AIRTEL TANZANIA LIMITED

ANNUAL DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

AIRTEL TANZANIA LIMITED

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GENERAL INFORMATION

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS
Airtel House
Corner of A. H Mwinyi Road & Kawawa Road
P. O. Box 9623
Dar es Salaam

COMPANY SECRETARY
David Marco Lema
Corner of A.H Mwinyi Road & Kawawa Road
P. O. Box 9623
Dar es Salaam

AUDITORS
Ernst & Young
TanHouse Towers (4th Floor), Plot 34/1 Ursino South, New Bagamoyo Road
P. O. Box 2475
Dar es Salaam

LEGAL ADVISORS
ENSafrica
Rex House, 145 Magore Street,
Upanga,
P. O. Box 7495
Dar es Salaam

GRK Advocates
3rd Floor Maktaba Complex
Bibi Titi Mohamed Road
P. O. Box 70681
Dar es Salaam

George & Robert, Attorneys at Law
Plot no 14, Gymkhana – Kanisa road,
P. O. Box 12023
Arusha

Ishengoma Karume Masha & Magai
(Advocates) ('IMMMA (Advocates)')
Plot No. 173, Block D, Isamilo Area
P. O. Box 1906, Mwanza

TAX ADVISORS
PricewaterhouseCoopers
Pemba House, 369 Toure Drive, Oysterbay,
P. O. Box 45
Dar es Salaam

MAIN BANKERS
National Bank of
Commerce Limited
P. O. Box 9062
Dar es Salaam

Diamond Trust Bank
Tanzania Limited
P. O. Box 115
Dar es Salaam

Citibank Tanzania
Limited
P. O. Box 71625
Dar es Salaam

Standard Chartered
Bank Tanzania Limited
P. O. Box 9011
Dar es Salaam

National Microfinance
Bank PLC
P. O. Box 2653
Dar es Salaam

CRDB Bank PLC
P. O. Box 268
Dar es Salaam

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

1 INTRODUCTION

The Directors submit their report together with the audited financial statements for the year ended 31 December 2015 which disclose the state of financial affairs of Airtel Tanzania Limited (the "Company").

2 PRINCIPAL ACTIVITIES

The principal activity of the company is the provision of mobile phone services and other related services using its licensed platforms.

3 RESULTS AND DIVIDEND

The results are set out on page 12 of the financial statements. During the year no dividend was paid. The Directors do not recommend payment of dividend (2014: Nil).

4 FUTURE DEVELOPMENTS

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:

Name	Position	Age	Nationality
Amb. Juma Vilter Mwapachu	Chairman	73	Tanzanian (Appointed 1 March 2015)
Christian De Faria	Chairman	63	French (Resigned 11 February 2015)
Yona Killagane	Member**	62	Tanzanian
Mwakibinga E.P. Mihalale	Member**	58	Tanzanian (Resigned 23 Feb 2015; Reappointed 25 May 2015; Resigned 1 January 2016)
Maharage Ally Chande	Member**	41	Tanzanian (Appointed 1 January 2016)
Sunil Colaso	Member*	49	Indian
Christophe Soulet	Member*	49	French (Resigned on 31 March 2016)
Jaideep Paul	Member*	54	Indian (Appointed 1 March 2015)

The Company secretary as at 31 December 2015 was David Marco Lema.

* - Executive

** - Non executive

6 CORPORATE GOVERNANCE

The Board of Directors (the Board) consists of two executive directors and three 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 the day to day management of the business to the Managing Director assisted by 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 four times 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 reco the importance of integrity, transparency and accountability. During the year, the Board had the Committee which constitutes one executive director and one non-executive director, to ensure a high sta of corporate governance throughout the Company. The Audit committee is required to meet twice a year Audit committee met twice during the year.

7 SHAREHOLDING OF THE COMPANY

The Company had two shareholders throughout the year to 31 December 2015 (2014: two shareholders). No Director had any interest in the shares of the Company.

The shares of the Company as at 31 December 2015 were held as follows:

Shareholder Name	Percentage	Number of shares	Citizenship
Bharti Airtel Tanzania BV	60%	24,600,000	Netherlands
Government of the United Republic of Tanzania	40%	16,400,000	Tanzanian
	100%	**41,000,000**	

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 behaviours towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance with such measures by staff. Whilst no system, of internal control can provide absolute assurance against misstatement or losses, the Company's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively. The Board assessed the internal control systems throughout the financial year ended 31 December 2015 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 to the laws and regulations applicable in the United Republic of Tanzania.

