, and are carried at their estimated recoverable value.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company aims at maintaining flexibility in funding by keeping committed credit lines available. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damaging the Company's reputation.

Management monitors rolling forecasts of the Company's liquidity reserves (comprises undrawn borrowing facility (Note 25) and cash and cash equivalent (Note 23)) on the basis of expected cash flows.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balance due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year TZS'M'	Between 1 and 2 years TZS'M'	Greater than 2 years TZS'M'	Total TZS'M'
At 31 December 2018				
Borrowings	7,761	4,021	1,098,871	1,110,653
Bank overdraft	16,063	-	-	16,063
Trade and other payables	<u>170,777</u>	<u>-</u>	<u>-</u>	<u>170,777</u>
Total financial liabilities	<u>194,601</u>	<u>4,021</u>	<u>1,098,871</u>	<u>1,297,493</u>
At 31 December 2017				
Borrowings	10,400	7,446	1,073,922	1,091,768
Bank overdraft	15,896	-	-	15,896
Trade and other payables	<u>191,184</u>	<u>-</u>	<u>-</u>	<u>191,184</u>
Total financial liabilities	<u>217,480</u>	<u>7,446</u>	<u>1,073,922</u>	<u>1,298,848</u>

5. FINANCIAL RISK MANAGEMENT (CONTINUED)**Liquidity risk (continued)**

Trade and other payables are payable in two to nine months from the reporting date depending on the grouping or nature of the liability. Some payables are settled only after reconciliations with other parties have been made and in some cases the settlement may be done more than twelve months from the reporting date.

Fair value

The Company has no assets or liabilities whose carrying values are based on fair value. The carrying amount of the Company's financial instruments reasonably approximate their fair values due to the short term nature of the instruments or the fact that interest bearing financial instruments have interest rates that reasonably approximate market rates.

Capital risk 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 benefits for other stakeholders 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 dividend paid to its shareholders.

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 defined as total borrowings (including current and non-current borrowings and bank overdrafts as shown in the statement of financial position) less cash and cash equivalents.

Total capital is calculated as equity as shown in the statement of financial position plus net debt.

	2018	2017
	TZS'M'	TZS 'M'
Borrowing (note 25)	1,110,653	1,091,768
Bank overdrafts	16,063	15,896
Less: Cash and cash equivalent (note 23)	<u>(12,543)</u>	<u>(7,598)</u>
Net debt	1,114,173	1,100,066
Total equity	<u>(954,847)</u>	<u>(918,049)</u>
Gearing ratio	<u>-117%</u>	<u>-120%</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Categorization of financial instruments as at 31 December 2018

	Financial asset at amortized cost TZS 'M'	Financial liabilities at amortized costs TZS 'M'	Non- financial assets and liabilities TZS 'M'	Equity TZS 'M'	Total TZS 'M'
Non-current assets					
Property plant and equipment	-	-	359,528	-	359,528
Intangible assets	-	-	15,251	-	15,251
Investments	-	-	2	-	2
	-	-	374,781	-	374,781
Current assets					
Inventories	-	-	-	-	-
Trade and other receivables	73,667	-	19,239	-	92,906
Trade receivables	23,499	-	-	-	23,499
Prepayments	-	-	19,239	-	19,239
Receivables from related parties	31,087	-	-	-	31,087
Other receivables	19,081	-	-	-	19,081
Current income tax recoverable	-	-	8,036	-	8,036
Cash and cash equivalents	12,543	-	-	-	12,543
	86,210	-	27,275	-	113,485
Total assets	86,210	-	402,056	-	488,266
Equity and liabilities					
Equity					
Ordinary shares	-	-	-	41,000	41,000
Share premium	-	-	-	8,755	8,755
Accumulated losses	-	-	-	(1,003,656)	(1,003,656)
Total equity	-	-	-	(953,901)	(953,901)
Non-current liabilities					
Borrowings	-	1,102,892	-	-	1,102,892
Provisions	-	-	68,677	-	68,677
	-	1,102,892	68,677	-	1,171,569
Current liabilities					
Trade and other payables	-	170,777	75,997	-	246,774
Trade payables	-	17,568	-	-	17,568
Accrued expenses	-	-	53,245	-	53,245
Deferred revenue	-	-	15,765	-	15,765
Payables to related parties	-	139,154	-	-	139,154
Customers deposits	-	-	2,539	-	2,539
Interconnect payables	-	11,942	-	-	11,942
Roaming payables	-	148	-	-	148
Withholding tax payables	-	1,230	-	-	1,230
VAT payable	-	-	4,448	-	4,448
Other payables	-	735	-	-	735
Borrowings - current portion	-	7,761	-	-	7,761
Bank overdraft	-	16,063	-	-	16,063
	-	194,601	75,997	-	270,598
Total liabilities	-	1,297,493	144,674	-	1,442,167
Total equity and liabilities	-	1,297,493	144,674	(953,901)	488,266

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Categorization of financial instruments as at 31 December 2017

