AIRTEL TANZANIA PLC

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

AIRTEL TANZANIA PLC

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AIRTEL TANZANIA PLC

CORPORATE INFORMATION

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

CORPORATE INFORMATION (CONTINUED)

PRINCIPAL BANKERS

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

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

Citibank Tanzania Limited
Citibank house, plot no 1962, Toure drive, Oysterbay
P.O. Box 71625
Dar es Salaam

Standard Chartered Bank Tanzania Limited
3rd floor, International house,
Garden avenue / Shaabam Robert street
P.O. Box 9011
Dar es Salaam

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

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

Barclays Bank Tanzania Limited
Barclays house, Ohio Street
P.O. Box 2475
Dar es Salaam

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

Bank of Africa Tanzania Limited
Head Office : Ohio Street/Kivukoni Front
P.O. Box 3054
Dar es Salaam

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. INTRODUCTION

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

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

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

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

2. PRINCIPAL ACTIVITY

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

3. RESULTS AND DIVIDEND

The financial results of the year are set out on page 14 of the financial statements. During the year the Board declared TZS 30,073 million as final dividend for the year ended 31 December 2019 (2018: Nil).

4. FUTURE DEVELOPMENT PLAN

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

5. DIRECTORS

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

Name	Position	Qualifications	Age	Nationality	Date appointed	Date Resigned	Appointed by
Dr. Jehovaness Aikaeli	Chairman**	PhD in Economics	51	Tanzanian	1 March 2017	11 June 2019	Bharti Airtel Tanzania B.V.
Gloria M. Mahinya	Member**	Msc. Business Systems Analysis and Design	62	Tanzanian	1 March 2017	11 June 2019	Treasury Registrar
Nuru John Mhando	Member**	MBA Banking and Finance, CPA (T)	50	Tanzanian	16 April 2018	11 June 2019	Treasury Registrar
Sunil Colaso	Member*	MBA in Marketing	52	Indian	1 April 2013	31 October 2019	Bharti Airtel Tanzania B.V.
Raghunath Venkateswarlu Mandava	Member*	PG DGM (MBI); B. Tech (Hons) Electronics	52	Indian	22 November 2017	15 May 2019	Bharti Airtel Tanzania B.V.
Jaideep Paul	Member*	Commerce Graduate, Chartered Accountant	57	Indian	1 March 2015	N/A	Bharti Airtel Tanzania B.V.
Daddy Mukadi	Member*	Masters of Law degree in Communications Law (LLM)	50	Congolese	23 June 2016	19 September 2019	Bharti Airtel Tanzania B.V.

5. DIRECTORS (CONTINUED)

Name	Position	Qualifications	Age	Nationality	Date appointed	Date Resigned	Appointed by
John Marato Sausi	Member**	Masters in Computer Science	41	Tanzanian	11 June 2019	N/A	Treasury Registrar
Dr. Omari Rashid Nundu	Chairman**	Masters of Science	71	Tanzanian	11 June 2019	11 September 2019	Treasury Registrar
Lekinyi Ngariapusi Mollel	Member**	Masters in Economics	47	Tanzanian	11 June 2019	N/A	Treasury Registrar
Mukesh Bhavnani	Member**	Masters in Law	64	Indian	16 July 2019	N/A	Bharti Airtel Tanzania B.V.
George Mathen	Member*	Masters in Business Administration	49	Indian	1 November 2019	N/A	Bharti Airtel Tanzania B.V.
Ian Basil Ferrao	Member*	Bsc. Management Science	37	British	23 September 2019	N/A	Bharti Airtel Tanzania B.V.
Gabriel Pascal Malata	Chairman**	LL.B	47	Tanzanian	30 January 2020	N/A	Treasury Registrar

* Executive
** Non-executive

The Company secretary as at 31 December 2019 was David Marco Lema.

6. CORPORATE GOVERNANCE

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

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

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

- Performance review;
- Approval of annual plans;
- Business challenges;
- Company shareholder's decision on company restructuring;
- Allotment of additional shares to existing shareholder;
- Decision on sale of company tower assets;
- Amendment of Articles of Association of the company;
- Network needs including spectrum and related resources; and
- Financing of the company.

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

7. SHAREHOLDING OF THE COMPANY

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

The Company had two shareholders throughout the year to 31 December 2019 (2018: two shareholders). No Director had any interest in the shares of the Company.

The issued and paid up ordinary share of the Company as at 31 December 2019 were held as follows:

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

8. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance with such measures by staff. Whilst no system, of internal control can provide absolute assurance against misstatement or losses, the Company's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively. The Board assessed the internal control systems throughout the financial year ended 31 December 2019 and is of the opinion that they met accepted criteria. The Board carries out risk and internal control assessment through the Board Audit Committee.

9. COMPLIANCE WITH LAWS AND REGULATIONS

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

10. WELFARE OF EMPLOYEES

(i) Employee engagement

The Company continued to put employee engagement at the heart of its operations. The Company ensured that there was a clear understanding and communication of challenging expectations at the beginning of the year, constructive feedback throughout the year and fair assessment at the year-end through line managers. The Company also ensured there was an increasing collaboration and bonding within functions through team building activities and cross functional projects.

10. WELFARE OF EMPLOYEES (CONTINUED)

(ii) Training

To equip the current managers and new managers with the leadership skills to enable them manage their teams, projects and other Key Performance Indicators (KPI's), the Company conducted a leadership training for Managers.

Staff were trained on various programs to ensure that they acquire necessary skills and knowledge to enable them deliver Company's goals efficiently and effectively.

The following training programs were provided during the year:

- Retail Up Skill Academy training program was provided to Sales and Distribution staff aiming to build skills in driving mobile money;
- Fire awareness program was provided to fire marshals aiming to raise awareness on how to respond in an event of fire;
- Airtel Money – Anti Money Laundering program has been provided to staffs as one of the key compliance programs;
- Code of conduct program was conducted to provide guideline on Do'S and Don'ts of employment relationship.

(iii) Employee benefits and employee motivation

Rewards & Recognition (R&R) Scheme keeps elevating functions productivity by rewarding and spotting standout employees who does take measures to improve business and its strategies. Most of the schemes offered with the policy are efficiently utilized as we have rewarded more than eighty employees (increase of 10% year on year), recognition to yearly best performers and Team awards with the launch of 4G.

Bonus payout are made in line with the performance management. Although the Company did not achieve yearly performance targets, ex gratia payment was made to staff for their efforts and the reward was highly appreciated. We also continue to reward commission based employees (sales team) monthly and quarterly. The Company also recognises long serving employees in yearly events and appreciate their commitment.

11. GENDER PARITY

As at 31 December 2019, the Company had 220 employees, out of which 48 were female and 172 were male (2018: 210 employees, out of which 45 were female and 165 were male).

Gender Parity	**2019**		**2018**	
	Count	**%**	**Count**	**%**
Female	48	22%	45	21%
Male	172	78%	165	79%
Total employees	**220**	**100%**	**210**	**100%**

12. POLITICAL AND CHARITABLE DONATIONS

The Company did not make any political donations during the year. Donations made to charitable organizations during the year amounted to TZS 65 million. (2018: TZS 49 million).

13. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Airtel Tanzania plc is committed to its stakeholders to conduct its business responsibly creating sustainability and positive impact. It forms an integral part of the country's cultural and financial fabric, and invests in a range of social projects.

