

AIRTEL TANZANIA PLC

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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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
CHIEF EXECUTIVE OFFICER	Dinesh Balsingh 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) 3 rd Floor, Aris House, Plot No 152 Haile Selassie Road, Oysterbay P.O. Box 1559 Dar es Salaam
LAWYERS	Rex Advocates Rex House, 344 Ghuba, Toure Drive Cnr Shaaban Robert Street and Garden Avenue P.O. Box 7495 Dar es Salaam GRK Advocates Plot No 81, Wami Street Mikocheni, P.O. Box 70681 Dar es Salaam George & Robert, Attorneys at Law Plot No. 309/2, AGM Area, Njiro P.O. Box 12023 Arusha IMMMA Advocates IMMMA House, Plot No.357 United Nations Road, Upanga P.O. Box 72484 Dar es Salaam

AIRTEL TANZANIA PLC

CORPORATE INFORMATION (CONTINUED)

PRINCIPAL BANKERS

National Bank of Commerce Limited
NBC House , Azikiwe Street/Sokoine Drive
P.O. Box 1863
Dar es Salaam

Diamond Trust Bank Tanzania Limited
Head Office: Suite 901, 9th Floor, Harbour View Towers
P.O. Box 115
Dar es Salaam

Citibank Tanzania Limited
Citibank House, Plot no 1962, Toure Drive, Oysterbay
P.O. Box 71625
Dar es Salaam

Standard Chartered Bank Tanzania Limited
3rd floor, International House,
Garden avenue / Shaaban Robert Street
P.O. Box 9011
Dar es Salaam

National Microfinance Bank PLC
Head Office: Ohio/Ali Hassan Mwinyi Road
P.O. Box 9213
Dar es Salaam

CRDB Bank PLC
Head Office, Palm Beach
P.O. Box 268
Dar es Salaam

ABSA Bank Tanzania Limited
Head Office, Ohio Street
P.O. Box 2475
Dar es Salaam

Stanbic Bank Tanzania Limited
Head Office, Kinondoni/Ali Hassan Mwinyi road
P.O. Box 72647
Dar es Salaam

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2023

1. INTRODUCTION

The Directors submit their report together with the audited financial statements for the year ended 31 December 2023 which disclose the state of financial affairs of Airtel Tanzania PLC (“the Company” or “Airtel Tanzania”).

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 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 in Tanzania on 7 May 2001 under Companies Act, 2002 with certificate of incorporation number 41291.

2. AIRTEL TANZANIA PLC PROFILE

The Company is a Tanzania’s leading communications company providing a wide range of services for consumers and enterprise including voice, data, messaging, and enterprise solutions to over 16.4 million customers in Tanzania (2022: 14.9 million).

3. NATURE OF BUSINESS OPERATIONS

The Company conducts the business of both a mobile network operator and mobile financial services provider in Tanzania. The Company provides other communications services, including but not limited to those related with fixed line connectivity.

The Company also offers comprehensive portfolio of access technologies and data solutions to help organizations of all sizes achieve the agility they need to compete successfully in a connected world, as well as investment on the future-ready human resources, to support Company medium-to long-term requirements.

4. CORE PURPOSE

Company core purpose is to Connect the unconnected, include the financially excluded and bridge the digital divide. By providing essential services to customers and societies across the country, Airtel Tanzania is unlocking the potential for people, businesses and economies to grow.

An underpenetrated telecoms market, a young population and rising smartphone affordability, along with low data penetration, give the Company growth opportunities in both voice and data. At the same time, low penetration of traditional banking services provides the Company with the opportunity to meet the needs of unbanked customers through Company dedicated mobile money platform, Airtel Money.

Company voice, data and mobile money services are reaching more people than ever and transforming customers’ lives. By extending Company distribution network in both rural and semi-urban areas and providing resilient, far-reaching coverage, the Company has enabled millions of people to access telecoms and banking services. By leading the way in the rollout of 4G networks and enabling people to progress from 2G to 3G to 4G, the Company has helped country in driving digitalization. The Company is expanding footprint through retailers, agents and exclusive franchises, supplemented by unique operations, that has helped the Company deliver services across the market and helped to build a new financial ecosystem that is full of opportunities.

The Company’s focus is to increasing the number of mobile money users through partnerships and product innovation has helped drive the take up of mobile money services, boosting financial inclusion. The Company’s dynamic business model is underpinned by sustainability strategy and delivers value to stakeholders while transforming lives through digitalization and financial inclusion.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

5. THE COMPANY'S STRATEGIC PRIORITIES

The Company's strategic priorities are designed to drive growth through new businesses while protecting core business with the priorities grouped into the following key strategic pillars:

- i. Transforming lives;
- ii. Operating in market full of opportunities;
- iii. Delivering on the Company's strategy through excellent execution;
- iv. Keeping the Company's sustainability promises; and
- v. Creating values for the Company's stakeholders

Airtel Tanzania is among leading mobile network operator (MNO) in Tanzania with a strong purpose-led business model and a compelling track-record of effective management and quality execution in delivering on strategy. Operating in a dynamic and rapidly digitising economy, the Company has noted exciting opportunities to generate sustained revenue growth over the medium and long-term, while making a substantial contribution to the country's socioeconomic development.

6. OPERATING AND FINANCIAL REVIEW

Performance highlights

Details of the results for the year are set out in the statements of profit or loss and other comprehensive income.

a. Revenue

- i. **Service revenue** which comprise of airtime, Data Revenue, Value added services, interconnect, roaming and subscription revenue, increased by 15.6% to TZS 660,985 million. The growth was driven by a strong result from mobile data which contributed 37.8% from data revenue.
- ii. **Airtime revenue** increased by 3.7% to TZS 285,813 million contributing by average revenue per user (ARPU) growth and minutes growth.
- iii. **Mobile data revenue** was pivotal to the Company's overall service revenue performance and grew by 33.1% to TZS 249,481 million, expanding the contribution to service revenue by 4.9% to reach 37.8%. Data revenue growth was driven by a 0.3% increase in data ARPU and 32.8% growth in customers, reflecting strong demand for data services supported by continued investment into the network and the acceleration of smartphone adoption. The monthly average usage per customer increased 0.3% to 4.1 gigabytes driven by extensive 4G upgrades that has been done across the country as well as home broadband segment that has been one of a key focus. Data users grew by 19.7% to 9.0 million equivalents to 46.0% penetration of data customers, with growth supported by investment in device subsidy and expanding share of open market device sales.
- iv. **Digital and Value Added Services (VAS) revenue** comprising of airtime advance credit service (ACS) and value-added services (VAS), increased by 20.7% to TZS 65,675 million, major increase is from ACS which was major focus to increase ACS through process improvements to allow most of the base to be eligible for loan service.
- v. **Mobile interconnect revenue** increased by 3.6% to TZS 46,177 million. The increase was primarily due to increase in local offnet traffics from other operators higher incoming minutes, driven by aggressive market competition in voice offers, and growth in customers, compensated by drop-in mobile termination rate (MTR) from TZS 2.0 to TZS 1.86 per minute starting January 2023 in line with the regulatory glide path.

b. Total expenses

Total expenses excluding depreciation and amortisation increased 9.2% to TZS 381,904 million. Direct expenses increased by 16.1% in line with the increase in revenue, the competitive pressure led to higher commission to the distribution channels as well as interconnect costs. Increase in network costs mainly from network expansion. The increase in marketing expenses is attributed to the launch of the Cable Landing Station and the introduction of 5G technology. Staff expenses increased as a result to enhancing distribution in the market, hence more staffs were employed.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

6. OPERATING AND FINANCIAL REVIEW (CONTINUED)

c. EBITDA

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 26.4% to TZS 288,881 million, because of good growth in service revenue and cost containment measures which helped to mitigate pressures on expenses. The underlying performance reflected strong growth in service revenue and diligent cost containment.

d. Operating profit after tax

Operating profit after tax decreased 56.6% to TZS 113,925 million as Last year's income includes proceeds from the tower sales amounting to TZS 173,624 million. On normalization Operating profit after tax increased by 28.3% driven by an increase in EBITDA by 26.4%.

e. Capital expenditure

During the year, the Company's capital expenditure was TZS 164,455 million. (2022: TZS 354,645 million). Investment in the latest technologies is critical for capacity expansion, supporting new services and overall improvement in customer experience. In the third quarter of the year, the Company started rolling out 5G sites. In addition to the 5G roll out, the Company invested on cable landing station, widening broadband coverage, capacity enhancement, and modernization of IT infrastructure. The Company rolled out 318 incremental 4G sites, 303 additional 3G sites and 251 additional 2G sites to further extend network coverage, ending with 2,739 4G sites and 49 5G sites across the country. The Company also deployed 449 kilometers of fiber, closing the year with 3,145 kilometers of fiber in network. Investment in the data network supported 33.1% increase in total traffic and a shift in data traffic from 3G to 4G. The Company's 4G network carried close to 70.5% of total data traffic compared to less than 59.8% in prior year.

In October 2022, through three successful bids in a spectrum auction conducted by the Tanzania Communication Regulatory Authority (TCRA), the Company secured a high-band spectrum for the two available block of 2600MHz (FDD) and the two available blocks of 3500MHz (TDD) for a total acquisition price of TZS 140,154 million (US\$60.1 million payable in three tranches over an 12 month period). This acquisition is in line with long-term strategy and is critical in driving mid-to long-term shareholders' value creation.

f. **Tax:** The tax credit of TZS 43,092 million (2022: a tax expense of TZS 14,781 million) resulted from the recognition of TZS 176,327 million deferred tax asset in relation to the Company's business which reflects an improved medium-term profitability outlook.

g. **Cash and cash equivalents:** Increased by 130% to TZS 21,632 million. The increase is primarily due to the borrowing taken from commercial banks amounting to TZS 79,409 million to make balance 50% payment of the spectrum acquired in an auction, also increase is attributed to increase in cash collections due to higher revenue.

h. **Retained earnings:** Increased by 34% to TZS 329,924 million is mainly driven by improved profitability.

i. **Lease liabilities:** Increased by 15.3% to TZS 499,295 million is mainly driven by new additions in line with the network expansion, annual contractual price adjustments and the interest charge for the year.

7. BUSINESS ENVIRONMENT

The people across Tanzania market are 'mobile first', with mobile services the first and often only way they must access telecoms, internet and banking services. And among a rapidly growing population, half of whom will be under 25 years old by 2030, there is huge scope to increase the reach and penetration of effective voice, data and mobile money services, and to include more people in the digital economy. The need for accessible, affordable services has never been greater – as demand continued to rise in.

Tanzania market is becoming one of the fastest growing economies in Africa, with regional GDP growth reaching 5.1% this year despite macroeconomic disruption in the global economy. There are 63 million people in region, and for that relatively young population products and services are a gateway to financial and digital opportunity.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

7. BUSINESS ENVIRONMENT (CONTINUED)

The Company aim is to unlock commercial and digital benefits for all customers, their communities, and businesses. In a year when inflation has put pressure on every customer's budget, the Company have offered more value to customers through 'more-for-more' product offerings. At the same time, the Company has engaged regulators to enable more competitive pricing.

The Company has continued to improve network, simplify products and increase customer touchpoints for services. Population coverage as at the end of the year stood at 90% . The Company has added 350+ 4G sites in the past year while modernizing additional sites so the Company can offer better connectivity and faster speed for its customers. While the Company continue to benefit from increased home broadband and enterprise custom, it has also invested in 5G spectrum to ensure network is ready for the additional demand for data.

Meeting local regulatory requirements is an essential part of the business, and this year the Company adopted new Know Your Customer (KYC) regulations, requiring identification documents to register SIM cards.

Distribution remains a crucial competitive advantage, and the Company ended the year with an increase of 14.2% of activating outlets compared to last financial year.

8. REGULATORY AND POLICY ENVIRONMENT

The telecommunications Industry in Tanzania and in all other markets is facing intensified regulatory scrutiny. The regulators have increased scrutiny due to the significant contribution of the telecoms sector to the socio-economic development. There have been two main regulators – the Tanzania Communications Regulatory Authority (TCRA) for GSM services, and the Bank of Tanzania (BoT) covering digital financial services. The regulatory and policy changes may have significant impact to the customers and the business.