	Loans and receivables TZS 'M'	Financial liabilities at amortized costs TZS 'M'	Non- financial assets and liabilities TZS 'M'	Equity TZS 'M'	Total TZS 'M'
Non-current assets					
Property plant and equipment	-	-	423,572	-	423,572
Intangible assets	-	-	16,620	-	16,620
Investments	-	-	2	-	2
	-	-	440,194	-	440,194
Current assets					
Inventories	-	-	-	-	-
Trade and other receivables	62,291	-	15,906	-	78,197
Trade receivables	18,974	-	-	-	18,974
Prepayments	-	-	15,906	-	15,906
Receivables from related parties	28,083	-	-	-	28,083
Other receivables	15,234	-	-	-	15,234
Current income tax recoverable	-	-	9,075	-	9,075
Cash and cash equivalents	7,598	-	-	-	7,598
	69,889	-	24,981	-	94,870
Total assets	69,889	-	465,175	-	535,064
Equity and liabilities					
Equity					
Ordinary shares	-	-	-	41,000	41,000
Share premium	-	-	-	8,755	8,755
Accumulated losses	-	-	-	(967,804)	(967,804)
Total equity	-	-	-	(918,049)	(918,049)
Non-current liabilities					
Borrowings	-	1,081,368	-	-	1,081,368
Provisions	-	-	87,641	-	87,641
	-	1,081,368	87,641	-	1,169,009
Current liabilities					
Trade and other payables	-	191,184	66,624	-	257,808
Trade payables	-	65,997	-	-	65,997
Accrued expenses	-	-	45,308	-	45,308
Deferred revenue	-	-	16,588	-	16,588
Payables to related parties	-	117,939	-	-	117,939
Customers deposits	-	-	1,533	-	1,533
Interconnect payables	-	4,167	-	-	4,167
Roaming payables	-	397	-	-	397
Withholding tax payables	-	1,548	-	-	1,548
VAT payable	-	-	3,195	-	3,195
Other payables	-	1,136	-	-	1,136
Borrowings - current portion	-	10,400	-	-	10,400
Bank overdraft	-	15,896	-	-	15,896
	-	217,480	66,624	-	284,104
Total liabilities	-	1,298,848	154,265	-	1,453,113
Total equity and liabilities	-	1,298,848	154,265	(918,049)	535,064

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. GOING CONCERN

During the year ended 31 December 2018, the Company incurred a net loss of TZS 36,734 million (2017: TZS 109,812 million). As at that date, accumulated losses were TZS mill 1,003,656 million (2017: TZS 967,804 million) and the Company was in a net current liability position of TZS million 157,113 (2017: TZS 189,234 million). The operations of the Company continue to depend on sources of financing from its direct and indirect parent companies.

The Directors are of the opinion that the Company is a going concern on the basis that the Company:

- a) Will continue to generate cash inflows from operations of at least the amount projected in the management's annual operating plan. The generation of sufficient cash flows from operations is driven by and is dependent on management achieving operational targets on subscriber numbers, churn rate and average revenue per user;
- b) Will obtain funding from third parties including banks; and
- c) The Company will be able to obtain from the shareholders any additional funding required to meet its obligations as and when they fall due.

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

	2018 TZS'M'	2017 TZS 'M'
7. REVENUE		
Airtime revenue	149,134	189,602
Value added services	208,416	167,804
Interconnect revenue	41,225	63,273
Roaming revenue	9,311	12,028
Site sharing revenue	48,104	45,555
Subscription revenue	5,475	6,465
Other income	5,141	5,820
	<u>466,806</u>	<u>490,547</u>
8. COST OF SALES		
Cost of cards	6,215	3,418
Cost of handset and accessories	1,506	4,457
Other direct cost	2,045	1,620
Leased lines	11,309	9,818
Roaming costs	551	2,773
Interconnecting costs	65,425	89,155
Frequency license fees and royalty	25,649	22,970
	<u>112,700</u>	<u>134,211</u>

Cost of sales decreased from TZS 134,211 million in 2017 to TZS 112,700 million in 2018. This is mainly attributed to the decrease in local interconnect rates from TZS 26.96 per minute in 2017 to TZS 15.60 per minute in 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2018 TZS'M'	2017 TZS 'M'
9. ADMINISTRATIVE EXPENSES		
Employee benefit expenses (note 10)	27,824	34,772
Sites and office rental	59,189	57,007
Management fees	10,974	10,167
Consultancy costs	1,136	2,616
Site fuel	21,607	19,910
Network support and maintenance	58,565	50,349
IT expenses	16,784	18,457
Customer service expenses	5,608	3,416
Rates and taxes	-	6,511
Impairment provision - trade receivables	4,402	5,859
Other operating expenses	<u>8,673</u>	<u>15,213</u>
	<u>214,762</u>	<u>224,277</u>

Other operating expenses include costs not categorized above such as non-site repairs and maintenance, general travelling expenses, printing and stationeries, utility costs (not chargeable to transmission sites), and workplace refreshment and entertainment etc. It decreased from TZS 15,213 million in 2017 to TZS 8,673 million in 2018 mainly due to reduction in provision for slow moving network materials included in capital work in progress. The company provide 50% impairment of the value of slow moving items aging between 1 to 2 years and 100% for items aging above 2 years.