10 WELFARE OF EMPLOYEES

(i) Employee engagement

The Employee Engagement survey conducted in 2015 indicated that employees had rated Airtel as 77% favorable place to work which was a significant achievement. The following issues scored the highest: challenging and interesting job; understanding expectations; I feel that I am part of the team; results of last year survey have been communicated to me and the people I work with cooperate to get the job well done.

(ii) Training

To ensure excellence in customer experience and efficiency in responding to market changes/competition and achieve the Company's strategic goals, during the year, the Company focused on technical/functional as well as non-technical training and interventions crucial for both employee and organization development.

Some of the technical trainings included Prince 2 Training (IT), Business Analytics Training, Procurement planning & effective negotiations skills (SCM), Supplier Relationships Management and selection process ,(SCM),NBAA and Tax training, IFRS training (Finance) ,WCDMA Training (Network), HP Hardware & Software installation (Network) ,Edns & Public DNS (Network)Airtel money - Audits & Compliance Training (Airtel Money) and HR Summit attended by HR Team.

10 WELFARE OF EMPLOYEE (CONTINUED)

(ii) Training (Continued)

Also, to ensure the creation and maintenance of ideal work environments which are free from occupational hazards that may cause injuries or illness to all employees in work environment, Airtel Tanzania staff has attended courses on Health and Occupational Training and first Aid Training Organized by OSHA.

There were also several leadership and management training to build capacity for the Airtel Management team. The training events include, 7 Habits of highly effective people, Branch Managers Leadership Skills Training. Airtel Tanzania has also continued to work with Centum Learning Limited through the Academies i.e. Service Academy (ASA) and Sales Academy (ACSA) to build capacity of staff through standard and customized training modules.

(iii) Employee benefits and employee motivation

The Rewards & Recognition (R&R) Scheme was revamped in October 2014 continued during the year 2015. The R&R (Mkali) Scheme program honors both individual and teams who go the extra mile to serve the business. In addition to the improved rewards given to the performing employees, the scheme also extensively covers the recognition piece including awarding badges and special lanyards to all spot awardees and announcing the monthly performers on the hall of fame. A special R&R scheme for Sales staff was also in existence. Every month we recognized best performers and teams through public announcement in the general staff meeting held on every 1st day of the month or first Monday of the month if the 1st day falls over the weekend.

The categories recognized includes employee of the month, customer War on Waste (WOW), best cross functional team, best territory sales managers (2) and best branch manager. Rewards includes spinning the wheel of fortune, gift vouchers, dinner for best teams and reserved parking slot for employee of the month.

A special bonus scheme introduced for the Financial Year 2014 was still in practice in 2015 to incentivize performing staff whose bonus payout depends on both Company and individual performance while Sales and Business Enterprise departments continued to practice commission scheme based on individual's achievement of monthly/quarterly targets.

11 GENDER PARITY

The Company has 398 employees, out of which 115 are female and 283 are male (2014: 401 employees, out of which 124 were female and 277 were male).

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 332 million (2014: TZS 170 million).

13 CORPORATE SOCIAL RESPONSIBILITY (CSR)

Airtel Tanzania Limited is a responsible corporate citizen and recognizes its role in assisting Tanzania achieve its Development goals. In line with the group policy, the Company is committed to giving back to the community in which it does business.

13 CORPORATE SOCIAL RESPONSIBILITY (CSR) (CONTINUED)

Airtel FURSA- Youth Empowerment Program: Is our 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. Launched late May 2015, Airtel FURSA has reached out to over 2500 youths with skills workshops and provided business grants to over 85 youths across Tanzania.

British Council (BADILIKO) Partnership: Airtel has partnered with the British Council and Microsoft to drive the use of technology in schools. In this tripartite, Microsoft provides computers, British council provides education content and manages the project and Airtel provides data for free under a three-year agreement that commenced in August 2013. 22 schools have benefitted from this programme to date.

Community Radio: It is a tripartite initiative where Airtel provides towers to be used for installation of radio equipment provided by UNESCO while a community through local NGO is responsible for building infrastructure and thereafter operating and sustaining of the station.

