

AIRTEL TANZANIA PLC
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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AIRTEL TANZANIA PLC

CORPORATE INFORMATION

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	Airtel House Block 41, Kinondoni Corner of A.H Mwinyi Road & Kawawa Road P.O. Box 9623 Dar es Salaam
COMPANY CHIEF EXECUTIVE OFFICER	George Mathen Airtel House Block 41, Kinondoni Corner of A.H Mwinyi Road & Kawawa Road P.O. Box 9623 Dar es Salaam
COMPANY SECRETARY	David Marco Lema Airtel House Block 41, Kinondoni Corner of A.H Mwinyi Road & Kawawa Road P.O. Box 9623 Dar es Salaam
AUDITORS	Deloitte & Touche Certified Public Accountants (Tanzania) 3 rd Floor, Aris House, Plot No 152, Haile Selassie Road, Oysterbay P.O. Box 1559 Dar es Salaam
LAWYERS	Rex Advocates Rex House, 344 Ghuba, Toure Drive Cnr Shaaban Robert Street and Garden Avenue P.O. Box 7495 Dar es Salaam GRK Advocates Plot No 81, Wami street Mikocheni, P.O. Box 70681 Dar es Salaam George & Robert, Attorneys at Law Plot No. 309/2, AGM Area Njiro P.O. Box 12023 Arusha IMMMA Advocates IMMMA House, Plot No.357 United Nations Road, Upanga P.O. Box 72484 Dar es Salaam

AIRTEL TANZANIA PLC

CORPORATE INFORMATION (CONTINUED)

PRINCIPAL BANKERS

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

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

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

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

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

CRDB Bank PLC
Head Office, Azikiwe Street
P.O. Box 268
Dar es Salaam

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

AIRTEL TANZANIA PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020

1. INTRODUCTION

The Directors submit their report together with the audited financial statements for the year ended 31 December 2020 which disclose the state of financial affairs of Airtel Tanzania PLC ("the Company"). These are separate financial statements of Airtel Tanzania PLC, which do not include financial statements of its subsidiaries namely Tanzania Towers Limited and Airtel Money Tanzania Limited. Airtel Money Tanzania Limited started operation from 1 September 2019, through resolution by the Board of Airtel Tanzania plc, approving the separation of books with effect from 1 September 2019, to meet electronic money issuer license condition. Hence Airtel Tanzania plc financials contain airtel money business upto 31 August 2019.

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

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

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

2. PRINCIPAL ACTIVITY

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

3. RESULTS AND DIVIDEND

The financial results of the year are set out on page 16 of the financial statements.

During the year Directors declared an interim dividend in respect of the year ended 31 December 2020 of TZS 8,696 million. The Directors propose the payment of a final dividend of TZS 51,304 million in respect of the year ended 31 December 2020, resulting in total dividend for the year ended 31 December 2020 amounting to TZS 60,000 million (2019: TZS 30,073 million).

4. FUTURE DEVELOPMENT PLAN

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

5. SHAREHOLDING OF THE COMPANY

On 4 July 2019 the Shareholders of the Company passed an extra-ordinary resolution for allotment of 36,176,471 ordinary shares of TZS 200 each to and in favor of the Government of The United Republic of Tanzania through Treasury Registrar, at NIL consideration. The allotment was sanctioned by the High Court of Tanzania, Commercial Division on 27 August 2019 in Miscellaneous Civil Cause No. 21 of 2019. The allotment also received Merger Clearance Certificate by The Fair Competition Commission (FCC) on 19 November 2019.

The Company had two shareholders throughout the year to 31 December 2020 (2019: 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 2020 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
	100%	241,176,471	

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	Appointed by
Gabriel Pascal Malata	Chairman**	LL.B	48	Tanzanian	30 January 2020	Treasury Registrar
George Mathen	Managing Director*	Masters in Business Administration	50	Indian	1 November 2019	Bharti Airtel Tanzania B.V.
Mukesh Bhavnani	Member**	Masters in Law	65	Indian	16 July 2019	Bharti Airtel Tanzania B.V.
Ian Basil Ferrao	Member*	Bsc. Management Science	38	British	23 September 2019	Bharti Airtel Tanzania B.V.
Lekinyi Ngariapusi Mollel	Member**	Masters in Economics	48	Tanzanian	11 June 2019	Treasury Registrar
Jaideep Paul	Member*	Commerce Graduate, Chartered Accountant	58	Indian	1 March 2015	Bharti Airtel Tanzania B.V.
John Marato Sausi	Member**	Masters in Computer Science	42	Tanzanian	11 June 2019	Treasury Registrar

* Executive

** Non-executive

The Company Secretary as at 31 December 2020 was David Marco Lema.

7. CORPORATE GOVERNANCE

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

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

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

- Performance review;
- Approval of annual plans;
- Business challenges;
- Decision on sale of the Company tower assets;
- Amendment of Articles of Association of the Company;
- Network needs including spectrum and related resources; and
- Financing of the Company.

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

REPORT OF THE DIRECTORS (CONTINUED)

8. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance with such measures by staff. Whilst no system, of internal control can provide absolute assurance against misstatement or losses, the Company's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively. The Board assessed the internal control systems throughout the financial year ended 31 December 2020 and is of the opinion that they met accepted criteria. The Board carries out risk and internal control assessment through the Board Audit Committee.

9. COMPLIANCE WITH LAWS AND REGULATIONS

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

10. WELFARE OF EMPLOYEES

(i) Employee engagement

Even with the 2020 entanglement due to Covid-19, the Company stayed optimistic in its operation offering constructive support to employees wellbeing and dependents, conducive working environment, clear and frequent communication which are collaborative and bonding to ensure that employees are well engaged and efficient to meet Company strategies. Key factor has been team work which concurrently ensure Company existence as we look into promising 2021.

(ii) Training

During the year due to COVID-19 pandemic, there were no face to face training which were provided, except those training which were provided via e-Learning platforms. The Company invested more than 5,000 modules for functional development skills and mandatory training to be taken in e-Learning mode in order to enhance employees' skills across the Company and for business purpose in general.

However, the Company put more emphasis on mandatory training in order to equip employees with necessary knowledge and skills to reduce Company's business risks and comply with national policies and government guidelines. These training are required under law and the Company regulations as part of everyday work.

The following mandatory training programs were provided during the year:

- Anti-Bribery and Anti-Corruption Training for 2020;
- Code of Conduct Training 2020;
- Global Anti Bribery Training;
- Information Security Training;
- Anti-Money Laundering Training; and
- Telecom 101 Training.

REPORT OF THE DIRECTORS (CONTINUED)

10. WELFARE OF EMPLOYEES (CONTINUED)

(iii) Employee benefits and employee motivation

Employee benefits remains Company's priority as we focus on employee's productivity by rewarding and recognize proficient staffs in line with Company strategies. Due to Covid-19 few employees have been spotted compared year on year and most of the schemes were on hold for a certain period to when operation resumed from working at home.

Bonus and commission payout varies with employees & Company performance. Overall performance has been great as the Company surpassed its target for the year 2020 and employees were rewarded as per the approved mandate and grids. Commission based employees remains the same as we continue to reward employees who meets set targets either monthly or quarterly. we have also significantly saw a good growth in number of commissioned employees in sales/front line team when compared year on year as the Company stay supportive to committed employees.

11. GENDER PARITY

As at 31 December 2020, the Company had 202 employees, out of which 43 were female and 159 were male (2019: 220 employees, out of which 48 were female and 172 were male).

Gender Parity	2020		2019	
	Count	%	Count	%
Female	43	22%	48	22%
Male	159	78%	172	78%
Total employees	202	100%	220	100%

12. POLITICAL AND CHARITABLE DONATIONS

The Company did not make any political donations during the year, however there was a charitable donation made to Government during the year in support of initiatives to combat Covid -19 amounting to TZS 700 million. The amount was donated to the Government through the Ministry of Health, Community Development, Gender, Elderly and Children.

The Company has also taken several steps to help mitigate the impact of social distancing for our customers and the community at large. During the coronavirus outbreak the Company had implemented various measures in our retail shops and Airtel Money outlets to minimize contact as well as provide hand sanitizers, masks and gloves for all our frontline staff who were handling customers.

The Company has also assisted the Government with awareness programs through the dissemination of educational (Bulk SMS) messages about the pandemic and ways and means to mitigate risks of contacting the virus at no cost to the entire base of the Company's customers daily for the first three months.

Digital learning was made free with the Company for some of educational URL (Uniform Resource Locator) for learners to get access to educational materials for free to facilitate e- learning during the pandemic.

Through Airtel Money, the Company again launched Send and Receive money for free, with the support of the Central Bank increased the holding amount and balances during Corona pandemic outbreak and promoted cashless economy and encourage customers to reduce unnecessary movement and usage of cash money during pandemic as a means of payment. In terms of data, the Company also managed to reduce its data costs from TZS 40 per MB to TZS 5 per MB in order to encourage its customers to minimize contact and work online.

Other donation to the Government included support for Regional meetings, Pan African Postal Union Anniversary and SADC Council of Ministers as follows;

Support to 40th Pan African Postal Union Anniversary that was held in Arusha in January 2020 from 17 January to 19 January 2020 with a total sum of TZS 15 million.

REPORT OF THE DIRECTORS (CONTINUED)

12. POLITICAL AND CHARITABLE DONATIONS (CONTINUED)

In March 2020, the Company supported the SADC Council of Ministers meeting. The support was given through the Ministry of Foreign Affairs. During the meeting the Company increased data capacity in the meeting held at Julius Nyerere International Conference Centre (JNCC) Dar es Salaam. The cost for the service provided for FREE was around 2,340 United States Dollars.