The most significant recent regulatory and policy developments are listed below:

- a. **SIM card registration:** On 10th February 2023, the Government of Tanzania published the new Electronic and Postal Communications (SIM Card Registration) Regulations 2023. Among other things, the regulations have introduced police clearance as a pre-requisite for appointment as a SIM card Registration agent. The fee for police clearance as at the end of the year was TZS 10,000/-. Further the regulations have also introduced a geo-fencing requirement restricting movement of agents within a defined location. The new requirements have derailed agents onboarding and hence significantly impacted the business.
- b. **Atomic energy fees and charges:** In 2023, the Government of Tanzania notified MNOs on the enforcement of the Atomic Energy (fees and charges) Regulations, 2022. The regulations provide for the authorization to use, possess, operate, hire, import, export or transfer non-medical radiation emitting equipment, device, including communication base stations at the fee of TZS 300,000 for each base station. MNOs are engaging the Atomic Energy Commission through the ministry responsible for communications to halt implementation of the regulations to allow further discussion, as the Tanzania Communication Regulatory Authority currently performs a similar role, thereby avoiding double regulatory oversight and additional operational costs to mobile operators.
- c. **Levies on airtime and mobile money transfers:** On 30 June 2023, the President approved the Finance Act, which included the amendments to the National Payment System Act (NPS Act) and Electronic & Postal and Communication Act (EPOCA) – removing levies on mobile money transfer transactions and airtime recharges.
- d. **Right of way fees (RoW):** The Government through the Roads (Financing and participation of public private partnership) (amended) regulations 2023 reducing the RoW fees for installation of fiber optic cables from USD 1,000 per kilometer to USD 200 per kilometer, and annual management fee from USD 1,000 per kilometer to USD 100 per kilometer.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

8. REGULATORY AND POLICY ENVIRONMENT (CONTINUED)

The Company has responded to above regulatory changes as follows:

- a. The Company continuously monitors laws, regulations, and policy changes and engages regularly with the TCRA, BOT and other regulatory authorities to ensure compliance with all relevant regulatory requirements.
- b. The Company has invested significantly in compliance awareness training to ensure that business units are sensitized, including through training programs such as the 'Doing What is Right' programme on legislative and regulatory requirements, supported by an annual self-assessment.
- c. The Company has a robust compliance management system tool which helps to track, stay aware and comply with all legal and regulatory requirements.
- d. The Company has a robust governance process and a strong culture of compliance across the company, administered through dedicated Risk and Compliance department, which is charged with responsibility for monitoring, evaluating, and managing risks.
- e. The Company maintain proactive relations with government and relevant regulatory bodies and tax authorities, informed by a shared understanding of the need for inclusive economic development and the important contribution of a profitable business sector. These engagements are undertaken individually, and through the Tanzania Mobile Network Operators' Association (TAMNOA).

9. COMPETITION AND MARKET OPPORTUNITIES

The Tanzanian telecommunications market is a vibrant and competitive landscape, characterized by a dynamic interplay of established players and emerging contenders vying for market share and innovation leadership. With a rapidly growing economy and an increasingly tech-savvy population, the demand for telecommunications services has surged, fueling intense competition among providers eager to capitalize on this burgeoning market

At the forefront of this competitive arena are the major telecommunications giants, each wielding considerable resources and infrastructure to dominate the sector with continuous investment in infrastructure to maintain their competitive edge and expand their market reach. As Airtel Tanzania navigates the competitive landscape of the Tanzanian telecommunications market, the Company finds itself amidst a dynamic ecosystem characterized by both challenges and opportunities. With a commitment to innovation, customer-centricity, and expanding connectivity across the nation, Airtel Tanzania strives to maintain its position as a leading player in the industry.

However, amidst the dominance of these established players, a wave of smaller, agile telecom companies has emerged, challenging the status quo and injecting fresh competition into the market. These up-and-coming firms often specialize in niche services, such as loan provisioning or internet provision in rural and sub-urban areas, catering to specific segments of the population underserved by the larger players. Their agility and innovative business models enable them to swiftly adapt to evolving consumer needs and preferences, posing a formidable challenge to the established incumbents.

In Tanzania, Government initiatives are aimed at fostering a more inclusive and competitive telecommunications market. Policies promoting infrastructure sharing, spectrum allocation, and fair competition have encouraged new entrants to enter the fray, driving innovation and improving affordability and accessibility of services for consumers.

In this hyper competitive environment, differentiation is the only key to success. Airtel constantly innovating, introducing new services, and enhancing existing offerings to stand out in a crowded market. From high-speed internet connectivity and digital entertainment platforms to mobile financial services and Internet of Things (IoT) solutions, the Company is continually diversifying their portfolios to meet the diverse needs of Tanzanian consumers.

Furthermore, Airtel Tanzania is committed to driving digital inclusion and bridging the digital divide within Tanzanian society. Through initiatives such as the provision of affordable smartphones, digital literacy programs, and partnerships with government agencies and NGOs, Airtel Tanzania seeks to empower marginalized communities and unlock the transformative power of connectivity for all.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

9. COMPETITION AND MARKET OPPORTUNITIES (CONTINUED)

The Company has addressed issues related to markets and competition by implementing measures below:

- Spectrum assets with multiple layers of data capacity, including new 5G technology in six markets;
- A modernized network offering 2G, 3G, 4G and 5G, largely on efficient single RAN technology;
- 3000+ network towers and data capacity of 500+ terabytes per day;
- 3100+ km of fibre across the country;
- Compliance with regulatory frameworks;
- A sound capital allocation strategy and financial management that targets revenue growth ahead of the market and underlying EBITDA margin improvement;
- Mobile network partnerships that outsource the management and operation of network infrastructure
- A strong management structure in market that can leverage Group expertise;
- Sustainability strategy which underpins everything what the Company does, aligned with the UN SDGs and supported by goals and active policies to respect human rights, drive positive social impacts, protect the natural environment and conserve resources;
- Sound and transparent governance; and
- A network of partners, including mobile brands, IT companies and telecoms infrastructure providers.

10. KEY RELATIONSHIPS

Airtel Tanzania’s ability to deliver long-term value depends on the contribution and activities of a range of different stakeholders, and on the quality of relationship with them. The table below briefly outline those stakeholder groups who have a substantive impact on ability to create value; the Company outline their contribution to value creation, means of engaging with them, and the stakeholders’ identified priority interests relating to business activities:

Stakeholder and value	Means of engagement	Priority interests
<p>Customers: Provide the basis for revenue growth by purchasing products and services.</p>	<ul style="list-style-type: none"> • Self-Care channels through Airtel App, USSD & IVR. • Social Media. • Website. • Call centres, Retail Shops, Airtel Money branches & Airtel Kiosks. • Customer feedback process after service for obtaining feedback (Net Promoter Score) & Cross functional team formulates action for the areas require improvement. 	<ul style="list-style-type: none"> • Confidentiality and privacy of customer information. • Customer empowerment. • Simplification of customers’ process. • Feedback on service areas require improvement. • Customized customer experience. • Better value offerings (affordability). • Customer satisfaction. • Reliable & best data networks with wider coverage. • Wide coverage on availability of customer service touchpoints. • Tailored business customers solutions as per needs.
<p>Government and regulators: Provide access to spectrum and operating licences, the basis for creating value.</p>	<ul style="list-style-type: none"> • Participation in public forums. • Engagement on draft regulations and bills. • Engagement through industry bodies. • Publication of policy engagement papers. • Partnering on key programmes such as inclusive education, inclusive growth in agriculture, and inclusive climate action. 	<ul style="list-style-type: none"> • Ensuring spectrum is managed as a strategic resource. • Regulatory compliance on issues such as customer registration, mobile termination rates, service quality, price, security and privacy, and safety, health and environmental performance. • Participating and promoting opportunities for economic development. • Contribution to the tax base. • Industry development. • Fair market development.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

10. KEY RELATIONSHIPS (CONTINUED)

Stakeholder and value	Means of engagement	Priority interests
<p>Investors and shareholders: Provide the financial capital needed to sustain and grow.</p>	<ul style="list-style-type: none"> • Investor interactions, including conferences, meetings, and roadshows. • Annual and interim results. • Quarterly reports. • Annual reports, • Preliminary announcement call and Annual General Meetings (AGM) • Investor relations page in website. 	<ul style="list-style-type: none"> • Responsible practices to manage risks and opportunities and ensure financial growth. • Sound corporate governance practices. • Transparent executive remuneration. • Improved liquidity of shares. • Stable dividend policy.
<p>Employees: Provide the skills and inputs needed to realize vision.</p>	<ul style="list-style-type: none"> • Intranet portal for employees, 'Hive' • Newsletter and the Company's website as an electronic communication to employees. • Ombudsman hotline (Employees to air their voice). • Airtel WhatsApp group – for Quick updates • Leadership Development programme. • Early Career Program-GT • Mobility program (Skills exchange programme across Airtel Africa & India) • Engagement surveys. • Online trainings Platform. • Executives' discussions – 'ExCo meeting and Leadership Conclave'. • Health and welfare consultations as needed. • MD Breakfast meetings. • Townhall meeting – Quarterly 	<ul style="list-style-type: none"> • Create a conducive environment for career growth. • Skills development. • Competitive remuneration. • Mobility programme for knowledge sharing across Airtel Africa & India . • Mentoring and Coaching programme – Women Leadership mentorship and capability programme. • Airtel Benefit awareness – for better understanding of various reward structures. • Employee team building programme – Fun Friday, TGIF • OHS programmes – Fire awareness, first aiders. • Safe working environment.
<p>Suppliers: Ensuring availability of goods and services for customer needs in line with business aspirations</p>	<ul style="list-style-type: none"> • Supplier forums. • Ongoing site visits. • Procurement processes (including tendering). • Audits. 	<ul style="list-style-type: none"> • Prompt payment • Ethical sourcing process • Fair share of orders and services awarded • Compliance to statutory requirement of the Republic including tax obligations, health and safety and general employee welfare

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

10. KEY RELATIONSHIPS (CONTINUED)

Stakeholder and value	Means of engagement	Priority interests
<p>Communities: Provide a social license to operate and strengthen the socioeconomic context.</p>	<ul style="list-style-type: none"> ◦ Public participation where new base stations are needed. • Airtel Tanzania Corporate Social Responsibility in partnership with communities. • Social media pages 	<ul style="list-style-type: none"> • Access to communication services and services such as finance, health, and education. • Free-to-use social media, health, education, and job sites.
<p>Business partners: Custodians of brand, and key to delivering the best customer experience.</p>	<ul style="list-style-type: none"> • Store, franchise and retail visits. • Management engagements. • One-on-one business meetings. • Training sessions on new products and services 	<ul style="list-style-type: none"> • Fair treatment. • Top management involvement with customers. • Making it simpler and quicker to deal with us. • Being heard as partners.
<p>Media: Have a potentially significant influence on other stakeholders' perceptions.</p>	<ul style="list-style-type: none"> • Face-to-face and telephonic engagement. • Interviews with key executives. • Media releases. • Roundtables. • Product launches. 	<ul style="list-style-type: none"> • Being informed of key activities and offerings. • Transparency on performance. • Evidence of responsible business performance.