Millennium Village: This is a tripartite initiative between UN, Ericsson and Airtel through joint initiative to providing wireless communication services. The project has enabled communities at Mbola village cluster, a remote area in Tabora -Tanzania to access health services without physically visiting medical personnel. Airtel Tanzania Limited is the sole provider of communication networks.

Employee Corporate Social Responsibility (CSR) - Also named **TUNAKUJALI:** The project was launched in 2014. It is an annual program focused at enabling employees to participate fully in giving back to communities by identifying and implementing projects by giving their time, expertise etc. Through this program, employees carryout fundraisers where necessary and the Company provides financial support and time for employees to implement the projects. In 2015 employees renovated and furnished two kindergarten units, constructed a classroom for children with disabilities and donated computers to 3 primary schools.

Wazazi Nipendeni in partnership with the CDC Foundation: Recognizing the many challenges of maternal health in Tanzania and the potential change that providing basic information such as the Dos and Don'ts for pregnancy and infant care, Airtel entered into a partnership with the CDC Foundation through Ministry of Health Tanzania to facilitate all Airtel subscribers' access to the Wazazi Nipendeni text messaging service for free. Over 200,000 subscribers have registered and continue to access maternal health information free of charge. The partnership will last up to 2016 with an option for extension.

Airtel Rising Stars (ARS): Designed to identify and nurture young soccer talent across Africa. ARS serves as a platform for recognition of talent. It goes to the grass roots to seek talent, build the love for sports among youths and open opportunities for high potential candidates. In Tanzania, two young talented boys identified through this program have joined the under-18 National team, Serengeti Boys while 12 girls from ARS joined the National under 18 ladies side Twiga Stars.

14 SOLVENCY

The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared using the going concern basis. The Board of Directors has reasonable expectation that Airtel Tanzania Limited has adequate support from the shareholders to continue in operational existence for the foreseeable future.

15 GOING CONCERN

In 2015, the Company realised a net loss after income tax of TZS 347 billion (2014: TZS. 186 billion) for the year, the loss has significantly increased due to deferred tax write off of TZS 46 billion and forex losses of TZS186 billion. At 31 December 2015, accumulated losses were TZS 733 billion (2014: TZS. 387 billion) and the company is in a net current liability position of TZS 353 billion (2014: TZS 356 billion.

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

a) The Company has obtained a signed Letter of Comfort from the ultimate parent company, Bharti Airtel Netherlands (BV).

b) The Directors expect that the Company will 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 dependent on management achieving operational targets on subscriber numbers, churn rate and average revenue per user.

c) The Company expects that it will obtain funds from third parties.

d) The Company will be able to obtain from the shareholders any additional funding required to meet its obligations as and when they fall due.

The Directors are confident that the funding sources described above 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.

16 ENVIRONMENTAL CONTROL PROGRAMME

All areas of the Company's operations are run in an environmentally friendly and ethical manner.

17 RELATED PARTY TRANSACTIONS

Details of transactions with related parties are disclosed in Note 30 to the financial statements.

18 SERIOUS PREJUDICIAL MATTERS

The high taxation levied on the telecom industry in Tanzania negatively impact profitability of the industry hence the company. The currency fluctuations in the economy also negatively affect the company performance and profitability.

19 AUDITORS

The auditor, Ernst & Young, has expressed willingness to continue in office and is eligible for re-appointment. A resolution proposing the re-appointment of Ernst & Young as auditor of the Company for the year 2016 will be put to the Annual General Meeting.

Approved by the Board of Directors on 23 JUNE 2016, and signed by the order of the Board.

SUNIL COLASO	
Name of Director	**Signature**
YONA KILLAGANE	
Name of Director	**Signature**

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

The Tanzania Companies Act, 2002 requires the Directors to prepare financial statements for each financial year that present fairly the state of financial affairs of the company as at the end of the financial year and of its profit or loss. The Directors are also obliged to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Tanzania Companies Act, 2002. The Directors are of the opinion that the financial statements present fairly the state of the financial affairs of the Company and of its results in accordance with International Financial Reporting Standards. The Directors further accept responsibility for the maintenance of accounting records, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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.