13. CORPORATE SOCIAL RESPONSIBILITY (CSR)

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

Airtel FURSA-VSOMO - (V stand for VETA while SOMO a Swahili word means Subject) The Company has partnered with Tanzania Vocational Education and Training Authority (VETA) to increase access to vocational learning in the country. By using mobile phones, the Company and VETA provide affordable and quick alternative education reaching the youth in every corner of the country and equipping them with skills to self-employ or enter the workforce. VSOMO is an acronym for VETA SOMO which stands for new developed mobile application used to provide vocational training through smart phones. Launched in June 2016, as at year ended 31 December 2020 the App has received over 46,000 downloads, over 15,493 registrations and over 204 students have been certified.

Employee CSR-Tunakujali Project: (Airtel We Care Project) Launched in 2014 this annual program focuses on enabling employees to participate fully in giving back to communities by identifying and implementing projects through their time, expertise etc. Employees' carryout fundraising initiatives to raise money with the Company support to implement projects that are impactful, sustainable, and measurable and demonstrate self-reliance/entrepreneur skills in their area of choice and the company double the amount raised by staff to accomplish the project. In 2019-2020 Airtel as Company approved TZS 55 million for staff CSR. Through this Airtel staff manage to supports Education sector by giving out leaning materials to schools and other teaching stuffs, on Health by providing Government hospital with health care equipment, building health centre for community at Kisarawe as well as donating health insurances for 100 kids that are suffering with Heart disease, diabetic and sickle cell at Muhimbili Hospital.

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

Partnership - Airtel Tanzania using our internet connectivity and our sites in rural joint venture with UNESCO to sponsor community radio set up in underprivileged areas with no radio broadcast, areas facing social cultural challenges. So far we now we have about 12 community radio in partnership with UNESCO.

Objective - focus on marginalized community - such as witchcrafts, high rate of HIV AIDS transmission, women circumcision, illiteracy, child education (the girl's child not taken to school) The main aim is - to Enhance communication sector in the country.

Some Result/impact 16,0000 estimated total number of people reached, in rural areas through a network of community based local radios in Tanzania

- Health issues are discussed with doctors invited by Kyela FM in addition to broadcasting health programmes from external sources; the visiting doctors are also given the opportunity to treat people from the community.
- Other social issues that are addressed by Kyela FM are environment conservation, agriculture particularly rice and tea cultivation.

REPORT OF THE DIRECTORS (CONTINUED)

13. CORPORATE SOCIAL RESPONSIBILITY (CSR) (CONTINUED)

Community radio (Continued)

- With 10 staff, the Kyela FM broadcasts programs ranging from health, education, agriculture, current affairs, sports and entertainment. Currently the radio broadcasts from 5:00 am to midnight, daily. The radio station has become an invaluable source of information, news, education for the region. Local sports events are covered and recorded for later broadcast, whereas international sports coverage is taken from internet based programs. The station also relays the Swahili segment of the BBC daily via satellite and uses DropBox to receive BBC's Media Action programs like "Haba na Haba (kujaza kibaba)" a swahili word means little by little (will fill the cup).
- A public campaign conducted through Loliondo Community Radio has helped a lot to create public awareness with the radio station recording a high number of students in the district have made significant support in cases of early marriages or Female Genital Mutilations.
- Collaboration to harness development of small business in Kagera through innovative approaches to communication for development, linkages to possibilities for e-business (e-commerce), agricultural development, tourism and microfinance.

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

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

Following are the programs offered by Airtel Fursa Lab project:

- Computer basics in business skills and digital records keeping;
- Scratch programming and robotics;
- Graphics design and web developing;
- Information and Communication Technology development skills;
- Introduction to computer;
- Entrepreneurship skills;
- Ms World, Ms excel & Ms power point; and
- Internet & email.

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

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

To date Airtel sent and received 41,337,924 messages to an accumulative 561,677 Airtel subscribers and zero rates the government e-Gov USSD sessions for self-registration by end users and registrations by over 4,000 on-the-ground healthcare workers.

AIDS Helpline- Mobile Health solution to SAVE LIFE: Airtel Tanzania is supporting the national AIDS Helpline, 117 AIDS Helpline is a toll free national service providing counselling, referrals & up-to-date information on HIV/AIDS to callers from all over the country (Tanzania). TAYOA – Tanzania Youth Alliance provides a helpline for preventive counselling and service use counselling. With a specific focus on reaching rural population and supporting selected core components of HIV treatment services including voluntary counselling and testing, prevention of mother-to-child transmission (PMTCT), Sexual Transmitted Diseases (STD's), Relationship, Condom use, Tuberculosis (TB) and HIV, Voluntary Medical Male circumcision (VMMC) and Gender Based Violence (GBV).

REPORT OF THE DIRECTORS (CONTINUED)

13. CORPORATE SOCIAL RESPONSIBILITY (CSR) (CONTINUED)

AIDS Helpline- Mobile Health solution to SAVE LIFE (Continued)

Beneficiaries of this program includes:

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

Key learning

Existing data proves that the mobile services/helpline is useful source of health information among people with no access to health services or rarely access health services. Since social cultural believes has made it impossible to discuss some sexual related issue helpline has proved to be effective and probably the best place where young people, men and others who engage in high risk sex can openly discuss with experts to and get counselled, informed and referred to the service they deserve. Increasing number of repeated callers are calling for feedback and continuation of services is another evidence that helpline is also effective in increasing HIV related service uptake.

Airtel Money Linda Mbegu Services "Linda Mbegu" launched to hedge farmers from climate risks. Airtel has been a major stakeholder in boosting agriculture activities in Tanzania, it has managed to use its Mobile Money technologies effectively in ensuring the effective supply of seeds.

Airtel Tanzania has partnered with ACRE Africa, Seed Co Tanzania and UAP Insurance Tanzania Ltd to enable farmers across the country insure their seeds to counter risks that lead to the loss of their agriculture investments.

IMPACT OF LINDA MBEGU SERVICE

- i. Number of farmers covered: We covered about 19,000 farmers who purchased SeedCo hybrid maize seeds through the Airtel money service in five regions.
- ii. The Linda Mbegu product was launched in five regions; Mwanza, Geita, Shinyanga, Mara and Simiyu.
- iii. We trained about 130 government extension officers in Simiyu region on how the Linda Mbegu product work and how farmers can benefit out of it, plus the benefit of Airtel money services in bringing financial inclusion to rural communities.

The Linda Mbegu service will ensure that in the event of rainfall failure, the farmer would get the equivalent of the number of bags of seed they purchased replaced at the local agro dealer, enabling the smallholder farmers to replant in the next planting season.

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 the Company has adequate support from the shareholders to continue in operational existence for the foreseeable future.

15. GOING CONCERN

During the year ended 31 December 2020, the Company reported a net profit of TZS 114,873 million (2019: TZS 30,073 million net profit). As at 31 December 2020, The Company had accumulated losses of TZS 928,219 million (2019: TZS 1,004,323 million) and net current liabilities of TZS 1,309,519 million (2019: TZS 186,085 million).

AIRTEL TANZANIA PLC

REPORT OF THE DIRECTORS (CONTINUED)

15. GOING CONCERN (CONTINUED)

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

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

The Directors are confident that the funds described above will be available to the Company 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

All related party transactions and balances are disclosed in note 33 to the financial statements.

17. UPDATE NEW DEVELOPMENTS

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. New shares issued by ATZ to the GoT at no cost such that the GoT own 49 per cent of the entire share capital of ATZ and BATBV own 51 per cent;
- ii. Tanzania Revenue Authority's (TRA) tax claim of approximately USD 874 million on Bharti Airtel International (Netherlands) B.V. ('BAIN') treated as settled without any further liability;
- iii. Tanzania Communications Regulatory Authority's compliance decision of 20 April 2018 imposing on ATZ a fine of approximately USD 183 million will be treated as settled without any further liability;
- iv. TRA's 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;
- v. 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;
- vi. In all cases this 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;
- vii. 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;
- viii. 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;
- ix. A valid listing waiver from listing of shares on Dar es Salaam stock exchange will be provided to ATZ and the Company entities in 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;
- x. Company entities will not be subject to any tax in connection with any of the transactions described above;
- xi. 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; and
- xii. 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.

REPORT OF THE DIRECTORS (CONTINUED)

17. UPDATE NEW DEVELOPMENTS (CONTINUED)

During the year ended 31 December 2019, TRA vacated tax claim of approx. USD 874 million and Tanzania Communications Regulatory Authority's Compliance Decision vacated the fine of USD 183 million without any liability. On November 29, 2019 ATZ issued 36,176,471 shares to the Government of the United Republic of Tanzania ('GOT') at zero effective cost thus increasing GOT's shareholding in ATZ to 49%. ATZ paid TZS 9 billion to GOT towards support service for the period April 2019 to December 2019.

During the year ended 31 December 2020, ATZ declared a special dividend amounting to TZS 38.8 billion to its shareholders to be paid in proportion of their shareholding. ATZ paid TZS 12 billion to GOT towards support service for the period from January 2020 to December 2020. In the Finance Act 2020, the requirement referred in Section 26 of The Electronic and Postal Communications Act (EPOCA) was amended with effect from 1 July 2020, exempting telecom licensees where GOT has 25% stake or more from listing obligations. During 2020, The Board approved formation of Tower committee comprising of nominated Board members and management to commence the Tower sale process.

The completion of all other steps set out above are still in progress at the date of authorization of the financial statements.