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

13. CORPORATE SOCIAL RESPONSIBILITY (CSR) (continued)

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

Employee CSR-Tunakujali Project: (Airtel We Care Project) Launched in 2014 this annual program focuses on enabling employees to participate fully in giving back to communities by identifying and implementing projects through their time, expertise etc. Employees' carryout fundraising initiatives to raise money with the Company support to implement projects that are impactful, sustainable, and measurable and demonstrate self-reliance/entrepreneur skills in their area of choice.

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

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

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

Following are the projects for 2019 to date:

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

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

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

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

14. SOLVENCY

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

15. GOING CONCERN

During the year ended 31 December 2019, the Company reported a net profit of TZS 30,073 million (2018: TZS 36,734 million net loss). As at 31 December 2019, The Company had accumulated losses of TZS 1,004,323 million (2018: TZS 1,003,656 million) and net current liabilities of TZS 204,737 million (2018: TZS 157,112 million).

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

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

b) Will obtain funding from third parties including banks.

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

16. RELATED PARTY TRANSACTIONS AND BALANCES

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

17. NEW DEVELOPMENTS

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

i. New shares issued by ATZ to the GoT at no cost such that the GoT own 49 per cent of the entire share capital of ATZ and BATBV own 51 per cent;
ii. Tanzania Revenue Authority's (TRA) tax claim of approximately USD 874 million on Bharti Airtel International (Netherlands) B.V. ('BAIN') treated as settled without any further liability;
iii. Tanzania Communications Regulatory Authority's Compliance Decision of 20 April 2018 imposing on ATZ a fine of approximately USD 183 million will be treated as settled without any further liability;
iv. TRA's various tax claims against ATZ of approximately USD 47 million will; subject to verification and consideration of the records, be treated as settled without any further liability;
v. ATZ will be issued a one-time tax clearance certificate in regard to tax disputes in respect of all historical tax claims up to 31 December 2018;
vi. In all cases this shall not be construed as an admission of fact or law or as a concession or admission of any wrongdoing, obligation, liability by any party;
vii. ATZ, subject to verification and consideration of the records by the TRA will be allowed the carry-forward tax loss balance as recorded in ATZ's corporate tax return for the tax year ended 31 December 2017;
viii. Parties will co-operate to effect the sale of towers and the proceeds thereof will be distributed in a pre-defined manner towards repayment of ATZ's shareholder loan, to be retained in ATZ and balance as a special one-time payout to the GoT. On receipt of its share of the proceeds from sale of towers, BATBV will waive the outstanding balance shareholder loan;
ix. A valid listing waiver from listing of shares on Dar es Salaam stock exchange will be provided to ATZ and the Company entities in ATZ in accordance with the laws of Tanzania. Furthermore, in case of future listing, the BATBV shares in ATZ will not be subject to listing;
x. Company entities will not be subject to any tax in connection with any of the transactions described above;
xi. ATZ will pay to GOT, approximately TZS 1 billion every month for a period of 60 months, effective 1 April 2019 for the support services provided, and
xii. ATZ will pay a special dividend to its shareholders in proportion of their shareholding of up to 25% EBITDA based on its audited financial statements for the financial year ending 31 December 2019 subject to applicable laws.

17. NEW DEVELOPMENTS (continued)

As at 31 December 2019, TRA's tax claim of approx. USD 874 million has been vacated without any liability. On November 29, 2019 ATZ issued 36,176,471 shares to GOT at zero effective cost thus increasing GOT's shareholding in ATZ to 49%. As of 31 December 2019, ATZ does not have positive accumulated past earnings to distribute the special dividend, however the dividend has been declared from current year profit.

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

18. AUDITORS

Deloitte & Touche were appointed auditors in 2019 and, having expressed their willingness, continue in office in accordance with section 170 (2) of the Companies Act, 2002.

Approved by the Board of Directors on 28 July 2020 and signed on its behalf by:

GEORGE MATHEN
Name of Director

Signature

GABRIEL P. MALATA
Name of Director

Signature

AIRTEL TANZANIA PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

Approved by the Board of Directors on 28 July 2020 and signed on behalf by:

GEORGE MATHEN
Name of Director

Signature

GABRIEL P. MALATA
Name of Director

Signature

AIRTEL TANZANIA PLC

DECLARATION OF THE HEAD OF FINANCE

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

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

I, Nishant Mohan, being the Finance Director of Airtel Tanzania plc hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2019 have been prepared in compliance with applicable accounting standards and statutory requirements.

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

Nishant Mohan
Finance Director
NBAA Membership No: TACPA 2939

28 July 2020

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

Report on the Financial Statements

Opinion

We have audited the financial statements of Airtel Tanzania plc (the "Company"), set out on pages 14 to 56, which comprise the statement of financial position at 31 December 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of Companies Act, 2002.

Basis for Opinion

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

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

Other Information

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

Deloitte & Touche
Certified Public Accountants (Tanzania)

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

29 July 2020

AIRTEL TANZANIA PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 TZS 'M'	2018 TZS 'M'
Revenue	7	488,655	466,806
Cost of sales	8	(107,555)	(112,887)
Gross profit		381,100	353,919
Other operating income		2,928	2,725
Administrative expenses	9	(186,636)	(214,548)
Marketing and distribution costs	11	(57,648)	(56,913)
Depreciation and amortisation	12	(103,624)	(90,709)
Operating profit/(loss)	13	36,120	(5,526)
Finance cost	14	(11,201)	(29,753)
Interest income		38	38
Profit/(loss) before exceptional item and tax		24,957	(35,241)
Exceptional items	15	8,143	-
Profit/(loss) before tax		33,100	(35,241)
Income tax expense	16(a)	(3,027)	(1,493)
Profit/(loss) for the year		30,073	(36,734)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		30,073	(36,734)

AIRTEL TANZANIA PLC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 TZS 'M'	2018 TZS 'M'
Assets			
Non-current assets			
Property, plant and equipment	17	368,785	359,528
Intangible assets	18	60,420	15,251
Right of use	19	66,196	-
Investments	21	2	2
		495,403	374,781
Current assets			
Inventories	22	-	-
Trade and other receivables	23	108,815	92,882
Current income tax recoverable	16(c)	6,183	8,271
Cash and cash equivalents	24	16,015	12,528
		131,013	113,681
Total assets		626,416	488,462
Equity and liabilities			
Equity			
Ordinary shares	25	48,235	41,000
Share premium	25	1,520	8,755
Accumulated losses		(1,004,323)	(1,003,656)
Shareholders' deficit		(954,568)	(953,901)
Non-current liabilities			
Borrowings	26	1,097,811	1,102,892
Provisions	27	72,782	68,677
Lease liabilities	30	74,641	-
		1,245,234	1,171,569
Current liabilities			
Trade and other payables	28	316,564	246,970
Borrowings	26	-	7,761
Bank overdraft	29	-	16,063
Lease liabilities	30	19,186	-
		335,750	270,794
Total liabilities		1,580,984	1,442,363
Total equity and liabilities		626,416	488,462

The financial statements on pages 14 to 56 were approved and authorized for issue by the Board of Directors on 28 July 2020 and were signed on its behalf by:

GEORGE MATHEN
Name

DIRECTOR
Title

Signature

GABRIEL P. MALATA
Name

DIRECTOR
Title

Signature

AIRTEL TANZANIA PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital TZS 'M'	Share premium TZS 'M'	Accumulated losses TZS 'M'	Total TZS 'M'
At 1 January 2018		41,000	8,755	(967,804)	(918,049)
IFRS 15 transition adjustment		-	-	882	882
Adjusted balance at January 2018		41,000	8,755	(966,922)	(917,167)
Loss for the year		-	-	(36,734)	(36,734)
At 31 December 2018		41,000	8,755	(1,003,656)	(953,901)
At 1 January 2019		41,000	8,755	(1,003,656)	(953,901)
IFRS 16 transition adjustment		-	-	(30,740)	(30,740)
Adjusted balance at January 2019		41,000	8,755	(1,034,396)	(984,641)
Issuance of share capital	25	7,235	(7,235)	-	-
Profit for the year		-	-	30,073	30,073
At 31 December 2019		48,235	1,520	(1,004,323)	(954,568)

AIRTEL TANZANIA PLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 TZS 'M'	2018 TZS 'M'
Operating activities			
Profit / (loss) before tax		33,100	(35,241)
Adjustment for:			
Depreciation of property, plant and equipment	17	87,474	87,405
Amortisation of intangible assets	18	55	3,304
Depreciation of right of use	19	16,095	-
Movement in provisions	27	4,105	(18,964)
Unrealized exchange (gain) / loss on loans	26	(956)	29,402
Interest expense		6,962	788
Interest income		(38)	(38)
Operating cash inflows before movement in working capital		146,797	66,656
Movement in working capital			
Increase in trade and other receivables		(1,115)	(14,709)
Decrease in trade and other payables		11,970	1,540
		157,652	53,487
Current tax paid	16(c)	(939)	(454)
Interest received		38	38
Net cash flow generated from operating activities		156,751	53,071
Investing activities			
Purchase of property, plant and equipment	17	(89,112)	(35,068)
Purchase of intangible assets	18	(9,700)	(1,935)
Net cash used in investing activities		(98,812)	(37,003)
Financing activities			
Repayments of long-term borrowings	26	(11,886)	(10,630)
Repayment of lease liability	30	(26,347)	-
Interest paid		(156)	(675)
Net cash flow used in financing activities		(38,389)	(11,305)
Net increase in cash and cash equivalents		19,550	4,763
Cash and cash equivalents at beginning of the year		(3,535)	(8,298)
Cash and cash equivalents at end of the year	24	16,015	(3,535)

1. GENERAL INFORMATION

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

These are separate financial statements of Airtel Tanzania plc which do not include financial statements of Tanzania Towers Limited and Airtel Money Tanzania Limited. The results of operations for the year ended 31 December 2019 and financial position of the Tanzania Towers Limited and Airtel Money Tanzania Limited, as at the year then ended, are included in the consolidated financial statements of Airtel Tanzania plc.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

a) New standards and amendments to published standards effective for the year ended 31 December 2019

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

IFRS 16 Leases	The company has applied IFRS 16 using the modified retrospective approach with effect from 1 January 2019. The company elected to apply the practical expedient included in IFRS 16 and therefore retained its existent assessment under IAS 17 and IFRIC 4 as to whether a contract entered or modified before 1 January 2019 contains a lease. At inception of a contract, the Company assesses a contract as, or containing, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether the contract involves the use of an identified asset, the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Company has the right to direct the use of the asset.
IFRIC 23 Uncertainty over income tax treatments	The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively • Assumptions for tax authorities' examinations • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • The effect of changes in facts and circumstances. The application of IFRIC 23 did not have a significant impact on the Company's financial statement.

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

a) New standards and amendments to published standards effective for the year ended 31 December 2019 (continued)

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28). The application of these amendments to IAS 28 and IFRS 9 did not have any impact on the Company's financial statement.
Annual Improvements to IFRS Standards 2015-2017 Cycle	• IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. • IAS 12 - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises. • IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The application of these amendments to IFRS 13, IFRS 11, IAS 12 and IAS 23 did not have any impact on the Company's financial statement.
Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement	The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income. The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this re-measurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as re-measured under IAS 19.99 with the discount rate used in the re-measurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset) The application of these amendments to IAS 19 did not have any impact on the Company's financial statement.

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

a) New standards and amendments to published standards effective for the year ended 31 December 2019 (continued)

IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The application of these amendments to IFRS 10 and IAS 28 did not have any impact on the Company's financial statement.
Amendments to IFRS 9 Prepayment Features with Negative Compensation	The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9. The application of these amendments to IFRS 9 did not have any impact on the Company's financial statement.

b) New and amended standards and interpretations in issue but not yet effected in the year ended 31 December 2019

IFRS 17 Insurance Contracts	Effective for accounting periods beginning on or after 1 January 2021
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	Effective for accounting periods beginning on or after 1 January 2020
Amendments to IFRS 3 Business combinations	Effective for accounting periods beginning on or after 1 January 2020
IAS 1 Presentation of financial statements and IAS 8 Accounting policies, Changes in Accounting Estimates and errors	Effective for accounting periods beginning on or after 1 January 2020

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

c) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2019

IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

IFRS 17 is effective for accounting periods beginning on or after 1 January 2021 and the Directors are still assessing the expected impact on the financial statements.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

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

The amendments to IFRS 9, IAS 39 and IFRS 7 are effective for accounting periods beginning on or after 1 January 2020 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Amendments to IFRS 3 Business combinations

The amendments in Definition of a Business (Amendments to IFRS 3) applies to defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

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

The amendments to IFRS 3 are effective for accounting periods beginning on or after 1 January 2020 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

IAS 1 Presentation of financial statements and IAS 8 Accounting policies, Changes in Accounting Estimates and errors

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

The amendments to IAS 1 and IAS 8 are effective for accounting periods beginning on or after 1 January 2020 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

d) Early adoption of standards

The Company did not early-adopt any new or revised standards in 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

a) Basis of preparation

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

The preparation of Company financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the Company's financial statements, are disclosed in note 4.

In prior years, based on the then available information, the Company considered that the average life of customers across its network was less than 12 months and had taken the practical expedient available under IFRS15 not to defer customer acquisition costs on recognition and amortize over the average anticipated customer life, but to expense customer acquisition costs as incurred. With increased and more reliable data the company now estimates that the historic average customer life is longer than 12 months and believes that its churn rate provides the best indicator of anticipated average customer life and has updated its policy on cost deferral recognition in these financial statements, as disclosed in note 8 and 15.

b) Revenue recognition

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

The five steps in the Model are as follows:
- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

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

c) Foreign currency translation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

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

d) 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.

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

e) Intangible assets

Intangible assets comprise subscriber acquisition costs, lease line Indefeasible Right of Use (IRU) and acquired licenses.

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

Lease line IRU are irrevocable rights given by the Government of The United Republic of Tanzania to use the optic fibre equipment constructed underground.

If the arrangement is, or contains a lease, the lease is classified as either an operating lease or a financial lease. A financial lease of an IRU of network infrastructure is accounted for as a tangible asset. A financial lease of an IRU on capacity is accounted for as an intangible asset. The Company's IRU arrangements are principally capacity agreements.

The total useful life of Leased line IRU is 20 years and remaining useful life as at 31 December 2019 is 13 years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

e) Intangible Assets (continued)

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

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

f) Leases

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

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

i. Company as a lessee

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Leases (continued)

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

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

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

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

ii. Company as a lessor

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

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

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

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

- Plant and equipment

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

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

- Other leases

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) leases (continued)

i. As a Lessee
Right of use Assets

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

Lease liabilities

	2019 TZS 'M'
Maturity analysis:	
Less than one year	25,119
Later than one year but not later than two years	20,569
Later than two years but not later than five years	52,503
Later than five years but not later than nine years	12,627
Later than nine years	37
Total undiscounted lease liabilities	110,855
Lease liabilities included in the statement of financial position	93,827

	For the year ended 31 December 2019
Interest on lease liabilities	6,806
Loss arising from sale and leaseback transactions	-
Income from Sub-leasing of right of use	
Amounts recognised in profit or loss	
Income from sub-leasing right-of-use assets	2,142
Total cash outflow for leases in statement of cash flows	
Amounts recognised in the statement of cash flows	
Total cash outflow for leases	26,347

ii. As a lessor

The Company's lease arrangements as a lessor mainly pertain to passive infrastructure.

