

AIRTEL MOBILE COMMERCE TANZANIA LIMITED

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2021

AIRTEL MOBILE COMMERCE TANZANIA LIMITED

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AIRTEL MOBILE COMMERCE TANZANIA LIMITED

CORPORATE INFORMATION

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	Airtel Mobile Commerce Tanzania Limited Block 41, Kinondoni, Corner of Ali Hassan Mwinyi & Kawawa Roads P.O. Box 9623 Dar es Salaam Tanzania
COMPANY SECRETARY	David Marco Lema Legal Counsel Airtel House Block 41, Kinondoni, Corner of Ali Hassan Mwinyi & Kawawa Road P.O. Box 9623 Dar es Salaam Tanzania
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 Tanzania

AIRTEL MOBILE COMMERCE TANZANIA LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021

1. INTRODUCTION

The Directors present their report, together with the audited financial statements of Airtel Mobile Commerce Tanzania Limited ("the Company") for the year ended 31 December 2021, which disclose the state of affairs of the Company.

2. PRINCIPAL ACTIVITIES

The principal activities of the Company was to hold and safeguard the funds in trust, for Airtel Money E-value account holders. On 13th April 2021, "The Registered Trustees of Airtel Money Trust Fund ('AMTF') was incorporated to comply with June 2019 amendment of Companies Act, 2002 and Trustees Incorporations Act CAP 318 (TIA). On 17th May 2021, and the principal activities of the Company migrated to AMTF.

3. INCORPORATION AND REGISTRATION

The Company is incorporated in Tanzania under the Companies Act, 2002 as a private Company limited by shares. The Company was incorporated on 11 November 2010.

4. SHAREHOLDING

The shareholding of the Company as at 31 December 2021 is as stated below:-

Name of shareholder	No. of shares	% of shareholding
Airtel Mobile Commerce B.V.	999	99.9
Airtel Mobile Commerce Holdings B.V.	1	0.1
	<u>1,000</u>	<u>100</u>

5. RESULTS

The Company did not engage in any trading activities during the year (2020: Nil).

6. SOLVENCY

The Company's state of financial affairs as at 31 December 2021 is set out on page 10 of these financial statements. The Board of Directors ("the Board") considers the Company to be solvent within the meaning ascribed by the Companies Act, 2002.

7. DIRECTORS

The Directors of the Company at the date of this report, all of whom have served throughout the year, except as otherwise indicated, were:

Name	Position	Qualifications	Age	Nationality	Date appointed	Appointed by
Judge Joseph Sinde Warioba	Chairman	Lawyer	80	Tanzanian	24 April 2018	Airtel Mobile Commerce Tanzania Limited
Dr. Evelyn Mweta Richard	Member	PHD in Business Administration	49	Tanzanian	24 April 2018	Airtel Mobile Commerce Tanzania Limited

AIRTEL MOBILE COMMERCE TANZANIA LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

8. DIRECTORS' INTEREST IN THE SHARES OF THE COMPANY

None of the Directors have any interest in the Company's shareholding.

9. DIRECTORS' EMOLUMENTS

The Directors of the Company were paid TZS Nil (2020: TZS 48 million) as Directors' emoluments during the year (Note 11 to the financial statements).

10. GOVERNANCE

The Board of Directors consists of two non-executive Directors. The Board takes overall responsibility for the Company. The Board met once during the year and discussed on the Company's affairs updates, approval of annual financial statements for the year ended 31 December 2020 and change of banking mandates.

The Company is committed to the principles of effective corporate governance. The Directors also recognise the importance of integrity, transparency and accountability.

11. RELATED PARTY TRANSACTION AND BALANCES

Details of transactions and balances with related parties are disclosed in note 6 to the financial statements.

12. FUTURE DEVELOPEMENT PLAN

The Company will remain dormant following the transfer of its trust activities as explained below.

13. UPDATE ON FORMATION OF TRUST


Companies Act, 2002 and Trustees Incorporations Act CAP 318 (TIA), were amended in June 2019. The amendment redefined "the Company" to mean entities performing investment, trade or commercial activities only – but excludes, Trusts, NGOs, VICOBA, Trade Unions and Sports Clubs. Also redefined "Trusts" to mean legal relationship created when a property is placed under the control and management of trustee(s) for the benefit of beneficiary only - but excludes Companies, NGOs, VICOBA, Trade Unions and sports clubs.