18. AUDITORS

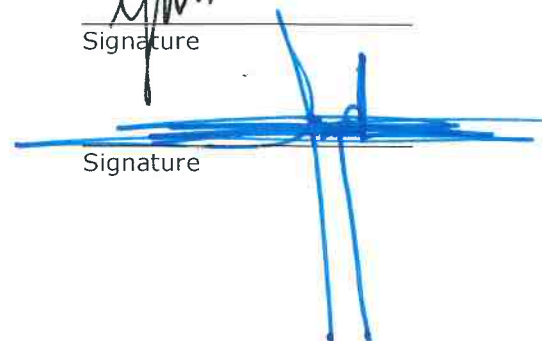
The auditors, Deloitte & Touche, continue in office in accordance with section 170 (2) of the Companies Act, 2002.

Approved by the Board of Directors on 20 May 2021 and signed on its behalf by:

GEORGE MATHEN
Name of Director

GABRIEL PASCAL MALATA
Name of Director


Signature


Signature

AIRTEL TANZANIA PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

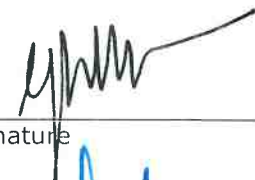
The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002, and for such internal controls as Directors determine are necessary to enable the preparation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

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

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

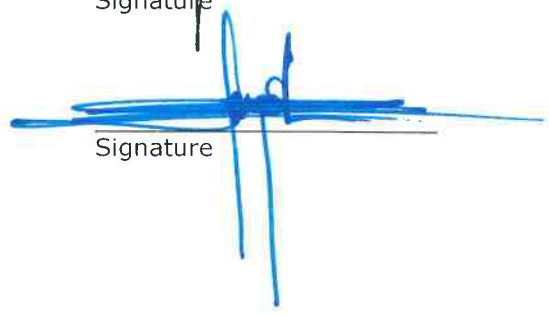
Approved by the Board of Directors on 20 May 2021 and signed on behalf by:

GEORGE MATHEN
Name of Director



Signature

GABRIEL PASCAL MALATA
Name of Director



Signature

AIRTEL TANZANIA PLC

DECLARATION OF HEAD OF FINANCE

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

It is the duty of a professional accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of a Company showing true and fair view of the Company's financial position and performance in accordance with applicable accounting standards and statutory requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as set out in the statement of Directors' responsibilities on an earlier page.

I, Nishant Mohan, being the Finance Director of Airtel Tanzania PLC hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2020 have been prepared in compliance with applicable accounting standards and statutory requirements.

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



Nishant Mohan
Finance Director
NBAA Membership No: TACPA 2939

.....19/5..... 2021

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

Report on the Financial Statements

Opinion

We have audited the financial statements of Airtel Tanzania PLC ("the Company"), set out on pages 16 to 57, which comprise the statement of financial position at 31 December 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of Companies Act, 2002.

Basis for Opinion

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

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

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations of the Company, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

Deloitte & Touche
Certified Public Accountants (Tanzania)



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

28 May.....2021

AIRTEL TANZANIA PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 TZS 'M'	2019 TZS 'M'
Revenue	7	491,489	488,655
Cost of sales	8	<u>(99,214)</u>	<u>(106,700)</u>
Gross profit		392,275	381,955
Other operating income		117	2,928
Administrative expenses	9	(179,193)	(185,817)
Marketing and distribution costs	11	(47,157)	(59,322)
Depreciation and amortisation	12	<u>(102,960)</u>	<u>(103,624)</u>
Operating profit	13	63,082	36,120
Finance cost	14(a)	(27,341)	(11,201)
Finance income	14(b)	<u>44,230</u>	<u>38</u>
Profit before exceptional item and tax		79,971	24,957
Exceptional items	15	<u>-</u>	<u>8,143</u>
Profit before tax		79,971	33,100
Income tax expense	16(a)	<u>34,902</u>	<u>(3,027)</u>
Profit for the year		114,873	30,073
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>114,873</u>	<u>30,073</u>

AIRTEL TANZANIA PLC

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

	Notes	2020 TZS 'M'	2019 TZS 'M'
Assets			
Non-current assets			
Property, plant and equipment	17	394,203	368,785
Intangible assets	18	102,194	60,420
Right-of-use asset	19	55,661	66,196
Deferred tax asset	20	46,322	-
Investments	21	2	2
Other assets	23(b)	24,723	12,515
		<u>623,105</u>	<u>507,918</u>
Current assets			
Inventories	22	315	-
Trade and other receivables	23(a)	93,604	96,300
Current income tax recoverable	16(c)	1,142	6,183
Cash and cash equivalents	24	17,705	16,015
		<u>112,766</u>	<u>118,498</u>
Total assets		<u>735,871</u>	<u>626,416</u>
Equity and liabilities			
Equity			
Ordinary shares	25	48,235	48,235
Share premium	25	1,520	1,520
Accumulated losses		(928,219)	(1,004,323)
Shareholders' deficit		<u>(878,464)</u>	<u>(954,568)</u>
Non-current liabilities			
Borrowings	26	-	1,097,811
Provisions	27	73,561	72,782
Lease liabilities	30	66,896	74,641
Other liabilities	28(b)	51,593	31,167
		<u>192,050</u>	<u>1,276,401</u>
Current liabilities			
Borrowings	26	1,107,682	-
Trade and other payables	28(a)	289,719	285,397
Bank overdraft	29	7,339	-
Lease liabilities	30	17,545	19,186
		<u>1,422,285</u>	<u>304,583</u>
Total liabilities		<u>1,614,335</u>	<u>1,580,984</u>
Total equity and liabilities		<u>735,871</u>	<u>626,416</u>

The financial statements on pages 16 to 57 were approved and authorized for issue by the Board of Directors on 20 May 2021 and were signed on its behalf by:

GEORGE MATHEN

Name

Title

GABRIEL PASCAL MALATA

Name

Title

AIRTEL TANZANIA PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital TZS 'M'	Share premium TZS 'M'	Accumulated losses TZS 'M'	Total TZS 'M'
At 1 January 2019		41,000	8,755	(1,003,656)	(953,901)
IFRS 16 transition adjustment		-	-	(30,740)	(30,740)
Adjusted balance at January 2019		41,000	8,755	(1,034,396)	(984,641)
Issuance of share capital	25	7,235	(7,235)	-	-
Profit for the year		-	-	30,073	30,073
At 31 December 2019		<u>48,235</u>	<u>1,520</u>	<u>(1,004,323)</u>	<u>(954,568)</u>
At 1 January 2020		48,235	1,520	(1,004,323)	(954,568)
Profit for the year		-	-	114,873	114,873
Dividend declared		-	-	(38,769)	(38,769)
At 31 December 2020		<u>48,235</u>	<u>1,520</u>	<u>(928,219)</u>	<u>(878,464)</u>

AIRTEL TANZANIA PLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 TZS 'M'	2019 TZS 'M'
Operating activities			
Profit before tax		79,971	33,100
Adjustment for:			
Depreciation of property, plant and equipment	17	81,922	87,474
Amortisation of intangible assets	18	3,992	55
Depreciation of right of use	19	17,046	16,095
Movement in provisions	27	779	4,105
Unrealized exchange losses/(gain) on loans	26	9,871	(956)
Exchange losses/(gain) on lease liability	30	832	(35)
Interest expense – lease liability	14	5,855	6,962
Interest income	14	(25)	(38)
Operating cash inflows before movement in working capital		200,243	146,762
<i>Movement in working capital:</i>			
Increase in trade and other receivables		(3,784)	(1,115)
Increase in inventories		(315)	-
(Decrease)/increase in trade and other payables		<u>(37,299)</u>	<u>11,970</u>
		158,845	157,617
Current income tax paid	16(c)	(4,000)	-
Withholding tax recovered	16(c)	(169)	(939)
Withholding tax on dividend income	16(a)	(2,210)	-
Interest received		<u>25</u>	<u>38</u>
Net cash flow generated from operating activities		<u>152,491</u>	<u>156,716</u>
Investing activities			
Purchase of property, plant and equipment	17	(90,716)	(89,115)
Purchase of intangible assets	18	<u>(18,487)</u>	<u>(9,697)</u>
Net cash used in investing activities		<u>(109,203)</u>	<u>(98,812)</u>
Financing activities			
Dividend paid	35	(26,353)	-
Repayments of long-term borrowings	26	-	(11,886)
Repayment of lease liability	30	(22,584)	(26,312)
Interest paid		<u>-</u>	<u>(156)</u>
Net cash flow used in financing activities		<u>(48,937)</u>	<u>(38,354)</u>
Net (decrease)/increase in cash and cash equivalents		(5,649)	19,550
Cash and cash equivalents at beginning of the year		<u>16,015</u>	<u>(3,535)</u>
Cash and cash equivalents at end of the year	24	<u>10,366</u>	<u>16,015</u>

AIRTEL TANZANIA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

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

These are separate financial statements of Airtel Tanzania PLC which do not include financial statements of Tanzania Towers Limited and Airtel Money Tanzania Limited. Airtel Money Tanzania Limited started operation from 1 September 2019, through resolution by the Board of Airtel Tanzania plc, approving the separation of books with effect from 1 September 2019, to meet electronic money issuer license condition. Hence Airtel Tanzania plc financials contain airtel money business upto 31 August 2019. The results of operations for the year ended 31 December 2020 and financial position of the Tanzania Towers Limited and Airtel Money Tanzania Limited, as at the year then ended, are included in the consolidated financial statements of Airtel Tanzania PLC.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

a) New standards and amendments to published standards effective for the year ended 31 December 2020

The following new and revised IFRSs have been applied in the current year:

Interest rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.
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The amendments are relevant to the Company given that it applies hedge accounting to its benchmark interest rate exposures.

