

AIRTEL TANZANIA PLC

REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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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

GROUP 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<sup>rd</sup> Floor, Aris House, Plot No 152, Haile Selassie Road, Oysterbay  
P.O. Box 1559  
Dar es Salaam

GROUP 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, 9<sup>th</sup> 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  
3<sup>rd</sup> 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

# AIRTEL TANZANIA PLC

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2022

### 1. INTRODUCTION

The Directors submit their report together with the consolidated financial statements for the year ended 31 December 2022 which disclose the state of financial affairs of Airtel Tanzania PLC (“the Company”) and its subsidiary Airtel Money Tanzania Limited (collectively referred to as “the Group”).

The mission of the Group 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 Group is “connected people are inspired people”. The Group 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 while the subsidiary was incorporated in Tanzania on 10 June 2016 and has been granted electronic money issuer licence No. LB 422/535/11 by the Bank of Tanzania (BOT) on 18 September 2018.

### 2. PRINCIPAL ACTIVITY

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

### 3. RESULTS AND DIVIDEND

The financial results of the year are set out on page 16 and Dividend on note 35 of the financial statements.

The Directors propose the payment of a final dividend of TZS 30,147 million (TZS 125 per issued share) in respect of the year ended 31 December 2022 (2021: TZS 180,882 million).

### 4. FUTURE DEVELOPMENT PLAN

The Group will continue to offer voice, data and value-added services to its subscribers and implement effective marketing and promotion techniques.

### 5. SHAREHOLDING OF THE COMPANY

The Company had two shareholders throughout the year to 31 December 2022 (2021: 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 2022 and 31 December 2021 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>	

## REPORT OF THE DIRECTORS (CONTINUED)

## 6. DIRECTORS

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

Name	Position	Qualifications	Age	Nationality	Date appointed	Date Resigned	Appointed by
Gabriel Pascal Malata	Chairman**	LL.M	50	Tanzanian	30 January 2020	15 January 2023	Treasury Registrar
George Mathen	Managing Director*	Masters in Business Administration	52	Indian	1 November 2019	15 February 2022	Bharti Airtel Tanzania B.V.
Dinesh Balsingh	Managing Director*	Masters in Business Administration	49	Indian	15 February 2022	N/A	Bharti Airtel Tanzania B.V.
Mukesh Bhavnani	Member**	Masters in Law	67	Indian	16 July 2019	N/A	Bharti Airtel Tanzania B.V.
Ian Basil Ferrao	Member**	Bsc. Management Science	40	British	23 September 2019	11 October 2022	Bharti Airtel Tanzania B.V.
Lekinyi Ngariapusi Mollel	Member**	Masters in Economics	50	Tanzanian	11 June 2019	N/A	Treasury Registrar
Jaideep Paul	Member**	Commerce Graduate, Chartered Accountant	60	Indian	1 March 2015	N/A	Bharti Airtel Tanzania B.V.
John Marato Sausi	Member**	Masters in Computer Science	44	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	51	Tanzanian	15 January 2023	N/A	Treasury Registrar

\* Executive

\*\* Non-executive

The Company Secretary as at 31 December 2022 was David Marco Lema.

## 7. CORPORATE GOVERNANCE

The Board of Directors ("the Board") consists of one Executive Directors and six Non-Executive Directors. The Board takes overall responsibility for the Group, 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 Group's operational activities, acting as a medium of communication and coordination between all the various business units. The Board met nine times during the year. Major issues discussed during the meetings are:

- Performance review;
- Approval of annual plans;
- Business challenges;
- Update on progress of Group's tower assets;
- Network needs including spectrum and related resources; and
- Financing of the Group.

REPORT OF THE DIRECTORS (CONTINUED)

**7. CORPORATE GOVERNANCE (CONTINUED)**

The Group 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 Board Audit Committee which constitutes two executive director and one non-executive director, to ensure a high standard of corporate governance throughout the Group. The Board Audit committee is required to meet four times in a year. The Board Audit Committee met four times during the year.

**8. RISK MANAGEMENT AND INTERNAL CONTROL**

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

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

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance with such measures by staff. Whilst no system, of internal control can provide absolute assurance against misstatement or losses, the Group's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively. The Board assessed the internal control systems throughout the financial year ended 31 December 2022 and is of the opinion that they met accepted criteria. The Board carries out risk and internal control assessment through the Board Audit Committee.

**9. COMPLIANCE WITH LAWS AND REGULATIONS**

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

**10. WELFARE OF EMPLOYEES**

**(i) Employee engagement**

The Group continued to take all the necessary precaution as a Group to secure the safety of staff after pandemic by ensuring that staff are well informed and updated with all necessary information available on Covid – 19 and open to engaging activities which brings diversified culture and conducive working environment.

During the year Airtel Africa conducted engagement survey and Tanzania operation emerged as one of the most engaged Operation countries under Airtel Africa with a score of 91% which grew from 88% in 2020. The result has been progressive due to initiatives on diversity and inclusion, agile operations, Staff Well-being, sustainability pillars that creates digital and financial inclusion and many other aspects that staff considered engaging.

With the objective to enhance teamwork, collaboration, interdepartmental bonding, creating a social environment and work life balance, various activities were conducted and one of the events was team day out, which resulted in very positive impact on all employees.

Compared to financial year 2021, financial year 2022 was a progressive on staff welfare and the Group had taken all initiatives defined in the core values as a business which concurrently translate into business operations.

REPORT OF THE DIRECTORS (CONTINUED)

10. WELFARE OF EMPLOYEES (CONTINUED)

(ii) Training

During the year more than 75 courses were conducted by various training organisations (Centum Pty, National Board of Accountancy and Auditors, Occupation Safe health, Associate Tanzania Employer). Apart from these training, employee completed almost 1,770 courses via e-learning platform which the Group subscribed for all employees to have access. The Group invested more than 5,000 e-learning modules for development of functional skills in E-Learning mode for employees to have learning flexibility and enhance their skills to improve business performance.

The Group has also put more emphasis on mandatory/Compliance training in order to equip employees with necessary knowledge and skills to reduce Group's business risks and comply with international standards and Government guidelines. It's a requirement under the law that all staff (Airtel Tanzania Plc) must regularly be trained on their provisions, changes in applicable laws and regulations. In compliance with the legal and regulatory requirement, the Group designed these courses to sensitize all employees on the below compliance programs and remind employees on their obligations.

The following mandatory training programs were provided during the year:

- Anti-Bribery and Anti-Corruption policy 2022.
- Code of Conduct Training 2022.
- Anti-Fraud Policy June 2022.
- Information Security Training 2022.
- Anti-Money Laundering Training 2022.

In addition, compliance trainings has also remained the focus in this year by making sure that employees were well trained to comply with health and safety requirements; hence the following trainings were conducted:

- First Aid Training;
- Fire Marshal Training;
- Fire Awareness Training;
- Safety representative Trainings

(iii) Employee benefits and employee motivation

In recognition to employee's effort and services, The Group continued rewarding staff with a milestone instantly through spot awards, which for this financial year 76 Staffs were spotted & rewarded. Commercial and other functions performance were rewarded through regular quarterly townhall meeting which creates a winning culture.

To support employee wellbeing as a non-tangible benefit, The Group has been enrolled to GYM subscriptions through medical insurance creating a good dynamic on work life balance. Motivation has also been around leave management to ensure that staff can request and go on leave as required by the policy and hence more productivity.

Short and long-term incentives such as bonus and commission payout varied between employees and Group's performance. For last financial year, although Group did not achieve desired performance target, however all staffs were granted an ex-gratia performance bonus in recognition of their effort and commitment.



REPORT OF THE DIRECTORS (CONTINUED)

11. GENDER PARITY

As at 31 December 2022, the Group had 228 employees, out of which 50 were female and 178 were male (2021: 224 employees, out of which 48 were female and 176 were male).

Gender Parity	2022		2021	
	Count	%	Count	%
Female	50	22	48	21
Male	178	78	176	79
<b>Total employees</b>	<b>228</b>	<b>100</b>	<b>224</b>	<b>100</b>

12. POLITICAL AND CHARITABLE DONATIONS

The Group did not make any political donation during the year. However, the Group made charitable donations to Government and general public with the aim of transforming lives and enabling communities through various initiatives linking with state of art the Airtel innovation technology through products, and services that Group offers.

The Group Corporate Social Responsibility initiatives were based on – Health and Education pillars.

During the year ended December 2022, in support of Government education initiatives, Group partnered with UNICEF to drive special project of connecting all schools in Tanzania dubbed Airtel SMART WASOMI – (Wasomi is a swahili word meaning scholars). The purpose of this project is to accelerate digital learning across Tanzania by connecting all schools in Tanzania with Airtel SUPA 4G. All educational learning platform are zero rated by Airtel SUPA 4G with a view to improve accessibility.

Under this project Airtel is also working in partnership with Tanzania Institute of Education (TIE) and Shule Directs; an organization with certified syllabus educational learning material from TIE Library, official websites (<https://ol.tie.go.tz> and [www.shuledirect.co.tz](http://www.shuledirect.co.tz)) is now free for all student to use.

13. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Group 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 as listed below.

Airtel FURSA-VSOMO - (V stand for VETA while SOMO a Swahili word means Subject) Airtel continues its partnership 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 the new developed mobile application used to provide vocational training through smart phones. Since its Launch in June 2016, (The Application software has reached 51,857 downloads with 17,493 registered users and enrolment and certified 2,700 students). It offers 16 vocational courses in different fields. currently there are about 530 sponsorship fund from OCODE for 530 VSOMO students to learn Vulnerable skills course at Dar es Salaam-Ubungo District (2020- 2022), Helvetas also funded VSOMO to train 600 vulnerable youth in vocational skills at Dodoma and Singida (2022- 2023) and another NGO joined the Airtel VSOMO learning platform by funding 1,400 trainees in vocational skills at Dodoma and Singida (2022 – 2024) about 406 trainees continue with online sessions

13. CORPORATE SOCIAL RESPONSIBILITY (CSR) (CONTINUED)

**DTBi and AIRTEL FURSA LAB DATA**

Airtel Fursa lab: The Group through Airtel FURSA has partnered with Dar Teknohama Business Incubator (DTBi) to set up a technology incubator at Kijitonyama Secondary School. This is ongoing project which aims at enabling young entrepreneurs to have better cognitive capacity through coding and developing digital solutions in their community.

The lab has conducted training to over 2,627 (1,270 Male and 1,357 Female). Participants include students in primary and secondary schools, teachers, and entrepreneurs to uplift their skills and business prospects.