	For the year ended 31 December 2019
Operating lease	
Lease income recognised in profit or loss	51,140

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) leases (continued)

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

	For the year ended 31 December 2019
Less than one year	49,273
One to five years	4,644
More than five years	-
Total	53,917

g) Inventories

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

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

Based on aging of handsets and accessories. The Company makes a provision for handsets and accessories as follows:

a) 50% provision for handsets and accessories in the books if they are aged for more than 12 months but less than 24 months.

b) 100% provision for handsets and accessories in the books if they are aged for more than 24 months.

h) Employment benefits

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

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

i) Provisions

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) 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. During the year the Board declared TZS 30,073 million (2018: Nil) as final dividend for the year ended 31 December 2019.

k) Financial instruments

(i) Financial assets

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

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

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Financial instruments (continued)

(i) Financial assets (continued)

Impairment of financial assets (continued)

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

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

The Company uses a provision matrix to measure the expected credit loss of trade receivables. Refer note 22 for details on the impairment of trade receivables. Based on the industry practices and the business environment in which the entity operates, management considers that the trade receivables are credit impaired if the payments are more than 90 days past due.

(ii) Financial liabilities

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

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

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

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

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

- doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases, or

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Financial instruments (continued)

(ii) Financial liabilities (continued)

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

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

De-recognition

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

(iii) Offsetting of financial instruments

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

l) 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.

m) Tax

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Tax (continued)

Income tax (continued)

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

Excise duty
Excise duty is defined in accordance with Section 124 of the Excise (Management and Tariff) Act 2004. It is at 17% on all electronic communication services with the exception of inbound roaming and a few other items agreed upon with the Tanzania Revenue Authority (TRA). It is included in the face value of the voucher on sale.

Excise duty was charged at 10% on mobile money transfer charges during the year. Excise duty is charged at a zero rate for revenue from roaming services within East African Community member states as required by the law.

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

- When the value added tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to the tax authority is included as part of trade and other receivables or trade and other payables in the statement of financial position.

n) Cost of sales

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

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

o) Impairment of non-financial assets

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Impairment of non-financial Assets (continued)

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

p) Fair value measurement

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

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

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

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

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

q) Current versus non-current classification

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

An asset is current when it is either:

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

All other assets are classified as non-current.

A liability is current when either:

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

The Company classifies all other liabilities as non-current.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

a) Fair value of financial instruments

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

b) Deferred tax assets

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

c) Income tax

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

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 (d) on page 23.

e) Impairment losses on trade receivables

At each reporting date, the Company performs impairment analysis for trade and other receivables based on the respective individual customers or a group of related customers or group of minor receivables with homogeneous characteristics. Assessment of impairment is made based on the actual available data and past history. In assessing for impairment the Company considers the current ability of the debtors to pay based on the observed trend and any additional information that help management to determine whether there is a measurable decrease in the estimated future cash flows of an individual debtor or a group of debtors.

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

Refer to note 23 for more details on impairment of trade and other receivables.

f) 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

f) Impairment of non-financial assets (continued)

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

g) Contingencies and provisions

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

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

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

5. FINANCIAL RISK MANAGEMENT

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

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

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

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

Market risks

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

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

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risks (continued)

i) Foreign exchange risk (continued)

		Effect on profit / loss after tax TZS 'M'
Net effect based on the year end as at 31 December 2019	-10%	(113,143)
	10%	113,143
Net effect based on the year end as at 31 December 2018	-10%	(110,989)
	10%	110,989

The sensitivity analysis has been determined based on net exposure at 31 December 2019. 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 2019 and 2018. Included in the table are the Company's financial instruments, categorized by currency (all amounts expressed in millions of Tanzanian Shillings):

At 31 December 2019	**USD**	**Euro**	**Others**
Financial assets			
Trade and other receivables	43,147	-	-
Cash and cash equivalents	9,994	-	-
	53,141	-	-
Financial liabilities			
Borrowings	(1,097,811)	-	-
Trade and other payables	(86,762)	-	-
	(1,184,573)	-	-
Net currency exposure	(1,131,432)	-	-

At 31 December 2018	**USD**	**Euro**	**Others**
Financial assets			
Trade and other receivables	43,249	-	-
Cash and cash equivalents	2,765	-	-
	46,014	-	-
Financial liabilities			
Borrowings	(1,102,892)	-	-
Trade and other payables	(29,183)	(4)	(2)
Borrowings - current portion	(7,761)	-	-
Bank overdraft	(16,063)	-	-
	(1,155,899)	(4)	(2)
Net currency exposure	(1,109,885)	(4)	(2)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risks (continued)

i) Foreign exchange risk (continued)

Exchange rates applicable were as follows:

	TZS: USD
On 1 January 2019	2,300
On 31 December 2019	2,298
On 1 January 2018	2,240
On 31 December 2018	2,300

ii) Interest rate risk

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

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

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

Credit risk

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

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

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

	2019 TZS'M'	2018 TZS 'M'
Trade receivables	43,718	51,854
Receivables from related parties	33,225	31,063
Other receivables	5,559	12,751
	82,502	95,668

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

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

	2019 TZS'M'	2018 TZS 'M'
By up to 30 days	9,477	8,606
By up to 60 days	4,574	6,412
Over 60 days	29,667	36,836
Total past due	43,718	51,854
Impaired during the year	25,236	28,355

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

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company aims at maintaining flexibility in funding by keeping committed credit lines available. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damaging the Company's reputation.

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

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

At 31 December 2019	**Less than 1 year TZS'M'**	**Between 1 and 2 years TZS'M'**	**Greater than 2 years TZS'M'**	**Total TZS'M'**
Borrowings	-	-	1,097,811	1,097,811
Trade and other payables	316,564	-	-	316,564
Lease liabilities	19,186	20,569	54,072	93,827
Total financial liabilities	335,750	20,569	1,151,883	1,508,202
At 31 December 2018				
Borrowings	7,761	4,021	1,098,871	1,110,653
Bank overdraft	16,063	-	-	16,063
Trade and other payables	246,970	-	-	246,970
Total financial liabilities	270,794	4,021	1,098,871	1,373,686

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

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

Fair value

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

Capital risk management

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

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

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

	2019 TZS'M'	2018 TZS'M'
Borrowing (note 26)	1,097,811	1,110,653
Bank overdrafts	-	16,063
Lease liabilities	93,827	-
Less: Cash and cash equivalent (note 24)	(16,015)	(12,528)
Net debt	1,175,623	1,114,188
Total equity	(954,568)	(953,901)
Gearing ratio	-123%	-117%

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Categorization of financial instruments as at 31 December 2019

