

AIRTEL MONEY TANZANIA LIMITED

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2021

AIRTEL MONEY TANZANIA LIMITED  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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AIRTEL MONEY TANZANIA LIMITED

CORPORATE INFORMATION

REGISTERED OFFICE AND PRINCIPAL  
PLACE OF BUSINESS

Airtel Money Tanzania Limited  
Block 41, Kinondoni  
Corner of Ali Hassan Mwinyi & Kawawa Roads  
P.O. Box 9623  
Dar es Salaam  
Tanzania

COMPANY SECRETARY

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

BANKERS

Standard Chartered Bank Tanzania Limited  
3<sup>rd</sup> floor, International house  
Garden Avenue / Shaabam Robert Street  
P.O. Box 9011  
Dar es Salaam

Citibank Tanzania Limited  
Citibank house, Plot No: 1962, Toure Drive, Oysterbay  
P.O. Box 71625  
Dar es Salaam

# AIRTEL MONEY TANZANIA LIMITED

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021

### 1. INTRODUCTION

The Directors submit their report, together with the financial statements of Airtel Money 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 is to carry on business of "The Registered Trustees of Airtel Money Trust Fund ('AMTF') and to deal in electronic money, electronic cash, electronic currency, digital money or digital currency and all other kinds of mobile electronic money transfer products and services related to Airtel Money.

### 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 officially incorporated on 10 June 2016 and has been granted electronic money issuer license No. LB 422/535/11 by the Bank of Tanzania (BOT) on 18 September 2018.

### 4. SHAREHOLDING

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

Name of share holder	No. of shares	% of shareholding
Airtel Tanzania PLC	999	99.9
Bharti Airtel Tanzania B.V.	<u>1</u>	<u>0.1</u>
	<u>1,000</u>	<u>100</u>

### 5. RESULTS AND DIVIDEND

The Company made a profit after tax of TZS 58,682.1 million for the year ended 31 December 2021 (2020: TZS 50,333.4 million). During the year the Directors declared an interim dividend in respect of the financial year ended 31 December 2021 of TZS 45,000 million. The Directors propose the payment of a final dividend of TZS 13,682.1 million in respect of the year ended 31 December 2021, resulting in total dividend for the year ended 31 December 2021 amounting to TZS 58,682.1 million (2020: TZS 50,292.6 million).

### 6. SOLVENCY

The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Directors have reviewed the Company's cash flows projections and, in the light of this review and the current financial position, they are satisfied that the Company has access to adequate resources to continue operating in the ordinary course of business for the foreseeable future.

### 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	Qualifications	Age	Nationality	Appointment	Resignation
Mr. George Mathen	Master's in business administration	52	Indian	1 November 2019	N/A
Mr. Vimal Kumar	Master's in marketing & Finance	52	Indian	8 September 2021	N/A
Mr. Lekinyi Ngariapusi Mollel	Master's in economics	49	Tanzanian	29 January 2020	N/A

## AIRTEL MONEY 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

During the year, the Company did not pay any Directors' fees (2020 Nil).

#### 10. GOVERNANCE

The Board of Directors ("the Board") consists of two executive Director and one non-executive Director. 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 the day to day management of the business to the sister company (Airtel Tanzania PLC) Managing Director who is assisted by the Senior Management team of the company. Senior Management is invited to attend Board meetings and facilitates the effective control of all the Company's operational activities, acting as a medium of communication and coordination between all the various business units. The Board met four times during the year. Major issues discussed during the meetings are:

- Performance review;
- Approval of annual plans;
- Business challenges; and
- Declaration of interim and final dividends to shareholders.

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

#### 11. 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 behaviours 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 2021 and is of the opinion that they met accepted criteria.

AIRTEL MONEY TANZANIA LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

12. 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.

13. RELATED PARTY TRANSACTION

Details of transactions and balances with related parties are disclosed in note 16 to the financial statements.

14. FUTURE DEVELOPEMENT PLAN

Airtel Money business is set to grow in terms of active customers, agents, number of transactions and transaction value; this will be achieved by creating initiatives that will drive growth in customer transactions and strengthening of the agent network.

15. POLITICAL AND CHARITABLE DONATION

The Company did not make any political and charitable donation for the year under ended 31 December 2021 (2020: Nil).

16. AUDITOR

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 4 Feb 2022 and signed on its behalf by:

DINESH BALSINGH

Name of Director

LEKINYI MIBELLE

Name of Director



Signature



Signature

AIRTEL MONEY 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.

Approved by the Board of Directors on 4 Feb 2022 and signed on behalf by:

DINESH BALSINGH

Name of Director



Signature

LEKINYI MOKEL

Name of Director



Signature

AIRTEL MONEY 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 the Company showing true and fair view of the Company 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 page 5.