Network and support maintenance expenses increased from TZS 50,349 million in 2017 to TZS 58,565 million in 2018. This is primarily due to increase in cost of network and IT maintenance and support on account of support activity migration into the country.

	2018 TZS'M'	2017 TZS 'M'
10. EMPLOYEE BENEFIT EXPENSES		
Wages and salaries	16,964	18,494
Social security costs - defined contribution scheme	1,721	1,881
Other employee emoluments and benefits	<u>9,139</u>	<u>14,397</u>
	<u>27,824</u>	<u>34,772</u>

11. DISTRIBUTION EXPENSES

Marketing and advertising expenses	8,998	12,848
Sales commission	<u>47,888</u>	<u>60,107</u>
	<u>56,886</u>	<u>72,955</u>

	2018 TZS'M'	2017 TZS 'M'
12. DEPRECIATION AND AMORTIZATION		
Depreciation of property, plant and equipment (Note 17)	87,405	101,840
Amortization of intangible assets (Note 18)	<u>3,304</u>	<u>2,340</u>
	<u>90,709</u>	<u>104,180</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2018 TZS'M'	2017 TZS 'M'
13. OPERATING LOSS		
The following items have been charged in arriving at operating loss:		
Employee benefits expense - defined contribution scheme	1,721	1,881
Key management personnel remuneration, including Directors	6,695	7,925
Operating lease payments	57,464	60,639
Auditor's remuneration	<u>265</u>	<u>292</u>
14. FINANCE COST		
Net foreign exchange (gain)/ losses - realized	(4,605)	2,625
Net foreign exchange losses - unrealized	33,244	17,485
Interest on bank loans	788	984
Interest on shareholders loan	-	32,288
Interest others	4,863	5,486
Amortization of loan issue costs	205	352
Interest on Asset Retirement Obligations (ARO)	<u>(4,742)</u>	<u>335</u>
	<u>29,753</u>	<u>59,555</u>
15. EXCEPTIONAL ITEM		
Exceptional item	<u>-</u>	<u>10,480</u>

During the year ended 31 December 2017 the Company embarked on a network modernization project by reforming of 900MHZ spectrum that required upgrade of its network equipment. The modernization will lead to improved connectivity, better customer experience and the Company will remain competitive in the market. The total cost incurred during the period amounting to TZS 10,480 million, comprises of TZS 9,208 million towards accelerated depreciation of replaced old equipment and project costs amounting to TZS 1,272 million. No such costs were incurred in the year ended 31 December 2018.

16. INCOME TAX EXPENSE

The Company had accumulated tax losses of TZS 585 billion as at 31 December 2018 (2017: TZS 648 billion). However, income tax has been charged in accordance with the Alternative Minimum Tax provisions that require that entities that are tax loss making for more than two consecutive years to pay tax at a rate of 0.3% of the revenue reported.

a) Income tax expense

	2018 TZS'M'	2017 TZS 'M'
Current income tax:		
- Current year - Alternative Minimum Tax (AMT)	<u>1,493</u>	<u>1,472</u>

The income tax expense differs from the theoretical amount that would arise using the basic tax rate on loss before tax as follows:

	2018 TZS'M'	2017 TZS 'M'
b) Income tax reconciliation		
Loss before tax	<u>(35,241)</u>	<u>(108,340)</u>
Tax calculated at a tax rate of 30%	(10,572)	(32,502)
Tax effect of:		
Movement in deferred tax asset not recognized	2,412	24,325
Tax effect of expenses not deductible for tax	8,160	8,177
Alternative Minimum Tax	<u>1,493</u>	<u>1,472</u>
	<u>1,493</u>	<u>1,472</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. INCOME TAX EXPENSE (CONTINUED)

	2018 TZS'M'	2017 TZS 'M'
c) Current income tax recoverable		
At 1 January	9,075	10,054
Current income tax paid during the year	454	493
Alternative Minimum Tax	<u>(1,493)</u>	<u>(1,472)</u>
At 31 December	<u>8,036</u>	<u>9,075</u>