The financial statements were approved for issue by the Board of Directors on 23 JUNE 2016 and signed on its behalf by:

SUNIL COLASO
Name of Director

Signature

YONA KILLAGANE
Name of Director

Signature

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INDEPENDENT AUDITOR'S REPORT

to the members of
AIRTEL TANZANIA LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Airtel Tanzania Limited which comprise the statement of financial position as at 31 December 2015, 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 a summary of significant accounting policies and other explanatory information as set out on pages 12 to 48.

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 requirements of the Tanzanian Companies Act, 2002, 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 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 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 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Airtel Tanzania Limited as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the requirements by the Tanzanian Companies Act, 2002.

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INDEPENDENT AUDITOR'S REPORT *(CONTINUED)*

to the members of
AIRTEL TANZANIA LIMITED

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3.1 to the financial statements which indicate that the Company made a loss of TZS 347 billion for the year ended 31 December 2015 and, as of that date, the Company's current liabilities exceeded its current assets by TZS 353 billion. Note 3.1 also indicate that these conditions, along with other matters, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

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 Tanzanian Companies Act, 2002 and for no other purposes.

As required by the Tanzanian 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 purpose 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 profit or loss and other comprehensive income are in agreement with the books of account.

Ernst & Young

Ernst & Young
Certified Public Accountants
Dar es Salaam

Signed by: Neema Kiure-Mssusa (Partner)________________

Date 27/06/**2016**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 TZS 'M'	2014 TZS 'M'
Revenue	5	573,266	532,918
Cost of sales	6	(193,748)	(199,312)
Gross profit		**379,518**	**333,606**
Other operating income		2,620	2,169
Administrative expenses	7	(234,115)	(209,233)
Distribution costs	10	(100,547)	(100,822)
Depreciation & Amortization	9	(113,038)	(102,857)
Operating profit		**(65,562)**	**(77,138)**
Finance income	12	354	233
Finance cost	13	(233,291)	(89,290)
Loss before income tax		**(298,499)**	**(166,195)**
Income tax expense	14 (a)	(48,044)	(19,576)
Loss for the period		**(346,543)**	**(185,771)**
Other comprehensive income		-	-
Total comprehensive loss		**(346,543)**	**(185,771)**

AIRTEL TANZANIA LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Notes	2015 TZS 'M'	2014 TZS 'M'
Non-current assets			
Property plant and equipment	15	536,047	485,789
Intangible assets	16	6,676	3,802
Deferred tax asset	17	-	46,362
Investments	18	1	1
		542,724	535,954
Current assets			
Inventories	19	1,880	439
Trade and other receivables	20	105,401	105,727
Current tax assets	14(b)	9,032	8,642
Cash and short-term deposits	21	27,491	18,301
		143,804	133,109
Total Assets		**686,528**	**669,063**
Equity and liabilities			
Equity			
Ordinary shares	22	41,000	41,000
Share premium	22	8,755	8,755
Retained earnings		(733,096)	(386,553)
Total Equity		**(683,341)**	**(336,798)**
Non-current liabilities			
Borrowings	23	842,866	496,066
Provisions	24	30,619	26,127
		873,485	522,193
Current liabilities			
Trade and other payables	25	483,473	415,340
Borrowings CL	23	6,754	61,119
Bank overdraft	26	6,157	7,209
		496,384	483,668
Total liabilities		**1,369,869**	**1,005,861**
Total equity and liabilities		**686,528**	**669,063**

The financial statements were authorised for issue by the Board of Directors on 23 JUNE 2016 and were signed on its behalf by:

SUNIL COLASO — DIRECTOR
Name **Title** **Signature**

YONA KILLAGANE — DIRECTOR
Name **Title** **Signature**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share Capital TZS 'M'	Share premium TZS 'M'	Retained Earnings TZS 'M'	Total TZS 'M'
As at 1 January 2015	41,000	8,755	(386,553)	(336,798)
Loss for the period	-	-	(346,543)	(346,543)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(346,543)	(346,543)
At 31 December 2015	**41,000**	**8,755**	**(733,096)**	**(683,341)**
As at 1 January 2014	41,000	8,755	(200,782)	(151,027)
Loss for the period	-	-	(185,771)	(185,771)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(185,771)	(185,771)
At 31 December 2014	**41,000**	**8,755**	**(386,553)**	**(336,798)**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 TZS 'M'	2014 TZS 'M'
Operating activities			
Cash generated from operations	27	(68,093)	37,362
Current income tax paid	14	(2,072)	(240)
Interest received		354	233
Interest paid		(46,211)	(30,862)
Net cash flow from operating activities		**(116,022)**	**6,493**
Investing activities			
Purchase of property, plant and equipment	15 & 16	(166,171)	(144,844)
Proceeds from sale of equipment		-	671
Net cash used in investing activities		**(166,171)**	**(144,173)**
Financing activities			
Proceeds from long-term borrowings		481,736	172,045
Repayment during the period		(189,301)	(36,393)
Net cash used in financing activities		**292,435**	**135,652**
Net increase (decrease)in Cash and short-term deposits		10,242	(2,027)
Cash and short-term deposits at 01 January		11,092	13,119
			-
Cash and short-term deposits at 31 December	21	**21,334**	**11,092**