I, Joseph Jessey, being the Finance Manager of Airtel Money Tanzania Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2021 have been prepared in compliance with applicable 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

**Finance Manager**

NBAA Registration No. GA 4693

*4 Feb*

..... 2022



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIRTEL MONEY TANZANIA LIMITED

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompany financial statements of Airtel Money Tanzania Limited ("the Company"), set out on pages 9 to 33, which comprise the statements of financial position as at 31 December 2021, and the statements of profit or loss and other comprehensive income, 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 Accountants 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 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, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

### 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

15 March 2022

AIRTEL MONEY 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	6	197,262,953	164,578,354
Cost of sales	7	<u>(87,949,338)</u>	<u>(73,373,940)</u>
<b>Gross profit</b>		109,313,615	91,204,414
Administrative expenses	8 (a)	(16,327,158)	(11,121,369)
Distribution expenses	9	(8,015,603)	(4,697,159)
Depreciation and amortization	10	(3,098,908)	(4,474,850)
Other income	12	<u>2,290,165</u>	<u>-</u>
<b>Operating profit</b>		84,162,111	70,911,036
Finance cost	13	(17,982)	(1,217)
Finance Income	14	<u>5,258</u>	<u>774,375</u>
<b>Profit before tax</b>		84,149,387	71,684,194
Income tax expense	15 (a)	<u>(25,467,286)</u>	<u>(21,350,838)</u>
<b>Profit for the year</b>		58,682,101	50,333,356
Other comprehensive income for the year		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u><u>58,682,101</u></u>	<u><u>50,333,356</u></u>


AIRTEL MONEY TANZANIA LIMITED

STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2021

ASSETS	Notes	2021 TZS'000	2020 TZS'000
<b>Non-current assets</b>			
Property, plant and equipment	11	11,072,400	7,578,041
Deferred tax asset	15 (d)	<u>1,535,751</u>	<u>1,146,847</u>
		<u>12,608,151</u>	<u>8,724,888</u>
<b>Current assets</b>			
Trade and other receivables	17	17,743,884	11,422,638
Cash and cash equivalents	18	<u>12,305,934</u>	<u>9,909,002</u>
		<u>30,049,818</u>	<u>21,331,640</u>
<b>Total assets</b>		<u><u>42,657,969</u></u>	<u><u>30,056,528</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	19	1,000	1,000
Retained earnings		<u>13,682,102</u>	<u>15,865,880</u>
<b>Total equity</b>		<u>13,683,102</u>	<u>15,866,880</u>
<b>Current liabilities</b>			
Income tax payable	15 (c)	2,499,364	162,763
Trade and other payables	20	<u>26,475,503</u>	<u>14,026,885</u>
<b>Total current liabilities</b>		<u>28,974,867</u>	<u>14,189,648</u>
<b>Total equity and liabilities</b>		<u><u>42,657,969</u></u>	<u><u>30,056,528</u></u>

The financial statements on page 9 to 33 were approved and authorised for issue by the Board of Directors on 4 Feb.....2022 and signed on its behalf by:

  
Name LEKINYI MBULLE  
Title DIRECTOR

  
Name DINESH BALSINGH  
Title MANAGING DIRECTOR

AIRTEL MONEY TANZANIA LIMITED

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

	Notes	Share capital TZS'000	Retained earnings TZS'000	Total TZS'000
At 1 January 2020		1,000	9,781,867	9,782,867
Dividend declared	21	-	(44,249,343)	(44,249,343)
Total comprehensive income for the year		-	50,333,356	50,333,356
At 31 December 2020		<u>1,000</u>	<u>15,865,880</u>	<u>15,866,880</u>
At 1 January 2021		1,000	15,865,880	15,866,880
Dividend declared - 2020 final	21	-	(15,865,879)	(15,865,879)
- 2021 interim	21	-	(45,000,000)	(45,000,000)
Total comprehensive income for the year		-	58,682,101	58,682,101
At 31 December 2021		<u>1,000</u>	<u>13,682,102</u>	<u>13,683,102</u>