On 13th April 2021, "The Registered Trustees of Airtel Money Trust Fund ('AMTF') was incorporated to comply with June 2019 amendment of Companies Act, 2002 and Trustees Incorporations Act CAP 318 (TIA). On 17th May 2021, the Board of directors approved migration of Bank balance, E-Value liabilities and other liabilities from the Company to "The Registered Trustees of Airtel Money Trust Fund ('AMTF')".

14. AUDITORS

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

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



Judge Joseph Sinda Warioba
Director



Dr. Evelyn Mweta Richard
Director

02 february 2022

AIRTEL MOBILE COMMERCE TANZANIA LIMITED


STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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



Judge Joseph Sinde Warioba
Director



Dr. Evelyn Mweta Richard
Director

02 February 2022

AIRTEL MOBILE COMMERCE TANZANIA LIMITED

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 an entity showing true and fair view of the entity 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, Joseph Jessey, being the professional accountant responsible for the preparation of the financial statements of Airtel Mobile Commerce Tanzania Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2021 have been prepared in compliance with International Financial Reporting Standards and statutory requirements.

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



Joseph Jessey

Professional Accountant

NBAA Registration No.: GA 4693

02 February 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIRTEL MOBILE COMMERCE TANZANIA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Airtel Mobile Commerce Tanzania Limited ("the Company"), set out on pages 9 to 22, which comprise the statements of financial position at 31 December 2021 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements 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 2021 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on Other Legal and Regulatory Requirements

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

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

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

Deloitte & Touche
Certified Public Accountants (Tanzania)



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

17 February 2022

AIRTEL MOBILE COMMERCE TANZANIA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021


	Notes	2021 TZS '000	2020 TZS '000
Revenue		-	-
Administrative expenses	11	-	-
Profit before taxation		-	-
Tax expense		-	-
Profit for the year		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

AIRTEL MOBILE COMMERCE TANZANIA LIMITED

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

	Notes	2021 TZS' 000	2020 TZS' 000
Current assets			
Due from related party	6	1,000	-
Cash and cash equivalents	7	-	233,756,900
Total Assets		<u>1,000</u>	<u>233,756,900</u>
Capital and reserves			
Share capital	8	<u>1,000</u>	<u>1,000</u>
Total equity		<u>1,000</u>	<u>1,000</u>
Current liabilities			
E-Value liability	9	-	229,888,221
Mobile Financial Services (MFS) agents, merchants and customers' liability	10	-	3,867,679
Total current liabilities		-	<u>233,755,900</u>
Total equity and liabilities		<u>1,000</u>	<u>233,756,900</u>

The financial statements on page 9 to 22 were approved and authorised for issue by the Board of Directors on 02 February 2022 and signed on its behalf by:



Judge Joseph Sindi Warioba
Director



Dr. Evelyn Mweta Richard
Director

AIRTEL MOBILE COMMERCE TANZANIA LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital TZS' 000	Retained earnings TZS' 000	Total TZS' 000
At 1 January 2020	1,000	-	1,000
Total comprehensive income for the year	-	-	-
At 31 December 2020	<u>1,000</u>	<u>-</u>	<u>1,000</u>
At 1 January 2021	1,000	-	1,000
Total comprehensive income for the year	-	-	-
At 31 December 2021	<u>1,000</u>	<u>-</u>	<u>1,000</u>

AIRTEL MOBILE COMMERCE TANZANIA LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 TZS' 000	2020 TZS' 000
Cash flow from operating activities			
Profit before taxation		-	-
<i>Movement in working capital:</i>			
Increase in E-Value liability*	12 b	37,793,901	56,212,493
Increase/(decrease) in Mobile Financial Services (MFS) agents, merchants and customers' liability*	12 c	1,711,375	(1,792,532)
Increase in amount due from related party		(1,000)	-
Net cash flow generated from operating activities		<u>39,504,276</u>	<u>54,419,961</u>
Net increase in cash and cash equivalents ***		39,504,276	54,419,961
Cash and cash equivalent at beginning of the year		233,756,900	179,336,939
Cash and cash equivalent transferred to AMTF (erstwhile trust)**	12 a	(273,261,176)	
Cash and cash equivalents at end of the year	7	<u>-</u>	<u>233,756,900</u>

* On 13th April 2021, "The Registered Trustees of Airtel Money Trust Fund ('AMTF')" was incorporated to comply with June 2019 amendment of Companies Act, 2002 and Trustees Incorporations Act CAP 318 (TIA). On 17th May 2021, the Board of directors approved migration of bank balance, E-Value liabilities and other liabilities from the Company to "The Registered Trustees of Airtel Money Trust Fund ('AMTF)".