10. VALUE CREATION AND SUSTAINABILITY

The Company invests in resources and relationships impacting on value as detailed below:

i. People, culture and governance: Human and intellectual capital

Critical inputs	Company activities to sustain value	Results of Company activities
<ul style="list-style-type: none"> • 733 GSM employees (212 permanent and 521 contractual staff) against 557 employees during the financial year • A vibrant GSM Board and strong governance systems. • Experienced Executive Team • An agile, performance-based, and strong Airtel culture of ways of working. • Customer centric with efficient and effective services as per Service Level Agreements. 	<ul style="list-style-type: none"> • A robust sustainability strategy to enhance diversity and inclusion at workplace. • TZS 347.3 million invested in employee training and development, including leadership development programme and mentorship programme. • Streamlined business processes implemented across business departments. • Graduate trainee and internship programme to strengthen talent. • Engagement programmes to foster a strong culture and ensure consistent delivery of targets. • Employee career growth opportunities with competitive remuneration • Build collaborative relationship with service delivery contractors and suppliers • Numerous initiatives to further strengthen existing reputation as an employer of choice. 	<p>Increased and maintained employee commitment, morale, skills, and diversity through:</p> <ul style="list-style-type: none"> • Attracted right employees (candidates) with right skills • TZS 33.2 billion in wages and benefits (TCTC) for GSM staff • 14% female representation in senior managerial levels • Increased employee's satisfaction rate. • Outstanding in OSHA compliance (Best working environment award for the last two years. • 91% engagement index score in Willis Towers Watson survey • Lowest staff turnover at Average of 6.5% for last three years. • Reasonable number of staff accessing the Employee Assistance Program (EAP) • No work-related fatalities for the TEN years

Trade-offs: While focusing on developing business and embracing the competition, the Company Human Resources is using a well-designed strategy to support quality and high-performance work which, in turn, promotes Company's vision, mission, values and objectives. These strategies are used as a roadmap of bettering organizational challenges with people centric solutions, focus on new technologies such as driving the Company to digital edge and effectively harnessing the role of artificial intelligence, diversity, equity and inclusion, remote working, and emotional wellbeing at the forefront. The Company's commitment is to put its employees at the forefront and become the best asset; their performance is well managed coupled with well designing types of roles required of the business and most importantly, identifying what capabilities, skills and knowledge is required of individuals to be successful in specific roles. Behind all these programs, there is a robust reward and compensation process that ensures employees are correctly, rewarded and timely recognition for their commitment and efforts. Weighing the Company's financial gains against the human capital and social costs is a continuing potential trade-off.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

11. VALUE CREATION AND SUSTAINABILITY (CONTINUED)

ii. Network and IT infrastructure: Manufactured capital

Critical inputs	Company activities to sustain value	Results of Company activities
<ul style="list-style-type: none"> • 3 019 base stations (9.19%) increase • 558 km of self-built fiber (up 416%) • TZS 164,455 millions investment in network (Up 10%) • TZS 140,133 million investments in spectrum. 	<p>Sustaining Network and IT leadership through the following streams:</p> <ul style="list-style-type: none"> • Adaptability: Company scalable IT infrastructure allows organizations to adapt quickly to changing business requirements. It ensures that the technology can be dynamic to the organization's needs, market dynamics and new opportunities. • Data-driven Decision Making: Net-IT infrastructure facilitates the collection, storage, and analysis of data. This helps in making informed decisions based on insights derived from data analytics. • Security and Compliance: Company secured Net-IT infrastructure helps in mitigating risks associated with cyber threats and data breaches. This is crucial for maintaining the trust of customers, partners, and stakeholders and comply with industry regulations and data protection laws <p>Customer Experience:</p> <ul style="list-style-type: none"> • Digital Transformation: Company Net-IT infrastructure enables us undergo digital transformation, enhancing the overall customer experience through online platforms, e-commerce, and personalized services through reliable communication Channels that support effective communication with customers through various channels, such as websites, mobile apps, and social media. • Time-to-Market: Company Net-IT infrastructure accelerates the development and deployment of new products and services, reducing time-to-market. 	<p>Positive results in most areas:</p> <ul style="list-style-type: none"> • Positive results in most areas • TZS 164,455 million CAPEX investment to address network and IT plans • 2G new sites – 251, 3G new sites – 303, 4G new sites- 318 • 49 new 5G sites • Network resilience supporting 26.0% growth in data carried in network, with close to 70% carried in 4G network • Improvement in NPS. <p>Decrease in the CMS from 27.6% to 27.2%.</p>

Trade-offs: Building and maintaining infrastructure requires significant financial capital, and appropriate levels of human and intellectual capital, as well as certain natural capital inputs and outcomes. An extensive network is a key basis for bridging the digital divide and sharing the substantial social benefits of digital connectivity. As a purpose-led organization it is committed to reduce the environmental impacts associated with network infrastructure and services. An important trade-off is balancing the customer and regulatory calls to reduce prices and enhance quality, with the need to generate the financial capital needed for network investment.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

12. VALUE CREATION AND SUSTAINABILITY (CONTINUED)

iii. Natural Resources: Natural capital

Critical inputs (2023)	Activities to sustain value	Outcomes (2023)
<ul style="list-style-type: none"> • 700, 900, 1800, 2100, 2600MHz bands for Mobile, and 3 500 for 5G • 6.01 GWh electricity • 6,8407.11 kiloliters of fuel 	<ul style="list-style-type: none"> • Strong focus on energy efficiency and GHG mitigation in our Data Centres including the use of solar energy. • Connect off grid sites to grid to reduce generator runtime. • Install Lithium Batteries Tower sites to reduce Generator runtime during mains power outage. • Conversion of Indoor to outdoor sites to reduce energy consumption 	<p>Estimated 32 789 tonnes CO² emissions from electricity, diesel and refrigerants usage (scope 1&2) (down 10.2%)</p> <p>759.4 tonnes of total GWP refrigerants and fire suppressants replenished (down 28.0%)</p> <p>Proportionate increase in energy consumption relative to increase in network elements including new technologies.</p>

Trade-offs: Airtel Tanzania is excited to embark on a transformative project that involves conversion of telecommunication towers from off-grid power solutions to grid-connected systems across various geographic areas of Tanzania. In 2023 Airtel has converted 132 sites to grid. This initiative is driven by commitment to environmental sustainability, cost efficiency, and a greener future for the communities Company serve and harness cleaner energy while fostering operational efficiency and cost serving.

12. DIVIDENDS

The Company intends to pay as much of its after-tax profit as will be available after retaining such sums and repaying such borrowings owing to third parties as shall be necessary to meet the requirements reflected in the budget and business plan, considering monies required for investment opportunities. There is no fixed date on which entitlement to dividends arise and the date of payment will be recommended by the Board and approved by the shareholders at the time of declaration.

The financial results of the year are set out on page 26 and dividend on note 36 of the financial statements. The Directors propose the payment of a final dividend of TZS 20,000 million (TZS 83 per issued share) in respect of the year ended 31 December 2023 (2022: TZS 30,147 million).

The Board will recommend a final dividend, in relation to the financial year ended 31 December 2023, for approval by the shareholders at the annual general meeting.

13. SOLVENCY AND LIQUIDITY OF THE COMPANY

The Board considers the Company to be solvent, within the meaning ascribed by the Companies Act, No 12 of 2002 of Tanzania. The Company had net current liabilities of TZS 266,028 million as at 31 December 2023 (2022: net current liabilities of TZS 319,376 million). The Company has assessed its liquidity position and is confident that sufficient funds will be available and accessible to meet all obligations as they fall due.

14. CAPITAL STRUCTURE AND SHAREHOLDING

The Company had two shareholders throughout the year to 31 December 2023 (2022: 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 2023 were held as follows:

<u>Shareholder Name</u>	<u>Percentage</u>	<u>Number of shares</u>	<u>Domicile</u>
Bharti Airtel Tanzania B.V.	51%	123,000,000	Netherlands
Government of the United Republic of Tanzania	49%	118,176,471	Tanzania
	<u>100%</u>	<u>241,176,471</u>	

AIRTEL TANZANIA PLC

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

15. CAPITAL EXPENDITURE AND COMMITMENTS.

Information on the Company's property and equipment and intangible assets investment is presented in Notes 18 and 19 to the financial statements.

Information about the Company's commitments is presented in Note 33 to the financial statements.

16. BUSINESS CONTINUITY

The Company continue to focus on delivering best-in-class service, 4G & 5G networks in market. The Company's goal is to be the market leader in Tanzania, while continuing to include more people in network, particularly in underserved rural areas. This year, the Company made significant investments in network, technology and spectrum, while maintaining services in the face of challenges that included fuel price inflation and fuel shortages – also made progress in initiatives with suppliers to increase the use of renewable energy and reduce fuel dependency. The following are some of the key measures have taken to ensure business continuity:

- Strengthening distribution infrastructure to win more quality customers by increasing depth and width, with a particular focus on rural areas.
- Enhancing the customer's experience through simplified digital customer onboarding processes, including the Know Your Customer (KYC) process.
- Cross-selling new digital services to existing customer base.
- Broadening offer to enhance usage and ARPU, while further granulating Company approach to distribution so we can focus faster and more responsively on the needs and issues of customers in smaller geographies, increasing net customer reach.

17. BORROWINGS

The Company borrowings as at 31 December 2023 was TZS 131,196 million (2022: TZS 70,000 million). Further information on the Company's borrowing is presented in Notes 27 to the financial statements.

18. POLITICAL AND CHARITABLE DONATIONS

The Company did not make any political donations during the year (2022: None).

19. PARENT AND ULTIMATE PARENT

The Company 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 3 November 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.

20. RELATED PARTY TRANSACTIONS

Transactions with related parties were conducted in the normal course of business. Details of transactions and balances with related parties are included in Note 34 to the financial statements.

21. COUNTRY OF INCORPORATION

The Company is incorporated and domiciled in the United Republic of Tanzania.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

22. DIRECTORS AND COMPANY SECRETARY

The Directors of the Company who served during the year and to the date of this report are:

Name	Position	Qualifications	Age	Nationality	Date appointed	Date Resigned	Appointed by
Dinesh Balsingh	Managing Director*	Masters in Business Administration	50	Indian	12 February 2022	N/A	Bharti Airtel Tanzania B.V
Mukesh Bhavnani	Member**	Masters in Law	68	Indian	15 July 2019	N/A	Bharti Airtel Tanzania B.V.
Lekinyi Ngariapusi Mollel	Member**	Masters in Economics	51	Tanzanian	11 June 2019	N/A	Treasury Registrar
Jaideep Paul	Member**	Bachelors of Commerce, Chartered Accountant	62	Indian	1 May 2015	N/A	Bharti Airtel Tanzania B.V.
John Marato Sausi	Member**	Masters in Computer Science	45	Tanzanian	11 June 2019	N/A	Treasury Registrar
Apporva Mehrotra	Member**	Masters in Business Administration (Marketing) & Bachelor in Psychology	53	Indian	11 October 2022	N/A	Bharti Airtel Tanzania B.V.
Eliudi Betri Sanga	Chairman**	Master's degree in development administration	62	Tanzanian	15 January 2023	N/A	Treasury Registrar

* Executive

** Non-executive

The Company Secretary as at 31 December 2023 was David Marco Lema.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

23. CORPORATE GOVERNANCE

The Board of Directors ("the Board") consists of one Executive Director and six 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;
- Business challenges;
- Update on progress of Company towers sale;
- Network needs including spectrum and related resources; and
- Financing of the Company.

The Company is committed to the principles of effective corporate governance. The Directors also recognise the importance of integrity, transparency and accountability. During the year, the Board had a Board Audit Committee which constitutes two Executive Directors and one Non-Executive Director, to ensure a high standard of corporate governance throughout the Company. The Board Audit Committee is required to meet four times a year. The Board Audit Committee met four times during the year

Board Audit and Risk Committee (ARC)

The Company has an ARC that is responsible for:

- Reviewing the financial statements of the Company, and any formal announcements relating to the Company's performance including interim, preliminary, and annual reports, before Board approval;
- Monitoring compliance with established policies, plans, instructions, and procedures with reference to the statement of delegated authorities approved by the Board;
- Ensuring there is due process for the identification and management of key business risks having regard to any significant failings or weaknesses in internal control;
- Monitoring compliance with the Company's Standards of Business Conduct;
- Monitoring and ensuring there are due processes for compliance with relevant national laws and regulations;
- Monitoring the risk management function and processes and assessing the company's significant risks;
- Ensuring that there is due process for monitoring the efficiency and effectiveness of operational controls;
- Monitoring of conflict-of-interest disclosure for Directors and senior managers;
- Reviewing the adequacy of the internal audit function including the structure, staffing and the deployment of resources to complete their responsibilities;
- Approving the Internal and external audit plan.
- Reviewing the internal audit reports relating to the internal control weaknesses;
- Reviewing the findings of any internal investigation by the internal auditors into matters where there is suspected fraud or irregularity of a failure of internal control systems and reporting the matter to the Board;
- Reviewing the functioning of the whistle blower mechanism and the nature of the complaints received by the Ombudsperson when the same is implemented by the Company;
- Considering the appointment and/or termination of the external auditors, including their audit fees, independence and objectivity and determining the nature and extent of any non-audit services;
- Review the external auditors' management letter and any major recommendations of the external auditors and consider Management's response;
- Review the actions taken by Management on actionable issues arising out of previous Management reports and observation from internal audits; and
- Reviewing and monitoring the management and reporting of tax-related matters.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

24. CORPORATE GOVERNANCE (CONTINUED)

The Board Audit and Risk Committee reports directly to the Board Audit Committee and it comprises of two Non-Executive Directors. the committee met two times during the year.