AIRTEL MONEY TANZANIA LIMITED

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 TZS'000	2020 TZS'000
<b>Operating activities</b>			
Profit before tax		84,149,387	71,684,194
Adjustments for:			
Depreciation of equipment	10	3,098,908	4,474,850
Recovery of bad debts		<u>(8,645)</u>	<u>(20,159)</u>
		87,239,650	76,138,885
<i>Movement in working capital:</i>			
Increase in trade and other receivables		(6,312,601)	(4,215,336)
Increase in trade and other payables*		<u>7,238,609</u>	<u>5,657,061</u>
		88,165,658	77,580,610
			(20,596,986)
Income tax paid	15 (c)	(21,500,000)	)
Withholding tax recovered	15 (c)	<u>(2,019,589)</u>	<u>(1,961,090)</u>
<b>Net cash flow generated from operating activities</b>		<u>64,646,069</u>	<u>55,022,534</u>
<b>Investing activities</b>			
Purchase of property, plant and equipment		<u>(6,486,500)</u>	<u>(6,010,040)</u>
<b>Net cash used in investing activities</b>		<u>(6,486,500)</u>	<u>(6,010,040)</u>
<b>Financing activities</b>			
Dividend paid	21	<u>(55,762,637)</u>	<u>(44,236,293)</u>
<b>Net cash used in Financing activities</b>		<u>(55,762,637)</u>	<u>(44,236,293)</u>
Net increase in cash and cash equivalents		2,396,932	4,776,201
Cash and cash equivalent at beginning of the year		<u>9,909,002</u>	<u>5,132,801</u>
<b>Cash and cash equivalents at end of the year</b>	18	<u>12,305,934</u>	<u>9,909,002</u>

## AIRTEL MONEY TANZANIA LIMITED

### NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1. GENERAL INFORMATION

Airtel Money Tanzania Limited ("the Company") is incorporated in Tanzania under the Companies Act, 2002 as a limited liability company, and is domiciled in Tanzania.

The Company was incorporated on 10 June 2016 and was granted electronic money issuer license by the Bank of Tanzania on 18 September 2018 and started operation from 1 September 2019.

The principal activities of the Company are disclosed in the Report of the Directors on page 2.

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

##### a) Adoption of new and revised International Financial Reporting Standards and interpretations

None of the new and revised standards and interpretations, which became effective during the current 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 profit or loss and other 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 ('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 denominated 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 comprehensive income.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d) 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 equivalents and trade and other receivables.

**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 recognized in other comprehensive income (fair value through other comprehensive income, FVTOCI).

For debt instruments the FVTOCI classification is mandatory for certain assets unless the fair value option is elected. A debt instrument that meets the following two conditions (business model test and cash flow characteristics test) must be measured at amortised 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 recognized 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 derecognized when:

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

**Impairment of financial assets**

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) 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. Trade 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 17.

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

The Company uses a provision matrix to measure the expected credit loss of trade receivables. Refer note 17 for details on the impairment of trade receivables. Based on the industry practices and the business environment in which the entity operates, management considers that the trade receivables are credit impaired if the payments are more than 90 days past due.

ii) Financial liabilities

**Initial recognition and measurement**

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

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

**Subsequent measurement**

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

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

**Fair Value Option**

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

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

## AIRTEL MONEY TANZANIA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### ii) Financial liabilities (continued)

###### Fair Value Option (continued)

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

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

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

###### De-recognition

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

##### iii) Offsetting

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

##### 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 IT related services. These are recorded on the basis of relative fair value.

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

## AIRTEL MONEY TANZANIA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### e) Property, Plant and Equipment (continued)

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) Taxation

###### Income tax

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

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

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

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

###### Excise duty

Excise duty is defined in accordance with Section 124 of the Excise (Management and Tariff) Act 2004. It is at 17% on all electronic communication services with the exception of inbound roaming and a few other items. It is included in the face value of the voucher & electronic recharges 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 whereas it is paid before the end of the subsequent month of liability to the Tanzania Revenue Authority. Unlike VAT, Excise duty is not recoverable on purchases.

AIRTEL MONEY TANZANIA LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Taxation (continued)

**Value added tax**

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

- i. 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.
- ii. 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 receivables or payables in the statement of financial position.

**Levy**

On 30 June 2021, the President approved the Finance Act, which included the amendments to the National Payment System Act (NPS Act) and Electronic & Postal and Communication Act (EPOCA) – introducing levies on mobile money transfer transactions and airtime. The NPS Act and EPOCA required the Minister of Finance in consultation with the Minister of Communication and Minister of ICT to make Regulations prescribing the manner and modality in which the levies shall be collected. Subsequently, the NPS (Electronic Mobile Money Transfer and Withdrawal Transactions Levy) Regulations, 2021 were introduced. For mobile money transfer and withdrawal transactions, a transaction value dependent levy of between TZS10 and TZS10 000 was introduced. The mobile money transfers and withdrawal levies were implemented effective from 15 July 2021. Subsequent to the implementation and following continuous engagements with the relevant Government stakeholders, the regulations were amended effective from 03 September 2021, reducing the levy by 30%.

Revenues are recognized net of the amount of levy.

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

**g) Revenue recognition**

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

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

The five steps in the Model are as follows:

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

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payments and excluding taxes or duty (Value Added Tax, excise duty and levies). The amount of revenue is not considered to be reliably measurable until all contingencies relating to the transactions have been resolved.

AIRTEL MONEY TANZANIA LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**h) 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.