The application of IFRS 9, IAS 39 and IFRS 7 did not have a significant impact on the Company's financial statement.

IAS 1 Presentation of financial statements and IAS 8 Accounting policies, Changes in Accounting Estimates and errors	The amendments to IAS 1 Presentation of Financial Statements and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'
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The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The application of (Amendments to IAS 1 and IAS 8) did not have a significant impact on the Company's financial statement.

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

a) New standards and amendments to published standards effective for the year ended 31 December 2020 (continued)

Amendments to IFRS 3 Business Combinations

3 The (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and e amendments in Definition of a Business (Amendments to IFRS 3) applies to defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

The application of these amendments to IFRS 3 did not have any impact on the Company's financial statement.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID- 19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Company has not been impacted by the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

b) New standards and amendments and interpretation in issue but not effective for the year ended 31 December 2020

IFRS 17 Insurance Contracts	Effective for accounting periods beginning on or after 1 January 2023
Amendments to IFRS 1	Effective for accounting periods beginning on or after 1 January 2022
Amendments to IAS 16	Effective for accounting periods beginning on or after 1 January 2022
Amendments to IAS 1	Effective for accounting periods beginning on or after 1 January 2022
Amendments to IFRS 3	Effective for accounting periods beginning on or after 1 January 2022

c) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2020

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 are still assessing the expected impact on the financial statements.

Amendments to IFRS 1

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1: D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1: D16(a).

The amendments to IFRS 1 are effective for accounting periods beginning on or after 1 January 2022 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

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 before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, a Company recognise such sales proceeds and related costs in profit or loss. The Company measures the cost of those items in accordance with IAS 2 Inventories.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the Company's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

NOTES TO THE 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 2020 (continued)

Amendments to IAS 16 (continued)

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments.

The Company shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments to IAS 16 are effective for accounting periods beginning on or after 1 January 2022 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

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 Company will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2022, with early application permitted and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Amendments to IFRS 3

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if a Company also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2022, with early application permitted and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

d) Early adoption of standards

The Company did not early-adopt any new or revised standards in 2020.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

a) Basis of preparation

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

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

b) Statement of compliance

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

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

c) Revenue recognition

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

The five steps in the Model are as follows:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)**d) Foreign currency translation**

Functional and presentation currency

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

Transactions and balances

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

e) Property, plant and equipment

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

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

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

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

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

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

f) Intangible assets

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

f) Intangible assets (continued)

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

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

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

g) Leases

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

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

i. Company as a lessee

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Leases (continued)

i. Company as a lessee (continued)

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

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

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

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

Short-term leases and leases of low-value assets

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

ii. Company as a lessor

Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Amounts due from lessees under a finance lease are recognised as receivables at an amount equal to the net investment in the leased assets. Finance lease income is allocated to the periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

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

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

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

o Plant and equipment

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

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

o Other leases

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Leases (continued)

i. As a Lessee

Right-of-use asset

	Property, plant and equipment TZS 'M'	Others TZS 'M'	Total TZS 'M'
At 1 January 2019	74,978	1,302	76,280
Additions	5,081	930	6,011
Depreciation charge for the year	<u>(15,299)</u>	<u>(796)</u>	<u>(16,095)</u>
At 31 December 2019	<u>64,760</u>	<u>1,436</u>	<u>66,196</u>
At 1 January 2020	64,760	1,436	66,196
Additions	5,575	936	6,511
Depreciation charge for the year	<u>(16,314)</u>	<u>(732)</u>	<u>(17,046)</u>
At 31 December 2020	<u>54,021</u>	<u>1,640</u>	<u>55,661</u>
		2020 TZS 'M'	2019 TZS 'M'
Lease liabilities			
Maturity analysis:			
Less than one year		27,886	25,119
Later than one year but not later than two years		21,128	20,569
Later than two years but not later than five years		47,447	52,503
Later than five years but not later than nine years		2,550	12,627
Later than nine years		<u>275</u>	<u>37</u>
Total undiscounted lease liabilities		<u>99,286</u>	<u>110,855</u>
Lease liabilities included in the statement of financial position		<u>84,441</u>	<u>93,827</u>
Interest expense on lease liabilities		5,855	6,806
Loss arising from sale and leaseback transactions		<u>-</u>	<u>-</u>
Income from Sub-leasing of right-of-use asset			
Amounts recognised in profit or loss			
Income from sub-leasing right-of-use asset		<u>12</u>	<u>2,142</u>
Total cash outflow for leases in statement of cash flows			
Amounts recognised in the statement of cash flows			
Total cash outflow for leases		<u>22,584</u>	<u>26,312</u>
ii. As a lessor			
The Company's lease arrangements as a lessor mainly pertain to passive infrastructure.			
Operating lease			
Lease income recognised in profit or loss		<u>49,391</u>	<u>51,141</u>

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**g) Leases (continued)**

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

	2020 TZS 'M'	2019 TZS 'M'
Less than one year	48,373	48,624
One to five years	132,971	154,283
More than five years	<u>119,702</u>	<u>145,198</u>
Total	<u>301,046</u>	<u>348,105</u>

h) Inventories

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

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

Based on aging of handsets and accessories, the Company makes a provision for handsets and accessories as follows:

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

i) Employment benefits

Retirement benefit obligations

All Company employees are members of the PSSSF Pension Fund ("PSSSF"), which are defined contribution plans. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Company and employees both contribute 10% of the employees' gross salaries to the PSSSF respectively. The contributions are recognised as employee benefit expense when they are due.

Other entitlements

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

j) Provisions

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

Asset retirement obligation (ARO)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Dividends

Dividends on ordinary shares are charged to equity in the year in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

l) Financial instruments

(i) Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

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

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

De-recognition

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

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

Impairment of financial assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1) Financial instruments (continued)

(i) Financial assets (continued)

Impairment of financial assets (continued)

The expected credit loss (ECL) is mainly based on the ageing of the receivable balances and historical experience. The receivables are assessed on an individual basis or grouped into homogeneous groups and assessed for impairment collectively, depending on their significance. Moreover, trade receivables are written off on a case to-case basis if deemed not to be collectible on the assessment of the underlying facts and circumstances in note 23.

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

The Company uses a provision matrix to measure the expected credit loss of trade receivables. Refer note 23 for details on the impairment of trade receivables. Based on the industry practices and the business environment in which the entity operates, management considers that the trade receivables are credit impaired if the payments are more than 90 days past due.

(ii) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

Fair Value Option

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Financial instruments (continued)

(ii) Financial liabilities (continued)

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

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

De-recognition

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

(iii) Offsetting of financial instruments

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

m) Cash and cash equivalents

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

n) Tax

Income tax

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Tax (continued)

Income tax (continued)

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

o) Cost of sales

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

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

p) Impairment of non-financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Impairment of non-financial assets (continued)

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

q) Fair value measurement

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

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

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

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

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

r) Current versus non-current classification

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

An asset is current when it is either:

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

All other assets are classified as non-current.

A liability is current when either:

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

The Company classifies all other liabilities as non-current.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Deferred Spectrum Payments

During the year ended 31 December 2020, the Company has capitalized deferred spectrum license payments, for which the Company is under an obligation for payment till the expiry of the license period. Consequently, intangible assets have been recognized at the present value of such payments amounting to TZS 37,632 million with a corresponding liability of TZS 33,007 million and reversal of prepayments of TZS 4,626 million. The balances of comparative periods have not been restated considering that such amounts are not material to the Company

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

a) Fair value of financial instruments

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

b) Deferred tax assets

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

c) Income tax

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

d) Property, plant and equipment

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

e) Impairment losses on trade receivables

At each reporting date, the Company performs impairment analysis for trade and other receivables based on the respective individual customers or a group of related customers or group of minor receivables with homogeneous characteristics. Assessment of impairment is made based on the actual available data and past history. In assessing for impairment the Company considers the current ability of the debtors to pay based on the observed trend and any additional information that help management to determine whether there is a measurable decrease in the estimated future cash flows of an individual debtor or a group of debtors. Where any impairment is established the Company records it in the profit or loss the extent that is not expected to be recovered. Refer to note 23 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

g) Impairment of non-financial assets

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

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

h) Contingencies and provisions

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

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

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

5. FINANCIAL RISK MANAGEMENT

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

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

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

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

Market risks

(i) Foreign exchange risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)**Market risks (continued)**

(i) Foreign exchange risk (continued)

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

		Effect on profit after tax TZS 'M'
Net effect based on the year end as at 31 December 2020	-10%	(114,536)
	10%	114,536
Net effect based on the year end as at 31 December 2019	-10%	(113,158)
	10%	<u>113,158</u>

The sensitivity analysis has been determined based on net exposure at 31 December 2020. The change of 10% is what is used when determining the foreign currency transaction risk reported internally to key management personnel to assess reasonably possible changes in foreign exchange rates.