Audit, Risk and Compliance Committee

Name	Nationality	Qualification and Experience
Mr. Lekinyi Ngariapusi Mollel	Tanzanian	<ul style="list-style-type: none"> • Masters of Commerce in Applied Economics from the University of Cape Town, South Africa (2009); • Masters of Science Degrees in Economics from the University of Zimbabwe (2005) and a Bachelor of Arts with Honours degree in Economics from the University of Dar es Salaam, Tanzania (1997); and • Over 26 years of experience in debt management and monetary policy attained while working with the Ministry of Finance Tanzania, Bank of Tanzania, and Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI), Harare Zimbabwe.
Mr. Jaideep Paul	Indian	<ul style="list-style-type: none"> • A qualified Chartered Accountant and holder of a Bachelor's Degree in Commerce (Honors) from the University of Calcutta; • 30 years of experience across various industries, including 20 years in telecommunications ; • He started his career at PriceWaterhouse in 1989; • He became a Chief Financial Officer for Airtel Africa in 2014, he was before a CFO at Airtel Nigeria, Fairtrade LLC Muscat, and Bharti Retail; • Held senior financial roles at Bharti Airtel Mumbai Circle and Bharti Airtel Delhi Circle, HCL, Telstra V-Com and Caltex; and • He is a Board member of Bharti Airtel International (Netherlands) BV, Bharti Airtel Africa BV, Airtel Networks Limited, Audit and Risk Committee (Airtel Africa) and Airtel Africa Sustainability Committee (Airtel Africa).

Outlined below is the attendance of committee members during the meetings held in the year:

Name	Position	23 Feb 2023	23 Aug 2023	
Mr. Lekinyi Ngariapusi Mollel	Chairperson	✓	✓	100%
Mr. Jaideep Paul	Member	✓	✓	100%

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

24. CORPORATE SOCIAL RESPONSIBILITY REPORT (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 be it Education, Health, environment.

As per Company CSR policy, the Company does not make any political donations. The Company's policy is aligned CSR to overall business strategy to build brand affinity and increase sustainability.

i. Education – (Vocational Education Training- Expansion through Digital Technology)

Airtel FURSA-VSOMO – In 2016, 2015 and 2014 Vocational Education and Training Authority (VETA) managed only to accommodate 41% of 11,857 applications, 31% of 13,932 applications and 18% of 17,072 applications, respectively. This is due to the limitation of vocational training facilities to accommodate the needs.

This is the reason why Airtel 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.

Since its launch in June 2016, the App has received over 53,857 downloads,

1. Over 21,493 registered; and
2. Over 2,700 students have been certified by VETA through Vsomo.

The Vsomo App operates in both Swahili and English.

In helping the unemployed youth in the country access and acquire skills in the digital environment /help to unlock their potential for future entrepreneurship and employment, Airtel launched Airtel Fursa program.

Airtel drive 'Airtel Fursa Lab: through Airtel FURSA project Airtel 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 the development of digital solutions in the community.

As of today, the lab has conducted training to about 2,515 people including students in primary and secondary schools, teachers, and entrepreneurs to uplift their business.

- Pupils and Students: + 2515 (1158 female 1357 male).
- School Teachers: +658 (319 female 349 male).
- Young men and women entrepreneurs: +626 (403female 223 male).
- Vulnerable groups: + 276 (170 female 106male).

Following is basic of what Airtel Fursa lab offered

- a. Computer Basics in Business Skills and Digital records Keeping;
- b. Scratch programming and Robotics; and
- c. Graphics design and web developing & ICT development skills.

Education – Smart WASOMI-Digital Education)

Company have continued to expand CSR support to numerous educational initiatives across the country. In November 2023 Airtel Tanzania Plc signed memorandum of understanding (MoU) between Ministry of Education, Science and Technology (MoEST), President's Office- Regional Administration and Local Government (PO – RALG) in connection to the five-year partnership between Airtel Africa and UNICEF signed in October 2021 with the purpose of accelerating digital learning across Africa in thirteen (13) target nations, including Tanzania.

This partnership objectives aims at increasing internet connectivity in schools and communities, zero-rating educational learning platforms for improved accessibility, and digital education advocacy.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

25. CORPORATE SOCIAL RESPONSIBILITY REPORT (CONTINUED)

Major Airtel SmartWASOMI objective is schools connectivity, Envisioning to connect all Government owned secondary schools with Airtel INTERNET and creating Smart Class for Schools to be able to access free educational materials:

CSR Milestone in this CSR project:

1. Managed to zero rate two Education platform/sites, TIE's library- <https://ol.tie.go.tz/> and Shule Direct's Learning Content- <https://www.shuledirect.co.tz/>
2. Mapping and assessment of internet connectivity infrastructures to 4,200 Government owned secondary schools completed and 50 Airtel donated 50 high Speed router to 50 schools for project pilot.
3. A total of 2003 teachers have been trained, (337 teachers trained in Zanzibar, 974 teachers trained in Mbeya, 692 teachers trained in Dodoma as of June,2023).
4. The Government has distributed 300,000 tablets to teachers- Teachers who uses Airtel SIMcards they enjoy the 2 sites for FREE.

The Company plan is to support 3,000 schools for the next 5 years in line with CEO pledge to her excellence the president of Tanzania commitment in their meeting in February,2022.

ii. Health – (Good health and well-being)

Using state of art communication and innovations enable maternal health workers to increase efficiency to help more unsaved community with health services. This is partnership with Wazazi Nipendeni.

Also, Company have partnered with **Tanzania Youth Alliance (TAYOA)** providing them with Toll-free number 117 for online consultations on HIV reductions to SAVE LIFE.

- About 485,598 reached through Interactive voice responses;
- 38,106 Airtel callers reached through direct (one on one) telephone counselling; and
- 195,741 Individuals reached through SMS services on different health topics including Sexual Reproductive Health, Ebola, TB, Prostate, and cancer.

iii. Environmental protection – (Climate Action)

Airtel Tanzania Project Green Every Little Step Counts

This is ongoing project – As part of Airtel Africa's Sustainability strategy on environmental stewardship, Airtel Tanzania celebrated this anniversary and launched green initiative Project.

As part of the celebration, Airtel Tanzania did the following:

- E-waste Awareness session.
- Launched of E-waste recycling campaign.
- Sending Bulk SMS across all customers to bring more awareness on environmental protection sensitization to employee to bring e-waste from their homes or around the offices for recycling.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

25. DEFERRED TAX RECOGNITION

During the year, The Company has a deferred tax asset of TZS 176,046 million as at 31 December 2023 (2022: TZS 210,337 million). The net deferred tax asset recognized in the books have been recognized basing on the 10 years' profitability forecasts while the remaining deferred tax asset has not been recognized in these financial statements

26. EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any other matter or circumstance arising since the end of the reporting period, not otherwise dealt with herein, which requires adjustment to or disclosure in the financial statements.

27. AUDITORS

The auditors, Deloitte & Touche, having expressed their willingness, continue in office in accordance with section 170 (2) of the Companies Act, 2002.

Deloitte & Touche with PF No 025 and Taxpayer Identification Number (TIN) 100-148-692 is an audit firm registered with the National Board of Accountants and Auditors of Tanzania (NBAA).

Financial statements

The financial statements for the year ended 31 December 2023 were approved and authorized for issue by the Board on 27 February.....2024.

By order of the board

ELIUDI BETRI SHARBA
Director

DINESH ASIRUATHAN BALSINGH
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.

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

Approved by the Board of Directors on 27 February 2024 and signed on behalf by:

ELIYOT BETRI JANBA
Name of Director


Signature

DINESH ASIRUATHAN BALSINGH
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 professional accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of a Company showing true and fair view of the Company's financial position and performance in accordance with applicable accounting standards and statutory 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, Indradip Mazumdar, being the Finance Director of Airtel Tanzania PLC hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2023 have been prepared in compliance with International Financial Reporting Standards and statutory requirements.

I thus confirm that the financial statements comply with International Financial Reporting Standards and statutory requirements as on that date and that they have been prepared based on properly maintained financial records.

Indradip Mazumdar

Indradip Mazumdar

Finance Director

NBAA Membership No: TACPA 4729

27 February 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS 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 26 to 70, which comprise the statement of financial position at 31 December 2023, 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 material 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 2023 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 by Those Charged With Governance. The other information does not include the financial statements and our auditors' 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.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 F.J. Kibiki.

Deloitte & Touche

Certified Public Accountants (Tanzania)



Signed by: F.J. Kibiki

NBAA Registration No. ACPA 3214

Dar es Salaam

07 March 2024

AIRTEL TANZANIA PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023	2022
		TZS 'M'	TZS 'M'
Service revenues	7	670,716	577,451
Other income		<u>70</u>	<u>870</u>
		670,786	578,321
Network operations cost	8	(162,062)	(150,622)
Access charges	9	(42,447)	(37,478)
License fees and spectrum charges		(26,056)	(23,158)
Other expenses	10	(33,661)	(57,280)
Employee benefit expenses	11	(33,864)	(32,739)
Sales and marketing expense	12	(83,815)	(76,407)
Depreciation and amortisation	13	<u>(153,319)</u>	<u>(122,241)</u>
Operating profit		135,562	78,396
Finance cost	15(a)	(93,537)	(36,140)
Finance income	15(b)	28,808	61,324
Other non-operating income	16	<u>-</u>	<u>173,624</u>
Profit before tax		70,833	277,204
Income tax credit/(expense)	17(a)	<u>43,092</u>	<u>(14,781)</u>
Profit after tax		113,925	262,423
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>113,925</u>	<u>262,423</u>
Profit after tax (as presented above)		113,925	262,423
Less : Exceptional item	17(a)	<u>(43,890)</u>	<u>-</u>
Underlying profit after tax		<u>70,035</u>	<u>262,423</u>

AIRTEL TANZANIA PLC

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2023

	Notes	2023 TZS 'M'	2022 TZS 'M'
Assets			
Non-current assets			
Property, plant and equipment	18	554,696	489,673
Intangible assets	19	250,737	265,541
Right-of-use asset	20	288,761	240,013
Deferred tax asset	21	138,784	82,372
Investment	22	1	1
Trade and other receivables	24(b)	41,430	41,134
		<u>1,274,409</u>	<u>1,118,734</u>
Current assets			
Inventories	23	8,756	248
Trade and other receivables	24(a)	151,407	131,843
Bank and cash balances	25	21,631	9,405
		<u>181,794</u>	<u>141,496</u>
Total assets		<u>1,456,203</u>	<u>1,260,230</u>
Equity and liabilities			
Equity			
Ordinary shares	26	48,235	48,235
Share premium	26	1,520	1,520
Retained earnings		<u>329,925</u>	<u>246,147</u>
Shareholders' surplus		<u>379,680</u>	<u>295,902</u>
Non-current liabilities			
Borrowings	27(a)	107,438	55,423
Provisions	28	6,228	5,792
Lease liabilities	31	447,817	377,132
Trade and other payables	29(b)	67,216	65,109
		<u>628,700</u>	<u>503,456</u>
Current liabilities			
Borrowings	27(b)	22,398	14,000
Income tax payable	17(c)	1,971	4,858
Trade and other payables	29(a)	357,342	371,311
Bank overdraft	30	14,634	14,732
Lease liabilities	31	51,478	55,971
		<u>447,823</u>	<u>460,872</u>
Total liabilities		<u>1,076,523</u>	<u>964,328</u>
Total equity and liabilities		<u>1,456,203</u>	<u>1,260,230</u>

The financial statements on pages 26 to 70 were approved and authorized for issue by the Board of Directors on 20 January 2024 and were signed on its behalf by:

ELIJAH BETRI SANJAN
Name
Title CHAIRMAN

Dinesh
Name DINESH ASIRATHAN BALSINGH
Title MANAGING DIRECTOR

AIRTEL TANZANIA PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Share capital TZS 'M'	Share premium TZS 'M'	Retained earnings TZS 'M'	Total TZS 'M'
At 1 January 2022		48,235	1,520	(736,865)	(687,110)
Profit for the year		-	-	262,423	262,423
Dividend		-	-	(223,157)	(223,157)
Write-offs		-	-	943,746	943,746
At 31 December 2022		<u>48,235</u>	<u>1,520</u>	<u>246,147</u>	<u>295,902</u>
At 1 January 2023		48,235	1,520	246,147	295,902
Profit for the year		-	-	113,925	113,925
Dividend*		-	-	(30,147)	(30,147)
At 31 December 2023		<u>48,235</u>	<u>1,520</u>	<u>329,925</u>	<u>379,680</u>

*It comprises of TZS 30,147 million final dividend declared for the year ended 31 December 2022.