**i) 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. Details of dividend are set out in note 21.

**j) Employment benefits**

Retirement benefit obligations

All Company employees are members of PSSSF Pension Fund ("PSSSF"), which are defined contribution plans. A defined contribution plan is a pension plan under which the Company pays fixed contributions. 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 recognized as employee benefit expense when they are due.

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

**k) Fair value measurement**

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

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

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

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

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

AIRTEL MONEY TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Current versus non-current classification

The Company presents assets and liabilities in the statements of financial position based on current/non-current classification. An asset is current when it is either:

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

All other assets are classified as non-current.

A liability is current when either:

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

The Company classifies all other liabilities as non-current.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**4. 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:

**a) Going concern**

The Company's Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any other material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

**b) Taxation**

The Company is subjected to a number of taxes and levies by various Government and quasi-government regulations bodies. As a rule of thumb, the Company recognizes liabilities for the anticipated tax/levies payable with at most care and diligence. However, significant judgment is usually required in the interpretation and applicability of those taxes/levies. Should it come to the attention of managements in one way or other, that the initially recorded liability was erroneous; such differences will affect the income and liabilities in the period in which such differences are determined.

**c) Fair values on 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.

**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 of financial assets**

The expected credit loss (ECL) is mainly based on the ageing of the receivable balances and historical experience. The receivables are assessed on an individual basis or grouped into homogeneous groups and assessed for impairment collectively, depending on their significance. Moreover, trade receivables are written off on a case to-case basis if deemed not to be collectible on the assessment of the underlying facts and circumstances in note 17.

The Company performs on-going credit evaluations of its customers' financial condition and monitors the creditworthiness 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 to note 17 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.

Where any impairment is established, the Company records it in the profit or loss the extent that is not expected to be recovered.

AIRTEL MONEY TANZANIA LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

f) Impairment of non-financial assets

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

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's exposure to foreign exchange risk arises from settlement of International Money transfers, which are settled in foreign currencies, primarily the US dollar.

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/loss after tax TZS '000
Net effect based on the year end as at 31 December 2021	10% -10%	401,855 (401,855)
Net effect based on the year end as at 31 December 2020	10% -10%	500,774 (500,774)

The sensitivity analysis has been determined based on net exposure at 31 December 2021 and 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 2021 and 2020. Included in the table are the Company's financial instruments, categorized by currency (all amounts expressed in thousands of Tanzanian Shillings):

At 31 December 2021	USD	Euro	Others
<b>Financial assets</b>			
Trade and other receivables	4,070,173	-	-
<b>Financial liabilities</b>			
Trade and other payables	(51,622)	-	-
<b>Net currency exposure</b>	4,018,551	-	-



AIRTEL MONEY TANZANIA LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

i) Foreign exchange risk (continued)

At 31 December 2020	USD	Euro	Others
<b>Financial assets</b>			
Trade and other receivables	<u>5,175,452</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities</b>			
Trade and other payables	<u>(167,717)</u>	<u>-</u>	<u>-</u>
<b>Net currency exposure</b>	<u><u>5,007,735</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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. However, the Company does not have interest bearing financial instruments.

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

	<u>Total TZS '000</u>	<u>Fully performing TZS '000</u>	<u>Past due but not impaired TZS '000</u>	<u>Impaired TZS '000</u>
Trade receivables	2,528,685	2,528,685	-	-
Due from related parties	10,599,280	10,599,280	-	-
Cash and bank balances	<u>12,305,934</u>	<u>12,305,934</u>		
	<u><u>25,443,899</u></u>	<u><u>25,433,899</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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

	<u>Total TZS '000</u>	<u>Fully performing TZS '000</u>	<u>Past due but not impaired TZS '000</u>	<u>Impaired TZS '000</u>
Trade receivables	1,282,959	1,274,314	-	(8,645)
Due from related parties	7,288,368	7,288,368	-	-
Cash and bank balances	<u>9,909,002</u>	<u>9,909,002</u>	<u>-</u>	<u>-</u>
	<u><u>18,480,329</u></u>	<u><u>18,471,684</u></u>	<u><u>-</u></u>	<u><u>(8,645)</u></u>