The followings are the projects for 2022:

- (i) From January 2022 to February 2022 - ICT, Innovation and entrepreneurship skills to youth basic computer skills, basic graphics design website skills and Innovation skills: awarded certificate under DTBI and AIRTEL; total participants 18 (6 males and 12 females)
- (ii) In February 2022 - Technology novation girl's program, ICT development skills to Kijitonyama girl's students in innovation and entrepreneurship total Participants were 75 (50 were males and 25 females)
- (iii) In March 2022 - Smart Girls program ICT development skills to Kijitonyama girl's students in innovation and entrepreneurship; total participant were 60 (27 were males and 33 females)
- (iv) From March 2022 to April 2022 - ICT development skills to Kijitonyama students (Introduction to computer) form 1 students total participants 486 (236 males and 266 females)
  - Form II students: total participants 386 (178 males and 208 females)
  - Form III students: total participants 223 (103 males and 120 females).
- (iv) Form May 2022 to June 2022 - ICT, innovation and entrepreneurship skills to youth basic computer skills, basic graphics design, website total Participants (16 males were 9 and females 7.)
- (v) From June 2022 to July 2022 - ICT, innovation and entrepreneurship skills to youth basic computer skills, basic graphics design, website skills and innovation skills: awarded certificate under DTBI and Airtel: total participants were 15 (7 were males and 8 females)
- (vi) In August 2022 - summer coding and robotics boot camp2022 (Introduction to computer coding and robotics program) total participant were 5 all males.
- (VI) From September 2022 to December 2022 - African code challenge 2022 (introduction to scratch programming language students training workshop).

AIDS Helpline- Mobile Health solution to SAVE LIFE: The Group is supporting the national AIDS Helpline, 117 AIDS Helpline is a toll free national service providing telephone based service providing counselling, information and referral to other services in relation to HIV counselling and testing, prevention of mother-to-child transmission (PMTCT), Sexual Transmitted Infections, Gender based violence, antiretroviral treatment, behavior change and possible avenues for treatment including rapid referrals to other services free of charge to callers across the country (Tanzania). Primary beneficiaries of this programs are people living with HIV, key and vulnerable population including commercial sex workers, injecting drug users, adolescent girls, young women, and men.

For the last 5 years Airtel supported more than 2,567,829 to access the service however from January to December 2022 the total of 397,202 callers were reached through IVR, 42,703 through directive telephone counselling and the total of 370,082 Individuals were reached through SMS services on different health topics including Antiretroviral Treatment, VMMC, Sexual Reproductive Health, HIV Prevention, HIV Testing and TB. Dodoma Uhuru Hospital support: Airtel Tanzania through the Bharti Foundation donated USD 1 million to the Government of the United Republic of Tanzania to support the community activities.

REPORT OF THE DIRECTORS (CONTINUED)

**14. SOLVENCY**

The Board of Directors confirms that the financial statements comply with International Financial Reporting Standards (IFRS) and have been appropriately prepared on the going concern basis. The Board of Directors has reasonable expectation that Airtel Tanzania PLC and its subsidiaries have adequate support from the shareholders to continue in operational existence for the foreseeable future.

**15. GOING CONCERN**

During the year ended 31 December 2022, the Group reported a net profit of TZS 261,924 million (2021: TZS 240,535 million). As at 31 December 2022, the Group had retained earnings of TZS 259,330 million (2021: accumulated losses of TZS 723,183 million) and net current liabilities of TZS 318,876 million (2021: TZS 1,237,334 million).

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

- i. Will generate cash inflows from operations of at least the amount projected in the management's annual operating plan. The generation of sufficient cash flows from operations is driven by and is dependent on management achieving operational targets on subscriber numbers, churn rate and average revenue per user; and
- ii. Will continue to obtain funding from third parties including banks.

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

**16. RELATED PARTY TRANSACTIONS AND BALANCES**

Transactions and balances with related parties are disclosed in note 34 to the financial statements.

**17. UPDATE ON SETTLEMENT AGREEMENT**

During the year ended 31 December 2019, the Government of The United Republic of Tanzania ('GoT'), Bharti Airtel Tanzania B.V. ('BATBV') and Airtel Tanzania PLC ('ATZ') executed agreements to resolve all disputes.

These mainly cover the following:

- i. ATZ will pay a special dividend to its shareholders in proportion of their shareholding of up to 25% EBITDA based on its audited financial statements for the financial year ended 31 December 2019 subject to applicable laws;
- ii. A valid listing waiver from listing of shares on Dar es Salaam stock exchange will be provided to ATZ and the other entities related to ATZ in accordance with the laws of Tanzania. Furthermore, in case of future listing, the BATBV shares in ATZ will not be subject to listing;
- iii. Tanzania Revenue Authority (TRA) has various tax claims against ATZ of approximately USD 47 million will; subject to verification and consideration of the records, be treated as settled without any further liability;
- iv. ATZ will be issued a one-time tax clearance certificate in regard to tax disputes in respect of all historical tax claims up to 31 December 2018;
- v. In all cases agreement shall not be construed as an admission of fact or law or as a concession or admission of any wrongdoing, obligation, liability by any party;
- vi. ATZ, subject to verification and consideration of the records by the TRA will be allowed the carry-forward tax loss balance as recorded in ATZ's corporate tax return for the tax year ended 31 December 2017;
- vii. Parties will co-operate to effect the sale of towers and the proceeds thereof will be distributed in a pre-defined manner towards repayment of ATZ's shareholder loan, to be retained in ATZ and balance as a special one-time payout to the GoT. On receipt of its share of the proceeds from sale of towers, BATBV will waive the outstanding balance shareholder loan;

REPORT OF THE DIRECTORS (CONTINUED)

17. UPDATE ON SETTLEMENT AGREEMENT (CONTINUED)

- viii. Company entities will not be subject to any tax in connection with any of the transactions described above; and
- ix. ATZ will pay to GOT, approximately TZS 1 billion every month for a period of 60 months, effective 1 April 2019 for the support services provided.

During the year ended 31 December 2021, all pending ATZ tax matters were resolved and cleared by Tanzania Revenue Authority ('TRA'), except for TZS 6.4 billion case. ATZ paid TZS 12 billion to GOT towards support services for the period from January 2021 to December 2021. Income tax exemptions granted on settlement related transactions through Government notice No 808 dated 24 December 2021 by Ministry of Finance and Planning. During the financial year ended 31 December 2021, the Company signed an agreement towards sale of its towers with Minara Tanzania Limited ('the buyer').

During the year ended 31 December 2022, ATZ paid TZS 12 billion to GOT towards support services for the period from January 2022 to December 2022. ATZ sold its 1,445 towers and received TZS 366,371 million consideration on 4 January 2022 (refer note 7 for detail). Consequent to the completion of this sale, as per the settlement agreement with Government of Tanzania (GOT), shareholder loans payable amounting to TZS 858,766 million (USD 372 million) by Airtel Tanzania to Bharti Airtel Tanzania BV ('BATBV') and management fee payable amounting to TZS 84,980 million (USD 36 million) to Bharti Airtel International (Netherlands) B.V. ('BAIN'), aggregating to TZS 943,746 million (USD 408 million) was written off on partial repayment of shareholder loan amounting TZS 244,084 million (USD 106.6 million). As per the settlement agreement, the Company also paid a special dividend of TZS 42,275 million (USD 18.3 million) to its 49% shareholder, Government of Tanzania.

All the items mentioned in (i) to (ix) above are settled and closed except for following, which are remaining:

- a) Settlement of Tax matter amounting to TZS 6.4 billion; and
- b) Remaining balance of TZS 1 billion towards support services payable to GOT amounting to TZS 15 billion for the period January 2023 until March 2024.

18. 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).

Approved by the Board of Directors on 27 Feb 2023 and signed on its behalf by:

DINESH BALSINGH

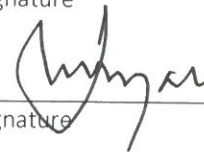
Name of Director

ELIUDI BETRI SANGA

Name of Director



Signature



Signature

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation of consolidated 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 consolidated 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 consolidated financial statements give a true and fair view of the state of the financial affairs of the Group 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 consolidated financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Group 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 Feb 2023 and signed on behalf by:

DINESH BALSINGH

Name of Director



Signature

ELIUDI BETRI SANGA

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 consolidated financial statements to be accompanied with a declaration issued by the head of finance responsible for the preparation of consolidated 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 consolidated financial statements of Group showing true and fair view of the Group'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, Nishant Mohan, being the Finance Director of Airtel Tanzania PLC and its subsidiary hereby acknowledge my responsibility of ensuring that consolidated financial statements for the year ended 31 December 2022 have been prepared in compliance with International Financial Reporting Standards and statutory requirements.

I thus confirm that the consolidated 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.

  
Nishant Mohan  
Finance Director  
NBAA Membership No: TACPA 2939

27<sup>th</sup> Feb 2023

INDEPENDENT AUDITOR'S REPORT  
TO THE BOARD OF DIRECTORS OF AIRTEL TANZANIA PLC

**Report on the Consolidated Financial Statements**

**Opinion**

We have audited the consolidated financial statements of Airtel Tanzania PLC ("the Company") and its subsidiaries (together referred to as "the Group"), set out on pages 16 to 61, which comprise the consolidated statement of financial position at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statement, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

**Other Information**

The Directors are responsible for the other information, including the Report of the Directors. The other information does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### **Responsibilities of the Directors for the Consolidated Financial Statements**

The Directors are responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group'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 Group or to cease operations of the Group, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)**

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain responsible for our audit opinion.