17. PROPERTY, PLANT AND EQUIPMENT

	Installation network TZS'M'	Office equipment TZS'M'	Capital work in progress TZS'M'	Total TZS'M'
Cost				
At 1 January 2018	1,241,160	131,485	33,802	1,406,447
Additions	20,456	2,905	-	23,361
Transfer in/(out)	11,726	5,149	(16,875)	-
Disposal	<u>(167)</u>	<u>-</u>	<u>-</u>	<u>(167)</u>
At 31 December 2018	<u>1,273,175</u>	<u>139,539</u>	<u>16,927</u>	<u>1,429,641</u>
Depreciation				
At 1 January 2018	855,012	127,863	-	982,875
Charge for the year	78,463	8,942	-	87,405
Eliminated on disposal	<u>(167)</u>	<u>-</u>	<u>-</u>	<u>(167)</u>
At 31 December 2018	<u>933,308</u>	<u>136,805</u>	<u>-</u>	<u>1,070,113</u>
Net book value				
At 31 December 2018	<u>339,867</u>	<u>2,734</u>	<u>16,927</u>	<u>359,528</u>
Cost				
At 1 January 2017	1,226,122	129,734	42,258	1,398,114
Additions	-	-	12,543	12,543
Transfer in/(out)	17,521	3,478	(20,999)	-
Disposal	<u>(2,483)</u>	<u>-</u>	<u>-</u>	<u>(2,483)</u>
Reclassification to intangible assets	<u>-</u>	<u>(1,727)</u>	<u>-</u>	<u>(1,727)</u>
At 31 December 2017	<u>1,241,160</u>	<u>131,485</u>	<u>33,802</u>	<u>1,406,447</u>
Depreciation				
At 1 January 2017	756,415	118,235	-	874,650
Charge for the year	91,487	10,353	-	101,840
Eliminated on disposal	<u>(2,098)</u>	<u>-</u>	<u>-</u>	<u>(2,098)</u>
Accelerated depreciation of U-900 Project	9,208	-	-	9,208
Reclassification to intangible assets	<u>-</u>	<u>(725)</u>	<u>-</u>	<u>(725)</u>
At 31 December 2017	<u>855,012</u>	<u>127,863</u>	<u>-</u>	<u>982,875</u>
Net book value				
At 31 December 2017	<u>386,148</u>	<u>3,622</u>	<u>33,802</u>	<u>423,572</u>

The Company embarked on a massive project to modernize its network in the year ended 31 December 2017 which required the upgrade of its network equipment. Accordingly, the Company has initiated network modernization drive by reforming of 900 MHZ spectrum. The modernization will lead to improve connectivity, better experience for customers and remain competitive in the market. A total of TZS 9,208 million was recognized as accelerated depreciation of the old equipment were replaced during the period.

All assets have been charged in favor of Standard Chartered Bank (Mauritius) Limited by creating an all assets debenture over the fixed and floating assets as a security for the payment and discharge of the secured obligations. Refer to Note 25 for further details.

18. INTANGIBLE ASSETS

	Cellular license TZS'M'	Lease line IRU TZS'M'	Subscriber acquisition costs TZS'M'	Total TZS'M'
Cost				
At 1 January 2018	3,482	18,450	2,633	24,565
Additions	<u>1,935</u>	<u>-</u>	<u>-</u>	<u>1,935</u>
At 31 December 2018	<u>5,417</u>	<u>18,450</u>	<u>2,633</u>	<u>26,500</u>
Amortization				
At 1 January 2018	2,182	3,130	2,633	7,945
Charge for the year	<u>1,961</u>	<u>1,343</u>	<u>-</u>	<u>3,304</u>
At 31 December 2018	<u>4,143</u>	<u>4,473</u>	<u>2,633</u>	<u>11,249</u>
Net Book Value At 31 December 2018	<u>1,274</u>	<u>13,977</u>	<u>-</u>	<u>15,251</u>
Cost				
At 1 January 2017	1,378	14,649	2,633	18,660
Additions	377	3,801	-	4,178
Reclassification from property, plant and equipment	<u>1,727</u>	<u>-</u>	<u>-</u>	<u>1,727</u>
At 31 December 2017	<u>3,482</u>	<u>18,450</u>	<u>2,633</u>	<u>24,565</u>
Amortization				
At 1 January 2017	450	1,797	2,633	4,880
Charge for the year	1,007	1,333	-	2,340
Reclassification from property, plant and equipment	<u>725</u>	<u>-</u>	<u>-</u>	<u>725</u>
At 31 December 2017	<u>2,182</u>	<u>3,130</u>	<u>2,633</u>	<u>7,945</u>
Net Book Value At 31 December 2017	<u>1,300</u>	<u>15,320</u>	<u>-</u>	<u>16,620</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. DEFERRED INCOME TAX

Deferred income tax is calculated using the enacted income tax rate of 30% on all temporary differences using the liability method.

The Company has a net deferred income tax asset of TZS 235,383 million as at 31 December 2018 (2017: TZS 237,795 million). The net deferred tax asset has not been recognized in these financial statements because of the uncertainty regarding the Company's ability to generate sufficient future taxable profits to utilize tax losses and realize the asset

The temporary differences making up the deferred income tax are as presented below:

	2018 TZS'M'	2017 TZS 'M'
Accelerated capital allowances	102,452	118,531
Provision for bad debts	(28,354)	(18,067)
Bonus accrual	(1,909)	(1,390)
Accrual for other expenses	(22,927)	(22,052)
Provision for probable liability	(590)	(590)
Asset retirement obligation	(2,181)	(8,165)
Unrealized foreign exchange differences	(245,880)	(212,958)
Current income tax losses	<u>(585,218)</u>	<u>(647,960)</u>
Net deductible temporary differences	<u>(784,607)</u>	<u>(792,651)</u>
Deferred tax asset at 30%	(235,383)	(237,795)
Less: Deferred tax asset not recognized	<u>235,383</u>	<u>237,795</u>
Deferred tax asset recognized	<u>-</u>	<u>-</u>

20. INVESTMENTS

	2018 TZS'M'	2017 TZS 'M'
Shares in Tanzania Towers Limited	1	1
Shares in Airtel Money Tanzania Limited	<u>1</u>	<u>1</u>
	<u>2</u>	<u>2</u>

The investment relates to 999 shares owned in Tanzania Towers Limited which represents 99.9% of the shareholding and 999 shares owned in Airtel Money Tanzania Limited which represents 99.9%. Both shares have a nominal amount of TZS 1,000 each and are fully paid for. Principal place of business and country of incorporation for Tanzania Towers Limited and Airtel Money Tanzania Limited is the United Republic of Tanzania. Both companies are yet to start operations.