AIRTEL MONEY TANZANIA LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

v) 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 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
<b>Financial assets</b>		
Trade receivables	2,528,685	2,528,685
Due from related parties	10,599,280	10,599,280
Cash and bank balances	<u>12,305,934</u>	<u>12,305,934</u>
	<u>25,433,899</u>	<u>25,433,899</u>
<b>Financial liabilities</b>		
Trade payables	(228,675)	(228,675)
Due to employees	(228,062)	(228,062)
Due to related parties	(818,660)	(818,660)
Equipment suppliers payable	(106,768)	(106,768)
Other payables	<u>(46,657)</u>	<u>(46,657)</u>
	<u>(1,428,822)</u>	<u>(1,428,822)</u>
<b>Net liquidity gap</b>	<u>24,005,077</u>	<u>24,005,077</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
<b>Financial assets</b>		
Trade receivables	1,282,959	1,282,959
Due from related parties	7,288,368	7,288,368
Due from related parties	<u>9,909,002</u>	<u>9,909,002</u>
	<u>18,480,329</u>	<u>18,480,329</u>
<b>Financial liabilities</b>		
Trade payable	(957,522)	(957,522)
Due to employees	(256,052)	(256,052)
Due to related parties	(180,767)	(180,767)
Other payables	<u>(30,765)</u>	<u>(30,765)</u>
	<u>(1,425,106)</u>	<u>(1,425,106)</u>
<b>Net liquidity gap</b>	<u>17,055,223</u>	<u>17,055,223</u>

AIRTEL MONEY TANZANIA LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

vi) Categorization of financial instruments

As at 31 December 2021	Financial assets at amortised cost TZS '000	Financial liabilities at amortized costs TZS '000	Non-financial assets and liabilities TZS '000	Equity TZS '000	Total TZS '000
<b>Non-current assets</b>					
Property plant and equipment	-	-	11,072,400	-	11,072,400
Intangible assets	-	-	-	-	-
Deferred tax asset	-	-	1,535,751	-	1,535,751
	<u>-</u>	<u>-</u>	<u>12,608,151</u>	<u>-</u>	<u>12,608,151</u>
<b>Current assets</b>					
Trade and other receivables	13,127,965	-	4,615,919	-	17,743,884
Trade receivables	2,528,685	-	-	-	2,528,685
Prepayments	-	-	821,450	-	821,450
Prepayment - interoperability	-	-	3,794,469	-	3,794,469
Due from related party	10,599,280	-	-	-	10,599,280
Provision for impairment losses	-	-	-	-	-
Cash and cash equivalents	12,305,934	-	-	-	12,305,934
	<u>25,433,899</u>	<u>-</u>	<u>4,615,919</u>	<u>-</u>	<u>30,049,818</u>
<b>Total assets</b>	<u>25,433,899</u>	<u>-</u>	<u>17,224,070</u>	<u>-</u>	<u>42,657,969</u>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Ordinary shares	-	-	-	1,000	1,000
Retained earnings	-	-	-	13,682,102	13,682,102
Total equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,683,102</u>	<u>13,683,102</u>
<b>Current liabilities</b>					
Trade and other payables	-	1,488,822	24,986,681	-	26,475,503
Trade payables	-	228,675	-	-	228,675
Accrued expenses	-	-	12,654,095	-	12,654,095
Due to related party	-	818,660	-	-	818,660
Dues to employees	-	288,062	-	-	288,062
Withholding tax payables	-	-	704,822	-	704,822
VAT payable	-	-	2,457,955	-	2,457,955
Excise duty payables	-	-	1,258,620	-	1,258,620
Levy	-	-	7,092,382	-	7,092,382
Security deposit	-	-	818,807	-	818,807
Equipment supply payable	-	106,768	-	-	106,768
Other payables	-	46,657	-	-	46,657
Income tax payable	-	-	2,499,364	-	2,499,364
Total liabilities	<u>-</u>	<u>1,488,822</u>	<u>27,486,045</u>	<u>-</u>	<u>28,974,867</u>
<b>Total equity and liabilities</b>	<u>-</u>	<u>1,488,822</u>	<u>27,486,045</u>	<u>13,683,102</u>	<u>42,657,969</u>

AIRTEL MONEY TANZANIA LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

vi) Categorisation of financial instruments (continued)

As at 31st December 2020	Financial assets at amortised costs TZS '000	Financial liabilities at amortized costs TZS '000	Non-financial assets and liabilities TZS '000	Equity TZS '000	Total TZS '000
<b>Non-current assets</b>					
Property plant and equipment	-	-	7,578,041	-	7,578,041
Intangible assets	-	-	-	-	-
Deferred tax asset	-	-	1,146,847	-	1,146,847
	-	-	8,724,888	-	8,724,888
<b>Current assets</b>					
Trade and other receivables	8,562,682	-	2,859,956	-	11,422,638
Trade receivables	1,282,959	-	-	-	1,282,959
Prepayments	-	-	16,239	-	16,239
Prepayment - interoperability	-	-	2,843,717	-	2,843,717
Due from related party	7,288,368	-	-	-	7,288,368
Provision for impairment losses	(8,645)	-	-	-	(8,645)
Cash and cash equivalents	9,909,002	-	-	-	9,909,002
	18,471,684	-	2,859,956	-	21,331,640
<b>Total assets</b>	<b>18,471,684</b>	<b>-</b>	<b>11,584,844</b>	<b>-</b>	<b>30,056,528</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Ordinary shares	-	-	-	1,000	1,000
Retained earnings	-	-	-	15,865,880	15,865,880
Total equity	-	-	-	15,866,880	15,866,880
<b>Current liabilities</b>					
Trade and other payables	-	1,425,106	12,601,779	-	14,026,885
Trade payables	-	957,522	-	-	957,522
Accrued expenses	-	-	7,061,180	-	7,061,180
Due to related party	-	180,767	-	-	180,767
Dues to employees	-	256,052	-	-	256,052
Withholding tax payables	-	-	1,552,257	-	1,552,257
VAT payable	-	-	2,541,499	-	2,541,499
Excise duty payables	-	-	1,446,843	-	1,446,843
Other payables	-	30,765	-	-	30,765
Income tax payable	-	-	162,763	-	162,763
<b>Total liabilities</b>	<b>-</b>	<b>1,425,106</b>	<b>12,764,542</b>	<b>-</b>	<b>14,189,648</b>
<b>Total equity and liabilities</b>	<b>-</b>	<b>1,425,106</b>	<b>12,764,542</b>	<b>15,866,881</b>	<b>30,056,528</b>