AIRTEL TANZANIA PLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 TZS 'M'	2022 TZS 'M'
Operating activities			
Profit before tax		70,833	277,204
Adjustment for:			
Depreciation of property, plant and equipment	13	97,258	79,128
Amortisation of intangible assets	13	16,978	11,757
Depreciation of right of use	13	39,084	31,355
Amortization of Debt Origination cost	27(c)	110	-
Unrealized foreign exchange loss/(gain) on loans	27(c)	-	740
Movement in provisions		436	(6,294)
Foreign exchange loss on lease liability	15(a)	31,319	2,868
Interest expense – lease liability	15(a)	26,145	21,021
Finance income	15(b)	(582)	(292)
Other non-operating income	16	-	(173,624)
Operating cash inflows before movement in working capital		<u>281,581</u>	<u>243,863</u>
<i>Movement in working capital:</i>			
Increase in trade and other receivables		(20,777)	(32,324)
(Increase)/decrease in inventories		(8,508)	162
Increase in trade and other payables		47,992	89,511
		<u>300,288</u>	<u>301,205</u>
Current income tax paid	17(c)	(14,509)	(2,306)
Withholding tax recovered	17(c)	(282)	(216)
Withholding tax on dividend income	17(a)	(1,415)	(3,052)
Interest received	15(b)	582	292
Net cash flow generated from operating activities		<u>284,664</u>	<u>295,923</u>
Investing activities			
Purchase of property, plant and equipment		(152,090)	(149,518)
Purchase of intangible assets		(2,174)	(70,722)
Proceeds from tower sale		-	366,371
Net cash flow from investing activities		<u>(154,263)</u>	<u>146,131</u>
Financing activities			
Dividend paid	36	(30,147)	(223,157)
Payment for Spectrum fees		(70,056)	-
Proceeds from borrowings	27(c)	79,409	70,000
Repayment of borrowings	27(c)	(18,213)	(244,084)
Repayment of lease liability	31	(79,070)	(48,184)
Net cash flow from financing activities		<u>(118,077)</u>	<u>(445,425)</u>
Net increase/(decrease) in cash and cash equivalents		<u>12,324</u>	<u>(3,371)</u>
Cash and cash equivalents at beginning of the year		<u>(5,327)</u>	<u>(1,956)</u>
Cash and cash equivalents at end of the year	25	<u><u>6,997</u></u>	<u><u>(5,327)</u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

Airtel Tanzania PLC ("the Company") 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 Airtel Money Tanzania Limited.

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 2023

The following were new and revised IFRSs that have been effective in the current year. The Company's application of the new and revised standards did not have significant impact to these financial statements

IFRS 17 Insurance Contracts	IFRS 17 requires insurance liabilities to be measured at a current fulfillment 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 2023.
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Amendments to IFRS 17	Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The main changes are:
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- Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023.
- Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.
- Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination.
- Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level.
- Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements.
- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.
- Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held.
- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.
- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

a) New standards and amendments to published standards effective for the year ended 31 December 2023 (continued)

Initial Application of IFRS 17 and IFRS 9 — Comparative Information	The amendment permits entities that first apply IFRS 17 and IFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before.
Amendments to IAS 1 and IFRS Practice Statement 2	The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the International Accounting Standard Board (IASB) has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.
Definition of Accounting Estimates (Amendments to IAS 8)	The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.
Amendments to IAS 1	<p>The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.</p> <p>The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an Company will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.</p>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

b) New standards and amendments and interpretation in issue but not effective for the year ended 31 December 2023

Standard or amendment	Description	Effective date
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information	1 January 2024
IFRS S2	Climate-related Disclosures	1 January 2024
Amendment to IAS 1	Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
Amendment to IAS 1	Non-current Liabilities with Covenants (Amendments to IAS 1)	1 January 2024
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12)	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	1 January 2024
Amendment to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 21	Lack of Exchangeability (Amendments to IAS 21)	1 January 2025

c) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2023

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

Application of IFRS S1 is optional however the National Board of Accountants and Auditors of Tanzania (NBAA) has mandated application of this standard in Tanzania. The standard is effective for accounting periods beginning on or after 1 January 2024 and the Directors are still evaluating the impact to the financial statements.

IFRS S2 Climate-related Disclosures

IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

Application of IFRS S2 is optional however the National Board of Accountants and Auditors of Tanzania (NBAA) has mandated application of this standard in Tanzania. The standard is effective for accounting periods beginning on or after 1 January 2024 and the Directors are still evaluating the impact to the financial statements.

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

c) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2023 (Continued)

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The amendments to IAS 1 are effective for accounting periods beginning on or after 1 January 2024 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

The amendments to IFRS 16 are effective for accounting periods beginning on or after 1 January 2024 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

The amendments to IAS 1 are effective for accounting periods beginning on or after 1 January 2024 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12)

The amendments provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes.

The amendments to IAS 12 are effective for accounting periods beginning on or after 1 January 2024 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

The amendments to IAS 7 and IFRS 7 are effective for accounting periods beginning on or after 1 January 2024 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)

c) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2023 (Continued)

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

Amendments to IFRS 16 is effective for accounting periods beginning on or after 1 January 2024 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Lack of Exchangeability (Amendments to IAS 21)

The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

The amendments to IAS 7 and IFRS 7 are effective for accounting periods beginning on or after 1 January 2025 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

d) Early adoption of standards

The Company did not early-adopt any new or revised standards in 2023.

3. SUMMARY OF MATERIAL 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 Tanzanian Shillings (“TZS”), rounded to the nearest million (“M”), 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 Company’s financial.

b) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the requirements of Companies Act, 2002.

For the Companies Act, 2002 reporting purposes, in these financial statements the balance sheet is represented by the statement of financial position and the profit and loss account is presented in the financial statements as statement of profit or loss and other comprehensive income.

c) Revenue recognition

Revenue is recognised 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
- Recognise 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised when incurred, that is upfront, while the airtime costs are recognised as and when the revenue is being recognised. 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 (PAYG) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF MATERIAL ACCOUNTING POLICES (CONTINUED)

d) 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 recognised in profit or loss.

e) 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 recognises such parts as separate component of assets with specific useful lives and provides depreciation over their useful life. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised in profit or loss as incurred.

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.

The Company also enters into multiple element contracts whereby the vendor supplies plant and equipment and Information Technology 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 recognised 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

f) Intangible assets

Intangible assets comprise deferred spectrum fee and acquired licenses.

3. SUMMARY OF MATERIAL ACCOUNTING POLICES (CONTINUED)

f) Intangible assets (continued)

The Company recognize deferred spectrum license payments, for which it is under an obligation for payment till the expiry of the license period. Consequently, intangible is recognized at the present value of such future payments.

Acquired licenses are shown at historical costs. Licenses have a finite useful life and are carried at costs less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of license over their estimated useful lives. The amortisation charges are recognised 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.

g) Leases

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

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

i. Company as a lessee

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

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

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

g) Leases (continued)

i. Company as a lessee (continued)

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

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

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

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

Short-term leases and leases of low-value assets

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

ii. Company as a lessor

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

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

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

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

The Company enters into 'Indefeasible right to use' ('IRU') arrangements wherein the right to use the assets is given over the substantial part of the asset life. However, as the title to the assets and the significant risks associated with the operation and maintenance of these assets remains with the Company, such arrangements are recognised as operating lease. The contracted price is recognised as revenue during the tenure of the agreement. Unearned IRU revenue received in advance is presented as deferred revenue within liabilities in the statement of financial position.

o Plant and equipment

The Company leases passive infrastructure for providing telecommunication services under composite contracts which include lease of passive infrastructure and land on which the passive infrastructure is built as well as maintenance, security, provision of energy etc. services. These leases typically run for a period of 3 to 15 years. Some leases include an option to renew the lease mainly for an additional period of 3 to 10 years after the end of initial contract term.

A portion of certain lease payments change on account of changes in consumer price indices (CPI). Such payment terms are common in lease agreements in the countries where the Company operates. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

o Other leases

The Company's other leases comprise of lease of shops, showrooms, guest houses, warehouses, data centers, vehicles and Indefeasible right of use (IRU)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

h) 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.

i) Employment benefits

Retirement benefit obligations

All Company employees are members of the PSSSF Pension Fund ("PSSSF"), 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' basic salaries to the PSSSF respectively. The contributions are recognised 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 recognised as an expense accrual.

j) Provisions

Provisions are recognised 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 recognised 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 recognised 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.

k) 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.

l) 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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

l) Financial instruments (continued)

(i) Financial assets (continued)

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 recognised entirely in profit or loss (fair value through profit or loss, FVTPL), or recognised 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 recognised 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 recognised in profit or loss.

The classification of a financial asset is made at the time it is initially recognised, 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 derecognised 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 MATERIAL ACCOUNTING POLICIES (CONTINUED)

l) Financial instruments (continued)

(i) Financial assets (continued)

Impairment of 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 24.

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

The Company uses a provision matrix to measure the expected credit loss of trade receivables. Refer note 24 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 recognised 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 recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation 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 amortisation 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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

l) Financial instruments (continued)

(ii) Financial liabilities (continued)

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.

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 recognised 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 recognised amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

m) 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.

n) 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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

n) tax (continued)

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. Unrecognised 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 recover.

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 tax 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. It is included in the face value of the voucher on sale.

Excise duty is charged at 10% on mobile money transfer charges during the year. Excise Duty is accounted for as payable amount in the balance sheet in the month of a liability where as it is paid before the end of on the subsequent month of liability to the Tanzania Revenue Authority.

Unlike VAT, Excise duty is not recoverable on purchases.

Value added tax

Revenues, expenses, liabilities and assets are recognised 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 tax authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- 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 tax authority is included as part of trade and other receivables or trade and other payables in the statement of financial position.

Levy

Revenues, are recognized net of the amount of Levy.

The amount of Levy recovered from customers, are payable to the tax authority is included as part of trade and other payables in the statement of financial position

o) 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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

p) 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 recognised 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 recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised 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.

q) 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 recognised 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

r) **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.

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 recognised 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 recognised 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 recognised, 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 recognises 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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(e).

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 24 for more details on impairment of trade and other receivables.

f) Customers Acquisition Cost (CAC)

At each reporting date the customer acquisition cost is deferred basis the estimated average life of the customer. The Company periodically estimate the average life of customer, which is generally longer than 12 months basis churn rate as the best indicator.

g) 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.

Intangible assets, with indefinite life 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.

h) 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's principal financial liabilities comprises of interest bearing loans, lease liability 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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, other than foreign exchange risk through currency forwards. 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 of Directors.

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 the fluctuation of exchange rates between various currencies.

The Company mitigate foreign exchange risk by hedging through currency forwards, 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).

		Effect on profit after tax TZS 'M'
Net effect based on the year end as at 31 December 2023	-10%	(62,487)
	10%	62,487
Net effect based on the year end as at 31 December 2022	-10%	(53,476)
	10%	53,476

The sensitivity analysis has been determined based on net exposure at 31 December 2023. 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 2023 and 2022. Included in the table are the Company's financial instruments, categorized by currency (all amounts expressed in millions of Tanzanian Shillings):

	2023 TZS 'M' USD	2023 TZS 'M' Euro	2023 TZS 'M' Others
At 31 December 2023			
Financial assets			
Trade and other receivables	65,521	-	-
Cash and cash equivalents	1,020	-	-
	<u>66,541</u>	<u>-</u>	<u>-</u>
Financial liabilities			
Trade and other payables	224,121	-	-
Lease Liability	461,391	-	-
Bank overdraft	4,974	-	-
Others financial liabilities	924	-	-
	<u>691,410</u>	<u>-</u>	<u>-</u>
Net currency exposure	<u>(624,869)</u>	<u>-</u>	<u>-</u>

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risks (continued)

(i) Foreign exchange risk (continued)

At 31 December 2022	2022 TZS 'M' USD	2022 TZS 'M' Euro	2022 TZS 'M' Others
Financial assets			
Trade and other receivables	58,574	-	-
Cash and cash equivalents	1,078	-	-
	<u>59,652</u>	<u>-</u>	<u>-</u>
Financial liabilities			
Trade and other payables	145,723	-	-
Lease Liability	433,011	-	-
Bank overdraft	14,732	-	-
Others financial liabilities	944	-	-
	<u>594,410</u>	<u>-</u>	<u>-</u>
Net currency exposure	<u>(534,758)</u>	<u>-</u>	<u>-</u>

Exchange rates applicable were as follows:

	USD: TZS
On 1 January 2023	2,334
On 31 December 2023	2,510
On 1 January 2022	2,307
On 31 December 2022	2,334

(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 Treasury bill rates, 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 27 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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:

	2023 TZS 'M'	2022 TZS 'M'
Trade receivables	21,641	28,340
Receivables from related parties	39,081	43,394
Other receivables – current	28,451	46,240
Other receivables – non current	2,701	2,133
Cash and bank balances	<u>21,632</u>	<u>9,405</u>
	<u>113,506</u>	<u>129,512</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.

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 270 days.