1 GENERAL INFORMATION

Airtel Tanzania Limited 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 is:

Airtel House, Corner of A. H Mwinyi Road & Kawawa Road,
P. O. Box 9623, Dar es Salaam, Tanzania

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

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

The preparation of 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 financial statements, are disclosed in Note 3.

2.2 New and amended standards effective 1 January 2015

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.

- **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 recognize 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.
- **IAS 27: Equity Method in Separate Financial Statements:** The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements
- **IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture:** The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 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 project

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)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

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 (PASG) 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.

(b) 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (PPE)

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and 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 recognizes 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 -"CPI"), such assets continue to be treated as PPE 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

Buildings	20 years
Network equipment	3 - 20 years
Computer equipment	3 years
Office furniture and equipment	2 - 5 years
Motor vehicles	3 - 5 years
Customer Premises equipment	5 - 6 years
Leasehold improvements	Remaining period of the lease

(d) Intangible assets

Intangible assets comprise subscriber acquisition costs, lease line IRU and acquired licenses.

Costs of acquiring subscriber contracts which are identifiable and controlled by the Company are capitalised as intangible assets. Typically, these are subsidies given on handsets when acquiring post-paid contracts. These subsidies are capitalised and amortised over the period of the contract on a straight line basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Intangible assets (Continued)

Lease line IRU, these are irrevocable rights given by the government to use the optic fibre equipment constructed underground. The total useful life of Leased line IRU is 20 years and remaining useful life as at 31 Dec 2015 is 17 years.

Acquired licences are shown at historical costs. Licences 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 licence over their estimated useful lives.

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 determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Company as a lessee
Finance leases that transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

Company as a lessor
Leases in which the Company does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(h) Employment benefits

Retirement benefit obligations
All Company employees are either members of the National Social Security Fund ("NSSF") or PPF Pension Fund ("PPF"), 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 PPF 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.

(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. No dividends were proposed during the year.

(k) Financial instruments

Date of recognition
All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (continued)

Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

Derivative financial instruments - *Initial recognition and subsequent measurement*
The Company has derivative financial instruments derived from contracts. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

Balances with banks and trade and other receivables – subsequent measurement
'Balances with banks' and trade and other receivables', include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, amounts 'Balances with banks' and 'trade and other receivables' are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'interest income' in profit or loss.

When a trade receivable is uncollectible, it is written off against the respective provision account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Trade and other payables and borrowings – subsequent measurement
After initial recognition, trade and other payables and interest bearing borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in profit or loss.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (continued)

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.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). 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.

De-recognition of financial assets
A financial asset is de-recognised when the rights to receive cash from the asset have expired, or the Company has transferred its right to receive cash flows from the asset and the transfer qualifies for de-recognition.

De-recognition of financial liabilities
A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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 Tanzania 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 realised 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.

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 taxation 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.

Sales tax
Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales 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 sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Borrowings – classification

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(n) Cash and short-term deposits

Cash on hand, demand and time deposits with banks whose original maturities do not exceed three months are classified as cash and short-term deposits in the statement of cash flows. Bank overdrafts are deducted from these balances to arrive at cash and short-term deposits.

(o) Non-current assets held for sale

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sale are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

(p) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Impairment of non-financial assets (continued)

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.

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.

(q) 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, maximising the use of relevant observable inputs and minimising 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.