AIRTEL MONEY TANZANIA LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTIUED)

vii) 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 to maintain an optimal capital structure to reduce the cost of capital.

The Board of Directors reviews the capital structure on a regular basis. As part of this review, the board considers the cost of capital and the risks associated with each class of capital. Based on the review, the Company analyses and assesses the gearing ratio to determine the level and its optimality.

viii) Fair value

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

	2021 TZS'000	2020 TZS'000
<b>6. REVENUE</b>		
Money transfer	156,861,600	131,408,343
Bill payments	7,561,947	5,151,517
Corporate (G2P and B2P) payments	22,995	60,632
Easy recharge commission	19,977,379	14,453,601
Other fees and charges	<u>12,839,032</u>	<u>13,504,261</u>
	<u>197,262,953</u>	<u>164,578,354</u>
<b>7. COST OF SALES</b>		
Channel commission	73,854,442	61,291,116
Interoperability cost and others	<u>14,094,896</u>	<u>12,082,824</u>
	<u>87,949,338</u>	<u>73,373,940</u>
<b>8. ADMINISTRATIVE EXPENSES</b>		
<b>a) ADMINISTRATIVE EXPENSE</b>		
Employee benefit expenses (Note 8 (b))	2,959,320	2,207,604
Management fees (Note 16(a))	6,579,460	3,848,801
Other administrative expenses	416,412	326,144
Customer care expenses	2,763,683	2,120,986
Information technology and network costs	3,413,027	2,485,653
Consultancy fees	106,138	58,600
Professional and legal charges	97,763	93,740
Impairment provision - trade receivables	<u>(8,645)</u>	<u>(20,159)</u>
	<u>16,327,158</u>	<u>11,121,369</u>
<b>b) EMPLOYEE BENEFIT EXPENSES</b>		
Wages and salaries	2,250,375	1,738,626
Social security cost – defined contribution scheme	235,898	198,771
Other employee emoluments and benefits	<u>473,047</u>	<u>270,207</u>
	<u>2,959,320</u>	<u>2,207,604</u>

AIRTEL MONEY TANZANIA LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2021	2020	
	TZS'000	TZS'000	
<b>9. DISTRIBUTION EXPENSES</b>			
Sales and distribution expenses	4,111,049	2,735,942	
Marketing expenses	3,904,554	1,961,217	
	<u>8,015,603</u>	<u>4,697,159</u>	
<b>10. DEPRECIATION AND AMORTIZATION</b>			
	2021	2020	
	TZS' 000	TZS' 000	
Depreciation on owned assets (Note 11)	3,098,908	4,474,850	
	<u>3,098,908</u>	<u>4,474,850</u>	
<b>11. EQUIPMENT</b>			
	Office equipment TZS'000	Capital work in progress TZS'000	Total TZS'000
<b>Cost</b>			
At 1 January 2020	6,802,838	320,759	7,123,597
Additions	6,010,040	-	6,010,040
Transfer in/(out)	320,759	(320,759)	-
At 31 December 2020	<u>13,133,637</u>	<u>-</u>	<u>13,133,637</u>
At 1 January 2021	13,133,637	-	13,133,637
Additions	6,070,843	522,424	6,593,267
At 31 December 2021	<u>19,204,480</u>	<u>522,424</u>	<u>19,726,904</u>
<b>Depreciation</b>			
At 1 January 2020	1,080,746	-	1,080,746
Charge for the year	4,474,850	-	4,474,850
At 31 December 2020	<u>5,555,596</u>	<u>-</u>	<u>5,555,596</u>
At 1 January 2021	5,555,596	-	5,555,596
Charge for the year	3,098,908	-	3,098,908
At 31 December 2021	<u>8,654,504</u>	<u>-</u>	<u>8,654,504</u>
<b>Net book value</b>			
At 31 December 2021	<u>10,549,976</u>	<u>522,424</u>	<u>11,072,400</u>
At 31 December 2020	<u>7,578,041</u>	<u>-</u>	<u>7,578,041</u>

AIRTEL MONEY TANZANIA LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. OTHER INCOME

During the year ended 31 December 2021, the Company recognised income on reversal of non-refundable security deposits received from Airtel Money branch partner amounting to TZS 2,290 million.