The table below summarizes the Company's exposure to foreign currency exchange rate risk at 31 December 2020 and 2019. Included in the table are the Company's financial instruments, categorized by currency (all amounts expressed in millions of Tanzanian Shillings):

At 31 December 2020	USD	Euro	Others
Financial assets			
Trade and other receivables	35,281	-	-
Cash and cash equivalents	<u>5,309</u>	-	-
	<u>40,590</u>	-	-
Financial liabilities			
Borrowings	1,107,681	-	-
Trade and other payables	77,790	-	-
Others financial liabilities	<u>478</u>	-	-
	<u>1,185,949</u>	-	-
Net currency exposure	<u><u>1,145,359</u></u>	-	-
At 31 December 2019			
Financial assets			
Trade and other receivables	43,147	-	-
Cash and cash equivalents	<u>9,994</u>	-	-
	<u>53,141</u>	-	-
Financial liabilities			
Borrowings	1,097,811	-	-
Trade and other payables	86,762	-	-
Others financial liabilities	<u>152</u>	-	-
	<u>(1,184,725)</u>	-	-
Net currency exposure	<u><u>(1,131,583)</u></u>	-	-

5. FINANCIAL RISK MANAGEMENT (CONTINUED)**Market risks (continued)**

(i) Foreign exchange risk (continued)

Exchange rates applicable were as follows:

	USD: TZS
On 1 January 2020	2,298
On 31 December 2020	2,319
On 1 January 2019	2,300
On 31 December 2019	2,298

(ii) Interest rate risk

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

Where necessary the Company refinances its borrowings in order to ensure its borrowing terms remain competitive. Refer to note 26 for more details on loans and borrowings.

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

Credit risk

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

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

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

	2020	2019
	TZS 'M'	TZS 'M'
Trade receivables	40,107	43,718
Receivables from related parties	25,712	33,225
Other receivables - current	8,597	5,065
Other receivables - non current	494	494
	<u>74,910</u>	<u>82,502</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

None of the above assets are past due or impaired except for the amounts in trade receivables which are overdue for more than 90 days and for interconnect receivables more than 270 days.

	2020 TZS 'M'	2019 TZS 'M'
By up to 30 days	9,798	9,453
By up to 60 days	3,178	4,574
Over 60 days	<u>35,729</u>	<u>34,755</u>
Total due	<u>48,705</u>	<u>48,782</u>
Impaired during the year	<u>24,881</u>	<u>25,236</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 Company aims at maintaining flexibility in funding by keeping committed credit lines available. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damaging the Company's reputation.

Management monitors rolling forecasts of the Company's liquidity reserves (comprises undrawn borrowing facility (Note 26) and cash and cash equivalent (Note 24)) on the basis of expected cash flows.

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

	Less than 1 year TZS 'M'	Between 1 and 2 years TZS 'M'	Greater than 2 years TZS 'M'	Total TZS 'M'
At 31 December 2020				
Borrowings	1,107,682	-	-	1,107,682
Bank overdraft	7,339	-	-	7,339
Trade and other payables - current	217,982	-	-	217,982
Trade and other payables - non current	-	-	22,283	22,283
Lease liabilities	<u>17,545</u>	<u>16,517</u>	<u>50,379</u>	<u>84,441</u>
Total financial liabilities	<u>1,350,548</u>	<u>16,517</u>	<u>72,662</u>	<u>1,439,727</u>
At 31 December 2019				
Borrowings	-	1,097,811	-	1,097,811
Trade and other payables - current	215,083	-	-	215,083
Trade and other payables - non current	-	-	30,784	30,784
Lease liabilities	<u>19,186</u>	<u>20,569</u>	<u>54,072</u>	<u>93,827</u>
Total financial liabilities	<u>234,269</u>	<u>1,118,380</u>	<u>84,856</u>	<u>1,437,505</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may limit the amount of dividend paid to its shareholders.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is defined as total borrowings (including current and non-current borrowings and bank overdrafts as shown in the statement of financial position) less cash and cash equivalents.

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

	2020	2019
	TZS 'M'	TZS 'M'
Borrowing (note 26)	1,107,681	1,097,811
Bank overdrafts (note 29)	7,339	-
Lease liabilities (note 30)	84,441	93,827
Less: Cash and cash equivalent (note 24)	<u>(17,705)</u>	<u>(16,015)</u>
Net debt	1,181,756	1,175,623
Total equity (deficit)	<u>(878,464)</u>	<u>(954,568)</u>
Gearing ratio	<u>-135%</u>	<u>-123%</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Categorization of financial instruments as at 31 December 2020

	Financial asset at amortized cost TZS 'M'	Financial liabilities at amortized costs TZS 'M'	Non- financial assets and liabilities TZS 'M'	Equity TZS 'M'	Total TZS 'M'
Non-current assets					
Property plant and equipment	-	-	394,203	-	394,203
Intangible assets	-	-	102,194	-	102,194
Right of use	-	-	55,661	-	55,661
Deferred tax asset	-	-	46,322	-	46,322
Investments other assets	474	-	2	-	2
	474	-	24,249	-	24,723
	474	-	622,631	-	623,105
Current assets					
Inventories	-	-	315	-	315
Trade and other receivables	49,555	-	44,049	-	93,604
Trade receivables	15,246	-	-	-	15,246
Prepayments	-	-	41,354	-	41,354
Receivables from related parties	25,712	-	-	-	25,712
Value Added Tax recoverable	-	-	2,695	-	2,695
Other receivables	8,597	-	-	-	8,597
Current tax recoverable	-	-	1,142	-	1,142
Cash and cash equivalents	17,705	-	-	-	17,705
	67,260	-	45,506	-	112,766
Total assets	67,734	-	668,137	-	735,871
Equity and liabilities					
Equity					
Ordinary shares	-	-	-	48,235	48,235
Share premium	-	-	-	1,520	1,520
Accumulated losses	-	-	-	(928,219)	(928,219)
Total equity	-	-	-	(878,464)	(878,464)
Non-current liabilities					
Lease liabilities	-	66,896	-	-	66,896
Provisions	-	-	73,561	-	73,561
Equipment supply payables other liabilities	-	22,283	-	-	22,283
	-	-	29,310	-	29,310
	-	89,179	102,871	-	192,050
Current liabilities					
Trade and other payables	-	217,982	71,737	-	289,719
Trade payables	-	20,863	-	-	20,863
Accrued expenses	-	-	37,996	-	37,996
Deferred revenue	-	-	17,774	-	17,774
Payables to related parties	-	133,611	-	-	133,611
Customers deposits	-	-	3,762	-	3,762
Roaming payables	-	137	-	-	137
Other tax payables	-	-	6,579	-	6,579
Equipment Supply payables	-	55,707	-	-	55,707
Dividend Payable	-	6,332	-	-	6,332
Deferred spectrum fee	-	-	5,626	-	5,626
Other payables	-	1,332	-	-	1,332
Borrowings	-	1,107,682	-	-	1,107,682
Bank overdraft	-	7,339	-	-	7,339
Lease liabilities	-	17,545	-	-	17,545
	-	1,350,548	71,737	-	1,422,285
Total liabilities	-	1,439,727	174,608	-	1,614,335
Total equity and liabilities	-	1,439,727	174,608	(878,464)	735,871

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Categorization of financial instruments as at 31 December 2019

	Financial asset at amortized cost TZS 'M'	Financial liabilities at amortized costs TZS 'M'	Non- financial assets and liabilities TZS 'M'	Equity TZS 'M'	Total TZS 'M'
Non-current assets					
Property plant and equipment	-	-	368,785	-	368,785
Intangible assets	-	-	60,420	-	60,420
Right of use	-	-	66,196	-	66,196
Investments	-	-	2	-	2
other assets	477	-	12,038	-	12,515
	<u>477</u>	<u>-</u>	<u>507,441</u>	<u>-</u>	<u>507,918</u>
Current assets					
Inventories	-	-	-	-	-
Trade and other receivables	51,723	-	44,577	-	96,300
Trade receivables	18,498	-	-	-	18,498
Prepayments	-	-	36,817	-	36,817
Receivables from related parties	33,225	-	-	-	33,225
Value Added Tax recoverable	-	-	2,695	-	2,695
Other receivables	-	-	5,065	-	5,065
Current income tax recoverable	-	-	6,183	-	6,183
Cash and cash equivalents	16,015	-	-	-	16,015
	<u>67,738</u>	<u>-</u>	<u>50,760</u>	<u>-</u>	<u>118,498</u>
Total assets	<u>68,215</u>	<u>-</u>	<u>558,201</u>	<u>-</u>	<u>626,416</u>
Equity and liabilities					
Equity					
Ordinary shares	-	-	-	48,235	48,235
Share premium	-	-	-	1,520	1,520
Accumulated losses	-	-	-	(1,004,323)	(1,004,323)
Total equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>(954,568)</u>	<u>(954,568)</u>
Non-current liabilities					
Borrowings	-	1,097,811	-	-	1,097,811
Provisions	-	-	72,782	-	72,782
Lease liabilities	-	74,641	-	-	74,641
Equipment supply payables	-	30,784	-	-	30,784
Other liabilities	-	-	383	-	383
	<u>-</u>	<u>1,203,236</u>	<u>73,165</u>	<u>-</u>	<u>1,276,401</u>
Current liabilities					
Trade and other payables	-	215,083	70,314	-	285,397
Trade payables	-	21,905	-	-	21,905
Accrued expenses	-	-	35,147	-	35,147
Deferred revenue	-	-	18,118	-	18,118
Payables to related parties	-	152,169	-	-	152,169
Customers deposits	-	-	2,813	-	2,813
Roaming payables	-	246	-	-	246
Other tax payables	-	-	14,236	-	14,236
Equipment Supply payables	-	39,083	-	-	39,083
Other payables	-	1,680	-	-	1,680
Lease liabilities	-	19,186	-	-	19,186
	<u>-</u>	<u>234,269</u>	<u>70,314</u>	<u>-</u>	<u>304,583</u>
Total liabilities	<u>-</u>	<u>1,437,505</u>	<u>143,479</u>	<u>-</u>	<u>1,580,984</u>
Total equity and liabilities	<u>-</u>	<u>1,437,505</u>	<u>143,479</u>	<u>(954,568)</u>	<u>626,416</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. GOING CONCERN

During the year ended 31 December 2020, the Company reported a net profit of TZS 114,873 million (2019: TZS 30,073 million net profit). As at 31 December 2020, The Company had accumulated losses of TZS 928,219 million (2019: TZS 1,004,323 million) and net current liabilities of TZS 1,309,520 million (2019: TZS 186,085 million).