These are separate financial statements of Airtel Tanzania PLC which do not include financial statements of Tanzania Towers Limited and Airtel Money Tanzania Limited. The results of operations for the year ended 31 December 2018 and financial position of the Tanzania Towers Limited and Airtel Money Tanzania Limited, as at the year then ended, are included in the consolidated financial statements of Airtel Tanzania PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. INVENTORIES

	2018 TZS'M'	2017 TZS 'M'
Phones	738	979
SIM cards	292	134
NFC devices	350	350
Provision for impairment	<u>(1,380)</u>	<u>(1,463)</u>
	<u>-</u>	<u>-</u>

The inventories balances relates to modems and routers, mobile handsets, SIM cards and Near Field Communication (NFC) cards.

22. TRADE AND OTHER RECEIVABLES

	2018 TZS'M'	2017 TZS 'M'
Roaming debtors	1,800	2,560
Interconnect	9,203	9,714
Post paid	17,580	18,102
Site sharing debtors	23,271	12,551
Provision for impairment losses	<u>(28,355)</u>	<u>(23,953)</u>
	<u>23,499</u>	<u>18,974</u>
Prepayments	19,239	15,906
Receivables from related parties (note 31 (iii))	31,087	28,083
Other receivables	<u>19,081</u>	<u>15,234</u>
	<u>69,407</u>	<u>59,223</u>
	<u>92,906</u>	<u>78,197</u>

The carrying amounts of trade and other receivables approximate their fair values.

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

	2018 TZS'M'	2017 TZS 'M'
At January	23,953	18,094
Provision during the year	<u>4,402</u>	<u>5,859</u>
At 31 December	<u>28,355</u>	<u>23,953</u>

The ageing of trade receivable as of the reporting date is as follows:

	Neither past due nor impaired Less than 30 days TZS 'M'	Past due but not impaired 30 to 60 days TZS 'M'	Past due but not impaired 60 to 90 days TZS 'M'	Impaired Above 90 days TZS 'M'	Total TZS 'M'
At 31 December 2018	<u>8,606</u>	<u>6,412</u>	<u>8,481</u>	<u>28,355</u>	<u>51,854</u>
At 31 December 2017	<u>6,484</u>	<u>5,919</u>	<u>6,571</u>	<u>23,953</u>	<u>42,927</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and short-term deposits are made up as follows:

	2018 TZS'M'	2017 TZS 'M'
Cash at bank	9,129	4,391
Restricted cash at bank	2,712	2,624
Cash in hand	702	583
	<u>12,543</u>	<u>7,598</u>
Bank overdraft (Note 28)	<u>(16,063)</u>	<u>(15,896)</u>
	<u>(3,520)</u>	<u>(8,298)</u>

Restricted cash at bank represents balance in a bank account with Standard Chartered Bank, operated together with co-partners in the fibre optic project. The balance is restricted to only the fibre optic project.

24. SHARE CAPITAL AND PREMIUM

On 19 April 2017 the shareholders approved a special resolution for subdivision of Company's shares as follows; 41,000,000 issued and fully paid ordinary shares and 9,000,000 unissued shares, each of TZS 1,000 to be subdivided into 5 shares of TZS 200 each.

As at 31 December 2017, the total authorised number of ordinary shares is 250,000,000 with a par value of TZS 200 per share. A total of 205,000,000 shares have been issued and fully paid, 60% owned by Bharti Airtel Tanzania B.V. and 40% by the Government of the United Republic of Tanzania.

	2018 TZS'M'	2017 TZS'M'
Authorized:		
250,000,000 ordinary shares of TZS 200 each (2017: 250,000,000 ordinary shares of TZS 200)	<u>50,000</u>	<u>50,000</u>
Issued and paid up:		
205,000,000 ordinary shares of TZS 200 each (2017: 205,000,000 ordinary shares of TZS 200)	41,000	41,000
Share premium	<u>8,775</u>	<u>8,775</u>

25. BORROWINGS

Standard Chartered Bank loan - Facility A (i)	-	2,910
Standard Chartered Bank loan - Facility B (ii)	3,663	7,031
Barclays Bank loan (iii)	<u>8,119</u>	<u>11,819</u>
Total bank loans	11,782	21,760
Shareholder's loan (iv)	<u>1,098,871</u>	<u>1,070,008</u>
Total borrowings	<u>1,110,653</u>	<u>1,091,768</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. BORROWINGS (CONTINUED)

- (i) Standard Chartered Bank Loan Facility A – In 15 October 2013, the Company entered into a long term credit facility agreement with Standard Chartered Bank Mauritius Limited (as the lender) and Standard Chartered Bank Tanzania Limited (as the agent). The credit facility amounted to USD 7,206,832 attracting an interest rate of 6 months LIBOR plus margin 0.7% plus SEK premium and is repayable semi-annually until maturity on 30 September 2018. This loan is secured by Bharti Airtel International (Netherland) B.V. and Bharti Airtel Africa B.V.