	Financial asset at amortized cost TZS 'M'	Financial liabilities at amortized costs TZS 'M'	Non-financial assets and liabilities TZS 'M'	Equity TZS 'M'	Total TZS 'M'
Non-current assets					
Property plant and equipment	-	-	368,785	-	368,785
Intangible assets	-	-	60,420	-	60,420
Right of use	-	-	66,196		66,196
Investments	-	-	2	-	2
	-	-	495,403	-	495,403
Current assets					
Inventories	-				
Trade and other receivables	59,960		48,855		108,815
Trade receivables	18,482	-	-	-	18,482
Prepayments	-	-	48,855	-	48,855
Receivables from related parties	33,225	-	-	-	33,225
Value Added Tax recoverable	2,695	-	-	-	2,695
Other receivables	5,558	-	-	-	5,558
Current tax recoverable	-		6,183	-	6,183
Cash and cash equivalents	16,015	-	-	-	16,015
	75,975	-	55,038	-	131,013
Total assets	75,975	-	550,441		626,416
Equity and liabilities					
Equity					
Ordinary shares	-	-	-	48,235	48,235
Share premium	-	-	-	1,520	1,520
Accumulated losses	-	-	-	(1,004,323)	(1,004,323)
Total equity	-	-	-	(954,568)	(954,568)
Non-current liabilities					
Borrowings	-	1,097,811	-	-	1,097,811
Provisions	-	-	72,782	-	72,782
Lease liabilities	-	-	74,641	-	74,641
	-	1,097,811	147,423	-	1,245,234
Current liabilities					
Trade and other payables		248,400	68,164		316,564
Trade payables	-	15,956	-	-	15,956
Accrued expenses	-	-	35,167	-	35,167
Deferred revenue	-	-	18,118	-	18,118
Payables to related parties	-	152,169	-	-	152,169
Customers deposits	-	-	2,813	-	2,813
Interconnect payables	-	5,949	-	-	5,949
Roaming payables	-	246	-	-	246
Withholding tax payables	-	2,170	-	-	2,170
Excise Duty Payables	-	-	6,819	-	6,819
VAT payable	-	-	5,247	-	5,247
Equipment Supply payables	-	69,868	-	-	69,868
Other payables	-	2,042	-	-	2,042
Borrowings	-	-	-	-	-
Bank overdraft	-	-	-	-	-
Lease liabilities	-	-	19,186	-	19,186
	-	248,400	87,350	-	335,750
Total liabilities	-	1,346,211	234,773	-	1,580,984
Total equity and liabilities		1,346,211	234,773	(954,568)	626,416

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Categorization of financial instruments as at 31 December 2018

	Financial asset at amortized cost TZS 'M'	Financial liabilities at amortized costs TZS 'M'	Non-financial assets and liabilities TZS 'M'	Equity TZS 'M'	Total TZS 'M'
Non-current assets					
Property plant and equipment	-	-	359,528	-	359,528
Intangible assets	-	-	15,251	-	15,251
Investments	-	-	2	-	2
	-	-	374,781	-	374,781
Current assets					
Inventories	-	-	-	-	-
Trade and other receivables	70,008	-	22,874	-	92,882
Trade receivables	23,499	-	-	-	23,499
Prepayments	-	-	22,874	-	22,874
Receivables from related parties	31,063	-	-	-	31,063
Value Added Tax recoverable	2,695	-	-	-	2,695
Other receivables	12,751	-	-	-	12,751
Current income tax recoverable	-	-	8,271	-	8,271
Cash and cash equivalents	12,528	-	-	-	12,528
	82,536	-	31,145	-	113,681
Total assets	82,536	-	405,926	-	488,462
Equity and liabilities					
Equity					
Ordinary shares	-	-	-	41,000	41,000
Share premium	-	-	-	8,755	8,755
Accumulated losses	-	-	-	(1,003,656)	(1,003,656)
Total equity	-	-	-	(953,901)	(953,901)
Non-current liabilities					
Borrowings	-	1,102,892	-	-	1,102,892
Provisions	-	-	68,677	-	68,677
	-	1,102,892	68,677	-	1,171,569
Current liabilities					
Trade and other payables		177,629	69,341		246,970
Trade payables	-	9,789	-	-	9,789
Accrued expenses	-	-	41,124	-	41,124
Deferred revenue	-	-	15,764	-	15,764
Payables to related parties	-	139,131	-	-	139,131
Customers deposits	-	-	2,539	-	2,539
Interconnect payables	-	11,942	-	-	11,942
Roaming payables	-	148	-	-	148
Withholding tax payables	-	1,464	-	-	1,464
Excise duty payables	-	-	5,466	-	5,466
VAT payable	-	-	4,448	-	4,448
Equipment supply payables	-	14,419	-	-	14,419
Other payables	-	736	-	-	736
Borrowings	-	7,761	-	-	7,761
Bank overdraft	-	16,063	-	-	16,063
	-	201,453	69,341	-	270,794
Total liabilities	-	1,304,345	138,018	-	1,442,363
Total equity and liabilities	-	1,304,345	138,018	(953,901)	488,462

6. GOING CONCERN

During the year ended 31 December 2019, the Company reported a net profit of TZS 30,073 million (2018: TZS 36,734 million net loss). As at 31 December 2019, The Company had accumulated losses of TZS 1,004,323 million (2018: TZS 1,003,656 million) and net current liabilities of TZS 204,737 million (2018: TZS 157,112 million).

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

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

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

	2019 TZS'M'	2018 TZS 'M'
7. REVENUE		
Airtime revenue	188,596	149,134
Value added services	203,568	208,416
Interconnect revenue	32,680	41,225
Roaming revenue	5,090	9,311
Site sharing revenue	48,999	48,104
Subscription revenue	3,726	5,475
Other income	5,996	5,141
	488,655	466,806

8. COST OF SALES

Cost of cards	5,873	6,214
Cost of handset and accessories	971	1,506
Other direct cost	1,541	2,045
Leased lines	11,154	11,309
Roaming costs	425	551
Interconnection costs - Local	54,154	57,231
Interconnection costs - International	6,458	8,194
Frequency license fees and royalty	26,979	25,837
	107,555	112,887

9. ADMINISTRATIVE EXPENSES

Employee benefit expenses (note 10)	30,138	27,816
Site rental	35,474	52,416
Site energy (fuel and grid)	31,833	32,168
Network support and maintenance	44,553	42,721
IT expenses	12,836	19,455
Management fees	14,475	10,974
Consultancy costs	1,408	1,007
Customer service expenses	3,517	5,625
Office rental	6,821	6,774
Other operating expenses	8,700	11,190
Impairment provision - trade receivables	(3,119)	4,402
	186,636	214,548

9. ADMINISTRATIVE EXPENSES (CONTINUED)

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

	2019 TZS'M'	2018 TZS 'M'
10. EMPLOYEE BENEFIT EXPENSES		
Wages and salaries	17,203	16,964
Social security costs - defined contribution scheme	1,700	1,721
Other employee emoluments and benefits	11,235	9,131
	30,138	27,816

11. MARKETING AND DISTRIBUTION COSTS

Marketing and advertising expenses	7,141	8,512
Sales and distribution cost	50,507	48,401
	57,648	56,913

12. DEPRECIATION AND AMORTISATION

Depreciation of property, plant and equipment (Note 17)	87,474	87,405
Amortisation of intangible assets (Note 18)	55	3,304
Depreciation of right of use (Note 19)	16,095	-
	103,624	90,709

13. OPERATING PROFIT/(LOSS)

The following items have been charged in arriving at operating Profit/(loss):

Employee benefits expense - defined contribution scheme	1,700	1,721
Key management personnel remuneration, including Directors	5,881	6,695
Operating lease payments	-	57,464
Auditor's remuneration	230	265

