AIRTEL MOBILE COMMERCE TANZANIA LIMITED
DIRECTORS’ ANNUAL REPORT
AND
AUDITED FINANCIAL STATEMENTS
31 DECEMBER 2016
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AIRTEL MOBILE COMMERCE TANZANIA LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

COMPANY SECRETARY

David Lema
Legal Counsel
Airtel Mobile Commerce (Tanzania) Limited
Block 41, Kinondoni, Corner of Ali Hassan Mwinyi & Kawawa Road
P.O. Box 9623
Dar es Salaam
Tanzania

AUDITORS

Ernst & Young
Certified Public Accountants
Utalii House
36 Laibon Road, Oysterbay
P.O. Box 2475
Dar es Salaam
Tanzania

BANKERS

1. Citibank Tanzania Limited
   Peugeot House
   36 Upanga Road
   P.O. Box 71625
   Dar es Salaam
   Tanzania

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

   NBC House,
   Azikiwe Street/Sokoine Drive
   P.O Box 1863
   Dar es Salaam
   Tanzania

4. CRDB Bank Plc
   Head Office, Azikiwe Street
   P.O Box 268
   Dar es Salaam
   Tanzania
AIRTEL MOBILE COMMERCE TANZANIA LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

1. INTRODUCTION

The Directors submit their report, together with the audited financial statements of Airtel Mobile Commerce Tanzania Limited ('the Company') for the year ended 31 December 2016.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is to hold the funds in the Airtel Money infrastructure in trust, for Airtel Money E-value account holders.

3. INCORPORATION AND REGISTRATION

The Company is incorporated in Tanzania under the Companies Act, 2002 as a private company limited by shares. The Company was officially incorporated on 11 November 2010 and commenced activities in January 2011.

4. SHAREHOLDING

The shareholding of the Company as at 31 December 2016 is as stated below:-

<table>
<thead>
<tr>
<th>Name of Share Holder</th>
<th>No. of Shares</th>
<th>% of Shareholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airtel Mobile Commerce BV</td>
<td>999</td>
<td>99.9%</td>
</tr>
<tr>
<td>Airtel Mobile Commerce Holdings BV</td>
<td>1</td>
<td>0.1%</td>
</tr>
<tr>
<td></td>
<td>1,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

5. RESULTS

The Company did not engage in any trading activities during the year.

6. FINANCIAL STATEMENTS

At the date of this report, the Directors were not aware of any circumstances, which would have rendered the values attributed to the assets and liabilities in the financial statements of the Company to be misleading.
AIRTEL MOBILE COMMERCE TANZANIA LIMITED

DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

7. DIRECTORS

The Directors of the company who served during the year and up to the date of this report were:

<table>
<thead>
<tr>
<th>Name</th>
<th>Nationality</th>
<th>Age</th>
<th>Profession</th>
<th>Appointed/ (Resigned)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms. Jantina Catharina Uneken – Van De Vreede</td>
<td>Dutch</td>
<td>56</td>
<td>Lawyer</td>
<td>17/02/2014</td>
</tr>
<tr>
<td>Mr. Arindam Chakrabarty</td>
<td>Indian</td>
<td>45</td>
<td>COO</td>
<td>(31/10/2016)</td>
</tr>
<tr>
<td>Mr. Isaac Celestine Nchunda</td>
<td>Tanzanian</td>
<td>35</td>
<td>Finance</td>
<td>25/01/2017</td>
</tr>
</tbody>
</table>

Attendance at the Board of Directors meetings during the year was as follows:

<table>
<thead>
<tr>
<th>Total meetings held</th>
<th>1</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Name of Board Member</th>
<th>Meetings attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms. Jantina Catharina Uneken – Van De Vreede</td>
<td>1</td>
</tr>
<tr>
<td>Mr. Arindam Chakrabarty</td>
<td>1</td>
</tr>
</tbody>
</table>

8. DIRECTORS' INTEREST IN THE SHARES OF THE COMPANY

All the Directors do not have interest in the Company's shareholding.

9. DIRECTORS' EMOLUMENTS

During the period, the Company did not pay any directors' fees.