This loan was fully paid on 30 September 2018.

- (ii) Standard Chartered Bank Loan Facility B - On 15 October 2013, the Company entered into a long term credit facility agreement with Standard Chartered Bank Tanzania. The credit facility amounted to USD 11,591,377 attracting an interest rate of 6 months LIBOR plus margin 0.7% plus EKN premium and is repayable at maturity on 31 October 2019. This loan is secured by Bharti Airtel International (Netherland) B.V. and Bharti Airtel Africa B.V.
- (iii) NBC Bank Tanzania and Barclays Bank Mauritius Limited: On 30 June 2015 the Company entered into a long term credit facility agreement with NBC Bank Tanzania and Barclays Mauritius Limited as lenders pursuant to which the lenders will grant the Company a loan facility of USD 120,000,000. The Company has thus far withdrawn USD 7 million out of the total facility and the disbursement was done by Barclays Bank Mauritius Limited. This facility has tenure of 5 years to 2020 with annual interest of 3 months LIBOR plus margin 3.25%. Repayment of both principal and interest will be made quarterly.
- (iv) Shareholder's Loan - On 5 April 2016, Board approved limit extension of shareholder's loan from USD 250 million to USD 500 million. Along with the limit extension, it was decided that the principal loan/drawdowns and interest accrued thereon will be payable in full by 31 December 2021 (the final maturity date).

Further to above the principal drawdown and interest accrued on the loan shall be charged interest rate of 4.5% + 3 months LIBOR, the LIBOR percentage shall be reset quarterly in advance on each 1 April, 1 July, 1 October and 1 January and will remain fixed until the next reset date.

On 28 August 2017, Board approved to suspend interest charged on shareholder loan with effect from 1 July 2017 to 31 December 2021.

The maturity of the borrowings is analyzed as follows:

	2018	2017
	TZS'M'	TZS'M'
Current	7,761	10,400
Non-current	<u>1,102,892</u>	<u>1,081,368</u>
	<u>1,110,653</u>	<u>1,091,768</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. BORROWINGS (CONTINUED)

2018	Balance as at 1 January TZS'M	Drawdowns TZS'M	Accrued Interest TZS'M	Capitalized Interest TZS'M	Repayments TZS'M	Exchange Losses TZS'M	Balance as at 31 December TZS'M
Bank Loans							
Standard Chartered - Facility A	2,910	-	-	-	(2,976)	66	-
Standard Chartered - Facility B	7,031	-	27	-	(3,669)	274	3,663
Barclays	11,819	-	86	-	(3,985)	199	8,119
Total bank loans	21,760	-	113	-	(10,630)	539	11,782
Shareholders Loans							
Shareholders Loans	1,070,008	-	-	-	-	28,863	1,098,871
Total shareholders loan	1,070,008	-	-	-	-	28,863	1,098,871
Total Borrowings	1,091,768	-	113	-	(10,630)	29,402	1,110,653
2017	Balance as at 1 January TZS'M	Drawdowns TZS'M	Accrued Interest TZS'M	Capitalized Interest TZS'M	Repayments TZS'M	Exchange losses TZS'M	Balance as at 31 December TZS'M
Bank Loans							
Standard Chartered - Facility A	5,752	-	-	-	(2,933)	91	2,910
Standard Chartered - Facility B	10,537	-	-	-	(3,592)	86	7,031
Barclays	15,384	-	-	-	(3,916)	351	11,819
Total bank loans	31,673	-	-	-	(10,441)	528	21,760
Shareholders Loans							
Shareholders Loans	995,345	18,531	32,238	-	(3,228)	27,122	1,070,008
Total shareholders loan	995,345	18,531	32,238	-	(3,228)	27,122	1,070,008
Total Borrowings	1,027,018	18,531	32,238	-	(13,669)	27,650	1,091,768

AIRTEL TANZANIA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. PROVISIONS

	Asset retirement obligation TZS'M'	Probable liabilities TZS'M'	Total TZS'M'
At January 2018	31,210	56,431	87,641
Provision for the year	-	5,614	5,614
Provision utilized	<u>(23,079)</u>	<u>(1,499)</u>	<u>(24,578)</u>
At 31 December 2018	<u>8,131</u>	<u>60,546</u>	<u>68,677</u>
At January 2017	30,301	37,539	67,840
Provision for the year	909	21,265	22,174
Provision utilized	<u>-</u>	<u>(2,373)</u>	<u>(2,373)</u>
At 31 December 2017	<u>31,210</u>	<u>56,431</u>	<u>87,641</u>

The probable liabilities relate to litigations for which the Directors have assessed that the Company will probably incur the recognized costs.

The key assumptions used in determining the provisions are:

- Legal cases provisions are as estimated by the Company's lawyers based on their professional expertise.