14. FINANCE COST

Net foreign exchange losses/(gains) - realized	3,087	(4,605)
Net foreign exchange (gains)/losses - unrealized	(2,785)	33,244
Interest on bank loans	156	788
Interest others	3,831	4,863
Amortisation of loan issue costs	92	205
Exchange fluctuation gain – lease liability	(34)	-
Interest expense - lease liability	6,806	-
Interest on asset retirement obligations (ARO)	48	(4,742)
	11,201	29,753

15. EXCEPTIONAL ITEM

	2019 TZS'M'	2018 TZS 'M'
Exceptional item	8,143	-

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

16. INCOME TAX EXPENSE

The Company had accumulated tax losses of TZS 406 billion as at 31 December 2019 (2018: TZS 585 billion). However, income tax has been charged in accordance with the Alternative Minimum Tax provisions that require that entities that are tax loss making for more than two consecutive years to pay tax at a rate of 0.5% of the revenue reported.

a) Income tax expense

	2019 TZS'M'	2018 TZS 'M'
Current income tax:		
- Current year - Alternative Minimum Tax (AMT)	3,027	1,493

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

b) Income tax reconciliation

	2019 TZS'M'	2018 TZS 'M'
Profit / (loss) before tax	33,100	(35,241)
Tax calculated at a tax rate of 30%	9,930	(10,572)
Tax effect of:		
Movement in deferred tax asset not recognised	(9,950)	2,412
Tax effect of expenses not deductible for tax	20	8,160
Alternative Minimum Tax	3,027	1,493
	3,027	1,493

c) Current income tax recoverable

	2019 TZS'M'	2018 TZS 'M'
At 1 January	8,271	9,310
Current income tax paid during the year	939	454
Alternative Minimum Tax	(3,027)	(1,493)
At 31 December	6,183	8,271

17. PROPERTY, PLANT AND EQUIPMENT

	Installation network TZS'M	Office equipment TZS'M	Capital work in progress TZS'M	Total TZS'M
Cost				
At 1 January 2019	1,273,175	139,539	16,927	1,429,641
Additions	-	-	96,274	96,274
Transfer in/(out)	69,242	13,856	(83,098)	-
Reclassification from intangible assets	-	4,039	-	4,039
Disposal	(715)	-	-	(715)
At 31 December 2019	1,341,702	157,434	30,103	1,529,239
Depreciation				
At 1 January 2019	933,308	136,805	-	1,070,113
Charge for the year	81,215	6,259	-	87,474
Reclassification from intangible assets	-	3,582	-	3,582
Disposal	(715)	-	-	(715)
At 31 December 2019	1,013,808	146,646	-	1,160,454
Net book value				
At 31 December 2019	327,894	10,788	30,103	368,785
Cost				
At 1 January 2018	1,241,160	131,485	33,802	1,406,447
Additions	-	-	23,361	23,361
Transfer in/(out)	32,182	8,054	(40,236)	-
Disposal	(167)	-	-	(167)
At 31 December 2018	1,273,175	139,539	16,927	1,429,641
Depreciation				
At 1 January 2018	855,012	127,863	-	982,875
Charge for the year	78,463	8,942	-	87,405
Disposal	(167)	-	-	(167)
At 31 December 2018	933,308	136,805	-	1,070,113
Net book value				
At 31 December 2018	339,867	2,734	16,927	359,528

18. INTANGIBLE ASSETS

	Cellular license TZS'M	Lease line IRU TZS'M	Subscriber acquisition costs TZS'M	Capital work in progress TZS'M	Total TZS'M
Cost					
At 1 January 2019	5,417	18,450	2,633	-	26,500
Additions	-	-	-	59,657	59,657
Reclassification to property, plant and equipment	(4,039)	-	-	-	(4,039)
Reclassification due to IFRS 16	-	(18,450)	-	-	(18,450)
At 31 December 2019	1,378	-	2,633	59,657	63,668
Amortisation					
At 1 January 2019	4,143	4,473	2,633	-	11,249
Charge for the year	55	-	-	-	55
Reclassification to property, plant and equipment	(3,583)	-	-	-	(3,583)
Reclassification due to IFRS 16	-	(4,473)	-	-	(4,473)
At 31 December 2019	615	-	2,633	-	3,248
Net book value					
At 31 December 2019	763	-	-	59,657	60,420
Cost					
At 1 January 2018	3,482	18,450	2,633	-	24,565
Additions	1,935	-	-	-	1,935
At 31 December 2018	5,417	18,450	2,633	-	26,500
Amortisation					
At 1 January 2018	2,182	3,130	2,633	-	7,945
Charge for the year	1,961	1,343	-	-	3,304
At 31 December 2018	4,143	4,473	2,633	-	11,249
Net book value					
At 31 December 2018	1,274	13,977	-	-	15,251

19. RIGHT OF USE

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

20. DEFERRED INCOME TAX

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

The Company has a net deferred income tax asset of TZS 245,333 million as at 31 December 2019 (2018: TZS 235,383 million). The net deferred tax asset has not been recognised in these financial statements because of the uncertainty regarding the Company's ability to generate sufficient future taxable profits to utilize tax losses and realize the asset.

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

	2019 TZS'M'	2018 TZS 'M'
Accelerated capital allowances	(173,683)	102,452
Provision for bad debts	(25,236)	(28,355)
Bonus accrual	(2,328)	(1,909)
Accrual for other expenses	(18,426)	(22,927)
Provision for probable liability	(590)	(590)
Asset retirement obligation	(3,471)	(2,181)
Unrealized foreign exchange differences	(187,538)	(245,880)
Current income tax losses	(406,505)	(585,216)
Net deductible temporary differences	(817,777)	(784,606)
Deferred tax asset at 30%	(250,333)	(235,383)
Less: Deferred tax asset not recognised	250,333	235,383
Deferred tax asset	-	-

21. INVESTMENTS

Shares in Tanzania Towers Limited	1	1
Shares in Airtel Money Tanzania Limited	1	1
	2	2

The investment relates to 999 shares owned in Tanzania Towers Limited which represents 99.9% of the shareholding and 999 shares owned in Airtel Money Tanzania Limited which represents 99.9%. Both shares have a nominal amount of TZS 1,000 each and are fully paid for. Principal place of business and country of incorporation for Tanzania Towers Limited and Airtel Money Tanzania Limited is the United Republic of Tanzania. Airtel Money Tanzania Limited started operation from 1 September 2019, through resolution by the Board for Airtel Tanzania plc, approving the separation of books with effect from 1 September 2019, to meet electronic money issuer license condition. During the financial year 2019, de-registration process of Tanzania Towers Limited was initiated with Registrar of Companies (BRELA).

These are separate financial statements of Airtel Tanzania plc which do not include financial statements of Tanzania Towers Limited and Airtel Money Tanzania Limited. The results of operations for the year ended 31 December 2019 and financial position of the Tanzania Towers Limited and Airtel Money Tanzania Limited, as at the year then ended, are included in the consolidated financial statements of Airtel Tanzania plc.

22. INVENTORIES

	2019 TZS'M'	2018 TZS 'M'
Phones	691	738
SIM cards	638	292
Near Field Communication (NFC) devices	-	350
Provision for impairment	(1,329)	(1,380)
	-	-

The inventories balances relate to modems and routers, mobile handsets, SIM cards and Near Field Communication (NFC) cards.