	2023 TZS 'M'	2022 TZS 'M'
Amounts overdue:		
By up to 30 days	6,094	7,318
By up to 60 days	6,583	7,244
Over 60 days	<u>32,775</u>	<u>21,753</u>
Total overdue	<u>45,452</u>	<u>36,315</u>
Impairment provision	<u>14,813</u>	<u>16,952</u>

All receivables past due for more than 90 days and for interconnect more than 270 days are considered to be impaired, and are carried at their estimated recoverable value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 27) and cash and cash equivalent (Note 25)) 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 2023				
Borrowings	22,398	23,450	85,349	131,197
Bank overdraft	14,634	-	-	14,634
Trade and other payables - current	232,513	-	-	232,513
Trade and other payables – non current	-	-	10,772	10,772
Lease liabilities	51,478	85,878	361,940	499,296
Total financial liabilities	321,023	109,328	321,023	888,412
At 31 December 2022				
Borrowings	14,000	14,000	42,000	70,000
Bank overdraft	14,732	-	-	14,732
Trade and other payables - current	164,945	-	-	164,945
Trade and other payables – non current	-	-	59,117	59,117
Lease liabilities	55,971	60,733	316,399	433,103
Total financial liabilities	249,648	74,733	417,516	741,897

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.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

	2023 TZS 'M'	2022 TZS 'M'
Borrowings (note 27)	129,836	70,000
Bank overdrafts (note 30)	14,634	14,732
Lease liabilities (note 31)	499,295	433,103
Less: Bank and cash balance (note 25)	<u>(21,618)</u>	<u>(9,404)</u>
Net debt	<u>622,147</u>	<u>508,431</u>
Total equity surplus	<u>379,680</u>	<u>295,902</u>
Gearing ratio	<u>1.64</u>	<u>1.72</u>

AIRTEL TANZANIA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Categorization of financial instruments as at 31 December 2023

	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	-	-	554,696	-	554,696
Intangible assets	-	-	250,737	-	250,737
Right of use	-	-	288,761	-	288,761
Deferred tax asset	-	-	138,783	-	138,783
Investments	-	-	1	-	1
Trade and other receivables	2,701	-	38,729	-	41,430
	<u>2,701</u>	<u>-</u>	<u>1,271,707</u>	<u>-</u>	<u>1,274,408</u>
Current assets					
Inventories	-	-	8,756	-	8,756
Trade and other receivables	74,359	-	77,048	-	151,407
Trade receivables	6,827	-	-	-	6,827
Prepayments	-	-	74,339	-	74,339
Receivables from related parties	39,081	-	-	-	39,081
Service & sale tax recoverable	-	-	2,709	-	2,709
Other receivables	28,451	-	-	-	28,451
Cash and cash equivalents	21,632	-	-	-	21,632
	<u>95,991</u>	<u>-</u>	<u>85,804</u>	<u>-</u>	<u>181,795</u>
Total assets	<u>98,692</u>	<u>-</u>	<u>1,357,511</u>	<u>-</u>	<u>1,456,203</u>
Equity and liabilities					
Equity					
Ordinary shares	-	-	-	48,235	48,235
Share premium	-	-	-	1,520	1,520
Retained earnings	-	-	-	329,925	329,925
Total equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>379,680</u>	<u>379,680</u>
Non-current liabilities					
Borrowings	-	107,438	-	-	107,438
Lease liabilities	-	447,817	-	-	447,817
Provisions	-	-	6,228	-	6,228
Trade and other payables – non current	-	10,772	56,445	-	67,217
Accrued expenses	-	28	-	-	28
Deferred revenue	-	-	5,212	-	5,212
Consortium deferred payment	-	10,605	-	-	10,605
Deferred spectrum fee	-	-	51,233	-	51,233
Other liabilities	-	139	-	-	139
	<u>-</u>	<u>566,027</u>	<u>62,673</u>	<u>-</u>	<u>628,700</u>
Current liabilities					
Trade and other payables	-	232,513	124,829	-	357,342
Trade payables	-	53,057	-	-	53,057
Accrued expenses	-	-	45,720	-	45,720
Deferred revenue	-	-	23,910	-	23,910
Payables to related parties	-	91,516	-	-	91,516
Customers deposits	-	-	19,388	-	19,388
Roaming payables	-	(21)	-	-	(21)
Other tax payables	-	-	15,835	-	15,835
Equipment supply payables	-	87,961	-	-	87,961
Deferred spectrum fee	-	-	16,119	-	16,119
Other payables	-	-	3,857	-	3,857
Borrowings	-	22,398	-	-	22,398
Bank overdraft	-	14,634	-	-	14,634
Current tax payable	-	-	1,971	-	1,971
Lease liabilities	-	51,478	-	-	51,478
	<u>-</u>	<u>321,023</u>	<u>126,800</u>	<u>-</u>	<u>447,823</u>
Total liabilities	<u>-</u>	<u>887,050</u>	<u>189,473</u>	<u>-</u>	<u>1,076,523</u>
Total equity and liabilities	<u>-</u>	<u>887,050</u>	<u>189,473</u>	<u>379,680</u>	<u>1,456,203</u>

AIRTEL TANZANIA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Categorization of financial instruments as at 31 December 2022

	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	-	-	489,673	-	489,673
Intangible assets	-	-	265,541	-	265,541
Right of use	-	-	240,013	-	240,013
Deferred tax asset	-	-	82,372	-	82,372
Investments	-	-	1	-	1
Trade and other receivables	2,104	-	39,030	-	41,134
	<u>2,104</u>	<u>-</u>	<u>1,116,630</u>	<u>-</u>	<u>1,118,734</u>
Current assets					
Inventories	-	-	248	-	248
Trade and other receivables	101,050	-	30,793	-	131,843
Trade receivables	11,416	-	-	-	11,416
Prepayments	-	-	28,099	-	28,099
Receivables from related parties	43,394	-	-	-	43,394
Service & sale tax recoverable	-	-	2,694	-	2,694
Other receivables	46,240	-	-	-	46,240
Cash and cash equivalents	9,405	-	-	-	9,405
	<u>110,455</u>	<u>-</u>	<u>31,041</u>	<u>-</u>	<u>141,496</u>
Total assets	<u>112,559</u>	<u>-</u>	<u>1,147,671</u>	<u>-</u>	<u>1,260,230</u>
Equity and liabilities					
Equity					
Ordinary shares	-	-	-	48,235	48,235
Share premium	-	-	-	1,520	1,520
Retained earnings	-	-	-	246,147	246,147
Total equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>295,902</u>	<u>295,902</u>
Non-current liabilities					
Borrowings	-	55,423	-	-	55,423
Lease liabilities	-	377,132	-	-	377,132
Provisions	-	-	5,792	-	5,792
Deferred revenue	-	-	5,992	-	5,992
Equipment supply payables	-	2,712	-	-	2,712
Other liabilities	-	-	56,405	-	56,405
	<u>-</u>	<u>435,267</u>	<u>68,189</u>	<u>-</u>	<u>503,456</u>
Current liabilities					
Trade and other payables	-	164,944	206,367	-	371,311
Trade payables	-	43,270	-	-	43,270
Accrued expenses	-	-	63,042	-	63,042
Deferred revenue	-	-	20,065	-	20,065
Payables to related parties	-	46,282	-	-	46,282
Customers deposits	-	-	2,918	-	2,918
Roaming payables	-	334	-	-	334
Other tax payables	-	-	11,137	-	11,137
Equipment supply payables	-	75,058	-	-	75,058
Deferred spectrum fee	-	-	80,211	-	80,211
Other payables	-	-	28,994	-	28,994
Borrowings	-	14,000	-	-	14,000
Bank overdraft	-	14,732	-	-	14,732
Current tax payable	-	-	4,858	-	4,858
Lease liabilities	-	55,971	-	-	55,971
	<u>-</u>	<u>249,647</u>	<u>211,225</u>	<u>-</u>	<u>460,872</u>
Total liabilities	<u>-</u>	<u>684,914</u>	<u>279,414</u>	<u>-</u>	<u>964,328</u>
Total equity and liabilities	<u>-</u>	<u>684,914</u>	<u>279,414</u>	<u>295,902</u>	<u>1,260,230</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. GOING CONCERN

During the year ended 31 December 2023, the Company reported a net profit of TZS 113,925 million (2022: TZS 262,423 million). As at 31 December 2023, The Company had retained earnings of TZS 329,924 million (2022: TZS 246,147 million) and net current liabilities of TZS 266,028 million (2022: TZS 319,376 million).

The Directors are confident that the Company has adequate resources are available for it to discharge its obligations as required and therefore consider it appropriate to prepare the financial statements on a going concern basis.

	2023 TZS 'M'	2022 TZS 'M'
7. SERVICE REVENUE		
Airtime revenue	285,813	275,684
Data Revenue	249,481	187,379
Value added services	65,675	54,419
Interconnect revenue	46,177	44,595
Roaming revenue	8,627	5,794
Site sharing revenue	1,343	1,031
Subscription revenue	5,212	3,912
Equipment Sales	820	471
Other revenue	7,568	4,166
	<u>670,716</u>	<u>577,451</u>
8. NETWORK OPERATION COST		
Leased lines Charges	18,051	15,077
Network support and maintenance cost	31,364	38,918
Sites rental Charges	74,960	59,715
Site energy Charges (fuel and grid electricity)	37,687	36,912
	<u>162,062</u>	<u>150,622</u>
9. ACCESS CHARGE		
Interconnection costs – Local	36,533	32,822
Interconnection costs – International	5,163	4,610
Roaming costs	751	46
	<u>42,447</u>	<u>37,478</u>
10. OTHER EXPENSES		
IT expenses	5,107	4,424
Management fees	22,216	15,306
Legal & Professional Charges	333	1,116
Customer service expenses	2,575	3,290
Rates and taxes**	(12,489)	21,617
Other operating expenses*	18,059	13,979
Impairment provision – trade receivables	(2,140)	(2,452)
	<u>33,660</u>	<u>57,280</u>

* Other operating expenses include costs not categorized above such as non-site repairs and maintenance, general travelling expenses, office rent, Director remuneration & sitting allowance, printing and stationeries, utility costs (not chargeable to transmission sites), and workplace refreshment and entertainment, etc.

** During the year ended 31 December 2023, The Company reversed additional provision for fiber consortium demand after final settlement.

AIRTEL TANZANIA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2023 TZS 'M'	2022 TZS 'M'
11. EMPLOYEE BENEFIT EXPENSES		
Wages and salaries	27,427	25,710
Social security costs – defined contribution scheme	1,795	1,821
Other employee emoluments and benefits	4,642	5,209
	<u>33,864</u>	<u>32,740</u>
12. SALES AND MARKETING COSTS		
Marketing and advertising expenses	9,396	9,039
Sales and distribution cost	72,246	66,415
Cost of handsets and accessories	2,173	953
	<u>83,815</u>	<u>76,407</u>
13. DEPRECIATION AND AMORTISATION		
Depreciation of property, plant and equipment (Note 18)	97,258	79,128
Amortisation of intangible assets (Note 19)	16,978	11,757
Depreciation of right-of-use assets (Note 20)	39,084	31,355
	<u>153,320</u>	<u>122,240</u>
14. OPERATING PROFIT		
The following items have been charged in arriving at operating profit:		
Key management personnel remuneration	7,675	7,002
Directors' fees and sitting allowance	206	187
Auditor's remuneration	300	253
	<u>8,181</u>	<u>7,442</u>
15. (a) FINANCE COST		
Derivative and Exchange Fluctuation Loss - realized	25,867	19,560
Derivative and Exchange Fluctuation Loss - unrealized	22,086	(12,054)
Interest on borrowings and bank overdraft	18,409	6,967
Interest on other financial liabilities	92	85
Interest expense – lease liability (Note 31)	26,145	21,021
Other Finance Charges	938	561
	<u>93,537</u>	<u>36,140</u>
(b) FINANCE INCOME		
Dividend income	28,226	61,032
Interest on bank deposits	582	292
	<u>28,808</u>	<u>61,324</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2023 TZS 'M'	2022 TZS 'M'
16. OTHER NON-OPERATING INCOME		
Other non-operating income	-	173,624

Other non-operating income represents gain on sale of telecommunication tower assets.

17. INCOME TAX

The Company had accumulated tax losses of TZS 136 billion as at 31 December 2023 (2022: TZS 222 billion).

Corporate Income Tax (CIT) is applicable in line with Section 19(2) of the Income Tax Act, 2004 whereas CIT is charged with the loss utilization capped at 70%.

	2023 TZS 'M'	2022 TZS 'M'
a) Income tax (credit)/expense		
Current tax:		
- Corporate income tax in respect to current year	11,837	7,798
- Corporate income tax in respect to prior year	67	-
- Corporate income tax on dividend received	1,415	3,052
	<u>13,319</u>	<u>10,850</u>
Deferred tax:		
- Deferred tax (credit)/charge	(56,411)	3,931
	<u>(43,092)</u>	<u>14,781</u>

Deferred tax relates to recognition of deferred tax on tax losses amounting to TZS 43,890 million on deductible temporary differences based on 10 years expected taxable profits available for utilization.