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 Group, so far as appears from our examination of those books of account; and
- (iii) the Group's 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

31 March 2023

AIRTEL TANZANIA PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022


	Notes	2022 TZS 'M'	2021 TZS 'M'
Revenue	8	751,758	713,996
Cost of sales	9	<u>(92,695)</u>	<u>(98,782)</u>
<b>Gross profit</b>		659,063	615,214
Other operating income		1,231	2,429
Administrative expenses	10	(236,571)	(137,253)
Marketing and distribution costs	12	(133,388)	(122,915)
Depreciation and amortisation	13	<u>(125,900)</u>	<u>(109,265)</u>
<b>Operating profit</b>	14	164,435	248,210
Finance cost	15(a)	(36,254)	(10,975)
Finance income	15(b)	292	39
Other non-operating income	16	<u>173,624</u>	<u>-</u>
<b>Profit before tax</b>		302,097	237,274
Income tax (expense)/income	17(a)	<u>(40,173)</u>	<u>3,261</u>
<b>Profit for the year</b>		261,924	240,535
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u><u>261,924</u></u>	<u><u>240,535</u></u>

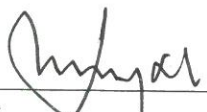
AIRTEL TANZANIA PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2022

	Notes	2022 TZS 'M'	2021 TZS 'M'
<b>Assets</b>			
<b>Non-current assets</b>			
Property plant and equipment	18	500,403	409,915
Intangible assets	19	265,541	92,611
Right of use	20	240,013	106,676
Deferred tax asset	21	84,932	87,838
Trade and other receivables	23(b)	41,134	28,356
		<u>1,132,023</u>	<u>725,396</u>
<b>Current assets</b>			
Inventories	22	248	410
Trade and other receivables	23(a)	131,582	80,936
Assets held for sale	24(a)	-	93,443
Cash and cash equivalents	25	33,949	27,237
		<u>165,779</u>	<u>202,026</u>
<b>Total assets</b>		<u><u>1,297,802</u></u>	<u><u>927,422</u></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Ordinary shares	26	48,235	48,235
Share premium	26	1,520	1,520
Retained earnings /(accumulated losses)		<u>259,330</u>	<u>(723,183)</u>
<b>Shareholders' equity/(deficit)</b>		<u>309,085</u>	<u>(673,428)</u>
<b>Non-current liabilities</b>			
Borrowings	27(a)	55,423	-
Provisions	28	5,792	12,086
Trade and other payables	29(b)	65,714	38,217
Lease liabilities	31	<u>377,132</u>	<u>111,189</u>
		<u>504,061</u>	<u>161,492</u>
<b>Current liabilities</b>			
Borrowings	27(b)	14,000	1,102,110
Current tax Liability	17(c)	8,391	2,081
Trade and other payables	29(a)	391,562	270,630
Bank overdraft	30	14,732	6,565
Liabilities held for sale	24(b)	-	33,543
Lease liabilities	31	<u>55,971</u>	<u>24,429</u>
		<u>484,656</u>	<u>1,439,358</u>
<b>Total liabilities</b>		<u>988,717</u>	<u>1,600,850</u>
<b>Total equity and liabilities</b>		<u><u>1,297,802</u></u>	<u><u>927,422</u></u>

The consolidated financial statements on pages 16 to 61 were approved and authorised for issue by the Board of Directors on 27 February 2023 and were signed on its behalf by:

  
 Name \_\_\_\_\_  
 Title **DINESH BALSINGH**  
**MANAGING DIRECTOR**

  
 Name \_\_\_\_\_  
 Title **ELIUDI BETRI SANGA**  
**BOARD CHAIRMAN**

AIRTEL TANZANIA PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital TZS 'M'	Share premium TZS 'M'	Retained earnings/(accum ulated losses) TZS 'M'	Total TZS 'M'
At 1 January 2021		48,235	1,520	(913,455)	(863,700)
Profit for the year		-	-	240,535	240,535
Dividend				(51,365)	(51,365)
Adjustment*		-	-	1,102	1,102
<b>At 31 December 2021</b>		<u>48,235</u>	<u>1,520</u>	<u>(723,183)</u>	<u>(673,428)</u>
At 1 January 2022		48,235	1,520	(723,183)	(673,428)
Profit for the year		-	-	261,924	261,924
Dividend**		-	-	(223,157)	(223,157)
Write-off***		-	-	943,746	943,746
<b>At 31 December 2022</b>		<u>48,235</u>	<u>1,520</u>	<u>259,330</u>	<u>309,085</u>

\* During the year ended 31 December 2021, Tanzania Towers Limited was de-registered with the Registrar of Companies Business Registration and Licensing Agency (BRELA) on 12 April 2021. Tanzania Towers Limited ceased to exist and hence accumulated losses for Tanzania Towers Limited were written off in equity.

\*(It comprises of TZS 180,882 million final dividend declared for the year ended 31 December 2021 and TZS 42,275 million special dividend declared & paid to its 49% shareholder, Government of Tanzania from tower sale proceeds, as per the settlement agreement (refer note 7c).

\*\*\*Consequent to the completion of tower sale, as per the settlement agreement with Government of Tanzania (GOT), shareholder loans payable amounting to TZS 858,766 million and management fee payable amounting to TZS 84,980 million, aggregating to TZS 943,746 million was written off on partial repayment of shareholder loan amounting TZS 244,084 million (refer note 7c).

AIRTEL TANZANIA PLC

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 TZS 'M'	2021 TZS 'M'
<b>Operating activities</b>			
Profit before tax		302,097	237,274
Adjustment for:			
Depreciation of property, plant and equipment	13	82,788	79,180
Amortisation of intangible assets	13	11,757	10,343
Depreciation of right of use	13	31,355	19,742
Unrealized exchange loss/ (gain) on loans	27(c)	740	(5,571)
Exchange loss/ (gain) on lease liability	15(a)	2,868	(466)
Interest expense – lease liability	15(a)	21,021	8,503
Finance income	15(b)	(292)	(39)
Other non-operating income	16	(173,624)	-
<b>Operating cash inflows before movement in working capital</b>		<b>278,710</b>	<b>348,966</b>
<b>Movement in working capital</b>			
(Increase) /decrease in trade and other receivables		(25,278)	16,545
Decrease/(increase) in inventories		162	(95)
Increase/(decrease) in trade and other payables		78,283	(88,246)
		<b>331,877</b>	<b>277,170</b>
Current income tax paid	17(c)	(26,322)	(28,758)
Withholding tax recovered	17(c)	(1,584)	(2,250)
Withholding tax on dividend income	17(a)	(3,052)	(3,041)
Interest received	15(b)	292	39
<b>Net cash flow generated from operating activities</b>		<b>301,211</b>	<b>243,160</b>
<b>Investing activities</b>			
Payments for property, plant and equipment		(152,890)	(147,406)
Payments for intangible assets		(70,722)	(760)
Proceeds from towers sale	7(a)(ii)	366,371	-
<b>Net cash generated by/ (used) in investing activities</b>		<b>142,759</b>	<b>(148,166)</b>
<b>Financing activities</b>			
Dividend paid	35	(223,157)	(63,794)
Proceeds from borrowings	27(c)	70,000	-
Repayment of borrowings	27(c)	(244,084)	-
Repayment of lease liability	31	(48,184)	(30,801)
<b>Net cash flow used in financing activities</b>		<b>(445,425)</b>	<b>(94,595)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,455)</b>	<b>399</b>
Cash and cash equivalents at beginning of the year		20,672	20,273
<b>Cash and cash equivalents at end of the year</b>	25	<b>19,217</b>	<b>20,672</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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 Group, and is domiciled in Tanzania. The address of its registered office and principal place of business is indicated on page 1.

These are consolidated financial statements of Airtel Tanzania PLC Limited (the “Company”) and its subsidiary Airtel Money Tanzania Limited. During the year ended 31 December 2021, Tanzania Towers Limited was de-registered with the Registrar of Companies Business Registration and Licensing Agency (BRELA) on 12 April 2021. Tanzania Towers Limited ceased to exist and hence Tanzania Towers Limited is not part of consolidated financials for the year ended 31 December 2021.

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 2022

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

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) Annual Improvements to IFRS Standards 2018–2020 (May 2020)	The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. Makes amendments to the following standards: <ul style="list-style-type: none"> <li>• IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs.</li> <li>• IFRS 9 – The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.</li> <li>• IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.</li> <li>• IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.</li> </ul>
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37 (May 2020))	The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
Reference to the Conceptual Framework (Amendments to IFRS 3 (May 2020))	The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

## NOTES TO THE CONSOLIDATED 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 2022**

		<b>Effective date</b>
Amendments to IFRS 17	IFRS 17 Insurance contracts	1 January 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023
Amendments to IFRS 17	Initial Application of IFRS 17 and IFRS 9 — Comparative Information	1 January 2023
Amendment to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024

**c) impact of new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2022****IFRS 17 Insurance Contracts**

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.

IFRS 17 is effective for accounting periods beginning on or after 1 January 2023 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

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

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.

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 entity 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.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 2022 (continued)

**Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)**

Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

The amendments to IFRS 4 are effective for accounting periods beginning on or after 1 January 2023 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

**Disclosure of Accounting Policies (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 Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements. The Directors do not anticipate that its adoption will result into material impact on the financial statements.

**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.

The amendments to IAS 12 are effective for accounting periods beginning on or after 1 January 2023 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

**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.

The amendments to IAS 8 are effective for accounting periods beginning on or after 1 January 2023 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 2022 (continued)

**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:

- 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

Amendments to IFRS 17 is effective for accounting periods beginning on or after 1 January 2023 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.

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.

**d) Early adoption of standards**

The Group did not early-adopt any new or revised standards in 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

a) **Basis of preparation**

The consolidated 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 consolidated financial statements are presented in Tanzanian Shillings ("TZS"), rounded to the nearest million ("M"), except where otherwise indicated.

The preparation of consolidated 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 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated financial statements.

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) **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Group and its subsidiaries.

**Basis of combination**

The Group accounts for business combination using acquisition method when control is transferred to the Group. Consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

**Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

As at 31 December 2022 the Airtel Tanzania Plc owned 99.9% of the shares in Airtel Money Tanzania Limited and had control over the subsidiary (2021: the Airtel Tanzania Plc owned 99.9% of the shares in Tanzania Towers Limited and Airtel Money Tanzania Limited respectively and had control over the subsidiaries). Principal place of business and country of incorporation for Airtel Money Tanzania Limited is the United Republic of Tanzania. During the year ended 31 December 2021, Tanzania Towers Limited was de-registered with the Registrar of Companies Business Registration and Licensing Agency (BRELA) on 12 April 2021. Tanzania Towers Limited ceased to exist and hence Tanzania Towers Limited is not part of consolidated financials for the year ended 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

c) Basis of consolidation (Continued)

**Non-controlling interests (NCI)**

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

**Loss of control**

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

**Transactions eliminated on consolidation**

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

d) Revenue recognition

Revenue is recognised in line with IFRS 15 five 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

## e) Foreign currency translation

## Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in Tanzanian Shillings, rounded to the nearest million which is the Group'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.

## f) 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 Group 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 Group 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 Group and the management is confident of exercising control over them.

The Group 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

## g) Intangible assets

Intangible assets comprise subscriber acquisition costs, deferred spectrum fee and acquired licenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**g) Intangible Assets (continued)**

Subscriber acquisition costs are subsidies given on handsets while acquiring postpaid contracts until 2010. These subsidies are capitalised and amortised over the period of contract on straight line basis.