23. TRADE AND OTHER RECEIVABLES

	2019 TZS'M'	2018 TZS 'M'
Roaming debtors	2,383	1,800
Interconnect	9,447	9,203
Post paid	12,940	17,580
Site sharing debtors	18,948	23,271
Provision for impairment losses	(25,236)	(28,355)
	18,482	23,499
Prepayments	48,855	22,874
Receivables from related parties (note 33 (iii))	33,225	31,063
Value Added Tax recoverable	2,695	2,695
Other receivables	5,558	12,751
	90,333	69,383
	108,815	92,882

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

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

	2019 TZS'M'	2018 TZS 'M'
At January	28,355	23,953
Provision during the year	-	4,402
Utilization/Release during the year	(3,119)	-
At 31 December	25,236	28,355

During the year Tanzania Towers Limited initiated the de-registration process with the Registrar of Companies (BRELA). Receivable amounting to TZS 46.7 M from Tanzania Towers Limited is deemed not recoverable thus included in provision for trade receivables.

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

	Neither past due nor impaired	Past due but not impaired			
	Less than 30 days	30 to 60 days	60 to 90 days	Impaired Above 90 days	Total
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
At 31 December 2019	9,453	4,574	4,455	25,236	43,718
At 31 December 2018	8,606	6,412	8,481	28,355	51,854

24. CASH AND CASH EQUIVALENTS

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

	2019 TZS'M'	2018 TZS 'M'
Cash at bank	13,036	6,864
Restricted cash at bank	2,727	2,712
Airtel Money balances	242	2,947
Cash in hand	10	5
	16,015	12,528
Bank overdraft (Note 29)	-	(16,063)
	16,015	(3,535)

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

25. SHARE CAPITAL AND PREMIUM

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

	2019 TZS'M'	2018 TZS'M'
Authorized:		
250,000,000 ordinary shares of TZS 200 each (2018: 250,000,000 ordinary shares of TZS 200)	50,000	50,000
Issued and paid up:		
241,176,471 ordinary shares of TZS 200 each (2018:205,000,000 ordinary shares of TZS 200)	48,235	41,000
Share premium	1,520	8,775

26. BORROWINGS

Standard Charted Bank loan - facility B (i)	-	3,663
Barclays Bank loan (ii)	-	8,119
Total bank loans	-	11,782
Shareholder's loan (iii)	1,097,811	1,098,871
Total borrowings	1,097,811	1,110,653

(i) Standard Chartered Bank Tanzania Limited Loan Facility B - On 15 October 2013, the Company entered into a long term credit facility agreement with Standard Chartered Bank Tanzania Limited. The credit facility amounted to USD 11,591,377 attracting an interest rate of 6 months LIBOR plus margin 0.7% plus EKN premium and was repayable at maturity on 31 October 2019. This loan was secured by Bharti Airtel International (Netherland) B.V. and Bharti Airtel Africa B.V.

This loan was fully paid on 31 October 2019

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. BORROWINGS (CONTINUED)

(ii) National Bank of Commerce Limited ("NBC") and Barclays Bank Mauritius Limited ("Barclays"): On 30 June 2015 the Company entered into a long term credit facility agreement with NBC and Barclays as lenders pursuant to which the lenders granted the Company a loan facility of USD 120,000,000. The Company has thus far withdrawn USD 7 million out of the total facility and the disbursement was done by Barclays Bank Mauritius Limited. This facility has tenure of 5 years to 2020 with annual interest of 3 months LIBOR plus margin 3.25%. Repayment of both principal and interest was made quarterly.

This loan was fully paid on 28 February 2019

(iii) Shareholder's loan - On 5 April 2016, Board approved limit extension of shareholder's loan from USD 250 million to USD 500 million. Along with the limit extension, it was decided that the principal loan/drawdowns and interest accrued thereon will be payable in full by 31 December 2021 (the final maturity date).

Further to above the principal drawdown and interest accrued on the loan shall be charged interest rate of 4.5% + 3 months LIBOR, the LIBOR percentage shall be reset quarterly in advance on each 1 April, 1 July, 1 October and 1 January and will remain fixed until the next reset date.

On 28 August 2017, Board approved to suspend interest charged on shareholder loan with effect from 1 July 2017 to 31 December 2021.

The maturity of the borrowings is analyzed as follows:

	2019 TZS'M'	**2018 TZS'M'**
Current	-	7,761
Non-current	1,097,811	1,102,892
	1,097,811	1,110,653

26. BORROWINGS (CONTINUED)

2019	Balance as at 1 January TZS'M	Accrued Interest TZS'M	Repayments TZS'M	Exchange (gain)/Loss TZS'M	Balance as at 31 December TZS'M
Bank Loans					
Standard Chartered - Facility B	3,663	-	(3,693)	30	-
Barclays	8,119	-	(8,193)	74	-
Total bank loans	11,782	-	(11,886)	104	-
Shareholders Loans					
Shareholders Loans	1,098,871	-	-	(1,060)	1,097,811
Total Borrowings	**1,110,653**	**-**	**(11,886)**	**(956)**	**1,097,811**

2018	Balance as at 1 January TZS'M	Accrued Interest TZS'M	Repayments TZS'M	Exchange (gain)/loss TZS'M	Balance as at 31 December TZS'M
Bank Loans					
Standard Chartered - Facility A	2,910	-	(2,976)	66	-
Standard Chartered - Facility B	7,031	27	(3,669)	274	3,663
Barclays	11,819	86	(3,985)	199	8,119
Total bank loans	21,760	113	(10,630)	539	11,782
Shareholders Loans					
Shareholders Loans	1,070,008	-	-	28,863	1,098,871
Total Borrowings	**1,091,768**	**113**	**(10,630)**	**29,402**	**1,110,653**

27. PROVISIONS

	Asset retirement obligation TZS'M'	Probable liabilities TZS'M'	Total TZS'M'
At January 2019	8,131	60,546	68,677
Provision for the year	46	4,562	4,608
Provision utilized	-	(503)	(503)
At 31 December 2019	8,177	64,605	72,782
At January 2018	31,210	56,431	87,641
Provision for the year	-	5,614	5,614
Provision utilized	(23,079)	(1,499)	(24,578)
At 31 December 2018	8,131	60,546	68,677

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

The key assumptions used in determining the provisions are:

- Legal and tax cases provisions are as estimated by the Company's lawyers based on their professional expertise.

28. TRADE AND OTHER PAYABLES

	2019 TZS'M'	2018 TZS 'M'
Trade payables	15,956	9,789
Accrued expenses	35,167	41,124
Deferred revenue	18,118	15,764
Payables to related parties (note 33 (iv))	152,169	139,131
Customers deposits	2,813	2,539
Interconnect payables	5,949	11,942
Roaming payables	246	148
Withholding tax payables	2,170	1,464
VAT payable	5,247	4,448
Excise Duty Payables	6,819	5,466
Equipment supply payables	69,868	14,419
Other payables	2,042	736
	316,564	246,970

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

29. BANK OVERDRAFT

	2019 TZS'M'	2018 TZS 'M'
Standard Chartered Bank Limited	-	16,063

i) The Group has an overdraft facility with Standard Chartered Bank Limited with an authorised limit of USD 10 million. The overdraft facility attracts interest at a rate of 5% per Annum + 3 Month LIBOR rate and is secured by asset debenture over the fixed and floating assets of the Company.

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

30. LEASE LIABILITIES

	2019 TZS'M'	2018 TZS'M'
Cost		
As at 1 January	-	-
IFRS 16 transition	107,357	-
Addition	6,011	-
Interest accrued	6,806	
Payment released	(26,347)	
As at 31 December	93,827	-
Current	19,186	-
Non-current	74,641	-
	93,827	-

31. CONTINGENT LIABILITIES

As at 31 December 2019 the Company was a defendant in several lawsuits. The plaintiffs are claiming damages and interest thereon for the loss caused by the Company. The Company has filed counter-claims against the plaintiffs. The total amount claimed in the various lawsuits approximates TZS 1.3 billion (2018: TZS 1.6 billion). In the opinion of the Directors and Company's legal counsel, no material liabilities are expected to crystallize from these law suits. Consequently, no provision has been made against the claims in the financial statements.