10. GOVERNANCE

The Board of Directors consists of two nonexecutive 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 delegates the day to day management of the business to the sister company's (Airtel Tanzania Limited) Managing Director who is assisted by the Senior Management team of the company. Senior Management is invited to attend board meetings and facilitates the effective control of all the Company's operational activities, acting as a medium of communication and coordination between all the various business units.
AIRTEL MOBILE COMMERCE TANZANIA LIMITED

DIRECTORS’ REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

10. GOVERNANCE (continued)

The Board met once during the year. Major issues discussed during the meetings are:
  • Performance review
  • Approval of Annual plans
  • Business challenges

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

11. RELATED PARTY TRANSACTION

Details of transactions with related parties are disclosed in Note 6 to the financial statements.

12. FUTURE DEVELOPEMENT PLAN

Airtel Money business is set to grow in terms of active customers, agents, number of transactions and transaction value; this will be achieved by creating initiatives that will drive growth in customer transactions and strengthen the agent network. The Trust company objectives are to have sufficient capacity to secure customer and agent deposits and ensure compliance with The National Payment Systems Act 2015 disclosed in Note 12.

13. AUDITOR

The auditor, Ernst & Young, has expressed willingness to continue in office and is eligible for reappointment.

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

J C Weeke - Pron de Vreede
Name of Director

Signature

21 March 2017
Date

Isack Nchunda
Name of Director

Signature

03/04/2017
Date
AIRTÉL MOBILE COMMERCE TANZANIA LIMITED

STATEMENT OF DIRECTORS’ RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2016

The Companies Act, 2002 of Tanzania requires the directors to prepare financial statements for each financial year, which present fairly the state of financial affairs of the Company as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure the company keeps proper accounting records, which disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for the designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. They are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility for the annual 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 the requirements of the Companies Act, 2002 of Tanzania. The Directors are of the opinion that the financial statements present fairly the state of the financial affairs of the Company and of its operating results.

The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements as well as adequate systems of internal financial control.

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Director</th>
<th>Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td>J. de V. van de Wiste</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Isack Nchunda</td>
<td>Director</td>
<td></td>
</tr>
</tbody>
</table>
AIRTEL MOBILE COMMERCE TANZANIA LIMITED

DECLARATION OF THE HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2016

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 Accountants to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act, CAP 212 Act No. 12 of 2002. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as stated under the Statement of Directors’ Responsibilities on the previous page.

I Nishant Mohan being the Head of Finance for Airtel Mobile Commerce Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 2016 have been prepared in compliance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania.

I thus confirm that the financial statements give a true and fair view of the financial position and results of Airtel Mobile Commerce Tanzania Limited as on that date and for the year then ended, and that the financial statements have been prepared based on properly maintained financial records.

Signed by: [Signature]

Position: Finance Director

NBAA Membership No.: TACPA 2039

Date: 29/03/2017
INDEPENDENTS AUDITOR’S REPORT

to the shareholders of Airtel Mobile Commerce Tanzania Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Airtel Mobile Commerce Tanzania Limited (‘the Company’) set out on pages 12 to 25, which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 financial statements present fairly, in all material respects, the financial position of Airtel Mobile Commerce Tanzania Limited as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania.

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 International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the 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 and the IESBA Code.

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

Other Information included in the Company’s 2016 Directors’ Report

The other information comprises the Directors’ Report as required by the Companies Act, 2002 of Tanzania. The other information does not include the financial statements and our auditor’s report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance 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, 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.
INDEPENDENTS AUDITOR’S REPORT (Continued)

to the shareholders of Airtel Mobile Commerce Tanzania Limited

Report on the audit of the financial statements (Continued)

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

In preparing the financial statements, the directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
INDEPENDENTS AUDITOR’S REPORT (Continued)

to the shareholders of Airtel Mobile Commerce Tanzania Limited

Report on the audit of the financial statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other Legal and Regulatory Requirements

This report, including the opinion, has been prepared for, and only for, the Company’s members as a body in accordance with the Companies Act, 2002 of Tanzania and for no other purposes.