3 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:

3.1 Going concern

In 2015, the Company realised a net loss after income tax of TZS 347 billion (2014: TZS. 186 billion) for the year, the loss has significantly increased due to deferred tax write off of TZS 46 billion and forex losses of TZS186 billion. At 31 December 2015, accumulated losses were TZS 733 billion (2014: TZS. 387 billion) and the company is in a net current liability position of TZS 353 billion (2014: TZS 356 billion. The Directors are of the opinion that the Company is a going concern on the basis that:

a) The Company has obtained a signed Letter of Comfort from the ultimate parent company, Bharti Airtel Netherlands (BV).

b) The Directors expect that the Company will 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 dependent on management achieving operational targets on subscriber numbers, churn rate and average revenue per user.

c) The Company expects that it will obtain funds from third parties.

d) The Company will be able to obtain from the shareholders any additional funding required to meet its obligations as and when they fall due.

These conditions indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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 utilised. 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.

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.

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 2 (d) above.

Receivables

Critical estimates are made by the Directors in determining the recoverable amount of impaired receivables.

Impairment of non-financial assets

In the process of applying the Company's accounting policies, management has made judgements in determining whether assets are impaired or not.

4 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks including liquidity risk, credit risk and the effects of foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial market 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 the Finance Department under policies approved by the Group's Treasury Department.

Foreign exchange risk

The Company's exposure to foreign exchange risk arises from imports of network equipment that are quoted in foreign currency. The Company mitigate foreign exchange risk by hedging and making prompt payment . 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 table below summarises the Company's exposure to foreign currency exchange rate risk at 31 December 2015 and 2014. Included in the table are the Company's financial instruments, categorised by currency (all amounts expressed in Tanzanian Shillings):

	USD	Euro	Others
At 31 December 2015			
Financial assets			
Trade and other receivables	48,593	-	-
Cash and short term deposits	13,761	-	-
	62,354	**-**	**-**
Financial liabilities			
Borrowings	849,620	-	-
Trade and other payables	199,267	394	278
Derivative liabilities	971	-	-
Bank overdraft	6,157	-	-
	1,056,015	**394**	**278**
Net currency exposure	**(993,662)**	**(394)**	**(278)**
At 31 December 2014			
Financial assets			
Trade and other receivables	46,141	-	-
Cash and short-term deposits	7,783	-	-
	53,924	**-**	**-**
Financial liabilities			
Borrowings	557,186	-	-
Trade and other payables	79,628	475	59
Derivative liabilities	405	-	-
Bank overdraft	7,209	-	-
	644,428	**475**	**59**
Net currency exposure	**(590,504)**	**(475)**	**(59)**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 high credit rating 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, existence of bank guarantees for dealers and post-paid debtors and using experienced collection agencies.

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

Credit risk

	2015 TZS 'M'	2014 TZS 'M'
Cash and short-term deposits	27,491	18,301
Trade receivables	45,728	58,371
Receivables from related parties	42,713	35,305
Other receivables	6,917	29,100
	122,849	**141,074**

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.

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 1 year

	2015 TZS 'M'	2014 TZS 'M'
By up to 30 days	7,208	12,059
By 31 to 60 days	7,421	7,314
Over 60 days	31,099	38,998
Total past due	45,728	58,371
Impaired	15,411	22,367

All receivables past due by more than 90 days and for interconnect more than 1 year are considered to be impaired, and are carried at their estimated recoverable value.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Cash flow and fair value interest rate risk

The Company's income and operating cash flows are substantially independent of changes in interest rates. The Company's interest rate risk arises from long term borrowings. 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.

The Company's interest rate risk arises from long and short-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Where necessary the Company refinances its borrowings in order to ensure its borrowing terms remain competitive.

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.

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.

Management monitors rolling forecasts of the Company's liquidity reserves (comprises undrawn borrowing facility (Note 23) and cash and short-term deposits (Note 21)) 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.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
At 31 December 2015				
Borrowings	41,637	43,268	954,158	1,039,063
Bank overdraft	6,157	-	-	6,157
Derivative liability	971	-	-	971
Trade and other payables	480,425	-	-	480,425
Total financial liabilities	**529,190**	**43,268**	**954,158**	**1,526,616**
At 31 December 2014				
Borrowings	82,234	106,708	481,984	670,926
Bank overdraft	7,209	-	-	7,209
Derivative liability	405	-	-	405
Trade and other payables	444,565	-	-	444,565
Total financial liabilities	**534,413**	**106,708**	**481,984**	**1,123,105**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	2014 **TZS 'M'**	**2014** **TZS 'M'**
Borrowings (Note 23)	849,620	557,185
Bank overdrafts	6,157	7,209
Less: Cash and short-term deposits (Note 21)	(27,491)	(18,301)
Net debt	828,286	546,093
Total equity	(683,341)	(336,798)
Total capital and net debt	144,945	209,295
Gearing ratio	**571%**	**261%**

The increase in the gearing ratio during 2015 resulted primarily from the additional borrowings during the current year.