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

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

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

	2020	2019
	TZS 'M'	TZS 'M'
7. REVENUE		
Airtime revenue	263,136	188,596
Value added services	124,458	203,568
Interconnect revenue	41,839	32,680
Roaming revenue	2,441	5,090
Site sharing revenue	49,379	48,999
Subscription revenue	4,239	3,726
Other income	5,997	5,996
	<u>491,489</u>	<u>488,655</u>
8. COST OF SALES		
Cost of cards	10,026	5,873
Cost of handset and accessories	1,027	971
Other direct cost	586	686
Leased lines	14,299	11,154
Roaming costs	687	425
Interconnection costs - local	42,581	54,154
Interconnection costs - international	4,368	6,458
Frequency license fees and royalty	25,640	26,979
	<u>99,214</u>	<u>106,700</u>
9. ADMINISTRATIVE EXPENSES		
Employee benefit expenses (note 10)	31,901	30,138
Site rental	32,455	35,474
Site energy (fuel and grid)	31,477	31,833
Network support and maintenance	42,832	44,553
IT expenses	8,266	12,836
Management fees	11,971	14,475
Consultancy costs	624	1,408
Customer service expenses	2,900	3,517
Other operating expenses	17,122	14,702
Impairment provision - trade receivables	(355)	(3,119)
	<u>179,193</u>	<u>185,817</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. 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.

	2020	2019
	TZS 'M'	TZS 'M'
10. EMPLOYEE BENEFIT EXPENSES		
Wages and salaries	19,477	20,372
Social security costs - defined contribution scheme	2,081	1,700
Other employee emoluments and benefits	<u>10,343</u>	<u>8,066</u>
	<u>31,901</u>	<u>30,138</u>
11. MARKETING AND DISTRIBUTION COSTS		
Marketing and advertising expenses	5,566	7,141
Sales and distribution cost	<u>41,591</u>	<u>52,181</u>
	<u>47,157</u>	<u>59,322</u>
12. DEPRECIATION AND AMORTISATION		
Depreciation of property, plant and equipment (Note 17)	81,922	87,474
Amortisation of intangible assets (Note 18)	3,992	55
Depreciation of right-of-use assets (Note 19)	<u>17,046</u>	<u>16,095</u>
	<u>102,960</u>	<u>103,624</u>
13. OPERATING PROFIT		
The following items have been charged in arriving at operating profit:		
Key management personnel remuneration	6,695	5,881
Auditor's remuneration	<u>236</u>	<u>230</u>
14. (a) FINANCE COST		
Net foreign exchange losses - realized	2,962	3,087
Net foreign exchange losses/(gains) - unrealized	9,805	(2,785)
Interest on bank loans	-	156
Interest others	7,003	3,832
Amortisation of loan issue costs	-	92
Exchange fluctuation losses/(gain) - lease liability	832	(35)
Interest expense - lease liability	5,855	6,806
Interest on deferred spectrum fee	1,458	-
Interest on Asset Retirement Obligations (ARO)	<u>(574)</u>	<u>48</u>
	<u>27,341</u>	<u>11,201</u>
(b) FINANCE INCOME		
Dividend income	44,205	-
Interest on bank deposits	<u>25</u>	<u>38</u>
	<u>44,230</u>	<u>38</u>
15. EXCEPTIONAL ITEM		
Exceptional item	<u>-</u>	<u>8,143</u>

Represents one off the impact pertaining to previous periods towards deferment of customer acquisition costs following reassessment of customer life during the period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. INCOME TAX EXPENSE

The Company had accumulated tax losses of TZS 351 billion as at 31 December 2020 (2019: TZS 406 billion). With effect from 1 July 2020 Section 19 of the Income Tax Act, 2004 (ITA) was amended permitting companies with unrelieved losses for four previous consecutive years, only seventy percent of the unrelieved losses to be utilized against chargeable income.

The year of income 2020 has blended rates; Alternative Minimum Tax (AMT) -0.5% provisions for the period from January to June 2020 and applicability of Section 19(2) of the ITA from July to December 2020.

	2020 TZS 'M'	2019 TZS 'M'
a) Income tax expense		
Current tax:		
- Alternative minimum tax (AMT)	(1,149)	(3,027)
- Corporate income tax in respect to current year	(3,699)	-
- Corporate income tax in respect to prior year	(4,362)	-
- Corporate income tax on dividend received	(2,210)	-
	<u>(11,420)</u>	<u>(3,027)</u>
Deferred tax:		
- Deferred tax income	12,910	-
- Deferred tax income on accumulated losses	33,412	-
	<u>46,322</u>	<u>-</u>
	<u>34,902</u>	<u>(3,027)</u>

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

	2020 TZS 'M'	2019 TZS 'M'
b) Income tax reconciliation		
Profit before tax	<u>79,971</u>	<u>33,100</u>
Tax calculated at a tax rate of 30%	(23,991)	(9,930)
Tax effect of:		
Tax effect of expenses not deductible for tax purposes	(880)	(20)
Non-taxable dividend income	13,262	-
Alternative minimum tax (AMT)	(1,149)	(3,027)
Movement in deferred tax asset not recognized	7,849	9,950
Withholding tax on dividend	(2,210)	-
Current tax in respect of prior years	(4,362)	-
Recognized deferred tax assets	46,322	-
Other adjustments	61	-
	<u>34,902</u>	<u>(3,027)</u>
c) Current income tax recoverable		
At 1 January	6,183	8,271
Current tax expense	(8,061)	-
Alternative minimum tax	(1,149)	(3,027)
Current income tax paid during the year	4,000	-
Withholding tax recovered	169	939
	<u>1,142</u>	<u>6,183</u>

17. PROPERTY, PLANT AND EQUIPMENT

	Installation network TZS 'M	Office equipment TZS 'M	Capital work in progress TZS 'M	Total TZS 'M
Cost				
At 1 January 2020	1,341,702	157,434	30,103	1,529,239
Additions	-	-	107,835	107,835
Transfer in/(out)	57,034	25,555	(82,589)	-
Disposal	(2,177)	-	-	(2,177)
Adjustment	-	(2,348)	-	(2,348)
At 31 December 2020	<u>1,396,559</u>	<u>180,641</u>	<u>55,349</u>	<u>1,632,549</u>
Depreciation				
At 1 January 2020	1,013,808	146,646	-	1,160,454
Charge for the year	74,506	7,416	-	81,922
Disposal	(1,682)	-	-	(1,682)
Adjustment	-	(2,348)	-	(2,348)
Reclassification	(14,977)	14,977	-	-
At 31 December 2020	<u>1,071,655</u>	<u>166,691</u>	<u>-</u>	<u>1,238,346</u>
Net book value At 31 December 2020	<u>324,904</u>	<u>13,950</u>	<u>55,349</u>	<u>394,203</u>
Cost				
At 1 January 2019	1,273,175	139,539	16,927	1,429,641
Additions	-	-	96,274	96,274
Transfer in/(out)	69,242	13,856	(83,098)	-
Reclassification from intangible assets	-	4,039	-	4,039
Disposal	(715)	-	-	(715)
At 31 December 2019	<u>1,341,702</u>	<u>157,434</u>	<u>30,103</u>	<u>1,529,239</u>
Depreciation				
At 1 January 2019	933,308	136,805	-	1,070,113
Charge for the year	81,215	6,259	-	87,474
Reclassification from intangible assets	-	3,582	-	3,582
Disposal	(715)	-	-	(715)
At 31 December 2019	<u>1,013,808</u>	<u>146,646</u>	<u>-</u>	<u>1,160,454</u>
Net book value At 31 December 2019	<u>327,894</u>	<u>10,788</u>	<u>30,103</u>	<u>368,785</u>

AIRTEL TANZANIA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. INTANGIBLE ASSETS

	Cellular license TZS 'M	Deferred Spectrum fee TZS 'M	Subscriber acquisition costs TZS 'M	Capital work in progress TZS 'M	Total TZS 'M
Cost					
At 1 January 2020	1,378	-	2,633	59,657	63,668
Additions	-	-	-	45,766	45,766
Transfer in/(out)	67,791	37,632	-	(105,423)	-
Write-off	-	-	(2,633)	-	(2,633)
At 31 December 2020	69,169	37,632	-	-	106,801
Amortization					
At 1 January 2020	615	-	2,633	-	3,248
Charge for the year	464	3,528	-	-	3,992
Write-off	-	-	(2,633)	-	(2,633)
At 31 December 2020	1,079	3,528	-	-	4,607
Net book value At 31 December 2020	68,090	34,104	-	-	102,194
Cost					
At 1 January 2019	5,417	18,450	2,633	-	26,500
Additions	-	-	-	59,657	59,657
Reclassification to property, plant and equipment	(4,039)	-	-	-	(4,039)
Reclassification due to IFRS 16	-	(18,450)	-	-	(18,450)
At 31 December 2019	1,378	-	2,633	59,657	63,668
Amortisation					
At 1 January 2019	4,143	4,473	2,633	-	11,249
Charge for the year	55	-	-	-	55
Reclassification to property, plant and equipment	(3,583)	-	-	-	(3,583)
Reclassification due to IFRS 16	-	(4,473)	-	-	(4,473)
At 31 December 2019	615	-	2,633	-	3,248
Net book value At 31 December 2019	763	-	-	59,657	60,420