27. TRADE AND OTHER PAYABLES

	2018 TZS'M'	2017 TZS 'M'
Trade payables	17,568	65,997
Accrued expenses	53,245	45,308
Deferred revenue	15,765	16,588
Payables to related parties	139,154	117,939
Customers deposits	2,539	1,533
Interconnect payables	11,942	4,167
Roaming payables	148	397
Withholding tax payables	1,230	1,548
VAT payable	4,448	3,195
Other payables	<u>735</u>	<u>1,136</u>
	<u>246,774</u>	<u>257,808</u>
¹ Deferred revenue		
At the beginning of the year	16,588	18,596
IFRS 15 transition adjustment	<u>(882)</u>	<u>-</u>
At the beginning of the year after IFRS 15 transition adjustment	15,706	18,596
Deferred revenue during the year	149,193	187,594
Revenue recognized during the year	<u>(149,134)</u>	<u>(189,602)</u>
At the end of the year	<u>15,765</u>	<u>16,588</u>

The carrying amounts of the trade payables approximate their fair values.

AIRTEL TANZANIA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. BANK OVERDRAFT

	2018 TZS'M'	2017 TZS 'M'
Standard Chartered Bank Limited	<u>16,063</u>	<u>15,896</u>

The Company has an overdraft facility with Standard Chartered Bank Limited with an authorized limit of USD 8 million. The overdraft facility attracts interest at a fixed rate of 2.48% (2017: 2.48%) per annum and is secured by an asset debenture over the fixed and floating assets of the Company.

On 28 September 2017 The Board approved extension of existing overdraft with Standard Chartered Bank for up to USD 10 million. The overdraft facility shall be charged interest rate of 5% + 3 Month LIBOR rate.

29. CONTINGENT LIABILITIES

Legal

As at 31 December 2018 the Company was a defendant in several lawsuits. The plaintiffs are claiming damages and interest thereon for the loss caused by the Company. The Company has filed counter-claims against the plaintiffs. The total amount claimed in the various lawsuits approximates TZS 1.6 Billion (2017: TZS 218 million). In the opinion of the Directors and Company's legal counsel, no material liabilities are expected to crystallize from these law suits. Consequently, no provision has been made against the claims in the financial statements.

30. COMMITMENTS

(i) Capital commitments

Capital expenditure contracted for at the reporting date but not recognized in the financial statements is as follows:

	2018 TZS'M'	2017 TZS 'M'
Network equipment	<u>26,487</u>	<u>96,312</u>

Most of the capital commitments will be funded through the available credit facility.

31. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Company transacts with the parent Company and other companies related to it by virtue of common shareholding.

Transactions with related parties during the year and balances at year end were as follows:

	2018 TZS'M'	2017 TZS 'M'
i) Purchase of services		
Bharti Airtel Tanzania B.V. - Management services	<u>10,974</u>	<u>10,167</u>
ii) Loan received from shareholders		
Bharti Airtel Tanzania B.V	<u>1,098,871</u>	<u>1,070,008</u>

AIRTEL TANZANIA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. RELATED PARTY TRANSACTIONS (CONTINUED)

iii) Amounts due from related parties

Name	Nature of transaction	Relationship	2018 TZS'M'	2017 TZS'M'
Airtel Tchad S.A.	Interconnect & Roaming Services	Fellow Subsidiary	2	2
Airtel Congo S.A.	Interconnect & Roaming Services	Fellow Subsidiary	-	1
Airtel Congo (RDC) S.A.R.L.	Interconnect & Roaming Services	Fellow Subsidiary	-	763
Airtel Networks Kenya Limited	Interconnect & Roaming Services	Fellow Subsidiary	21,124	19,427
Airtel Madagascar S.A.	Interconnect & Roaming Services	Fellow Subsidiary	503	341
Airtel Malawi Limited	Interconnect & Roaming Services	Fellow Subsidiary	900	627
Airtel Niger S.A.	Interconnect & Roaming Services	Fellow Subsidiary	64	62
Airtel Networks Limited - Nigeria	Interconnect & Roaming Services	Fellow Subsidiary	1,550	1,526
Airtel Uganda Limited	Interconnect & Roaming Services	Fellow Subsidiary	174	120
Airtel Zambia PLC	Interconnect & Roaming Services	Fellow Subsidiary	398	396
Airtel Rwanda Limited	Interconnect & Roaming Services	Fellow Subsidiary	10	1,482
Bharti Airtel International (Netherlands) B.V.	Support Service Fees and Credit Facility	Shareholder's Interest	1,526	-
Bharti Airtel Limited	Interconnect, Roaming, Signalling & Lease line/Bandwidth	Common Parent Company	1,610	1,321
Airtel Congo Warid	Interconnect & Roaming Services	Common Parent Company	771	-
Bharti International Singapore Pte Limited	Interconnect, Roaming, Signalling & Leaseline/Bandwidth	Common Parent Company	227	-
Bharti Airtel Lanka (Pvt Ltd) Sri Lanka	Roaming services	Common Parent Company	-	1
Bharti Airtel UK	Interconnect, Roaming, Signalling & Leaseline/Bandwidth	Common Parent Company	1,784	869
Airtel Ghana Limited	Interconnect & Roaming Services	Common Parent Company	-	-
Airtel Money Tanzania Limited	Investment	Common Parent Company	436	1,145
Tanzania Tower Company	Investment	Common Parent Company	1	-
Bharti Airtel Services Limited	Manpower services	Common Parent Company	7	-
			31,087	28,083