5 REVENUE

	2015 **TZS 'M'**	**2014** **TZS 'M'**
Airtime revenue	292,433	251,652
Value added services	143,865	157,187
Interconnect revenue	75,187	74,423
Roaming revenue	23,200	22,081
Site Sharing revenue	28,888	19,769
Subscription revenue	3,477	3,505
Other Income	6,216	4,301
	573,266	**532,918**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

6 COST OF SALES

	2015 TZS 'M'	2014 TZS 'M'
Cost of cards	10,950	13,959
Cost of handsets and accessories	4,376	2,369
Other direct cost	5,682	6,683
Leased lines	10,198	8,887
Impairment provision - trade receivables	(2,469)	3,182
Roaming costs	5,861	8,540
Interconnection costs	139,902	139,229
Frequency license fees and royalty	19,248	16,463
	193,748	**199,312**

7 ADMINISTRATIVE EXPENSES

	2015 TZS 'M'	2014 TZS 'M'
Employee benefit expenses (Note 8)	42,902	37,130
Sites and office rental	53,359	32,286
Management fees	15,428	15,565
Consultancy costs	3,299	3,530
Site fuel	19,762	21,710
Network support and maintenance	48,207	48,289
IT expenses	9,020	10,480
Customer service expenses	7,722	7,820
Other operating expenses	34,416	32,423
	234,115	**209,233**

8 EMPLOYEE BENEFIT EXPENSES

	2015 TZS 'M'	2014 TZS 'M'
Wages and salaries	24,823	22,933
Social security costs -defined contribution scheme	2,044	1,419
Other employee emoluments	16,035	12,788
	42,902	**37,140**

9 DEPRECIATION AND AMORTIZATION

	2015 TZS 'M'	2014 TZS 'M'
Depreciation	112,718	102,650
Amortisation of intangible assets	321	207
	113,038	**102,857**

10 DISTRIBUTION COSTS

	2015 TZS 'M'	2014 TZS 'M'
Marketing and Advertisement expenses	27,768	23,123
Sales commission	72,779	77,699
	100,547	**100,822**

11 OPERATING LOSS

	2015 TZS 'M'	2014 TZS 'M'
The following items have been charged in arriving at operating loss :		
Amortisation of intangible assets	321	207
Auditor's remuneration	367	243
Employee benefits expense – Defined	2,044	1,419
Depreciation of property, plant and equipment (note 9)	112,718	102,650
Key management personnel remuneration, including directors	9,954	10,774
Operating lease payments	41,721	24,545

12 FINANCE INCOME

	2015 TZS 'M'	2014 TZS 'M'
Interest on bank balances and deposits	**354**	**233**

13 FINANCE COSTS

	2015 TZS'M'	2014 TZS'M'
Net foreign exchange losses – Realised	51,631	2,335
Net foreign exchange losses – Unrealised	134,785	54,175
Interest on bank loans	4,047	4,962
Interest others	7,281	6,360
Interest on shareholders loan	34,883	19,539
Amortisation of loan issue costs	664	688
Interest on Asset Retirement obligations(ARO)	-	1,230
	233,291	**89,290**

14 INCOME TAX

(a) Income tax expense/(credit)

The Company had accumulated tax losses of TZS 620.1 billion as at 31 December 2015 (2014: TZS 541 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 tax periods to pay tax at a rate of 0.3% of the revenue reported.