19. RIGHT-OF-USE ASSET

	Property, plant and equipment TZS 'M'	Others TZS 'M'	Total TZS 'M'
At 1 January 2020	64,760	1,436	66,196
Additions	5,575	936	6,511
Depreciation charge for the year	(16,314)	(732)	(17,046)
At 31 December 2020	54,021	1,640	55,661

19. RIGHT-OF-USE ASSET (CONTINUED)

	Property, plant and equipment TZS 'M'	Others TZS 'M'	Total TZS 'M'
At 1 January 2019	74,978	1,302	76,280
Additions	5,081	930	6,011
Depreciation charge for the year	<u>(15,299)</u>	<u>(796)</u>	<u>(16,095)</u>
At 31 December 2019	<u>64,760</u>	<u>1,436</u>	<u>66,196</u>

20. DEFERRED INCOME TAX

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

The Company has a deferred tax asset of TZS 242,484 million as at 31 December 2020 (2019: TZS 250,333 million). The net deferred tax asset recognized in the books have been recognized basing on the 5 years' profitability forecasts while the remaining deferred tax asset has not been recognized in these financial statements.

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

	2020 TZS 'M'	2019 TZS 'M'
Accelerated capital allowances	(214,749)	(173,683)
Provision for bad debts	(24,881)	(25,236)
Bonus accrual	(3,540)	(2,328)
Accrual for other expenses	(13,354)	(19,016)
Asset retirement obligation	(2,897)	(3,471)
Unrealized foreign exchange differences	(197,410)	(187,538)
Current income tax losses	<u>(351,450)</u>	<u>(406,505)</u>
Net deductible temporary differences	<u>(808,281)</u>	<u>(817,777)</u>
Deferred tax asset at 30%	(242,484)	(250,333)
Less: Deferred tax asset not recognised	<u>196,162</u>	<u>250,333</u>
Deferred tax asset	<u>(46,322)</u>	<u>-</u>

21. INVESTMENTS

Shares in Tanzania Towers Limited	1	1
Shares in Airtel Money Tanzania Limited	<u>1</u>	<u>1</u>
	<u>2</u>	<u>2</u>

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

These are separate financial statements of Airtel Tanzania PLC which do not include financial statements of Tanzania Towers Limited and Airtel Money Tanzania Limited. The results of operations for the year ended 31 December 2020 and financial position of the Tanzania Towers Limited and Airtel Money Tanzania Limited, as at the year then ended, are included in the consolidated financial statements of Airtel Tanzania PLC.

AIRTEL TANZANIA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2020 TZS 'M'	2019 TZS 'M'
22. INVENTORIES		
Phones	1,056	691
SIM cards	2,519	638
Provision for impairment	<u>(3,260)</u>	<u>(1,329)</u>
	<u>315</u>	<u>-</u>

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

	2020 TZS 'M'	2019 TZS 'M'
23. TRADE AND OTHER RECEIVABLES		
a) Current assets		
Roaming debtors	1,871	2,383
Interconnect	10,777	9,447
Post paid	10,830	12,940
Site sharing debtors	16,629	18,948
Prepayments	41,354	36,816
Due from related parties (note 33 (iii))	25,712	33,225
Value Added Tax recoverable	2,695	2,695
Other receivables	<u>8,597</u>	<u>5,065</u>
	118,465	121,519
Provision for impairment losses	<u>(24,861)</u>	<u>(25,219)</u>
	<u>93,604</u>	<u>96,300</u>
b) Non-current assets		
Prepayments	24,249	12,038
Other receivables	494	494
Provision for impairment losses	<u>(20)</u>	<u>(17)</u>
	<u>24,723</u>	<u>12,515</u>

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

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

	2020 TZS 'M'	2019 TZS 'M'
At January	25,236	28,355
Release during the year	<u>(355)</u>	<u>(3,119)</u>
At 31 December	<u>24,881</u>	<u>25,236</u>

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

	Neither past due nor impaired	Past due but not impaired		Impaired	Total
	Less than 30 days TZS 'M'	30 to 60 days TZS 'M'	60 to 90 days TZS 'M'	Above 90 days TZS 'M'	TZS 'M'
At 31 December 2020	<u>9,798</u>	<u>3,178</u>	<u>10,848</u>	<u>24,881</u>	<u>48,705</u>
At 31 December 2019	<u>9,453</u>	<u>4,574</u>	<u>9,519</u>	<u>25,236</u>	<u>48,782</u>

AIRTEL TANZANIA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. CASH AND CASH EQUIVALENTS

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

	2020 TZS 'M'	2019 TZS 'M'
Cash at bank	16,338	13,036
Restricted cash at bank	205	2,727
Airtel money balances	1,148	242
Cash in hand	14	10
	<u>17,705</u>	<u>16,015</u>
Bank overdraft (note 29)	<u>(7,339)</u>	<u>-</u>
	<u>10,366</u>	<u>16,015</u>

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

25. SHARE CAPITAL AND PREMIUM

On 4 July 2019 the Shareholders of the Company passed an extra-ordinary resolution for allotment of 36,176,471 ordinary shares of TZS 200 each to and in favor of the Government of the United Republic of Tanzania ('GoT') through Treasury Registrar, at NIL consideration. The allotment was sanctioned by the High Court of Tanzania, Commercial Division on 27 August 2019 in Miscellaneous Civil Cause No. 21 of 2019. The allotment also received Merger Clearance Certificate by The Fair Competition Commission (FCC) on 19 November 2019. Share premium account was utilized to issue additional shares to GoT, resulting in shareholding between Bharti Airtel Tanzania B.V. (BATBV) and GoT, to change from 60:40 to 51:49.

	2020 TZS 'M'	2019 TZS 'M'
Authorized: 250,000,000 ordinary shares of TZS 200 each (2019: 250,000,000 ordinary shares of TZS 200)	<u>50,000</u>	<u>50,000</u>
Issued and paid up: 241,176,471 ordinary shares of TZS 200 each (2019:241,176,471 ordinary shares of TZS 200)	<u>48,235</u>	<u>48,235</u>
Share premium	<u>1,520</u>	<u>1,520</u>

26. BORROWINGS

Shareholder's loan	<u>1,107,682</u>	<u>1,097,811</u>
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Shareholder's loan from Bharti Airtel Tanzania B.V. - On 5 April 2016, Board approved limit extension of shareholder's loan from USD 250 million to USD 500 million. Along with the limit extension, it was decided that the principal loan/drawdowns and interest accrued thereon will be payable in full by 31 December 2021 (the final maturity date).

Further to above the principal drawdown and interest accrued on the loan shall be charged interest rate of 4.5% + 3 months LIBOR, the LIBOR percentage shall be reset quarterly in advance on each 1 April, 1 July, 1 October and 1 January and will remain fixed until the next reset date. On 28 August 2017, Board approved to suspend interest charged on shareholder loan with effect from 1 July 2017 to 31 December 2021.

The maturity of the borrowings is analyzed as follows:

	2020 TZS 'M'	2019 TZS 'M'
Current	1,107,682	-
Non-current	<u>-</u>	<u>1,097,811</u>
	<u>1,107,682</u>	<u>1,097,811</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. BORROWINGS (CONTINUED)

2020	At 1 January TZS 'M'	Repayments TZS 'M'	Exchange losses TZS 'M'	At 31 December TZS 'M'
Shareholders' loan	<u>1,097,811</u>	<u>-</u>	<u>9,871</u>	<u>1,107,682</u>
2019	At 1 January TZS 'M'	Repayments TZS 'M'	Exchange (gain)/losses TZS 'M'	At 31 December TZS 'M'
Bank loans				
Standard Chartered	3,663	(3,693)	30	-
Barclays	<u>8,119</u>	<u>(8,193)</u>	<u>74</u>	<u>-</u>
Total bank loans	11,782	(11,886)	104	-
Shareholders' loans	<u>1,098,871</u>	<u>-</u>	<u>(1,060)</u>	<u>1,097,811</u>
Total borrowings	<u><u>1,110,653</u></u>	<u><u>(11,886)</u></u>	<u><u>(956)</u></u>	<u><u>1,097,811</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. PROVISIONS

	Asset retirement obligation TZS 'M'	Probable liabilities TZS 'M'	Total TZS 'M'
At January 2020	8,177	64,605	72,782
Provision for the year	237	897	1,134
Provision utilized	-	(355)	(355)
	<u>8,414</u>	<u>65,147</u>	<u>73,561</u>
At 31 December 2020			
At January 2019	8,131	60,546	68,677
Provision for the year	46	4,562	4,608
Provision utilized	-	(503)	(503)
	<u>8,177</u>	<u>64,605</u>	<u>72,782</u>
At 31 December 2019			

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.