** Cash and cash equivalent transfer on the date of operation from AMCTL (erstwhile trust) to AMTF (newly incorporated trust).

*** Net increase in cash and cash equivalents represent the movement in working capital between the date of transfer of balances (E-Value liability, MFS liability) from AMCTL and balances as at the beginning of the year (1 January 2021). Refer note 12 for the balances transferred from AMCTL to AMTF.

AIRTEL MOBILE COMMERCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

Airtel Mobile Commerce Tanzania Limited ("the Company") is incorporated in Tanzania under the Companies Act, 2002 as a limited liability Company by shares, and is domiciled in Tanzania.

The address of its registered office and principal place of business are disclosed in the corporate information page of this report. The principal activities of the Company are disclosed in the report of the Directors.

2. STANDARDS AND INTERPRETATIONS AFFECTING THE REPORTED RESULTS OR FINANCIAL POSITION

Adoption of new and revised International Financial Reporting Standards (IFRSs)

a) Adoption of new and revised International Financial Reporting Standards and interpretations in the year ended 31 December 2021.

None of the new and revised standards and interpretations, which became effective during the year, have resulted in a change in the Company's accounting policies or in presentation. Neither have they had an effect on the reported results for the year.

b) Relevant new and amended standards and interpretations issued but not yet effective in the year ended 31 December 2021.

At the date of authorisation of these financial statements, several new and revised standards and interpretations were in issue but not yet effective. The Directors are in the process of evaluating the potential effect of these standards and interpretation on the financial statements of the Company when effective.

c) Early adoption of standards

The Company did not early-adopt any new or amended standards for the year ended 31 December 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

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

For the Companies Act, 2002 reporting purposes, in these financial statements, the statement of financial position represents the balance sheet and the profit and loss account is equivalent to the statement of profit or loss and other statement of comprehensive income.

b) Basis of preparation

The financial statements have been prepared on a historical cost basis, except where stated otherwise. The financial statements are presented in Tanzanian Shillings (TZS) and all balances are rounded to the nearest thousand (TZS '000'), except when otherwise indicated.

c) Functional and presentation currency

Transactions in foreign currencies during the year are converted into Tanzanian Shillings at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denomination in foreign currencies at the reporting date are translated into Tanzanian Shillings at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Tanzanian Shillings at the date when the fair value was determined. Foreign currency gains and losses arising from translation are recognised in the statement of other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts, held on behalf of E-value account holders of Airtel Money Tanzania Limited. For the purposes of the statement of cash flows, cash equivalents comprise the bank balances.

e) 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 amortised 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 cash equivalents and balance with related parties.

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).

Financial assets at amortised cost include bank balances. After initial measurement, bank balances are subsequently measured at amortised cost using the effective interest rate (EIR) method, less allowances for impairment. Amortization is calculated by taking into account any discount or premium on acquisition fees and costs that are an integral part of the effective interest rate.

An allowance for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of financial asset. The losses arising from impairment are recognised in the 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.

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 rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments (continued)

i) Financial assets (continued)

De-recognition

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 debtors 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 reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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. 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, at initial recognition, as financial liabilities at fair value through profit or loss or financial liabilities at amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs.

The Company's financial liabilities include amounts due to E-value account holders, Mobile Financial Services (MFS) agents, merchants and customers' liability and amounts due to related parties. These are classified as financial liabilities at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments (continued)

ii) Financial liabilities (continued)

Initial recognition and measurement (continued)

Subsequent measurement

The Company's financial liabilities are subsequently carried at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

iii) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liabilities simultaneously.

iv) Fair value of financial instruments

The fair value of financial instruments measured at amortised cost is disclosed in the financial statements when the carrying amounts are not a reasonable approximation of the fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the assets in its highest and best use.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Going concern

The Company's Directors have made an assessment of the Company's ability to continue as a going concern. The Directors are aware of amendment to the Companies Act, 2002 and Trustees Incorporations Act CAP 318 (TIA), in June 2019. The amendment redefined "the Company" to mean entities performing investment, trade or commercial activities only – but excludes, Trusts, NGOs, VICOBA, Trade Unions and Sports Clubs. Also redefined "Trusts" to mean legal relationship created when a property is placed under the control and management of trustee(s) for the benefit of beneficiary only - but excludes Companies, NGOs, VICOBA, Trade Unions and sports clubs.

