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AIRTEL MOBILE COMMERCE TANZANIA LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2015

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
Tanhouse Tower (4th Floor)
34/1 – Ursino South
New Bagamoyo Road
P.O. Box 2475
Dar es Salaam
Tanzania

BANKERS

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

National Microfinance Bank Plc
Head Office
Ohio/Ali Hassan Mwinyi Road
P.O Box 9213
Dar es Salaam
Tanzania
AIRTEL MOBILE COMMERCE TANZANIA LIMITED

DIRECTORS’ REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015.

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 2015 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 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 2015

7. DIRECTORS

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Nationality</th>
<th>Age</th>
<th>Profession</th>
<th>Appointed on</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms. Jantina Catharina Uneken –</td>
<td>Dutch</td>
<td>56</td>
<td>Lawyer</td>
<td>17/02/2014</td>
</tr>
<tr>
<td>Van De Vreede</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Arindom Ashim Chakrabarty</td>
<td>Indian</td>
<td>45</td>
<td>CCO</td>
<td>08/05/2015</td>
</tr>
</tbody>
</table>

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

| Total meetings held | 1 |

<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. Arindom Ashim 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.
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 DEVELOPMENT PLAN

Airtel Money business is set to grow in terms of active customers, agents and number of transactions, this will be achieved by focusing on creating the demand, customers and strengthening the agents’ network. Thus the trust objectives is to strengthen capacity to increase security of customer and agents deposits and ensure compliance with regard to mobile money transfers and other related transactions.

13. AUDITOR

The auditor, Ernst & Young, has expressed willingness to continue in office and is eligible for reappointment. A proposal for re-appointment of Ernst & Young will be presented to the annual general meeting.

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

[Signatures and dates]
AIRTEL MOBILE COMMERCE TANZANIA LIMITED

STATEMENT OF DIRECTORS’ RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2015

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 of 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.

Tc. Udoekan-Vande Vreede  Director
Name
Title
Signature

Arindam Chakraborty  Director
Name
Title
Signature
INDEPENDENT AUDITOR’S REPORT

To the shareholders of
AIRTEL MOBILE COMMERCE TANZANIA LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Airtel Mobile Commerce Tanzania Limited, which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 8 to 20.

Directors’ responsibility for the financial statements

The Company’s directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by 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.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
INDEPENDENT AUDITOR’S REPORT (continued)

To the shareholders of
AIRTEL MOBILE COMMERCE TANZANIA LIMITED

Opinion

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 2015, and 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.

REPORT ON OTHER LEGAL REQUIREMENTS

As required by the Companies Act, 2002 of Tanzania, 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 considered necessary for the purposes of the 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;

iii. The Directors’ Report is consistent with the financial statements;

iv. Information specified by law regarding directors’ remuneration and transactions with the Company is disclosed; and

v. The Company’s statement of financial position and statement of comprehensive income are in agreement with the books of account.

Ernst & Young
Certified Public Accountants
Dar es Salaam

Signed by: Neema Kiure-Missusa (Partner)

15/06/2016
<table>
<thead>
<tr>
<th>Notes</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit / (loss) for the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income, net of tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income/ (loss) for the year, net of tax</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
AIRTEL MOBILE COMMERCE TANZANIA LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

<table>
<thead>
<tr>
<th>Notes</th>
<th>2015 TZS '000</th>
<th>2014 TZS '000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015 TZS '000</td>
<td>2014 TZS '000</td>
</tr>
<tr>
<td>ASSETS</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>90,991,856</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td></td>
<td>90,922,856</td>
</tr>
</tbody>
</table>

| EQUITY AND LIABILITIES | | |
| Equity | | |
| Share capital | 8 | 1,000 | 1,000 |
| Current liabilities | | |
| Prefunding liability due to related party | 6(b) | - | 800,000 |
| E- Value liability | 9 | 85,519,271 | 68,040,280 |
| MFS agents, merchants and customers' liability | 10 | 5,472,585 | 2,469,439 |
| TOTAL EQUITY AND LIABILITIES | | 90,992,856 | 71,309,719 |

These financial statements were authorised for issue on **22 April 2016** in accordance with a resolution of the Board of Directors and signed on its behalf by:

**J.C. Leekens-vande Veerde**  
Name  
**Director**  
Title  
**Signature**

**Arindam Chakraborty**  
Name  
**Director**  
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 2015</td>
<td>1,000</td>
<td>-</td>
<td>1,000</td>
</tr>
<tr>
<td>Profit or loss during the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income/ (loss), 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>
<tr>
<td>At 01 January 2014</td>
<td>1,000</td>
<td>-</td>
<td>1,000</td>
</tr>
<tr>
<td>Profit or loss during the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income/ (loss), net of tax</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>At 31 December 2014</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 2015

<table>
<thead>
<tr>
<th>Notes</th>
<th>2015 TZS '000</th>
<th>2014 TZS '000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Decrease)/increase in amount due to related party</td>
<td>(800,000)</td>
<td>800,000</td>
</tr>
<tr>
<td>Increase in E-Value liability</td>
<td>17,478,990</td>
<td>29,801,584</td>
</tr>
<tr>
<td>Increase in amount due to MFS customers</td>
<td>3,003,147</td>
<td>2,469,439</td>
</tr>
<tr>
<td><strong>Net cash flows from operating activities</strong></td>
<td>19,682,137</td>
<td>33,071,023</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>19,682,137</td>
<td>33,071,023</td>
</tr>
<tr>
<td>Cash and cash equivalents at 1 January</td>
<td>71,309,719</td>
<td>38,238,666</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at 31 December</strong></td>
<td>90,991,856</td>
<td>71,309,719</td>
</tr>
</tbody>
</table>
AIRTEL MOBILE COMMERCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

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. Changes resulting from the following new or revised standards and interpretations, amendments to existing standards and interpretations and improvements to IFRSs that were effective for the current reporting period did not have any impact on the accounting policies, financial position or performance of the Company.