The income tax (credit)/expense differs from the theoretical amount that would arise using the basic tax rate on profit before tax as follows:

	2023 TZS 'M'	2022 TZS 'M'
b) Income tax reconciliation		
Profit before tax	70,833	277,204
Tax calculated at a tax rate of 30%	21,250	83,161
Tax effect of:		
Tax effect of expenses not deductible for tax purposes	298	4,700
Non-taxable income	(8,464)	(70,397)
Reversal of prior period provision (non-deductible)	(3,391)	(1,943)
Withholding tax on dividend	1,415	3,052
Deferred tax movement not recognized	-	(3,792)
Deferred tax based on projected profitability	(54,200)	-
	<u>(43,092)</u>	<u>14,781</u>
c) Income tax payable		
At 1 January	(4,858)	418
Current tax expense	(11,904)	(7,798)
Current income tax paid in respect to prior year	4,803	-
Current income tax paid during the year	9,706	2,306
Withholding tax recovered	282	216
At 31 December	<u>(1,971)</u>	<u>(4,858)</u>

18. PROPERTY, PLANT AND EQUIPMENT

	Installation network TZS 'M	Office equipment TZS 'M	Capital work in progress TZS 'M	Total TZS 'M
Year ended 31 December 2023				
Cost				
At 1 January 2023	1,341,370	196,204	54,001	1,591,575
Additions	-	-	162,281	162,281
Transfer in/(out)	124,874	12,985	(137,859)	-
Disposal	(7,000)	(7,321)	-	(14,321)
At 31 December 2023	1,459,244	201,868	78,423	1,739,535
Depreciation				
At 1 January 2023	922,369	179,533	-	1,101,902
Charge for the year	85,460	11,798	-	97,258
Disposal	(7,000)	(7,321)	-	(14,321)
At 31 December 2023	1,000,829	184,010	-	1,184,839
Net book value				
At 31 December 2023	465,415	17,858	78,423	554,696
Year ended 31 December 2022				
Cost				
At 1 January 2022	1,188,740	184,874	48,003	1,421,617
Additions	-	-	169,958	169,958
Transfer in/(out)	152,630	11,330	(163,960)	-
At 31 December 2022	1,341,370	196,204	54,001	1,591,575
Depreciation				
At 1 January 2022	848,967	173,807	-	1,022,774
Charge for the year	73,402	5,726	-	79,128
At 31 December 2022	922,369	179,533	-	1,101,902
Net book value				
At 31 December 2022	419,001	16,671	54,001	489,673

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. INTANGIBLE ASSETS

	Cellular license TZS 'M	Deferred Spectrum fee TZS 'M	Capital work in progress TZS 'M	Total TZS 'M
Year ended 31 December 2023				
Cost				
At 1 January 2023	70,573	71,208	150,467	292,248
Additions			2,174	2,174
Transfer in/(out)	<u>139,488</u>	<u>13,153</u>	<u>(152,641)</u>	<u>-</u>
At 31 December 2023	<u>210,061</u>	<u>84,361</u>	<u>-</u>	<u>294,422</u>
Amortization				
At 1 January 2023	11,478	15,229	-	26,707
Charge for the year	<u>8,742</u>	<u>8,236</u>	<u>-</u>	<u>16,978</u>
At 31 December 2023	<u>20,220</u>	<u>23,465</u>	<u>-</u>	<u>43,685</u>
Net book value				
At 31 December 2023	<u>189,841</u>	<u>60,896</u>	<u>-</u>	<u>250,737</u>
Year ended 31 December 2022				
Cost				
At 1 January 2022	69,929	37,632	-	107,561
Additions	-	-	184,687	184,687
Transfer in/(out)	<u>644</u>	<u>33,576</u>	<u>(34,220)</u>	<u>-</u>
At 31 December 2022	<u>70,573</u>	<u>71,208</u>	<u>150,467</u>	<u>292,248</u>
Amortization				
At 1 January 2022	6,769	8,181	-	14,950
Charge for the year	<u>4,709</u>	<u>7,048</u>	<u>-</u>	<u>11,757</u>
At 31 December 2022	<u>11,478</u>	<u>15,229</u>	<u>-</u>	<u>26,707</u>
Net book value				
At 31 December 2022	<u>59,095</u>	<u>55,979</u>	<u>150,467</u>	<u>265,541</u>

20. RIGHT-OF-USE ASSET

	Property, plant and equipment TZS 'M'	Others TZS 'M'	Total TZS 'M'
Year ended 31 December 2023			
At 1 January 2023	236,991	3,022	240,013
Additions	87,581	219	87,800
Depreciation charge for the year	(38,675)	(409)	(39,084)
Adjustment	32	-	32
At 31 December 2023	<u>285,929</u>	<u>2,832</u>	<u>288,761</u>
Year ended 31 December 2022			
At 1 January 2022	105,343	1,333	106,676
Additions	319,582	2,198	321,780
Deferred gain on lease back of towers	(157,088)	-	(157,088)
Depreciation charge for the year	(30,846)	(509)	(31,355)
At 31 December 2022	<u>236,991</u>	<u>3,022</u>	<u>240,013</u>

21. 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 deferred tax asset of TZS 176,327 million as at 31 December 2023 (2022: TZS 210,337 million). The net deferred tax asset recognized in the books have been recognized basing on the 10 years' profitability forecasts while the remaining deferred tax asset has not been recognized in these financial statements.

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

	2023 TZS 'M'	2022 TZS 'M'
Accelerated capital allowances	(346,838)	(359,744)
Allowance for doubtful debts	(14,249)	(16,861)
Bonus provisions	(2,997)	(4,834)
Provision for other expenses	(65,397)	(35,887)
Asset retirement obligation	(103)	(98)
Unrealized foreign exchange differences	(22,086)	-
Tax losses carried forward	<u>(136,085)</u>	<u>(222,168)</u>
	(587,755)	(639,592)
Other temporary difference adjustment		(61,531)
Net deductible temporary differences	<u>(587,755)</u>	<u>(701,123)</u>
Deferred tax asset at 30%	(176,327)	(210,337)
Less: Deferred tax asset not recognized	<u>37,543</u>	<u>127,965</u>
Deferred tax asset	<u>(138,784)</u>	<u>(82,372)</u>

AIRTEL TANZANIA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2023 TZS 'M'	2022 TZS 'M'
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22. INVESTMENTS

Shares in Airtel Money Tanzania Limited	<u>1</u>	<u>1</u>
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The investment relates 1,000 shares owned in Airtel Money Tanzania Limited (AMTL) which represents 0.2% of the shareholding. Shares have a nominal amount of TZS 1,000 each and are fully paid for. Principal place of business and country of incorporation for Airtel Money Tanzania Limited is the United Republic of Tanzania.

Before restructuring, Airtel Money Tanzania Limited shareholding structure comprised of 500,000 authorized shares of TZS 1,000 each.

Out of those 500,000 shares, 1,000 shares of TZS 1000/- each were issued and fully paid up shares (i) 999 shares to the Company (99.9%) and 1 share to Bharti Airtel Tanzania B.V (0.1%)

In 2023 shareholders of Airtel Money Tanzania Limited resolved to restructure the shareholding such that; the Government of Tanzania through Treasury Registrar of Government of Tanzania has 244,510 of all the shares of AMTL (48.9%), Airtel Mobile Commerce Tanzania B.V has 254,490 of all the AMTL shares (50.9%) and Airtel Tanzania Plc has 1,000 of all the shares of AMTL (0.2%). The restructuring was completed in the month of June 2023

	2023 TZS 'M'	2022 TZS 'M'
23. INVENTORIES		
Devices	2,496	878
SIM cards	6,903	897
Provision for obsolete inventory	<u>(643)</u>	<u>(1,527)</u>
	<u>8,756</u>	<u>248</u>

The inventories balances relate to modems and routers, mobile handsets and SIM cards.

24. TRADE AND OTHER RECEIVABLES

a) Current assets

Roaming debtors	2,752	4,446
Interconnect debtors	10,822	11,747
Post paid debtors	7,165	9,448
Site sharing debtors	902	2,699
Prepayments	74,338	28,099
Due from related parties (note 34 (iii))	39,081	43,394
Service and sale tax recoverable	2,709	2,695
Other receivables*	<u>28,451</u>	<u>46,239</u>
	166,220	148,767
Allowance for impairment losses	<u>(14,813)</u>	<u>(16,924)</u>
	<u>151,407</u>	<u>131,843</u>

* Other receivables include TZS 17,236 million towards balance consideration receivable from buyer of tower assets on legal handover of balance sites (2022 : 40,397 million).

b) Non-current assets

Prepayments	38,729	39,030
Other receivables	2,701	2,133
Allowance for impairment losses	<u>-</u>	<u>(29)</u>
	<u>41,430</u>	<u>41,134</u>

AIRTEL TANZANIA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2023 TZS 'M'	2022 TZS 'M'
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24. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

Movements on the allowance for impairment of trade receivable are as follows:

At January	16,952	19,404
Release during the year	(2,139)	(2,452)
Written off during the year	-	-
	<u>14,813</u>	<u>16,952</u>
At 31 December	<u>14,813</u>	<u>16,952</u>

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

	Neither past due nor impaired	Past due but not impaired		Impaired	Total
	Less than 30 days TZS 'M'	30 to 60 days TZS 'M'	60 to 90 days TZS 'M'	Above 90 days TZS 'M'	TZS 'M'
At 31 December 2023	<u>6,094</u>	<u>6,583</u>	<u>17,962</u>	<u>14,813</u>	<u>45,452</u>
At 31 December 2022	<u>7,318</u>	<u>7,244</u>	<u>4,801</u>	<u>16,952</u>	<u>36,315</u>

25. CASH AND CASH EQUIVALENTS

	2023 TZS 'M'	2022 TZS 'M'
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For the purpose of the statement of cash flows, cash and short-term deposits are made up as follows:

Cash at bank	16,399	7,407
Balance held in wallets	2,202	1,787
Fixed Deposit	3,012	-
Restricted cash at bank	13	206
Cash in hand	5	5
	<u>21,631</u>	<u>9,405</u>
Bank and cash balances	21,631	9,405
Bank overdraft (note 30)	<u>(14,634)</u>	<u>(14,732)</u>
Cash and cash equivalents	<u>6,997</u>	<u>(5,327)</u>

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

26. SHARE CAPITAL AND PREMIUM

Authorized:

250,000,000 ordinary shares of TZS 200 each (2022: 250,000,000 ordinary shares of TZS 200)

<u>50,000</u>	<u>50,000</u>
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Issued and paid up:

241,176,471 ordinary shares of TZS 200 each (2022: 241,176,471 ordinary shares of TZS 200)

<u>48,235</u>	<u>48,235</u>
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Share premium

<u>1,520</u>	<u>1,520</u>
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27. BORROWINGS

	2023 TZS 'M'	2022 TZS 'M'
(a) Non-current Secured		
Long term loan	131,196	70,000
Less :		
Current portion of Long term loan	22,398	14,000
Debt origination cost	1,360	577
	<u>23,758</u>	<u>14,577</u>
As at 31 December	<u>107,438</u>	<u>55,423</u>
(b) Current Unsecured		
Current portion of Long term loan	22,398	14,000
As at 31 December	<u>22,398</u>	<u>14,000</u>

(c) Movement in borrowings:

2023	At 1 January TZS 'M'	Drawdown TZS 'M'	Repayment TZS 'M'	Upfront fee TZS 'M'	Amortization TZS 'M'	At 31 December TZS 'M'
Term loan	70,000	79,409	(18,213)	(1,470)	110	129,836
Shareholder loan	-	-	-	-	-	-
	<u>70,000</u>	<u>79,409</u>	<u>(18,213)</u>	<u>(1,470)</u>	<u>110</u>	<u>129,836</u>
2022	At 1 January TZS 'M'	Drawdown TZS 'M'	Repayment TZS 'M'	Exchange loss TZS 'M'	Write off TZS 'M'	At 31 December TZS 'M'
Term loan	-	70,000	-	-	-	70,000
Shareholder loan	1,102,110	-	(244,084)	740	(858,766)	-
	<u>1,102,110</u>	<u>70,000</u>	<u>(244,084)</u>	<u>740</u>	<u>(858,766)</u>	<u>70,000</u>

- (i) Long Term loan – It comprise of five years term loan facility amounting to TZS 128,000 million taken from Stanbic Bank Tanzania Limited on 19 October 2022 and November 2023. Facility is secured with first ranking debenture over all assets of the Company covering the Facility by 125%; attracting interest of 6 months T Bill rate plus margin of 4.25% with floor rate of 11.7%. Out of the total facility TZS 70,000 Million and 29,409 million was withdrawn on 31 December 2022 and 18 November 2023 respectively with total undrawn balance of TZS 28,591. Repayment of both principal and interest will be semi-annually.
- (ii) Long Term loan – It comprise of five years term loan facility amounting to TZS 50,000 million taken from NMB Bank Tanzania Limited (30,000million in February 2023, 15,000million in April 2023 and 5,000million in September 2023. Facility is secured with first ranking debenture over all assets of the Company covering the Facility by 125%; attracting monthly interest of T Bill rate plus margin of 4.25% with floor rate of 11.7%. The entire facility was withdrawn during the year ended 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. PROVISIONS

	Asset retirement obligation TZS 'M'	Probable liabilities TZS 'M'	Total TZS 'M'
At January 2023	280	5,512	5,792
Provision for the year	<u>5</u>	<u>431</u>	<u>436</u>
At 31 December 2023	<u>285</u>	<u>5,943</u>	<u>6,228</u>
At January 2022	249	11,837	12,086
Provision for the year	31	282	313
Provision utilized*	<u>-</u>	<u>(6,607)</u>	<u>(6,607)</u>
At 31 December 2022	<u>280</u>	<u>5,512</u>	<u>5,792</u>

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

The key assumption used in determining the provisions is legal and tax cases provisions which are estimated by the Company's lawyers based on their professional expertise.