On 13th April 2021, "The Registered Trustees of Airtel Money Trust Fund ('AMTF')" was incorporated to comply with June 2019 amendment of Companies Act, 2002 and Trustees Incorporations Act CAP 318 (TIA). On 17th May 2021, the Board of directors approved migration of Bank balance, E-Value liabilities and other liabilities from the Company to "The Registered Trustees of Airtel Money Trust Fund ('AMTF)".

The Company will remain dormant following the transfer of its trust activities to AMTF.

5. FINANCIAL RISK MANAGEMENT

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance, but the Company does not hedge any risks.

Risk management is carried out by management under policies approved by the Board of Directors.

Market risk

i) Foreign exchange risk

Foreign exchange risk arises from financial instruments held in foreign currencies. The Company operates wholly within Tanzania and its assets and liabilities are mainly denominated in local currency. As such, the Company has no significant exposure to foreign exchange risk.

ii) Price risk

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

iii) Interest rate risk

Interest rate exposure arises from interest rate movements. The Company has interest bearing financial instruments which are held in Trust. However, the Company is not exposed to interest rate risk on those financial instruments.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from placements (bank balances) and balances with other counterparties. The Company's key financial assets are bank balances. The Company's policy is to manage credit risk by holding bank balances in banks that are regulated by Bank of Tanzania.

The amount that best represents the Company's maximum exposure to credit risk as at 31 December 2021 is made up as follows:

	Total TZS '000'	Fully performing TZS '000'	Past due but not impaired TZS '000'	Impaired TZS '000'
Due from related part	1,000	-	1,000	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

The amount that best represents the Company's maximum exposure to credit risk as at 31 December 2020 is made up as follows:

	Total TZS '000'	Fully performing TZS '000'	Past due But not impaired TZS '000'	Impaired TZS '000'
Cash at bank	<u>233,756,900</u>	<u>233,756,900</u>	<u>-</u>	<u>-</u>

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's liabilities are fully matched with bank balances.

The table below indicates the contractual timing of cash flows arising from financial assets and liabilities as of 31 December 2021:

	Carrying amount TZS '000'	Less than 1 year TZS '000'
Financial assets		
Cash at bank	-	-
Due from related party	<u>1,000</u>	<u>1,000</u>
Financial liabilities		
E-Value liability	-	-
Mobile Financial Services (MFS) agents, merchants and customers' liability	<u>-</u>	<u>-</u>
Net liquidity gap	<u>1,000</u>	<u>1,000</u>

The table below indicates the contractual timing of cash flows arising from financial assets and liabilities as of 31 December 2020:

	Carrying amount TZS '000'	Less than 1 year TZS '000'
Financial assets		
Cash at bank	<u>233,756,900</u>	<u>233,756,900</u>
Financial liabilities		
E-value liability	229,888,221	229,888,221
Mobile Financial Services (MFS) agents, merchants and customers' liability	<u>3,867,679</u>	<u>3,867,678</u>
	<u>233,755,900</u>	<u>233,755,900</u>
Net liquidity gap	<u>1,000</u>	<u>1,000</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management

The Company's principal activity was to hold, in Trust, the funds owing to the E-value holders and ensure the safety and sanctity of these funds. The Company did not trade and was not allowed to deal in these funds other than to settle obligations arising from genuine transaction of E-Value. The principal obligation of the Company was not to maximise wealth but to safeguard third party funds.

Fair value

The fair value of the Company's financial instruments reasonably approximates the carrying amounts.

6. RELATED PARTY DISCLOSURES

Related party relationships exists between the Companies, its shareholders, other companies under common ownership and the Directors of the Company.

The following are the balances with related parties:

	2021 TZS'000'	2020 TZS'000
a) Balances due to related party		
Airtel Money Tanzania Limited (Fellow Subsidiary) (note 9)	<u>-</u>	<u>1,439,975</u>
b) Balances due from to related party		
Airtel Money Tanzania Limited (Fellow Subsidiary)	<u>1,000</u>	<u>-</u>
c) Key management compensation		

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

The Company did not have any employees during the year and therefore did not pay any salaries or other emoluments (2020: Nil).