**Amendments to IAS 19 Defined Benefit Plans: Employee Contributions**
These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014.

**Annual Improvements 2010-2012 Cycle**

**IFRS 3 Business Combinations**
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39.
3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Annual Improvements 2010-2012 Cycle (Continued)

IFRS 8 Operating Segments
The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are ‘similar’

- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the revaluation adjustments recorded by the Company during the current period.

IAS 24 Related Party Disclosures
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements 2011-2013 Cycle
These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these consolidated financial statements. They include:

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that: Joint arrangements, not just joint ventures, are outside the scope of IFRS 3. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39.

IAS 40 Investment Property
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination.
b) Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are described below. This description is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The Company expects that adoption of these standards, amendments and interpretations in most cases not to have any significant impact on the Company's financial position or performance in the period of initial application. In cases where it will have an impact, the Company is still assessing the possible impact.

The following standards and interpretations have been issued or revised but were not yet effective for financial year ended 31 December 2015:

- IFRS 9 Financial Instruments (Effective 1 January 2018)
- IFRS 14 Regulatory Deferral Accounts (Effective 1 January 2016)
- IFRS 15: Revenue from Contracts with Customers (Effective 1 January 2018)
- IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (Effective 1 January 2016)
- IAS 16 and IAS 41: Accounting for bearer plants (Effective 1 January 2016)
- IFRS 9: Financial instruments (Effective 1 January 2018)
- IFRS 11: Accounting for the acquisition of interests in a Joint Operation (Effective 1 January 2016)
- IAS 27: Equity method in separate financial statements (Effective 1 January 2016)
- IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

**Improvement projects**

Below is a summary of the improvements issued by December 2015 but were not yet effective for the financial year ended 31 December 2015:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Effective 1 July 2016)
- IFRS 7 Financial Instruments: Disclosures (Effective 1 July 2016)
- IAS 19 Employee Benefits (Effective 1 July 2016)
- IAS 34 Interim Financial Reporting (Effective 1 July 2016)
- Amendments to IAS 1 Disclosure Initiative (Effective 1 July 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (Effective 1 July 2016)
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 denominated 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 other 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, 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.
5 FINANCIAL RISK MANAGEMENT (continued)

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.

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.
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, the Company entered into
transactions with Airtel Tanzania Limited (via Airtel Money Operation), which is also
ultimately owned by Bharti Airtel Limited. In these transactions, Airtel Tanzania Limited
provided funds to the Company for the sole purpose of funding the disbursement account
on MIC Tanzania Limited (TIGO) platform which allows Airtel Tanzania subscribers to
send e-value to MIC Tanzania subscribers.

a) Transactions with related parties

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash received from Airtel TZ Limited</td>
<td>-</td>
<td>800,000</td>
</tr>
</tbody>
</table>

b) Balances due to related parties

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airtel Tanzania Limited - prefunding</td>
<td></td>
<td>800,000</td>
</tr>
<tr>
<td>Airtel Tanzania Limited – Mobile money platform</td>
<td>3,048,172</td>
<td>2,822,323</td>
</tr>
</tbody>
</table>

(c) Balances due from related parties

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</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 13 May 2013. The amount had not yet been transferred to the
Company's bank account by the year-end.

7 CASH AND BANK BALANCES

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank</td>
<td>90,991,856</td>
<td>71,309,719</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>Description</th>
<th>2015 TZS '000</th>
<th>2014 TZS '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorised, issued and fully paid up</td>
<td></td>
<td></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>Description</th>
<th>2015 TZS '000</th>
<th>2014 TZS '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-Value amounts in circulation - Agents &amp;</td>
<td>36,315,022</td>
<td>31,680,367</td>
</tr>
<tr>
<td>Merchants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E-value amounts in circulation - Customers</td>
<td>46,156,077</td>
<td>33,537,590</td>
</tr>
<tr>
<td>E-value amounts due to Airtel Tanzania</td>
<td>3,048,172</td>
<td>2,822,323</td>
</tr>
<tr>
<td></td>
<td><strong>85,519,271</strong></td>
<td><strong>68,040,280</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 TZS '000</th>
<th>2014 TZS '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>2,469,439</td>
<td>-</td>
</tr>
<tr>
<td>Interest earned from bank deposits during the year</td>
<td>4,207,330</td>
<td>2,460,430</td>
</tr>
<tr>
<td>Interest paid out to MFS users</td>
<td>(1,204,193)</td>
<td>-</td>
</tr>
<tr>
<td>Closing balance</td>
<td><strong>5,472,585</strong></td>
<td><strong>2,469,439</strong></td>
</tr>
</tbody>
</table>

11 EVENTS AFTER THE REPORTING DATE

There were no events after the reporting date that require adjustment of or disclosure in the financial statements.