	2021 TZS'000	2020 TZS'000
<b>13. FINANCE COST</b>		
Bank charges	<u>17,982</u>	<u>1,217</u>
<b>14. FINANCE INCOME</b>		
Foreign exchange gains	<u>5,258</u>	<u>774,375</u>
<b>15. INCOME TAX</b>		
<b>(a) Income tax expense</b>		
Current tax:		
- Corporate income tax in respect to current year	25,535,655	22,497,685
- Corporate income tax in respect to prior year	<u>320,534</u>	<u>-</u>
	25,856,189	22,497,685
Deferred tax credit in respect to prior period	(98,064)	-
Deferred tax credit in respect to current year	<u>(290,839)</u>	<u>(1,146,847)</u>
	<u>25,467,286</u>	<u>21,350,838</u>
<b>(b) Income tax reconciliation</b>		
Profit before tax	<u>84,149,388</u>	<u>71,684,194</u>
Applicable tax rate of 30%	25,244,816	21,505,258
Tax effect of		
- Non-deductible expenditure	-	3,718
- Deferred tax not recognised in prior period	-	(268,083)
- Deferred tax credit in respect to prior period	(98,064)	-
- Corporate income tax in respect to prior year	320,534	-
- Other adjustments	<u>-</u>	<u>109,945</u>
	<u>25,467,286</u>	<u>21,350,838</u>
<b>(c) Current income tax payable</b>		
At 1 January	162,763	223,154
Current tax charge (note 15(a))	25,856,190	22,497,685
Tax paid	(21,500,000)	(20,596,986)
Withholding tax recovered	<u>(2,019,589)</u>	<u>(1,961,090)</u>
	<u>2,499,364</u>	<u>162,763</u>

AIRTEL MONEY TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. INCOME TAX (CONTINUED)

(d) 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 temporary differences making up the deferred income tax are as presented below:

	2021 TZS'000	2020 TZS'000
Accelerated capital allowances	4,733,477	3,562,022
Provision for bad debts	-	8,645
Bonus accrual	288,070	256,052
Provision for annual leave	94,986	2,235
Unrealized foreign exchange difference	2,637	(6,130)
<b>Net temporary differences</b>	<b><u>5,119,170</u></b>	<b><u>3,822,824</u></b>
Deferred tax asset at 30%	1,535,751	1,146,847
Less: Deferred tax asset not recognized	-	-
<b>Deferred tax asset</b>	<b><u>1,535,751</u></b>	<b><u>1,146,847</u></b>

16. RELATED PARTY DISCLOSURES

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

The following are transactions and balances with related parties:

	2021 TZS'000	2020 TZS'000		
<b>a) Purchase of services during the period</b>				
Airtel Tanzania PLC - Management services	6,579,460	3,848,801		
Bharti Airtel Tanzania B.V	-	13,050		
	<u>6,579,460</u>	<u>3,861,851</u>		
<b>b) Balance due from related parties</b>				
<b>Name</b>	<b>Nature of transaction</b>	<b>Relationship</b>	<b>2021 TZS'000</b>	<b>2020 TZS'000</b>
Airtel Tanzania PLC	Management services and payment on behalf	Parent Company	-	672,938
Airtel Mobile Commerce Limited (Malawi)	Cross border money transfer	Fellow Subsidiary	3,852,754	4,576,321
Airtel Mobile Commerce Tanzania Limited	Trust balance	Fellow Subsidiary	-	1,439,977
Airtel Money Trust Fund	Trust balance	Related Trust	6,522,663	-
Airtel Mobile Commerce Zambia Limited	Cross border money transfer	Fellow Subsidiary	217,419	599,132
Airtel Mobile Commerce (Kenya) Limited	Cross border money transfer	Fellow Subsidiary	6,444	-
			<u>10,599,280</u>	<u>7,288,368</u>



AIRTEL MONEY TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. RELATED PARTY DISCLOSURES (CONTINUED)

c) Balance due to related parties

Name	Nature of transaction	Relationship	2021 TZS'000	2020 TZS'000
Airtel Tanzania PLC	Management services and payment on behalf	Parent Company	637,220	-
Airtel Mobile Commerce (Kenya) Limited	Cross border money transfer	Fellow Subsidiary	-	24,759
Airtel Mobile Commerce (Rwanda) Limited	Cross border money transfer	Fellow Subsidiary	51,622	1,212
Airtel Mobile Commerce Uganda Limited	Cross border money transfer	Fellow Subsidiary	128,818	141,746
Bharti Airtel Tanzania B.V	Dividend	Parent Company	-	13,050
Airtel Mobile Commerce Tanzania Limited	Share capital payable	Fellow Subsidiary	1,000	-
			<u>818,660</u>	<u>180,767</u>

d) 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.