	2021 TZS '000	2020 TZS '000
7. CASH AND CASH EQUIVALENTS		
Cash at bank	<u>-</u>	<u>233,756,900</u>

For the purposes of the statement of cash flows, cash and cash equivalents comprise of bank balances of the Trust accounts. These balances represent customers' deposits, agents' deposits, merchants, bank interest on the Trust accounts.

AIRTEL MOBILE COMMERCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2021 TZS '000	2020 TZS '000
8. SHARE CAPITAL		
Authorised, issued and fully paid up capital: 1,000 ordinary shares of TZS 1,000 each	<u>1,000</u>	<u>1,000</u>
9. E-VALUE LIABILITY		
E-Value liability - agents and merchants	-	123,300,498
E-Value liability - churn customers	-	8,623,669
E-Value liability - customers	-	96,524,079
E-Value liability due to related parties (note 6 (a))	<u>-</u>	<u>1,439,975</u>
	<u>-</u>	<u>229,888,221</u>
10. MOBILE FINANCIAL SERVICES (MFS) AGENTS, MERCHANTS AND CUSTOMERS' LIABILITY		
Opening balance	3,867,678	5,660,211
Interest earned on bank deposits during the year*	3,460,213	7,144,621
Interest payout to MFS users*	(1,748,837)	(8,937,153)
Interest transferred to AMTF *	<u>(5,579,054)</u>	<u>-</u>
	<u>-</u>	<u>3,867,679</u>

This balance represent liability in respect of interest received on E-Value liability funds held as cash and cash equivalent. The interest earned during the year was at an average rate of 3.9% (2020: 4.33%) on the operating Trust bank balances.

*On 13th April 2021, "The Registered Trustees of Airtel Money Trust Fund ('AMTF')" was incorporated to comply with June 2019 amendment of Companies Act, 2002 and Trustees Incorporations Act CAP 318 (TIA). On 17th May 2021, the Board of directors approved migration of Bank balance, E-Value liabilities and other liabilities from the Company to "The Registered Trustees of Airtel Money Trust Fund ('AMTF')".

11. INCOME AND EXPENSES

The Bank of Tanzania (BOT), the regulator of Mobile Financial Institutions requires that prior approval is obtained from BOT for any expense to be incurred in a Trust Company. The only expense which the Company bore is audit fees, bank charges and Directors' remuneration. The Bank of Tanzania had no objection to the Company to recognise the audit expense, bank charges and Directors' remuneration from the interest earned on Trust account balance. The Company's policy was to offset the approved expenses against interest earned on Trust account.

AIRTEL MOBILE COMMERCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. INCOME AND EXPENSES (Continued)

The other income and related expenses during the year were as follows:

	2021 TZS '000	2020 TZS '000
Interest used to offset expenses	-	73,498
Administrative expenses:		
Auditor's remuneration	-	(25,498)
Director's emoluments	-	(48,000)
	<u>-</u>	<u>-</u>

12. TRANSFER OF BALANCES ON THE DATE OF OPERATION

On 17th May 2021, the Board of directors of Airtel Mobile Commerce Tanzania Limited ('AMCTL'), erstwhile Trust entity, approved migration of Bank balance, E-Value liabilities and other liabilities from AMCTL to "The Registered Trustees of Airtel Money Trust Fund ('AMTF')". The balances migrated were as follows:

	Balances transferred to AMTF as at 17 May 2021 TZS' 000
Current assets	
a) Cash and cash equivalents transferred	<u>273,261,176</u>
E-Value Liabilities	
E-Value liability - agents and merchants	158,022,131
E-Value liability - churn customers	9,445,081
E-Value liability - customers	99,468,630
E-Value liability due to related parties	<u>746,280</u>
b) E-Value liabilities- Balances	<u>267,682,122</u>
c) MFS agents, merchants and customers' liability	5,579,054
Total liability transferred	<u>273,261,176</u>

13. CONTINGENT LIABILITIES

The Company had no contingent liabilities as at 31 December 2021 (2020: Nil).

14. COMMITMENTS

The Company had no commitments as at 31 December 2021 (2020: Nil).