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

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
INDEPENDENTS AUDITOR’S REPORT (Continued)

to the shareholders of Airtel Mobile Commerce Tanzania Limited

Report on other Legal and Regulatory Requirements (Continued)

- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
- The Directors’ Report is consistent with the financial statements;
- Information specified by law regarding directors’ remuneration and transactions with the Company is disclosed; and,
- The Company’s statements of financial position and statements of profit or loss and other comprehensive income are in agreement with the books of account.

Ernst & Young
Certified Public Accountants
Dar es Salaam

Signed by: Neema Kiure-Mssusa (Partner)

Date: 6/4/2017
<table>
<thead>
<tr>
<th>Description</th>
<th>Notes</th>
<th>2016 TZS '000</th>
<th>2015 TZS '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>13</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating loss</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Taxation</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loss for the year</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive income, net of tax</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income/(loss) for the year, net of tax</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
## STATEMENT OF FINANCIAL POSITION
### AS AT 31 DECEMBER 2016

<table>
<thead>
<tr>
<th>Notes</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TZS '000</td>
<td>TZS '000</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from related parties</td>
<td>6(c)</td>
<td>1,000</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>7</td>
<td>109,019,793</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>109,020,793</td>
<td>90,992,856</td>
</tr>
<tr>
<td><strong>EQUITY AND LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>8</td>
<td>1,000</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E- Value liability</td>
<td>9</td>
<td>102,591,153</td>
</tr>
<tr>
<td>MFS agents, merchants and customers' liability</td>
<td>10</td>
<td>6,428,640</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY AND LIABILITIES</strong></td>
<td>109,019,793</td>
<td>90,991,856</td>
</tr>
</tbody>
</table>

These financial statements were authorised for issue on 21st March 2017 in accordance with a resolution of the Board of Directors and signed on its behalf by:

**Name**

**Title**

**Signature**
<table>
<thead>
<tr>
<th></th>
<th>Issued share capital (Note 8) TZS '000</th>
<th>Retained earnings TZS '000</th>
<th>Total TZS '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 01 January 2016</td>
<td>1,000</td>
<td>-</td>
<td>1,000</td>
</tr>
<tr>
<td>Total comprehensive income, net of tax</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>At 31 December 2016</td>
<td>1,000</td>
<td>-</td>
<td>1,000</td>
</tr>
<tr>
<td>At 01 January 2015</td>
<td>1,000</td>
<td>-</td>
<td>1,000</td>
</tr>
<tr>
<td>Total comprehensive income, net of tax</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>At 31 December 2015</td>
<td>1,000</td>
<td>-</td>
<td>1,000</td>
</tr>
</tbody>
</table>
AIRTEL MOBILE COMMERCE TANZANIA LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

<table>
<thead>
<tr>
<th>Notes</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TZS '000</td>
<td>TZS '000</td>
</tr>
<tr>
<td>Operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss for the year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Decrease in amount due to related party</td>
<td>-</td>
<td>(800,000)</td>
</tr>
<tr>
<td>Increase in E-Value liability</td>
<td>17,071,893</td>
<td>17,478,990</td>
</tr>
<tr>
<td>Increase in amount due to MFS customers</td>
<td>956,055</td>
<td>3,003,147</td>
</tr>
<tr>
<td><strong>Net cash flows from operating activities</strong></td>
<td>18,027,937</td>
<td>19,682,137</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>18,027,937</td>
<td>19,682,137</td>
</tr>
<tr>
<td>Cash and cash equivalents at 1 January</td>
<td>90,991,856</td>
<td>71,309,719</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at 31 December</strong></td>
<td>109,019,793</td>
<td>90,991,856</td>
</tr>
</tbody>
</table>
AIRTEL MOBILE COMMERCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

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

The principal activities of the Company are disclosed in the Directors' Report. Information on its holding company is provided in Note 6.

2. BASIS OF PREPARATION

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

Statement of compliance
The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with the Tanzanian Companies Act, 2002.

3. SIGNIFICANT ACCOUNTING POLICIES

a) New and revised standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Company has not early adopted any other standard, interpretation or amendments that has been issued but is not yet effective.

Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the annual financial statements of the Company.