The Group 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 licences are shown at historical costs. Licences 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 licence 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.

**h) Leases**

At inception of a contract, the Group 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 Group assesses whether the contract involves the use of an identified asset, the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Group has the right to direct the use of the asset.

**i. Group as a lessee**

On initial application of IFRS 16, the Group recognised a lease liability measured at the present value of all the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019 whereas the Group has elected to measure right-of-use asset at its carrying amount as if IFRS 16 had been applied since the lease commencement date, but discounted using the lessee's incremental borrowing rate at 1 January 2019. The Group has elected not to recognise a lease liability and a right-of-use asset for leases for which the lease term ends within twelve months of 1 January 2020 and has accounted for these leases as short-term leases.

For new lease contracts, the Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee in the statement of financial position. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group 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 Group'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 Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**h) Leases (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 Group 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 Group 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 Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**ii. Group 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 Group applies IFRS 15 to allocate the consideration under the contract to each component.

The Group 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 Group, 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.

● **Plant and equipment**

The Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**h) Leases (continued)**

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 Group operates. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

- Other leases

- 

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

**i) 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 realisable value is the estimated selling price in the ordinary course of the business less estimated costs necessary to make the sale.

Based on aging of handsets and accessories. The Group shall make a provision for handsets and accessories as follows:

- a) 0-6 months – No Provision or (equivalent to the difference between NRV and Cost price of the Handset if the NRV is lower. If the NRV is higher, no provision shall be created.)
- b) > 6 months – 100% of the book value.

**j) Employment benefits**

Retirement benefit obligations

All Group employees are members Public Service Social Security Fund ("PSSSF"), which are defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group 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 Group 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.

**k) Provisions**

Provisions are recognised when the Group 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 Group'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**l) 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.

**m) 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 Group determines the classification of its financial assets at initial recognition

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

The Group'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 Group 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 Group 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 Group 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:

- o The Group has no obligation to pay amounts to the eventual recipient unless it collects equivalent amounts on the original asset
- o The Group 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Financial instruments (continued)

(i) Financial assets (continued)

Impairment of financial assets

The Group 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.

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 Group 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 Group 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 Group 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 Group 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 amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group 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 amortised cost, plus directly attributable transaction costs. The Group'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 amortised 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Financial instruments (continued)

(ii) Financial liabilities (continued)

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 recognising the gains and losses on them on different bases, or
- the liability is part or a Group of financial liabilities or financial assets and financial liabilities that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel.

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

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 realise the assets and settle the liabilities simultaneously.

n) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**o) 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 realised or the deferred income tax liability is settled.

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

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 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**p) 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 Group make any sales.

For the Group, 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, interoperability cost and other direct costs associated to sales.

**q) Impairment of non-financial assets**

The Group 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 Group 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.

**r) Fair value measurement**

The Group 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 consolidated 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 consolidated financial statements on a recurring basis, the Group 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 Group 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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) **Current versus non-current classification**

The Group 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 realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised 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 Group 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 Group's accounting policies, management has exercised judgment and estimates in determining the amounts recognised in the consolidated financial statements. The most significant uses of judgement 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 Group's overall tax provision and the recoverability of estimated tax losses. There are many transactions for which the ultimate tax determination is uncertain. The Group 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 CONSOLIDATED 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 (f).

e) **Impairment losses on trade receivables**

At each reporting date, the Group 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 Group 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 Group records it in the profit or loss the extent that is not expected to be recovered. Refer to note 22 for more details on impairment of trade and other receivables.

f) **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 Group 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 Group could be materially affected by the unfavourable 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 Group principal financial liabilities comprise of interest bearing loans, lease liabilities and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations.

The Group'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 Group does not have significant exposure to price risk since no price sensitive financial instruments are held.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group's overall risk management programme focuses on the unpredictability of financial market and seeks to minimise potential adverse effects on its financial performance, but the Group 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 Group's Treasury Department.

The Group has in place the risk management framework which is reviewed periodically by the Board of Directors.

**Market risks**

## i) Foreign exchange risk

The Group'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 Group 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 Group mitigate foreign exchange risk by hedging through currency forwards, making prompt payment and buying foreign currencies whenever the rates move in its favour. 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 Group'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 2022	-10%	(10,117)
	10%	10,117
Net effect based on the year end as at 31 December 2021	-10%	(113,512)
	10%	113,512

The sensitivity analysis has been determined based on net exposure at 31 December 2021. 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 Group's exposure to foreign currency exchange rate risk at 31 December 2022 and 2021. Included in the table are the Group's financial instruments, categorized by currency (all amounts expressed in millions of Tanzanian Shillings):

	2022 TZS 'M' USD	2022 TZS 'M' Euro	2022 TZS 'M' Others
<b>At 31 December 2022</b>			
<b>Financial assets</b>			
Trade and other receivables	58,574	-	-
Cash and cash equivalents	1,654	-	-
	<u>60,228</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities</b>			
Trade and other payables	145,723	-	-
Bank overdraft	14,732	-	-
Other financial liabilities	944	-	-
	<u>161,399</u>	<u>-</u>	<u>-</u>
<b>Net currency exposure</b>	<u>(101,171)</u>	<u>-</u>	<u>-</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 5. RISK MANAGEMENT (CONTINUED)

## Market risks (continued)

At 31 December 2021	2021 TZS 'M' USD	2021 TZS 'M' Euro	2021 TZS 'M' Others
<b>Financial assets</b>			
Trade and other receivables	27,237	-	-
Cash and cash equivalents	506	-	-
	<u>27,743</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities</b>			
Borrowings	1,102,110	-	-
Trade and other payables	53,320	-	-
Bank overdraft	6,565	-	-
Other financial liabilities	301	-	-
	<u>1,162,296</u>	<u>-</u>	<u>-</u>
<b>Net currency exposure</b>	<u>(1,134,553)</u>	<u>-</u>	<u>-</u>

Exchange rates applicable were as follows:

	USD : TZS
On 1 January 2022	2,307
On 31 December 2022	2,334
On 1 January 2021	2,319
On 31 December 2021	2,307

## ii) Interest rate risk

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

Where necessary the Group refinances its borrowings in order to ensure its borrowing terms remain competitive. Refer to note 27 and note 30 for more details on loans and borrowings. The Group 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 Group calculates the impact on profit or loss of a defined interest rate shift.

**Credit risk**

Credit risk is the risk that one party to financial instrument will fail to discharge an obligation causing the other party to incur financial loss. Financial assets, which potentially subject the Group to credit risk, consist mainly of deposits held by banks as well as trade and other receivables. The Group 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 Group's revenue is however from prepaid airtime in which dealers and aggregators makes up a distribution network. Most of the Group'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 Group 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 5. RISK MANAGEMENT (CONTINUED)

**Credit risks (continued)**

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

	2022 TZS'M'	2021 TZS'M'
Trade receivables	28,340	34,371
Receivables from related parties	37,923	26,200
Other receivables - current	52,942	9,015
Other receivables - non current	2,133	2,076
Cash and bank balances	<u>33,949</u>	<u>27,237</u>
	<u>155,287</u>	<u>98,899</u>

No collateral is held for any of the above assets. Furthermore, the Group 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.

	2022 TZS'M'	2021 TZS'M'
By up to 30 days	7,318	6,433
By up to 60 days	7,244	10,115
Over 60 days	<u>28,455</u>	<u>28,914</u>
Total due	<u>43,017</u>	<u>45,462</u>
Impaired during the year	<u>19,146</u>	<u>19,404</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.

**Liquidity risk**

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims at maintaining flexibility in funding by keeping committed credit lines available. The Group'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 Group's reputation.

Management monitors rolling forecasts of the Group'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 Group'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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 5. RISK MANAGEMENT (CONTINUED)

	Less than 1 year TZS'M'	Between 1 and 2 years TZS'M'	Greater than 2 years TZS'M'	Total TZS'M'
<b>At 31 December 2022</b>				
Borrowings	14,000	14,000	42,000	70,000
Bank overdraft	14,732	-	-	14,732
Trade and other payables – current	391,562	-	-	391,562
Trade and other payables – non current	-	-	65,716	65,716
Lease liabilities	55,971	60,733	316,399	433,103
<b>Total financial liabilities</b>	<b>476,265</b>	<b>74,733</b>	<b>424,115</b>	<b>975,113</b>
<b>At 31 December 2021</b>				
Borrowings	1,102,110	-	-	1,102,110
Bank overdraft	6,565	-	-	6,565
Trade and other payables – current	161,268	-	-	161,268
Trade and other payables – non current	-	-	12,953	12,953
Lease liabilities	24,429	26,656	84,533	135,618
<b>Total financial liabilities</b>	<b>1,294,372</b>	<b>26,656</b>	<b>97,486</b>	<b>1,418,514</b>

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

**Fair value**

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

**Capital risk management.**

The Group's objectives when managing capital are to safeguard the Group'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 Group may limit the amount of dividend paid to its shareholders.

The Group 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.