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. RELATED PARTY TRANSACTIONS (CONTINUED)

iv) Amounts due to related parties

Name	Nature of transaction	Relationship	2018 TZS'M'	2017 TZS'M'
Airtel Congo S.A.	Interconnect & Roaming Services	Fellow Subsidiary	64	64
Airtel Congo (RDC) S.A.R.L.	Interconnect & Roaming Services	Fellow Subsidiary	-	5,419
Airtel Networks Kenya Limited	Interconnect & Roaming Services	Fellow Subsidiary	5,327	4,942
Airtel Madagascar S.A.	Interconnect & Roaming Services	Fellow Subsidiary	276	266
Airtel Malawi Limited	Interconnect & Roaming Services	Fellow Subsidiary	7,390	7,230
Airtel Networks Limited - Nigeria	Interconnect & Roaming Services	Fellow Subsidiary	440	434
Airtel Uganda Limited	Interconnect & Roaming Services	Fellow Subsidiary	35	45
Airtel Zambia PLC	Interconnect & Roaming Services	Fellow Subsidiary	6,906	6,679
Airtel Rwanda Limited	Interconnect & Roaming Services	Fellow Subsidiary	2,455	2,339
Africa Tower NV	Investment	Common Parent Company	-	1
Airtel Congo Warid	Interconnect & Roaming Services	Fellow Subsidiary	5,595	-
Airtel Mobile Commerce Tanzania Limited	Investment	Common Parent Company	1,470	1
Airtel Money Tanzania Limited	Investment	Common Parent Company	24	1
Bharti Airtel International (Netherlands) B.V.	Support Service Fees and Credit Facility	Shareholder's Interest	85,386	74,007
Bharti International Singapore Pte Limited	Interconnect, Roaming, Signalling & Leaseline/Bandwidth	Common Parent Company	509	220
Bharti Airtel Limited	Interconnect, Roaming, Signalling & Leaseline/Bandwidth	Common Parent Company	301	576
Network I2I Limited	Leaseline/Bandwidth	Common Director	21,333	15,065
Bharti Airtel UK	Interconnect, Roaming, Signalling & Leaseline/Bandwidth	Common Parent Company	177	236
Airtel Ghana Limited	Interconnect & Roaming Services	Fellow Subsidiary	936	-
Nxtra Data Limited	Network Data Maintenance	Common Parent Company	328	210
BASL - Bharti Airtel Services Limited	Manpower services	Common Parent Company	202	204
			139,154	117,939

31. RELATED PARTY TRANSACTIONS (CONTINUED)**v) Key management compensation**

Key management personnel are described as the persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including Executive Directors of the Company.

	2018 TZS'M'	2017 TZS 'M'
Salaries and other short-term employment benefits	<u>6,695</u>	<u>7,925</u>

vi) Directors remuneration

Director's fees and sitting allowance	<u>196</u>	<u>187</u>
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32. EARNINGS PER SHARE - BASIC AND DILUTED

Basic earnings per share is calculated on the loss after tax attributable to ordinary equity holders divided by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated on the profit or loss after tax attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding after adjustment of dilutive potential ordinary shares.

The basic and diluted earnings per share are the same as there are no dilutive factors.

The following reflects the loss and share data used in the basic and diluted earnings per share computations:

	Unit	2018	2017
Loss after tax attributable to ordinary equity holder (TZS)	TZS 'M'	(36,797)	(109,812)
Weighted average number of shares	No. '000'	<u>205,000</u>	<u>205,000</u>
Earnings Per Share - Basic and Diluted	TZS '000'	<u>(0.18)</u>	<u>(0.54)</u>

*On 19 April 2017, the Company's issued and paid up ordinary shares with par value of TZS 1,000 per share were each subdivided into 5 shares of TZS 200 each, leading to increase in number of shares from 41,000,000 to 205,000,000.

33. COMPARATIVE FIGURES

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

34. ULTIMATE PARENT COMPANY

Airtel Tanzania PLC is part of the Bharti Airtel Group of Companies. The Company's direct shareholders are Bharti Airtel Tanzania B.V., a company incorporated and domiciled in the Netherlands and the Government of the United Republic of Tanzania. Ultimate controlling entity effectively from November 3, 2017 is Bharti Enterprises (Holding) Private Limited. It is held by private trusts of Bharti family, with Mr. Sunil Mittal's family trust effectively controlling the Company. The step-up parent company that produces consolidated financial statements for public use within the Group is Bharti Airtel Limited, a company incorporated and domiciled in India.

35. EVENTS SUBSEQUENT TO THE YEAR END

At the date of signing the financial statements, the Directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in these financial statements, which significantly affected the financial position of the Company and results of its operations.