	2021 TZS'000	2020 TZS'000
Salaries and other short-term employment benefits	<u>1,098,298</u>	<u>1,024,013</u>

e) Directors' remuneration

The Directors of the Company were not paid any fees or other emoluments during the year (2020: Nil)

	2021 TZS'000	2020 TZS'000
<b>17. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	2,528,685	1,282,959
Due from related parties (16(b))	<u>10,599,280</u>	<u>7,288,368</u>
	13,127,965	8,571,327
Allowance for doubtful debts	<u>-</u>	<u>(8,645)</u>
	13,127,965	8,562,682
Prepaid expenses	821,450	16,239
Prepayment – interoperability	<u>3,794,469</u>	<u>2,843,717</u>
	<u>17,743,884</u>	<u>11,422,638</u>
<b>18. CASH AND CASH EQUIVALENTS</b>		
Airtel money balance	6,764,309	5,855,151
Cash at bank	<u>5,541,625</u>	<u>4,053,851</u>
	<u>12,305,934</u>	<u>9,909,002</u>

AIRTEL MONEY TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2021 TZS'000	2020 TZS'000
<b>19. SHARE CAPITAL</b>		
Authorised, Issued and fully paid up Capital: 1,000 ordinary shares of TZS 1,000 each	<u>1,000</u>	<u>1,000</u>
<b>20. TRADE AND OTHER PAYABLES</b>		
Trade payables	228,675	957,522
Accrued expenses	12,654,095	7,061,180
Dues to employees	288,062	256,052
Due to related party (note 16(c))	818,660	180,767
Equipment supply payables	106,768	-
Excise duty payables	1,258,620	1,446,843
Withholding tax payable	704,822	1,552,257
VAT payable	2,457,955	2,541,499
Levy payable*	7,092,382	-
Security deposits	818,807	-
Other payables	<u>46,657</u>	<u>30,765</u>
	<u>26,475,503</u>	<u>14,026,885</u>

\* Levy payable relates to balance collected on mobile money transfer and withdrawal services from customers which is payable to the authority.

**21. DIVIDEND**

During the year Directors declared an interim dividend in respect of the financial year ended 31 December 2021 of TZS 45,000 million. The Directors propose the payment of a final dividend of TZS 13,682.1 million in respect of the year ended 31 December 2021, resulting in total dividend for the year ended 31 December 2021 amounting to TZS 58,682.1 million. The proposed final dividend in respect of financial year ended 31 December 2021 amounting to TZS 13,682.1 million is subject to approval by the shareholders at the meeting to be held on 4<sup>th</sup> February 2022.

During the year 2021, out of TZS 45,000 million interim dividend declared with respect to the financial year ended 31 December 2021, the Company paid TZS 39,897 million and TZS 15,866 million with respect to the financial year ended 31 December 2020, resulting in total dividend payment of TZS 55,763 million.

**22. CONTINGENT LIABILITIES**

There were no contingencies as at 31 December 2021 which may possibly result in loss to the Company (2020: Nil).

**23. COMMITMENTS**

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

**24. COMPARATIVE FIGURES**

Where necessary comparative figure have been adjusted to conform to change in presentation in current year.

## AIRTEL MONEY TANZANIA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 25. ULTIMATE HOLDING COMPANY

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

#### 26. OTHER MATTERS

On 30 June 2021, the President approved the Finance Act, 2021 which included the amendments to the National Payment System Act (NPS Act) and Electronic & Postal and Communication Act (EPOCA) – introducing levies on mobile money transfer transactions and airtime. The NPS Act and EPOCA required the Minister of Finance in consultation with the Minister of Communication and Minister of ICT to make Regulations prescribing the manner and modality in which the levies shall be collected. Subsequently, the NPS (Electronic Mobile Money Transfer and Withdrawal Transactions Levy) Regulations, 2021 were introduced. For mobile money transfer and withdrawal transactions, a transaction value dependent levy of between TZS10 and TZS10 000 was introduced. The mobile money transfers and withdrawal levies were implemented effective from 15 July 2021. Subsequent to the implementation and following continuous engagements with the relevant Government stakeholders, the regulations were amended effective from 3 September 2021, reducing the levy by 30%.

#### 27. 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.