The following new and amended standards and interpretations that became effective during the year did not have any impact on the accounting policies, financial position or performance of the Company respectively:

a) IFRS 14 Regulatory Deferral Accounts
b) Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
c) Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
d) Amendments to IAS 27: Equity Method in Separate Financial Statements
e) Annual Improvements 2012-2014 Cycle:
   - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
   - IFRS 7 Financial Instruments: Disclosures
   - IAS 19 Employee Benefits
   - IAS 34 Interim Financial Reporting
   - Amendments to IAS 1 Disclosure Initiative
AIRTEL MOBILE COMMERCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES

b) Standards issued but not yet effective

The standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are described below. The Company intends to adopt those standards, if applicable when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the required effective date. During 2015, the Company has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects no significant impact on its statements of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Company expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

Amendments to IAS 7 statements of cash flows

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Company.

Other standards issued but not yet effective

The following new and amended standards are not expected to have an impact on the financial statements of the Company:

a) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

b) IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses — Amendments to IAS 12

c) IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Functional and presentation currency

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

d) Cash and cash equivalents

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

e) Financial instruments

i) Financial assets

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The Company's financial assets include cash and cash equivalents, and amounts due from related parties. These are classified and loans and receivables.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

*Loans and receivables*

These include bank balances and amounts due from related parties. After initial measurement, bank balances and amounts due from related parties are subsequently measured at amortised cost using the effective interest rate (EIR) method, less allowances for impairment. Amortization is calculated by taking into account any discount or premium on acquisition fees and costs that are an integral part of the effective interest rate. The amortization is included in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

An allowance for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of financial asset.
3. SIGNIFICANT ACCOUNTING POLICIES (continued)

   e) Financial Instruments (continued)

   i) Financial assets (continued)

Derecognition

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

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

Impairment of financial assets

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

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Financial asset together with the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit and loss.
3. SIGNIFICANT ACCOUNTING POLICIES (continued)

   e) Financial Instruments (continued)

      ii) Financial liabilities

         *Initial recognition and measurement*
         Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or financial liabilities at amortised cost.

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

         The Company’s financial liabilities include amounts due to E-value account holders and amounts due to related parties. These are classified as financial liabilities at amortised cost.

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

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

      iii) Offsetting

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

      iv) Fair value of financial instruments

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

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

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

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

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

Going concern

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

5  FINANCIAL RISK MANAGEMENT

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

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

Market risk

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

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

iii) Interest rate risk
Interest rate exposure arises from interest rate movements. However, the Company does not have interest bearing financial instruments.

Credit risk

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

Liquidity risk

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

Capital risk management

The Company’s primary objective is to hold, in trust, the funds owing to the E-value holders and ensure the safety and sanctity of these funds. The Company does not trade and is not allowed to deal in these funds other than to settle obligations arising from genuine transaction of E-Value. The principal obligation of the Company is not to maximise wealth but to safeguard third party funds.

The capital structure of the Company consists of net debt which is made up of liabilities less cash and cash equivalents. The objective is to maintain net debt at Nil. In order to maintain or adjust the capital structure, the Company may return or request funds to/from E-value holders.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company’s processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all of the company’s operations.

The Company’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company’s reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

Fair value

The fair value of the Company’s financial instruments reasonably approximates the carrying amounts.
AIRTEL MOBILE COMMERCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

6 RELATED PARTY DISCLOSURES

The Company’s ultimate holding company is Bharti Airtel Limited and immediate holding Company is Airtel Mobile Commerce B.V. During the year, revenue generated from the service wallet being cash out revenue, person to person revenue, wallet to bank revenue, balance inquiry revenue and merchants configured in platform revenue were yet to be transferred to Airtel Tanzania Limited.

a) Transactions with related parties

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash received from Airtel Tanzania Limited</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

b) Balances due to related parties

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airtel Tanzania Limited – Mobile money platform</td>
<td>909,702</td>
<td>3,048,172</td>
</tr>
</tbody>
</table>

c) Balances due from related parties

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airtel Tanzania Limited</td>
<td>1,000</td>
<td>1,000</td>
</tr>
</tbody>
</table>

This amount relates to the subscription for the Company’s issued shares that was paid by the shareholders into the bank account of Airtel Tanzania Limited. The amount is in respect of the 1,000 ordinary shares of Tzs 1,000 each which were issued and paid up by shareholders on 13th May 2013. The amount had not yet been transferred to the Company’s bank account by the year-end.