	2020 TZS 'M'	2019 TZS 'M'
28. TRADE AND OTHER PAYABLES		
a) Current liabilities		
Trade payables	20,863	21,905
Accrued expenses	37,996	35,147
Deferred revenue	17,774	18,117
Due to related parties (note 33 (iv))	133,611	152,169
Customers deposits	3,762	2,813
Roaming payables	137	246
Other taxes payable	6,579	14,236
Equipment supply payables	55,707	39,083
Dividend payable	6,332	-
Deferred spectrum fee	5,626	-
Other payables	1,332	1,681
	<u>289,719</u>	<u>285,397</u>
b) Non-current liabilities		
Accrued expenses	28	21
Equipment supply payables	22,283	30,784
Deferred spectrum fee	28,734	-
Other payables	548	362
	<u>51,593</u>	<u>31,167</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2020 TZS 'M'	2019 TZS 'M'
29. BANK OVERDRAFT		
National Bank of Commerce Limited	<u>7,339</u>	<u>-</u>

i) The Company has an 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 LIBOR rate and is secured by asset debenture over the fixed and floating assets of the Company.

ii) On 29th November 2019 the Board approved an overdraft with National Bank of Commerce for up to TZS 20 Billion. The Overdraft facility shall be charged interest rate of 4% per annum above 6 months treasury bill rate and is secured by asset debenture over the fixed and floating assets of the Company.

	2020 TZS 'M'	2019 TZS 'M'
30. LEASE LIABILITIES		
At 1 January	93,827	-
IFRS 16 transition	-	107,357
Addition	6,511	6,011
Interest accrued	5,855	6,806
Foreign exchange losses/(gain)	832	(35)
Payment made	<u>(22,584)</u>	<u>(26,312)</u>
At 31 December	<u>84,441</u>	<u>93,827</u>
Current	17,545	19,186
Non-current	<u>66,896</u>	<u>74,641</u>
	<u>84,441</u>	<u>93,827</u>

31. CONTINGENT LIABILITIES

As at 31 December 2020 the Company was a defendant in several lawsuits. The plaintiffs are claiming damages and interest thereon for the loss caused by the Company. The Company has filed counter-claims against the plaintiffs. The total amount claimed in the various lawsuits approximates TZS 1.4 billion (2019: TZS 1.3 billion). In the opinion of the Directors and Company's legal counsel, no material liabilities are expected to crystallize from these law suits. Consequently, no provision has been made against the claims in the financial statements.

32. CAPITAL COMMITMENTS

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

	2020 TZS 'M'	2019 TZS 'M'
Undelivered purchase orders	<u>83,115</u>	<u>17,931</u>

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

AIRTEL TANZANIA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. RELATED PARTY TRANSACTIONS

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

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

			2020	2019
			TZS 'M'	TZS 'M'
i) Purchase of services during the period				
Bharti Airtel Tanzania B.V. - Management services			11,971	14,475
Government of United Republic of Tanzania - Government support fees			<u>12,000</u>	<u>9,000</u>
ii) Shareholders loan				
Bharti Airtel Tanzania B.V			<u>1,107,682</u>	<u>1,097,811</u>
iii) Amounts due from related parties				
Name	Nature of transaction	Relationship	2020	2019
			TZS 'M'	TZS 'M'
Airtel Tchad S.A.	Interconnect & Roaming Services	Fellow Subsidiary	2	2
Airtel Seychelles Limited	Interconnect & Roaming Services	Fellow Subsidiary	504	217
Airtel Congo (RDC) S.A.R.L.	Interconnect & Roaming Services	Fellow Subsidiary	772	766
Airtel Networks Kenya Limited	Interconnect & Roaming Services	Fellow Subsidiary	14,220	18,262
Airtel Madagascar S.A.	Interconnect & Roaming Services	Fellow Subsidiary	889	693
Airtel Malawi Limited	Interconnect & Roaming Services	Fellow Subsidiary	1,993	1,438
Airtel Niger S.A.	Interconnect & Roaming Services	Fellow Subsidiary	65	64
Airtel Networks Limited – Nigeria	Interconnect & Roaming Services	Fellow Subsidiary	29	1,521
Airtel Uganda Limited	Interconnect & Roaming Services	Fellow Subsidiary	197	31
Airtel Zambia PLC	Interconnect & Roaming Services	Fellow Subsidiary	401	389
Airtel Rwanda Limited	Interconnect & Roaming Services	Fellow Subsidiary	1,547	1,534
Bharti Airtel Limited	Interconnect, Roaming, Signalling & Lease line/Bandwidth	Step-up Parent	827	791
Bharti International Singapore Pte Limited	Interconnect, Roaming, Signalling & Leaseline/Bandwidth	Common Parent Company	568	473
Bharti Airtel UK	Interconnect, Roaming, Signalling & Leaseline/Bandwidth	Common Parent Company	3,486	2,670
Airtel Money Tanzania Limited	Payment on behalf	Subsidiary Company	-	4,327
Tanzania Tower Company	Payment on behalf	Subsidiary Company	56	47
Airtel Gabon limited	Interconnect & Roaming services	Fellow subsidiary	112	-
Bharti Airtel Services Ltd	Manpower services	Common Parent Company	<u>44</u>	<u>-</u>
			<u>25,712</u>	<u>33,225</u>

AIRTEL TANZANIA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. RELATED PARTY TRANSACTIONS (CONTINUED)

iv) Amounts due to related parties

Name	Nature of transaction	Relationship	2020 TZS 'M'	2019 TZS 'M'
Airtel Congo S.A.	Interconnect & Roaming Services	Fellow Subsidiary	68	62
Airtel Gabon S.A	Interconnect & Roaming Services	Fellow Subsidiary	-	1
Airtel Congo (RDC) S.A.R.L.	Interconnect & Roaming Services	Fellow Subsidiary	2,995	5,605
Airtel Networks Kenya Limited	Interconnect & Roaming Services	Fellow Subsidiary	1,739	1,690
Airtel Madagascar S.A.	Interconnect & Roaming Services	Fellow Subsidiary	115	114
Airtel Malawi Limited	Interconnect & Roaming Services	Fellow Subsidiary	1,975	7,361
Airtel Niger S.A.	Interconnect & Roaming Services	Fellow Subsidiary	195	-
Airtel Networks Limited - Nigeria	Interconnect & Roaming Services	Fellow Subsidiary	8	435
Airtel Uganda Limited	Interconnect & Roaming Services	Fellow Subsidiary	12	16
Airtel Zambia PLC	Interconnect & Roaming Services	Fellow Subsidiary	3,835	6,931
Airtel Rwanda Limited	Interconnect & Roaming Services	Fellow Subsidiary	1,699	2,483
Africa Tower NV	Investment	Common Parent Company	-	1
Bharti Airtel Tanzania B.V	Cross Charge	Shareholder	1,492	-
Bharti Airtel Tanzania B.V	Dividend	Shareholder	6,085	-
Bharti Airtel International (Netherlands) B.V.	Management Fees and Credit Facility	Step-up Parent	52,518	52,722
Bharti International Singapore Pte Limited	Interconnect, Roaming, Signalling & Leaseline/Bandwidth Management Fees and Credit Facility	Common Parent Company	485	140
Bharti Airtel - Kenya Branch	Management Fees and Credit Facility	Step-up Parent	56,913	46,401
Airtel Money Tanzania Limited	Payment on behalf	Subsidiary Company	673	-
Bharti Airtel Limited	Interconnect, Roaming, Signalling & Leaseline/Bandwidth	Step-up Parent	63	83
Network I2I Limited	Leaseline/Bandwidth	Step-up Parent	1,977	27,195
Bharti Airtel UK	Interconnect, Roaming, Signalling & Leaseline/Bandwidth	Common Parent Company	478	269
Nxtra Data Limited	Network Data	Common Parent Company	51	537
BASL - Bharti Airtel Services Limited	Maintenance	Common Parent Company	235	124
	Manpower services	Common Parent Company	235	124
			<u>133,611</u>	<u>152,169</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

	2020 TZS 'M'	2019 TZS 'M'
Salaries and other short-term employment benefits	<u>5,671</u>	<u>5,339</u>

vi) Directors' remuneration

Directors' fees and sitting allowance	<u>202</u>	<u>192</u>
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34. 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	2020	2019
Profit after tax attributable to ordinary equity holder	TZS 'M'	114,873	30,073
Weighted average number of shares*	No. '000'	<u>241,176</u>	<u>223,088</u>
Earnings Per Share - Basic and Diluted	TZS '000'	<u>0.476</u>	<u>0.135</u>

* On 4 July 2019 the Shareholders of the Company passed an extra-ordinary resolution for allotment of 36,176,471 ordinary shares of TZS 200 each to and in favor of the Government of The United Republic of Tanzania through Treasury Registrar, at NIL consideration. The allotment was sanctioned by the High Court of Tanzania, Commercial Division on 27 August 2019 in Miscellaneous Civil Cause No. 21 of 2019. The allotment also received Merger Clearance Certificate by The Fair Competition Commission (FCC) on 19 November 2019.

35. DIVIDEND

During the year Directors declared first and final dividend of TZS 30,073 million in respect of the year ended 31 December 2019 and interim dividend in respect of the year ended 31 December 2020 of TZS 8,696 million. Out of the final dividend of TZS 30,073 million in respect of the year ended 31 December 2019, TZS 26,353 million was paid to shareholders during the year ended 31 December 2020. No payment was made in respect to interim dividend of TZS 8,696 million in respect of the year ended 31 December 2020.

The Directors propose the payment of a final dividend of TZS 51,304 million in respect of the year ended 31 December 2020, resulting in total dividend for the year ended 31 December 2020 amounting to TZS 60,000 million. The proposed dividend of TZS 51,304 million is subject to approval by the shareholders at the Annual General Meeting to be held on 30 March 2021.

AIRTEL TANZANIA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36. COMPARATIVE FIGURES

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

37. ULTIMATE PARENT COMPANY

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

38. EVENTS SUBSEQUENT TO THE YEAR END

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