	2022 TZS'M'	2021 TZS'M'
Borrowing (note 27)	70,000	1,102,110
Bank overdrafts (note 30)	14,732	6,565
Lease liabilities (note 31)	433,103	135,618
Less: Bank and cash balances (note 25)	(33,949)	(20,715)
<b>Net debt</b>	<b>483,886</b>	<b>1,223,578</b>
<b>Total equity surplus/ (deficit)</b>	<b>309,085</b>	<b>(673,428)</b>
<b>Gearing ratio</b>	<b>1.57</b>	<b>N/A</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 5. RISK MANAGEMENT (CONTINUED)

## Categorization of financial instruments as at 31 December 2022

	Financial assets at amortized costs TZS 'M'	Financial liabilities at amortized costs TZS 'M'	Non-financial assets and liabilities TZS 'M'	Equity TZS 'M'	Total TZS 'M'
<b>Non-current assets</b>					
Property plant and equipment	-	-	500,403	-	500,403
Intangible assets	-	-	265,541	-	265,541
Right of use	-	-	240,013	-	240,013
Deferred tax asset	-	-	84,932	-	84,932
Other non-current assets	2,104	-	39,030	-	41,134
	<u>2,104</u>	<u>-</u>	<u>1,129,919</u>	<u>-</u>	<u>1,132,023</u>
<b>Current assets</b>					
Inventories	-	-	248	-	248
Trade and other receivables	100,087	-	31,495	-	131,582
Trade receivables	9,222	-	-	-	9,222
Prepayments	-	-	28,800	-	28,800
Receivables from related parties	37,923	-	-	-	37,923
Value Added Tax recoverable	-	-	2,695	-	2,695
Other receivables	52,942	-	-	-	52,942
Cash and cash equivalents	33,949	-	-	-	33,949
	<u>134,036</u>	<u>-</u>	<u>31,743</u>	<u>-</u>	<u>165,779</u>
<b>Total assets</b>	<u>136,140</u>	<u>-</u>	<u>1,161,662</u>	<u>-</u>	<u>1,297,802</u>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Ordinary shares	-	-	-	48,235	48,235
Share premium	-	-	-	1,520	1,520
Accumulated gains	-	-	-	259,330	259,330
<b>Total equity</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>309,085</u>	<u>309,085</u>
<b>Non-current liabilities</b>					
Lease liabilities	-	377,132	-	-	377,132
Borrowings	-	55,423	-	-	55,423
Provisions	-	-	5,792	-	5,792
Equipment supply payables	-	2,712	-	-	2,712
Deferred revenue	-	-	5,992	-	5,992
Other non-current liabilities	-	-	57,012	-	57,012
	<u>-</u>	<u>435,267</u>	<u>68,796</u>	<u>-</u>	<u>504,062</u>
<b>Current liabilities</b>					
Trade and other payables	-	166,167	225,395	-	391,562
Trade payables	-	45,482	-	-	45,482
Accrued expenses	-	-	72,567	-	72,567
Deferred revenue	-	-	20,065	-	20,065
Payables to related parties	-	45,240	-	-	45,240
Customers deposits	-	-	3,053	-	3,053
Roaming payables	-	335	-	-	335
Other taxes payable	-	-	20,506	-	20,506
Equipment supply payables	-	75,110	-	-	75,110
Deferred spectrum fee	-	-	80,210	-	80,210
Other payables	-	-	28,994	-	28,994
Borrowings	-	14,000	-	-	14,000
Lease liabilities	-	-	55,971	-	55,971
Current tax liability	-	-	8,391	-	8,391
Bank overdraft	-	14,732	-	-	14,732
	<u>-</u>	<u>194,899</u>	<u>289,757</u>	<u>-</u>	<u>484,656</u>
<b>Total liabilities</b>	<u>-</u>	<u>630,166</u>	<u>358,551</u>	<u>-</u>	<u>988,717</u>
<b>Total equity and liabilities</b>	<u>-</u>	<u>630,166</u>	<u>358,551</u>	<u>309,085</u>	<u>1,297,802</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 5. RISK MANAGEMENT (CONTINUED)

## Categorization of financial instruments as at 31 December 2021

	Financial assets at amortized costs TZS 'M'	Financial liabilities at amortized costs TZS 'M'	Non-financial assets and liabilities TZS 'M'	Equity TZS 'M'	Total TZS 'M'
<b>Non-current assets</b>					
Property plant and equipment	-	-	409,915	-	409,915
Intangible assets	-	-	92,611	-	92,611
Right of use	-	-	106,676	-	106,676
Deferred tax asset	-	-	87,838	-	87,838
Other non-current assets	2,052	-	26,304	-	28,356
	<u>2,052</u>	<u>-</u>	<u>723,344</u>	<u>-</u>	<u>725,396</u>
<b>Current assets</b>					
Inventories	-	-	410	-	410
Trade and other receivables	56,729	-	30,729	-	87,458
Trade receivables	14,991	-	-	-	14,991
Prepayments	-	-	28,034	-	28,034
Receivables from related parties	32,723	-	-	-	32,723
Value Added Tax recoverable	-	-	2,695	-	2,695
Other receivables	9,015	-	-	-	9,015
Assets held for sale	-	-	93,443	-	93,443
Cash and cash equivalents	20,715	-	-	-	20,715
	<u>77,444</u>	<u>-</u>	<u>124,582</u>	<u>-</u>	<u>202,026</u>
<b>Total assets</b>	<u>79,496</u>	<u>-</u>	<u>847,926</u>	<u>-</u>	<u>927,422</u>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Ordinary shares	-	-	-	48,235	48,235
Share premium	-	-	-	1,520	1,520
Accumulated losses	-	-	-	(723,183)	(723,183)
<b>Total equity</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(673,428)</u>	<u>(673,428)</u>
<b>Non-current liabilities</b>					
Lease liabilities	-	111,189	-	-	111,189
Provisions	-	-	12,086	-	12,086
Equipment supply payables	-	12,953	-	-	12,953
Other non-current liabilities	-	-	25,264	-	25,264
	<u>-</u>	<u>124,142</u>	<u>37,350</u>	<u>-</u>	<u>161,492</u>
<b>Current liabilities</b>					
Trade and other payables	-	161,696	109,936	-	270,630
Trade payables	-	7,243	-	-	7,243
Accrued expenses	-	-	54,591	-	54,591
Deferred revenue	-	-	19,224	-	19,224
Payables to related parties	-	108,818	-	-	108,818
Customers deposits	-	-	3,850	-	3,850
Roaming payables	-	150	-	-	150
Other taxes payable	-	-	28,518	-	28,518
Equipment supply payables	-	44,484	-	-	44,484
Deferred spectrum fee	-	-	3,179	-	3,179
Other payables	-	-	573	-	573
Borrowings	-	1,102,110	-	-	1,102,110
Lease liabilities	-	-	24,429	-	24,429
Liabilities held for sale	-	-	33,543	-	33,543
Current tax liability	-	-	2,081	-	2,081
Bank overdraft	-	6,565	-	-	6,565
	<u>-</u>	<u>1,269,371</u>	<u>169,998</u>	<u>-</u>	<u>1,439,360</u>
<b>Total liabilities</b>	<u>-</u>	<u>1,393,512</u>	<u>207,336</u>	<u>-</u>	<u>1,600,850</u>
<b>Total equity and liabilities</b>	<u>-</u>	<u>1,493,512</u>	<u>207,336</u>	<u>(673,428)</u>	<u>927,422</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 6. GOING CONCERN

During the year ended 31 December 2022, the Group reported a net profit of TZS 261,924 million (2021: TZS 240,535 million). As at 31 December 2022, the Group had retained earnings of TZS 259,330 million (2021: accumulated losses of TZS 723,183 million) and net current liabilities of TZS 318,876 million (2021: TZS 1,237,334 million).

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

- a) Will generate cash inflows from operations of at least the amount projected in the management's annual operating plan. The generation of sufficient cash flows from operations is driven by and is dependent on management achieving operational targets on subscriber numbers, churn rate and average revenue per user; and
- b) Will continue to obtain funding from third parties including banks.

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

## 7. SIGNIFICANT TRANSACTION

a) On 2 June 2021, the Group signed an agreement to sell 1,445 towers to a joint venture company owned by a subsidiary of SBA Communications Corporation as majority owner and by Paradigm Infrastructure Limited, for a gross consideration of TZS 406,769 million (USD 177 million). The first close of such sale was completed on 4 January 2022 and a portion of consideration amounting TZS 366,371 million (USD 160 million) was received.

	<u>Consideration timeline</u>	<u>4 January 2022 TZS 'M'</u>
(i) Total consideration for 1,445 towers		406,769
(ii) Consideration received	First closing	366,371
(iii) Balance receivable	On Final closing	40,397

b) The Group has leased back a portion of such tower assets and thus a corresponding portion of the total gain on the sale has been recognized as a deduction in the cost of the Right of Use assets for the assets leased back. The resultant remaining gain amounting to TZS 173,624 million (USD 83 million) has been recorded as non-operating income and presented as an Other non-operating income (refer to Note 16). The Group has recognised Right of Use assets and Lease Liabilities for the portion of towers leased back.

	<u>4 January 2022 TZS 'M'</u>
(A) <b>Fair value of total consideration</b>	<u><u>406,769</u></u>
Net assets disposed	
Property, plant and equipment	61,822
Right of use asset	28,487
Trade and other receivables	3,134
Total assets	<u>93,443</u>
Provisions	8,294
Lease liabilities – non current	25,249
Total liabilities	<u>33,543</u>
(B) <b>Net assets</b>	<u><u>59,900</u></u>
(C) <b>Gain on disposal (A – B)</b>	<u><u>346,869</u></u>
(i) Right of use – deferral of gain on assets leased back	157,088
(ii) Payable towards tower & power remediation	16,157
(iii) Other non-operating income recognized in income statement	<u>173,624</u>
	<u><u>346,869</u></u>

AIRTEL TANZANIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. SIGNIFICANT TRANSACTION (CONTINUED)

c)Consequent to the completion of this sale, as per the settlement agreement with Government of Tanzania (GOT), shareholder loans payable amounting to TZS 858,766 million (USD 372 million) by Airtel Tanzania to Bharti Airtel Tanzania BV ('BATBV') and management fee payable amounting to TZS 84,980 million (USD 36 million) to Bharti Airtel International (Netherlands) B.V. ('BAIN'), aggregating to TZS 943,746 million (USD 408 million) was written off on partial repayment of shareholder loan amounting TZS 244,084 million (USD 106.6 million). As per the settlement agreement, the Company also paid a special dividend of TZS 42,275 million (USD 18.3 million) to its 49% shareholder, Government of Tanzania.

	2022 TZS'M'	2021 TZS 'M'
<b>8. REVENUE</b>		
Airtime revenue	274,680	261,024
Value added services	419,666	355,934
Interconnect revenue	44,595	37,446
Roaming revenue	5,794	4,052
Site sharing revenue*	1,031	49,414
Subscription revenue	3,912	4,815
Other income	2,080	1,311
	<u>751,758</u>	<u>713,996</u>

\* Reduction in site sharing revenue was due to sale of towers during the year

9. COST OF SALES

Cost of cards	8,355	7,413
Cost of handset and accessories	953	1,070
Other direct cost	522	863
Leased lines	15,077	16,565
Roaming costs	419	167
Interconnection costs – local	41,124	39,895
Interconnection costs - international	4,610	3,386
Frequency license fees and royalty	21,635	29,423
	<u>92,695</u>	<u>98,782</u>

10. ADMINISTRATIVE EXPENSES

Employee benefit expenses (note 11)	35,259	38,253
Site rental	59,715	27,534
Site energy (fuel and grid)	36,912	35,573
Network support and maintenance	36,680	47,973
IT expenses	9,373	6,868
Management fees	21,414	17,852
Consultancy costs	1,234	561
Customer service expenses	5,625	5,758
Office rental	2,160	2,288
Other operating expenses*	28,457	(42,459)
Impairment provision - trade receivables	(258)	(2,948)
	<u>236,571</u>	<u>137,253</u>

AIRTEL TANZANIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. ADMINISTRATIVE EXPENSES (CONTINUED)

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

During the year ended 31 December 2022, the Group reversed provision towards tax cases with Tanzania Revenue Authority amounting to TZS 6,472 million (Note 28) and accounted for provision hit amounting to TZS 27,842 million towards fiber consortium demand (Note 29). During the year ended 31 December 2022, the Group reversed provision towards tax cases with Tanzania Revenue Authority amounting to TZS 50,017 million (Note 28).