* provision utilized include reversal of provision towards tax cases with Tanzania Revenue Authority amounting to TZS 6,607 for financial year ended 31 December 2022, respectively.

29. TRADE AND OTHER PAYABLES

a) Current liabilities

	2023 TZS 'M'	2022 TZS 'M'
Trade payables	53,057	43,270
Accrued expenses	45,720	63,043
Deferred revenue	23,910	20,065
Due to related parties (Note 35 (iv))	91,516	46,282
Customers deposits	19,388	2,917
Roaming payables	(21)	334
Other taxes payable*	15,835	11,137
Payable to equipment suppliers	87,961	75,058
Deferred spectrum fee	16,119	80,211
Other payables	<u>3,857</u>	<u>28,994</u>
	<u>357,342</u>	<u>371,311</u>

b) Non-current liabilities

Accrued expenses	28	28
Payable to equipment suppliers	-	2,712
Deferred spectrum fee	51,233	56,271
Consortium deferred payment	10,605	56,271
Deferred revenue	5,212	5,992
Other payables	<u>139</u>	<u>106</u>
	<u>67,216</u>	<u>65,109</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. TRADE AND OTHER PAYABLES (Continued)

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

* Other taxes payable include value added tax, excise duty, withholding tax and levy.

	2023 TZS 'M'	2022 TZS 'M'
30. BANK OVERDRAFT		
Unsecured		
Standard Chartered Bank Tanzania Limited	<u>14,634</u>	<u>14,732</u>
	<u>14,634</u>	<u>14,732</u>

i) The Company has an unsecured overdraft facility with Standard Chartered Bank Limited with an authorised limit of USD 10 million. The overdraft facility attracts interest at a rate of 5.234% per Annum + 3 month SOFR rate.

ii) The Company has an unsecured overdraft facility with National Bank of Commerce Limited with an authorised limit of TZS 10 billion. The overdraft facility attracts interest at a rate of 4% per annum above 6 months treasury bill rate.

	2023 TZS 'M'	2022 TZS 'M'
31. LEASE LIABILITIES		
At 1 January	433,103	135,618
Addition	87,800	321,780
Interest accrued	26,145	21,021
Foreign exchange loss	31,319	2,868
Payment made	<u>(79,072)</u>	<u>(48,184)</u>
At 31 December	<u>499,295</u>	<u>433,103</u>
Current	51,478	55,971
Non-current	<u>447,817</u>	<u>377,132</u>
	<u>499,295</u>	<u>433,103</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2023 TZS 'M'	2022 TZS 'M'
31. LEASES (CONTINUED)		
i. As a Lessee		
Lease liabilities		
Maturity analysis:		
Less than one year	74,773	76,349
Later than one year but not later than two years	76,039	63,052
Later than two years but not later than five years	208,922	169,620
Later than five years but not later than nine years	211,321	212,557
Later than nine years	<u>28,115</u>	<u>11,756</u>
Total undiscounted lease liabilities	<u>599,170</u>	<u>533,334</u>
Lease liabilities included in the statement of financial position	<u>499,295</u>	<u>433,103</u>
Interest expense on lease liabilities	<u>26,145</u>	<u>21,021</u>
Total cash outflow for leases in statement of cash flows		
Amounts recognised in the statement of cash flows		
Total cash outflow for leases	<u>79,070</u>	<u>48,184</u>
ii. As a lessor		
The Company's lease arrangements as a lessor mainly pertain to passive infrastructure.		
Operating lease		
Lease income recognised in profit or loss	<u>1,343</u>	<u>1,031</u>
The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:		
Less than one year	-	1,102
One to five years	1,229	4,051
More than five years	<u>9,003</u>	<u>3,370</u>
Total	<u>10,232</u>	<u>8,523</u>

32. CONTINGENT LIABILITIES

As at 31 December 2023 the Company issued performance bank guarantees amounting to TZS 8,603 million (2022: TZS 78 million), required to participate for mobile service tenders. In the opinion of the Directors and Company's legal counsel, no material liabilities are expected to crystallize from these Bank Guarantee. Consequently, no provision has been made against the performance bank guarantee in the financial statements.

There were no other contingent liabilities that the directors are aware as at 31 December 2023 (2022: Nil)

33. CAPITAL COMMITMENTS

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

Undelivered purchase orders	<u>53,842</u>	<u>67,446</u>
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Most of the capital commitments will be funded through the available credit facilities.

34. RELATED PARTY TRANSACTIONS AND BALANCES

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. Balances at year end were as follows:

AIRTEL TANZANIA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

i) Amounts due from related parties

Name	Nature of transactions	Relationship	2023 TZS 'M'	2022 TZS 'M'
Airtel Tchad S.A.	Interconnect & Roaming Services	Fellow Subsidiary	2	2
Airtel Seychelles Limited	Interconnect & Roaming Services	Fellow Subsidiary	2,105	1,457
Airtel Congo (RDC) S.A.R.L.	Interconnect & Roaming Services	Fellow Subsidiary	839	779
Airtel Networks Kenya Limited	Interconnect & Roaming Services	Fellow Subsidiary	14,941	14,755
Airtel Madagascar S.A.	Interconnect & Roaming Services	Fellow Subsidiary	514	478
Airtel Malawi Limited	Interconnect & Roaming Services	Fellow Subsidiary	7,273	10,943
Airtel Niger S.A.	Interconnect & Roaming Services	Fellow Subsidiary	9	-
Airtel Networks Limited – Nigeria	Interconnect & Roaming Services	Fellow Subsidiary	-	728
Airtel Uganda Limited	Interconnect & Roaming Services	Fellow Subsidiary	123	62
Airtel Zambia PLC	Interconnect & Roaming Services	Fellow Subsidiary	639	486
Airtel Rwanda Limited	Interconnect & Roaming Services	Fellow Subsidiary	82	59
Bharti Airtel Limited	Interconnect, Roaming, Signalling & Lease line/Bandwidth	Intermediate Parent	1,110	904
Bharti International Singapore Pte Limited	Interconnect, Roaming, Signalling & Leaseline/Bandwidth	Fellow Subsidiary	238	210
Bharti Airtel UK	Interconnect, Roaming, Signalling & Leaseline/Bandwidth	Fellow Subsidiary	1,197	1,862
Bharti Airtel International (Netherlands) B.V	Interconnect, Roaming, Signalling & Leaseline/Bandwidth	Intermediate Parent	13	493
Airtel Money Tanzania Limited	Dividend Receivable	Fellow Subsidiary	8,083	10,094
Airtel Congo S.A.	Interconnect & Roaming Services	Fellow subsidiary	106	61
Bharti Airtel Services Ltd	Manpower services	Fellow Subsidiary	-	21
Airtel Africa Services (UK) Ltd (Dubai)	Cross charge	Fellow Subsidiary	43	-
Airtel Networks Limited	Interconnect, Roaming, Signalling & leaseline/Bandwidth	Fellow Subsidiary	1,764	-
			39,081	43,394

AIRTEL TANZANIA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

ii) Amounts due to related parties

Name	Nature of transaction	Relationship	2023 TZS 'M'	2022 TZS 'M'
Airtel Congo S.A.	Interconnect & Roaming Services	Fellow Subsidiary	67	1,733
Airtel Congo (RDC) S.A.R.L.	Interconnect & Roaming Services	Fellow Subsidiary	1,844	44
Airtel Networks Kenya Limited	Interconnect & Roaming Services	Fellow Subsidiary	1,394	1,931
Airtel Madagascar S.A.	Interconnect & Roaming Services	Fellow Subsidiary	17	15
Airtel Malawi Limited	Interconnect & Roaming Services	Fellow Subsidiary	2,129	1,945
Airtel Networks Limited - Nigeria	Interconnect & Roaming Services	Fellow Subsidiary	-	197
Airtel Uganda Limited	Interconnect & Roaming Services	Fellow Subsidiary	907	846
Airtel Zambia PLC	Interconnect & Roaming Services	Fellow Subsidiary	719	50
Airtel Seychelles Limited	Interconnect & Roaming Services	Fellow Subsidiary	1	-
Airtel Rwanda Limited	Interconnect & Roaming Services	Fellow Subsidiary	174	44
Airtel Africa Telesonic Holdings B.V.	Fiber	Fellow Subsidiary	-	8,553
Bharti Airtel International (Netherlands) B.V.	Management Fees and Credit Facility	Intermediate Parent	7,017	6,526
Bharti International Singapore Pte Limited	Interconnect, Roaming, Signalling & Leaseline/Bandwidth	Fellow Subsidiary	(4)	32
Airtel Money Tanzania Limited	Cross Charge	Fellow Subsidiary	22,661	3,346
Bharti Airtel Limited	Interconnect, Roaming, Signalling & Leaseline/Bandwidth	Intermediate Parent	84	443
Network 121 Limited	Leaseline/Bandwidth	Intermediate Parent	5,273	2,411
Bharti Airtel UK	Interconnect, Roaming, Signalling & Leaseline/Bandwidth	Fellow Subsidiary	372	932
Airtel Africa Services (UK) Limited Dubai	Management Fees	Fellow Subsidiary	38,056	16,888
Nxtra Data Limited	Network Data Maintenance	Fellow Subsidiary	74	10
Airtel Mobile Commerce B.V	Cross Charge	Fellow Subsidiary	10,404	335
Bharti Airtel Services Limited	Manpower services	Fellow Subsidiary	114	1
Airtel Networks Limited	Interconnect, Roaming, Signalling & Leaseline/Bandwidth	Fellow Subsidiary	213	-
			<u>91,516</u>	<u>46,282</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

iii) 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.

	2023 TZS 'M'	2022 TZS 'M'
Salaries and other short-term employment benefits	<u>7,675</u>	<u>7,002</u>

iv) Directors' remuneration

Directors' fees and sitting allowance	<u>206</u>	<u>187</u>
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35. EARNINGS PER SHARE - BASIC AND DILUTED

Basic earnings per share is calculated on the profit 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 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 profit and shares used in the basic and diluted earnings per share computations:

	Unit	2023	2022
Profit after tax attributable to ordinary equity holder	TZS 'M'	113,925	262,423
Weighted average number of shares	No. '000'	<u>241,176</u>	<u>241,176</u>
Earnings Per Share - Basic and Diluted	TZS '000'	<u>0.472</u>	<u>1.088</u>

36. DIVIDEND

The Board of directors of Airtel Tanzania Plc propose the payment of a final dividend of TZS 20,000 million (TZS 83 per issued share) in respect of the year ended 31 December 2023. The proposed dividend of TZS 20,000 million is subject to approval by the shareholders at the Annual General Meeting.

During the year ended 31 December 2022 the Company paid TZS 180,882 million towards final dividend declared for the years ended 31 December 2021 and TZS 42,275 million as special dividend out of tower sale proceeds. The total dividend paid during the year ended 31 December 2023 was TZS 30,147 million (2022: TZS 223,157 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37. 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 3 November 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.

38. COMPARATIVE FIGURES

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