32. CAPITAL COMMITMENTS

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

	2019 TZS'M'	2018 TZS'M'
Undelivered purchase orders	17,931	26,487

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

33. RELATED PARTY TRANSACTIONS

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

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

	2019 TZS'M'	2018 TZS'M'
i) Purchase of services during the period		
Bharti Airtel Tanzania B.V. - Management services	14,475	10,974
Government of United Republic of Tanzania - Government Support fees	9,000	-
ii) Shareholders loan as at		
Bharti Airtel Tanzania B.V	1,097,811	1,098,871

33. RELATED PARTY TRANSACTIONS (CONTINUED)

iii) Amounts due from related parties

Name	Nature of transaction	Relationship	2019 TZS'M'	2018 TZS'M'
Airtel Tchad S.A.	Interconnect & Roaming Services	Fellow Subsidiary	2	2
Airtel Sychelles Limited	Interconnect & Roaming Services	Fellow Subsidiary	217	-
Airtel Congo (RDC) S.A.R.L.	Interconnect & Roaming Services	Fellow Subsidiary	766	-
Airtel Networks Kenya Limited	Interconnect & Roaming Services	Fellow Subsidiary	18,262	21,124
Airtel Madagascar S.A.	Interconnect & Roaming Services	Fellow Subsidiary	693	503
Airtel Malawi Limited	Interconnect & Roaming Services	Fellow Subsidiary	1,438	900
Airtel Niger S.A.	Interconnect & Roaming Services	Fellow Subsidiary	64	64
Airtel Networks Limited - Nigeria	Interconnect & Roaming Services	Fellow Subsidiary	1,521	1,550
Airtel Uganda Limited	Interconnect & Roaming Services	Fellow Subsidiary	31	174
Airtel Zambia plc	Interconnect & Roaming Services	Fellow Subsidiary	389	398
Airtel Rwanda Limited	Interconnect & Roaming Services	Fellow Subsidiary	1,534	10
Bharti Airtel International (Netherlands) B.V.	Support Service Fees and Credit Facility	Step-up Parent	-	1,526
Bharti Airtel Limited	Interconnect, Roaming, Signalling & Lease line/Bandwidth	Step-up Parent	791	1,610
Airtel Congo Warid	Interconnect & Roaming Services	Fellow Subsidiary	473	771
Bharti International Singapore Pte Limited	Interconnect, Roaming, Signalling & Leaseline/Bandwidth	Common Parent Company	-	227
Bharti Airtel Lanka (Pvt Ltd) Sri Lanka	Roaming services	Common Parent Company	2,670	-
Bharti Airtel UK	Interconnect, Roaming, Signalling & Leaseline/Bandwidth	Common Parent Company	-	1,784
Airtel Money Tanzania Limited	Payment on behalf	Subsidiary Company	4,327	412
Tanzania Tower Company	Payment on behalf	Subsidiary Company	47	1
Bharti Airtel Services Limited	Manpower services	Common Parent Company	-	7
			33,225	**31,063**

33. RELATED PARTY TRANSACTIONS (CONTINUED)

iv) Amounts due to related parties

Name	Nature of transaction	Relationship	2019 TZS'M'	2018 TZS'M'
Airtel Congo S.A.	Interconnect & Roaming Services	Fellow Subsidiary	62	64
Airtel Congo (RDC) S.A.R.L.	Interconnect & Roaming Services	Fellow Subsidiary	5,605	-
Airtel Networks Kenya Limited	Interconnect & Roaming Services	Fellow Subsidiary	1,690	5,327
Airtel Madagascar S.A.	Interconnect & Roaming Services	Fellow Subsidiary	114	276
Airtel Malawi Limited	Interconnect & Roaming Services	Fellow Subsidiary	7,361	7,390
Airtel Networks Limited - Nigeria	Interconnect & Roaming Services	Fellow Subsidiary	435	440
Airtel Uganda Limited	Interconnect & Roaming Services	Fellow Subsidiary	16	35
Airtel Zambia plc	Interconnect & Roaming Services	Fellow Subsidiary	6,931	6,906
Airtel Rwanda Limited	Interconnect & Roaming Services	Fellow Subsidiary	2,483	2,455
Africa Tower NV	Investment	Common Parent Company	1	-
Airtel Gabon limited	Interconnect & Roaming Services	Fellow Subsidiary	-	5,595
Airtel Mobile Commerce Tanzania Limited	Advance payment	Common Parent Company	-	1,470
Bharti Airtel International (Netherlands) B.V.	Support Service Fees and Credit Facility	Step-up Parent	99,123	85,386
Bharti International Singapore Pte Limited	Interconnect, Roaming, Signalling & Leaseline/Bandwidth	Common Parent Company	140	509
Bharti Airtel Limited	Interconnect, Roaming, Signalling & Leaseline/Bandwidth	Step-up Parent	83	301
Network I2I Limited	Leaseline/Bandwidth	Step-up Parent	27,195	21,333
Bharti Airtel UK	Interconnect, Roaming, Signalling & Leaseline/Bandwidth	Common Parent Company	269	177
Airtel Ghana Limited	Interconnect & Roaming Services	Fellow JV	-	936
Nxtra Data Limited	Network Data Maintenance	Common Parent Company	537	328
BASL - Bharti Airtel Services Limited	Manpower services	Common Parent Company	124	203
			152,169	**139,131**

33. RELATED PARTY TRANSACTIONS (CONTINUED)

v) Key management compensation

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

	2019 TZS'M'	2018 TZS'M'
Salaries and other short-term employment benefits	5,881	6,695

vi) Directors remuneration

Director's fees and sitting allowance	192	196

34. NOTES TO THE CASH FLOW STATEMENTS

Non-cash transactions

During the year, Shareholders executed agreements to resolve disputes and agreed the Company to pay the support service fee to the Government of the United Republic of Tanzania amounting to TZS 1,000 million each month for 60 months starting 1 April 2019 to 31 March 2024. On 1 April 2019 the Company recognized an intangible asset relating to Indivisible Right of Use (IRU) amounting to TZS 51,287 million against the present value of the liability recognized in equipment supply payable. As at year end TZS 9,000 million have been paid to the Government of the United Republic of Tanzania and the liability outstanding amounted to TZS 42,287 million.

35. EARNINGS PER SHARE - BASIC AND DILUTED

Basic earnings per share is calculated on the profit / (loss) after tax attributable to ordinary equity holders divided by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated on the profit / (loss) after tax attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding after adjustment of dilutive potential ordinary shares.

The basic and diluted earnings per share are the same as there are no dilutive factors.

The following reflects the profit / (loss) and shares used in the basic and diluted earnings per share computations:

	Unit	2019	2018
Profit / (Loss) after tax attributable to ordinary equity holder (TZS)	TZS 'M'	30,073	(36,734)
Weighted average number of shares*	No. '000'	223,088	205,000
Earnings Per Share - Basic and Diluted	TZS '000'	0.135	(0.18)

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

36. COMPARATIVE FIGURES

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

37. ULTIMATE PARENT COMPANY

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

38. EVENTS SUBSEQUENT TO THE YEAR END

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