	2022 TZS'M'	2021 TZS 'M'
<b>11. EMPLOYEE BENEFIT EXPENSES</b>		
Wages and salaries	28,215	30,535
Social security costs - defined contribution scheme	2,038	2,311
Other employee emoluments and benefit	5,006	5,407
	<u>35,259</u>	<u>38,253</u>
<b>12. MARKETING AND DISTRIBUTION COSTS</b>		
Marketing and advertising expenses	11,367	10,935
Sales and distribution cost	122,021	111,980
	<u>133,388</u>	<u>122,915</u>
<b>13. DEPRECIATION AND AMORTISATION</b>		
Depreciation of property, plant and equipment (note 18)	82,788	79,180
Amortisation of intangible assets (note 19)	11,757	10,343
Depreciation of right of use (note 20)	31,355	19,742
	<u>125,900</u>	<u>109,265</u>
<b>14. OPERATING PROFIT</b>		
The following items have been charged in arriving at operating profit:		
Key management personnel remuneration	7,376	7,573
Directors' fees and sitting allowances	243	231
Auditor's remuneration	335	309
	<u>7,954</u>	<u>8,113</u>
<b>15. a) FINANCE COST</b>		
Net foreign exchange losses - realized	15,270	3,795
Net foreign exchange gains- unrealized	(10,541)	(6,991)
Interest on deferred spectrum fee	2,896	1,740
Interest others	4,718	4,755
Exchange fluctuation loss/(gain) – lease liability	2,868	(466)
Interest expense - lease liability (Note 31)	21,021	8,503
Interest on asset retirement obligations (ARO)	22	(361)
	<u>36,254</u>	<u>10,975</u>
<b>b) FINANCE INCOME</b>		
Interest on bank balance and deposits	292	39

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. OTHER NON-OPERATING INCOME

	2022 TZS'M'	2022 TZS'M'
Other non-operating income	<u>173,624</u>	<u>-</u>

Other non-operating income represents gain on sale of telecommunication tower assets (refer Note 7(b)(iii))

17. INCOME TAX

The Group had accumulated tax losses of TZS 222 billion as at 31 December 2022 (2021: TZS 197 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%.

	2022 TZS'M'	2021 TZS 'M'
<b>a) Income tax expense/(credit)</b>		
Current tax:		
- Corporate income tax in respect of current year	34,699	33,746
- Corporate income tax in respect of prior year	(484)	321
- Corporate income tax on dividend received	3,052	3,041
	<u>37,267</u>	<u>37,108</u>
Deferred tax:		
- Deferred tax (expense)/credit on other timing differences	5,618	8,968
- Deferred tax credit on accumulated losses	(2,712)	(49,337)
	<u>2,906</u>	<u>(40,369)</u>
	<u>40,173</u>	<u>(3,261)</u>

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

	2022 TZS'M'	2021 TZS 'M'
<b>b) Income tax reconciliation</b>		
Profit before tax	<u>302,097</u>	<u>237,274</u>
Tax calculated at a tax rate of 30%	90,629	71,182
<b>Tax effect of:</b>		
Movement in deferred tax asset not recognized		
- Non-deductible expenditure	4,702	168
- Non-taxable income	(51,991)	-
- Withholding tax on dividend	3,052	3,041
- Current tax in respect of prior years	(484)	-
- Reversal of prior period provision (non-deductible)	(1,943)	(14,806)
- Movement in unrecognized deferred tax assets	(3,792)	(65,789)
- Other adjustments	-	2,943
	<u>40,173</u>	<u>(3,261)</u>
<b>c) Income tax (liability)/asset</b>		
At 1 January	(2,081)	978
Current tax expense	(34,216)	(34,067)
Alternative minimum tax paid	2,306	-
Current income tax paid during the year	24,016	28,758
Withholding tax recovered	<u>1,584</u>	<u>2,250</u>
At 31 December	<u>(8,391)</u>	<u>(2,081)</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 18. PROPERTY, PLANT AND EQUIPMENT

	Installation network TZS'M	Office equipment TZS'M	Capital work in progress TZS'M	Total TZS'M
<b>Year ended 31 December 2022</b>				
<b>Cost</b>				
At 1 January 2022	1,188,739	204,079	48,525	1,441,343
Additions	-	-	173,276	173,276
Transfer in/(out)	152,630	13,209	(165,839)	-
<b>At 31 December 2022</b>	<b>1,341,369</b>	<b>217,288</b>	<b>55,962</b>	<b>1,614,619</b>
<b>Depreciation</b>				
At 1 January 2022	848,966	182,462	-	1,031,428
Charge for the year	73,402	9,386	-	82,788
<b>At 31 December 2022</b>	<b>922,368</b>	<b>191,848</b>	<b>-</b>	<b>1,114,216</b>
<b>Net book value</b>				
<b>At 31 December 2022</b>	<b>419,001</b>	<b>25,440</b>	<b>55,962</b>	<b>500,403</b>
<b>Year ended 31 December 2021</b>				
<b>Cost</b>				
At 1 January 2021	1,396,559	193,774	55,350	1,645,683
Additions	-	-	148,531	148,531
Transfer in/(out)	145,034	10,305	(155,339)	-
Disposal	(174)	-	-	(174)
Asset held for sale (Note 24a)	(352,680)	-	(17)	(352,697)
<b>At 31 December 2021</b>	<b>1,188,739</b>	<b>204,079</b>	<b>48,525</b>	<b>1,441,343</b>
<b>Depreciation</b>				
At 1 January 2021	1,071,656	172,246	-	1,243,902
Charge for the year	68,359	10,821	-	79,180
Adjustments	-	(605)	-	(605)
Disposal	(174)	-	-	(174)
Asset held for sale (Note 24a)	(290,875)	-	-	(290,875)
<b>At 31 December 2021</b>	<b>848,966</b>	<b>182,462</b>	<b>-</b>	<b>1,031,428</b>
<b>Net book value</b>				
<b>At 31 December 2021</b>	<b>339,773</b>	<b>21,617</b>	<b>48,525</b>	<b>409,915</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 19. INTANGIBLE ASSETS

	Cellular license TZS'M'	Deferred Spectrum fees TZS'M'	Tower Group License TZS'M'	Capital work in progress TZS'M'	Total TZS'M'
<b>Year ended 31 December 2022</b>					
Cost					
At 1 January 2022	69,928	37,633	-	-	107,561
Additions	-	-	-	184,687	184,687
Transfer in/(out)	644	33,576	-	(34,220)	-
<b>At 31 December 2022</b>	<b>70,572</b>	<b>71,209</b>	<b>-</b>	<b>150,467</b>	<b>292,248</b>
Amortisation					
At 1 January 2022	6,770	8,180	-	-	14,950
Charge for the year	4,709	7,048	-	-	11,757
At 31 December 2022	11,479	15,228	-	-	26,707
<b>Net book value</b>					
<b>At 31 December 2022</b>	<b>59,093</b>	<b>55,981</b>	<b>-</b>	<b>150,467</b>	<b>265,541</b>
<b>Year ended 31 December 2021</b>					
Cost					
At 1 January 2021	69,168	37,633	634	-	107,435
Additions	-	-	-	760	760
Transfer in/(out)	760	-	-	(760)	-
Adjustment	-	-	(634)	-	(634)
<b>At 31 December 2021</b>	<b>69,928</b>	<b>37,633</b>	<b>-</b>	<b>-</b>	<b>107,561</b>
Amortisation					
At 1 January 2021	1,079	3,528	634	-	5,241
Charge for the year	5,691	4,652	-	-	10,343
Adjustment	-	-	(634)	-	(634)
At 31 December 2021	6,770	8,180	-	-	14,950
<b>Net book value</b>					
<b>At 31 December 2021</b>	<b>63,158</b>	<b>29,453</b>	<b>-</b>	<b>-</b>	<b>92,611</b>

On 15 August 2022, Tanzania Communication Authority (TCRA) published a public notice inviting bids for licensing spectrum blocks intended for mobile telecommunication services through auction, which was held on 11 October 2022. The following spectrum frequencies were auctioned and assigned: one block of 2 x 10 MHz for 700 MHz band; two blocks of 1 x 35 MHz for 2300 MHz band; three blocks of 2 x 15 MHz and one block of 1 x 20 MHz for 2600 MHz band, and four blocks of 1 x 40 MHz for 3500 MHz band. Group participated and secured winning bids for the two blocks of 2600 MHz and two blocks of 3500 MHz for a total bid price of USD 60.1 million. The spectrum acquired is yet to be deployed and get operational and hence disclosed as capital work in progress.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. RIGHT OF USE

	Property, plant and equipment TZS 'M'	Others TZS 'M'	Total TZS 'M'
<b>Year ended 31 December 2022</b>			
At 1 January 2022	105,343	1,333	106,676
Additions	319,582	2,198	321,780
Deferred gain on lease back of towers (Note 7(b)(i))	(157,088)	-	(157,088)
Depreciation charge for the year	<u>(30,846)</u>	<u>(509)</u>	<u>(31,355)</u>
At 31 December 2022	<u>236,991</u>	<u>3,022</u>	<u>240,013</u>
<b>Year ended 31 December 2021</b>			
At 1 January 2021	54,021	1,640	55,661
Additions	99,149	290	99,439
Asset held for sale (Note 24a)	(28,487)	-	(28,487)
Depreciation charge for the year	(19,145)	(597)	(19,742)
Adjustment	<u>(195)</u>	<u>-</u>	<u>(195)</u>
At 31 December 2021	<u>105,343</u>	<u>1,333</u>	<u>106,676</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 Group has a net deferred income tax asset of TZS 212,898 million as at 31 December 2022 (2021: TZS 218,519 million). The temporary differences making up the deferred income tax are as presented below:

	2022 TZS 'M'	2021 TZS 'M'
Accelerated capital allowances	(365,640)	(231,073)
Allowance for doubtful debts	(19,054)	(19,149)
Bonus provision	(5,256)	(4,690)
Provisions for other expenses	(35,948)	79
Asset retirement obligation	(98)	(75)
Unrealized foreign exchange differences	37	(191,837)
Tax losses carried forward	<u>(222,168)</u>	<u>(281,652)</u>
	(648,127)	(728,397)
Other temporary difference adjustment	<u>(61,531)</u>	<u>-</u>
<b>Net deductible temporary differences</b>	<u>(709,658)</u>	<u>(728,397)</u>
Deferred tax asset at 30%	(212,897)	(218,519)
Less: Deferred tax asset not recognised	<u>127,965</u>	<u>130,681</u>
<b>Deferred tax asset</b>	<u>(84,932)</u>	<u>(87,838)</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. INVENTORIES

Devices	878	1,200
SIM cards	897	3,237
Allowance for obsolete inventory	<u>(1,527)</u>	<u>(4,027)</u>
	<u>248</u>	<u>410</u>

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

	2022 TZS'M'	2021 TZS'M'
<b>23. TRADE AND OTHER RECEIVABLES</b>		
<b>a) Current trade and other receivables</b>		
Roaming debtors	4,446	3,296
Interconnect	11,747	8,721
Post paid	9,448	9,928
Site sharing debtors	2,699	12,426
Prepayments	28,800	28,034
VAT Recoverable	2,695	2,696
Receivables from related parties 34(iii)	37,923	26,200
Other receivables *	<u>52,941</u>	<u>9,015</u>
	150,699	100,316
Allowance for impairment losses	<u>(19,117)</u>	<u>(19,380)</u>
	<u>131,582</u>	<u>80,936</u>

\* Other receivables include TZS 40,397 million (refer note 7(a)) towards balance consideration receivable from buyer of tower assets on legal handover of balance sites.

	2022 TZS'M'	2021 TZS'M'
<b>b) Non-current trade and other receivables</b>		
Prepayments	39,030	26,304
Other receivables	<u>2,133</u>	<u>2,076</u>
	41,163	28,380
Allowance for impairment losses	<u>(29)</u>	<u>(24)</u>
At 31 December	<u>41,134</u>	<u>28,356</u>

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

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

	2022 TZS'M'	2021 TZS'M'
At January	19,404	24,889
Release during the year	(258)	(2,948)
Written off during the year	<u>-</u>	<u>(2,537)</u>
At 31 December	<u>19,146</u>	<u>19,404</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 23. TRADE AND OTHER RECEIVABLES (CONTINUED)

## b) Non-current trade and other receivables (continued)

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	60 to 90 days	Above 90 days	
		TZS 'M'	TZS 'M'	TZS 'M'	
At 31 December 2022	7,318	7,244	9,309	19,146	43,017
At 31 December 2021	6,433	10,115	9,510	19,404	45,462

## 24. ASSETS HELD FOR SALE

On July 30, 2019, the Board of Directors resolved to dispose Group's tower assets and the proceeds from towers sale to be used to invest in network in order to improve its performance. Through tender process various interested parties were invited to bid and during year ended 31 December 2021 tower sales agreement was signed between ATPLC and SBA/ Paradigm JV (Minara Tanzania Limited) for 1445 towers. Subsequently the Group received TZS 366,371 million on 4th January 2022 at first closing. Balance consideration to be transferred on transfer of balance sites over 18 months (June 2023) (refer note 7)

During the year ended 31 December 2022, through first and subsequent closings 1295 sites were legally handed over to Minara and thus the related assets and liabilities held for sale were de recognized.

The major classes of assets and liabilities comprising the disposal which has classified as held for sale are as follows:

		2022	2021
		TZS 'M'	TZS 'M'
<b>a) Assets of disposal classified as held for sale</b>			
Property plant and equipment	18	-	61,822
Right of use asset	20	-	28,487
Trade and other receivables			3,134
Total Asset		-	93,443
<b>b) Liabilities of disposal classified held for sale</b>			
Provisions	28	-	8,294
Lease liabilities - Non Current	31	-	25,249
Total Liabilities		-	33,543

## 25. CASH AND CASH EQUIVALENTS

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

	2022	2021
	TZS 'M'	TZS 'M'
Cash at bank	8,801	8,880
Restricted cash at bank	206	203
Balances held in wallets	24,937	18,151
Cash in hand	5	3
Bank and cash balances	33,949	27,237
Bank overdraft (note 30)	(14,732)	(6,565)
Net Cash and cash equivalents	19,217	20,672

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	2022 TZS'M'	2021 TZS'M'
<b>Authorized:</b>		
250,000,000 ordinary shares of TZS 200 each (2021: 250,000,000 ordinary shares of TZS 200)	<u>50,000</u>	<u>50,000</u>
<b>Issued and paid up:</b>		
241,176,471 ordinary shares of TZS 200 each (2021: 241,176,471 ordinary shares of TZS 200)	<u>48,235</u>	<u>48,235</u>
Share premium	<u>1,520</u>	<u>1,520</u>

27. BORROWINGS

	2022 TZS 'M'	2021 TZS 'M'
<b>(a) Non-current</b>		
<b>Secured</b>		
Term loan	<u>70,000</u>	<u>-</u>
<b>Less :</b>		
Current portion of term loan	<u>14,000</u>	<u>-</u>
Debt origination cost	<u>577</u>	<u>-</u>
	<u>14,577</u>	<u>-</u>
<b>As at 31 December</b>	<u>55,423</u>	<u>-</u>
<b>(b) Current</b>		
<b>Unsecured</b>		
Shareholder loan	<u>-</u>	<u>1,102,110</u>
Current portion of term loan	<u>14,000</u>	<u>-</u>
<b>As at 31 December</b>	<u>14,000</u>	<u>1,102,110</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 27. BORROWINGS (CONTINUED)

## (c) Movement in borrowings:

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>
2021	At 1 January TZS 'M'	Drawdown TZS 'M'	Repayment TZS 'M'	Exchange gain TZS 'M'	Write off TZS 'M'	At 31 December TZS 'M'
Shareholder loan	1,108,728	-	-	(5,571)	(1,047)	1,102,110

- (i) Term loan – It comprise of five years term loan facility amounting to TZS 70,000 million taken from Stanbic Bank Tanzania Limited on 19 October 2022. Facility is secured with first ranking debenture over all assets of the Borrower covering the Facility by 125%; attracting interest of 6 months 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 2022. Repayment of both principal and interest will be semi-annually.
- (ii) Shareholder's loan – On 4 January 2022, the company sold its tower assets and through partial payment amounting to TZS 244,084 million from tower sale proceeds settled outstanding shareholder loan in full, as per the agreement signed among Government of The United Republic of Tanzania ('GoT'), Bharti Airtel Tanzania B.V. ('BATBV') and Airtel Tanzania PLC ('ATZ') ('Settlement agreement'). Subsequent to partial payment towards outstanding Shareholder loan, balance outstanding amounting to TZS 858,766 million was written off (refer note 7(c)).
- (iii) During the year ended 31 December 2021, Tanzania Towers Limited was de-registered with the Registrar of Companies Business Registration and Licensing Agency (BRELA) on 12 April 2021 hence shareholder's loan amounting to TZS 1,047 million was written off in equity.

## 28. PROVISIONS

	Asset retirement obligation TZS 'M'	Probable liabilities TZS 'M'	Total TZS 'M'
At January 2022	249	11,837	12,086
Provision for the year	31	282	313
Provision utilized*	-	(6,607)	(6,607)
At 31 December 2022	<u>280</u>	<u>5,512</u>	<u>5,792</u>
At January 2021	8,414	65,147	73,561
Provision for the year	129	671	800
Provision utilized*	-	(53,981)	(53,981)
Liabilities held for sale (24 b)	(8,294)	-	(8,294)
At 31 December 2021	<u>249</u>	<u>11,837</u>	<u>12,086</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**28. PROVISIONS (CONTINUED)**

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 6,472 million and TZS 50,017 for financial year ended 31 December 2022 and 31 December 2021, respectively.

**29. TRADE AND OTHER PAYABLES****a) Current liabilities**

	2022 TZS'M'	2021 TZS'M'
Trade payables	45,482	7,243
Accrued expenses	72,567	54,591
Deferred revenue	20,065	19,224
Due to related parties (Note 34 (iv))	45,240	108,818
Customers deposits	3,053	3,850
Roaming payables	335	150
Other taxes payables*	20,506	28,518
Equipment supply payables	75,110	44,484
Deferred spectrum fee	80,210	3,179
Other payables **	28,994	573
	<u>391,562</u>	<u>270,630</u>

**b) Non-current liabilities**

Accrued expenses	27	27
Equipment supply payables	2,712	12,953
Deferred spectrum fee	56,271	24,714
Deferred revenue	5,992	-
Other payables	712	523
	<u>65,714</u>	<u>38,217</u>

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

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

\*\* "Other Payable" include TZS 27,842 million provision towards fiber consortium demand during the year ended 31 December 2022.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 30. BANK OVERDRAFT

	2022 TZS 'M'	2021 TZS 'M'
<b>Unsecured</b>		
Standard Chartered Bank Tanzania Limited	<u>14,732</u>	<u>6,565</u>
	<u>14,732</u>	<u>6,565</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% per Annum + 3 month SOFR rate.

ii) The Company has an unsecured overdraft facility with National Bank of Commerce 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.