d) Key management compensation

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

The Company did not have any employees during the year and therefore did not pay any salaries or other emoluments (2015: Nil).

e) Directors’ remuneration

The directors of the Company were not paid any fees or other emoluments during the year.
AIRTEL MOBILE COMMERCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

7  CASH AND BANK BALANCES

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TZS '000</td>
<td>TZS '000</td>
</tr>
<tr>
<td>Cash at bank</td>
<td>109,019,793</td>
<td>90,991,856</td>
</tr>
</tbody>
</table>

For the purposes of the statement of cash flows, cash and cash equivalents comprise the above bank balances. These balances represent agents’ deposits, merchants and bank interest accruing on the account.

8  SHARE CAPITAL

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorised, issued and fully paid up</td>
<td>TZS '000</td>
<td>TZS '000</td>
</tr>
<tr>
<td>1,000 ordinary shares of TZS 1,000 each</td>
<td>1,000</td>
<td>1,000</td>
</tr>
</tbody>
</table>

9  E – VALUE LIABILITY

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-Value amounts in circulation - Agents &amp; Merchants</td>
<td>53,461,710</td>
<td>36,315,022</td>
</tr>
<tr>
<td>E-value amounts in circulation - Customers</td>
<td>48,219,741</td>
<td>46,156,077</td>
</tr>
<tr>
<td>E-value amounts due to Airtel Tanzania</td>
<td>909,702</td>
<td>3,048,172</td>
</tr>
<tr>
<td></td>
<td>102,591,153</td>
<td>85,519,270</td>
</tr>
</tbody>
</table>

10  MOBILE FINANCIAL SERVICES (MFS) AGENTS, MERCHANTS & CUSTOMERS' LIABILITY

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>5,472,585</td>
<td>2,469,439</td>
</tr>
<tr>
<td>Interest earned from bank deposits during the year</td>
<td>5,664,305</td>
<td>4,207,339</td>
</tr>
<tr>
<td>Interest pay out to MFS users</td>
<td>(4,708,250) (1,204,193)</td>
<td></td>
</tr>
<tr>
<td>Closing Balance</td>
<td>6,428,640</td>
<td>5,472,585</td>
</tr>
</tbody>
</table>

Interest earned for the financial period was issued on average at a rate of 8.75% for all the 4 banks that Airtel Mobile Commerce has opened trust accounts.

11  EVENTS AFTER THE REPORTING DATE

There were no events after the reporting date that require adjustment of or disclosure in the financial statements.
12 THE ELECTRONIC MONEY REGULATIONS, 2015

The Electronic Money Regulation Act was enforced from 1st of July 2016 and a number of citations have been required to be adhered to by Airtel Mobile Commerce Limited in the financial year.

- Regulation 28, Trust Entity 30(1) the accrued interest shall be separated from the Trust Account by opening an interest account in respect of the trust balances
- Regulation 32, Risk Management (32)h an electronic money issuer shall not place 25% of its total trust funds in a single bank; unless the total trust account balances are less than one hundred million shillings.

13 INCOME AND EXPENSES

The Bank of Tanzania, the regulator of Mobile Financial Institutions requires that any expense to be incurred in a Trust company to get prior approval from the regulator before being incurred. The expenses which Airtel Mobile Commerce Limited incurs over the duration of the financial year are only audit fees. The Bank of Tanzania provided a no objection letter to Airtel Mobile Commerce to recognize the audit expense from the interest earned from the Trust account. The Company’s policy is to offset the other income with the related expenses.

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

<table>
<thead>
<tr>
<th></th>
<th>2016 Tzs '000</th>
<th>2015 Tzs '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other income</td>
<td>12,967</td>
<td>-</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(12,967)</td>
<td>(-)</td>
</tr>
<tr>
<td>Auditor's remuneration</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>12,967</td>
<td>-</td>
</tr>
</tbody>
</table>

14 CONTINGENT LIABILITIES

There were no material contingencies as at 31 December 2016 (2015: Nil), which may possibly result in loss to the Company or in commitments which the Company cannot meet.

15 COMMITMENTS

The Company had no commitments as at 31 December 2016 (2015: Nil).

16 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors and authorised for issue as indicated on the statement of financial position.