	2022 TZS 'M'	2021 TZS 'M'
<b>31. LEASE LIABILITIES</b>		
At 1 January	135,618	84,441
Liabilities held for sale (Note 24b)	-	(25,249)
Addition	321,780	99,439
Interest accrued	21,021	8,503
Foreign exchange (gain)/loss	2,868	(466)
Payment made	(48,184)	(30,801)
Disposal	<u>-</u>	<u>(249)</u>
At 31 December	<u>433,103</u>	<u>135,618</u>
Presented as:		
Current	55,971	24,429
Non-current	<u>377,132</u>	<u>111,189</u>
	<u>433,103</u>	<u>135,618</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	2022 TZS 'M'	2021 TZS 'M'
<b>31. LEASE LIABILITIES (CONTINUED)</b>		
<b>i. As a Lessee</b>		
Lease liabilities		
Maturity analysis:		
Less than one year	76,349	34,579
Later than one year but not later than two years	63,052	40,513
Later than two years but not later than five years	169,620	92,002
Later than five years but not later than nine years	212,557	69,988
Later than nine years	<u>11,756</u>	<u>9,201</u>
<b>Total undiscounted lease liabilities</b>	<u>533,334</u>	<u>246,283</u>
Lease liabilities included in the statement of financial position	<u>433,103</u>	<u>135,617</u>
Interest expense on lease liabilities	<u>21,021</u>	<u>8,503</u>
Income from Sub-leasing of right-of-use asset		
<b>Amounts recognised in profit or loss</b>		
Income from sub-leasing right-of-use asset	<u>-</u>	<u>10</u>
<b>Total cash outflow for leases in statement of cash flows</b>		
<b>Amounts recognised in the statement of cash flows</b>		
Total cash outflow for leases	<u>48,184</u>	<u>30,801</u>
<b>ii. As a lessor</b>		
The Company's lease arrangements as a lessor mainly pertain to passive infrastructure.		
<b>Operating lease</b>		
Lease income recognised in profit or loss	<u>1,031</u>	<u>49,414</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	1,869
One to five years	4,051	3,813
More than five years	<u>3,370</u>	<u>5,212</u>
Total	<u>8,523</u>	<u>10,894</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**32. CONTINGENT LIABILITIES**

As at 31 December 2022 the Group issued performance bank guarantees amounting to TZS 78 million (2021: TZS 20 million), required to participate for mobile service tenders. In the opinion of the Directors and Group'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 consolidated financial statements.

There were no other contingent liabilities that the directors are aware as at 31 December 2022 (2021: Nil)

**33. CAPITAL COMMITMENTS**

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

	2022 TZS'M'	2021 TZS'M'
Undelivered purchase orders	<u>71,081</u>	<u>87,147</u>

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

**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 Group transacts with the parent Group and other companies related to it by virtue of common shareholding.

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

	2022 TZS'M'	2021 TZS'M'
<b>(i) Purchase of services during the period</b>		
Bharti Airtel International (Netherlands) B.V - Management services	-	17,852
Airtel Africa Services (UK) Limited - Management services	21,414	-
Government of United Republic of Tanzania - Government support fees	<u>12,000</u>	<u>12,000</u>
<b>(ii) Shareholders' loan</b>		
Bharti Airtel Tanzania BV (refer note 7 (c))	<u>-</u>	<u>1,102,110</u>

AIRTEL TANZANIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(iii) Due from related parties

Name	Nature of transaction	Relationship	2022 TZS'M'	2021 TZS'M'
Airtel Tchad S.A.	Interconnect & Roaming Services	Fellow Subsidiary	2	2
Airtel Seychelles Limited	Interconnect & Roaming Services	Fellow Subsidiary	1,457	846
Airtel Congo (RDC) S.A.R.L.	Interconnect & Roaming Services	Fellow Subsidiary	779	768
Airtel Gabon S.A	Interconnect & Roaming Services	Fellow Subsidiary	-	-
Airtel Networks Kenya Limited	Interconnect & Roaming Services	Fellow Subsidiary	14,755	13,613
Airtel Madagascar S.A.	Interconnect & Roaming Services	Fellow Subsidiary	478	205
Airtel Malawi Limited	Interconnect & Roaming Services	Fellow Subsidiary	10,943	6,731
Airtel Malawi Mobile Commerce Limited	Cross boarder Money Transfer	Fellow Subsidiary	3,849	-
Airtel Rwanda Mobile Commerce Limited	Cross boarder Money Transfer	Fellow Subsidiary	13	-
Airtel Niger S.A.	Interconnect & Roaming Services	Fellow Subsidiary	-	64
Airtel Networks Limited - Nigeria	Interconnect & Roaming Services	Fellow Subsidiary	728	38
Airtel Uganda Limited	Interconnect & Roaming Services	Fellow Subsidiary	62	45
Airtel Zambia plc	Interconnect & Roaming Services	Fellow Subsidiary	486	624
Airtel Mobile Commerce Zambia Limited	Cross boarder Money Transfer	Fellow Subsidiary	749	-
Airtel Rwanda Limited	Interconnect & Roaming Services	Fellow Subsidiary	59	45
Airtel Africa Telesonic Holdings B.V.	Fiber	Fellow Subsidiary	21	-
Bharti Airtel Limited	Interconnect, Roaming, Signaling & Leaseline/Bandwidth	Step-up Parent	904	713
Bharti International Singapore Pte Limited	Interconnect, Roaming, Signaling & Leaseline/Bandwidth	Common Parent Group	210	208
Bharti Airtel UK	Interconnect, Roaming, Signaling & Leaseline/Bandwidth	Common Parent Group	1,862	2,089
Bharti Airtel International (Netherlands) B.V	Interconnect, Roaming, Signaling & Leaseline/Bandwidth	Step-up Parent	493	209
Bharti Airtel - Kenya Branch	Management fee	Common Parent Group	12	-
Airtel Congo S.A.	Interconnect, Roaming, Signaling & Leaseline/Bandwidth	Fellow Subsidiary	61	-
			<u>37,923</u>	<u>26,200</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 34. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

## (iv) Due to related parties

Name	Nature of transaction	Relationship	2022 TZS'M'	2021 TZS'M'
Airtel Congo S.A.	Interconnect & Roaming Services	Fellow Subsidiary	1,733	62
Airtel Congo (RDC) S.A.R.L.	Interconnect & Roaming Services	Fellow Subsidiary	44	1,692
Airtel Networks Kenya Limited	Interconnect & Roaming Services	Fellow Subsidiary	1,931	1,739
Airtel Madagascar S.A.	Interconnect & Roaming Services	Fellow Subsidiary	15	14
Airtel Malawi Limited	Interconnect & Roaming Services	Fellow Subsidiary	1,945	1,926
Airtel Niger S.A	Interconnect & Roaming Services	Fellow Subsidiary	197	-
Airtel Networks Limited - Nigeria	Interconnect & Roaming Services	Fellow Subsidiary	-	195
Airtel Uganda Limited	Interconnect & Roaming Services	Fellow Subsidiary	846	10
Bharti Hexacom Limited	Interconnect, Roaming, Signaling & Leaseline/Bandwidth	Common Parent Group	302	-
Airtel Zambia PLC	Interconnect & Roaming Services	Fellow Subsidiary	50	49
Airtel Rwanda Limited	Interconnect & Roaming Services	Fellow Subsidiary	44	97
Airtel Mobile Commerce B.V	Money Transfer	Fellow Subsidiary	335	335
Airtel Kenya Mobile Money Business	Cross boarder Money Transfer	Fellow Subsidiary	216	-
Bharti Airtel Tanzania B.V	Cross charge	Shareholder	-	1,153
Airtel Africa Telesonic Holdings B.V.	Fiber	Fellow Subsidiary	8,553	-
Airtel Africa Services (UK) Limited -Dubai	Management Fees	Fellow Subsidiary	18,674	1,268
Bharti Airtel International (Netherlands) B.V.	Management Fees and Credit Facility	Step-up Parent	6,525	51,067
Bharti Airtel Kenya Branch	Management Fees and Credit Facility	Fellow Subsidiary	-	46,115
Bharti International Singapore Pte Limited	Interconnect, Roaming, Signaling & Leaseline/Bandwidth	Common Parent Group	32	292
Bharti Airtel Limited	Interconnect, Roaming, Signaling & Leaseline/Bandwidth	Step-up Parent	443	245
Network I2I Limited	Leaseline/Bandwidth	Step-up Parent	2,411	1,678
Bharti Airtel UK	Interconnect, Roaming, Signaling & Leaseline/Bandwidth	Common Parent Group	932	583
Nxtra Data Limited	Network Data Maintenance	Common Parent Group	12	-
BASL - Bharti Airtel Services Limited	Manpower services	Common Parent Group	-	298
			<u>45,240</u>	<u>108,818</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 34. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

## (v) Key management compensation

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

	2022 TZS'M'	2021 TZS 'M'
Salaries and other short-term employment benefits	<u>7,376</u>	<u>7,573</u>

## (vi) Directors' remuneration

Directors' fees and sitting allowance	<u>243</u>	<u>231</u>
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## 35. DIVIDENDS

The Board of directors of Airtel Tanzania Plc propose the payment of a final dividend of TZS 30,147 million (TZS 125 per issued share) in respect of the year ended 31 December 2022. The proposed dividend of TZS 30, 147 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 (refer note 7 (c)). The total dividend paid during the year ended 31 December 2022 was TZS 223,157 million (2021: TZS 63,794).

## 36. 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	2022 TZS'M'	2021 TZS'M'
Profit after tax attributable to ordinary equity holder	TZS 'M'	261,924	240,535
Weighted average number of shares	No. '000'	<u>241,176</u>	<u>241,176</u>
Earnings Per Share - Basic and Diluted	TZS '000'	<u>1.086</u>	<u>0.997</u>

## 37. ULTIMATE PARENT

Airtel Tanzania PLC is part of the Bharti Airtel Group of Companies. The Group's direct shareholders are Bharti Airtel Tanzania B.V., a Group 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 Group. The step-up parent Group that produces consolidated financial statements for public use within the Group is Bharti Airtel Limited, a Group incorporated and domiciled in India.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**38. OTHER MATTERS**

On 30 June 2021, the President approved the Finance Act, 2021 which included the amendments to the National Payment System Act (NPS Act) and Electronic & Postal and Communication Act (EPOCA) – introducing levies on mobile money transfer transactions.

For mobile money transfer and withdrawal transactions, a transaction value dependent levy of between TZS10 and TZS10 000 was implemented from 15 July 2021. Subsequent to the implementation and following continuous engagements with the relevant Government stakeholders, the following amendments were implemented:

- a) September 2021: an initial 30% levy reduction, to a maximum levy of TZS7 000.
- b) July 2022: an additional 43% reduction to the maximum levy band was passed through the Finance Act 2022, marking a cumulative 60% reduction since the levy's introduction. This reduction set the maximum levy chargeable at TZS4 000. The Finance Act also re-defined the scope of the levy, to also include withdrawal and transfers through banks which were earlier excluded. The levy, which was previously chargeable on mobile transactions only, also became applicable to transfers between mobile accounts, between bank accounts and across mobile and bank accounts. For withdrawals, the levy was extended to capture withdrawals from automated teller machines (ATM).
- c) October 2022: through a special supplement to the National Payment System (Electronic Money Transactions levy) (Amendment Regulations) the maximum levy chargeable was set at TZS2 000, equivalent to 20% of the levy charged at introduction. This decision reduces further the end-user charges, and is expected to meaningfully revive and accelerate our contribution to the financial inclusion agenda, through the use of mobile financial services

**39. COMPARATIVE FIGURES**

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