	2015 TZS 'M'	2014 TZS 'M'
Current income tax:		
- Current year – Alternative Minimum Tax (AMT)	1,682	1,519
- Derecognised of deferred tax	46,362	-
- Prior year understatement of tax	-	8,779
- Prior period overstatement of tax losses	-	9,278
	48,044	**19,576**

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2015 TZS 'M'	2014 TZS 'M'
Loss before tax	(344,861)	(166,195)
Tax calculated at a tax rate of 30%	(103,458)	(49,859)
Tax effect of:	-	-
Deferred tax asset not recognised	103,458	49,859
Alternative Minimum Tax	1,682	1,519
Derecognised deferred tax	46,362	-
Adjustment in respect of prior periods:	-	-
- Current income tax	-	8,779
- Deferred income tax	-	9,278
	48,044	**19,576**

(b) Current income tax recoverable

	2015 TZS 'M'	2014 TZS 'M'
At 1 January	8,642	18,702
Current income tax paid during the year	2,072	240
Alternative minimum tax	(1,682)	(4,618)
Prior period understatement of tax	-	(5,682)
At 31 December	**9,032**	**8,642**

15 PROPERTY, PLANT AND EQUIPMENT

	Installation network TZS 'M'	Buildings TZS 'M'	Motor vehicles TZS 'M'	Office equipment TZS 'M'	Capital work in progress TZS 'M'	Total TZS 'M'
Year ended 31 Dec 2015						
Cost						
At 1st January 2015	1,045,507	-	12	117,963	16,481	1,179,963
Additions/(de-cap)		-		-	162,976	162,976
Disposal	(1,248)	-	(12)	-	-	(1,260)
Reclass	136,862	-		10,656	(147,517)	-
At 31 December 2015	**1,181,121**	**-**	**-**	**128,619**	**31,940**	**1,341,679**
Depreciation						
At 1st January 2015	588,930	-	12	105,232	-	694,174
Charge for the year	100,967	-	-	11,751	-	112,718
Disposal	(1,248)	-	(12)	-	-	(1,260)
At 31 December 2015	**688,648**	**-**	**-**	**116,983**	**-**	**805,632**
Net Book Value						
At 31 December 2015	**492,472**	**-**	**-**	**11,636**	**31,940**	**536,047**
Year ended 31 Dec 2014						
Cost						
At 1st January 2014	932,042	1,195	-	80,316	25,458	1,039,011
Additions/(de-cap)	4,604	-	-	36,464	103,776	144,844
Disposal	(341)	-	-	-	(507)	(848)
Transfer/reclass/sale	109,202	(1,195)	12	1,183	(112,246)	(3,044)
At 31 December 2014	**1,045,507**	**-**	**12**	**117,963**	**16,481**	**1,179,963**
Depreciation						
At 1st January 2014	528,353	568	-	62,906	-	591,827
Charge for the year	89,595	-	-	13,055	-	102,650
Disposal	(176)	-	-	-	-	(176)
Transfer/reclass/sale	(28,842)	(568)	12	29,271	-	(127)
At 31 December 2014	**588,930**	**-**	**12**	**105,232**	**-**	**694,174**
Net Book Value						
At 31 December 2014	**456,577**	**-**	**-**	**12,731**	**16,481**	**485,789**

All assets have been charged in favour of Standard Chartered Bank (Mauritius) Limited by creating an all assets debenture over the fixed and floating assets as a security for the payment and discharge of the secured obligations. Refer to Note 23 for further details.

16 INTANGIBLE ASSETS

	Cellular licence TZS 'M'	Lease line IRU TZS 'M'	Subscriber acquisition costs TZS 'M'	Total TZS 'M'
Cost				
At 1 January 2015	1,378	3,044	2,633	7,055
Reclassification	-	-	-	-
Additions	-	3,195	-	3,195
At 31 December 2015	**1,378**	**6,239**	**2,633**	**10,250**
Amortisation				
At 1 January 2015	341	279	2,633	3,253
Reclassification/reinstatement	-	-	-	-
Charge for the year	55	266	-	321
At 31 December 2015	**396**	**545**	**2,633**	**3,574**
Net book amount				
At 31 December 2015	**982**	**5,694**	**-**	**6,676**
Cost				
At 1 January 2014	1,378	-	2,633	4,011
Reclassification	-	3,044	-	3,044
Additions	-	-	-	-
At 31 December 2014	**1,378**	**3,044**	**2,633**	**7,055**
Amortisation				
At 1 January 2014	286	-	2,633	2,919
Reclassification	-	127	-	127
Charge for the year	55	152	-	207
Reclassification / Charge for the year	-	-	-	-
At 31 December 2014	**341**	**279**	**2,633**	**3,253**
Net book amount				
At 31 December 2014	**1,037**	**2,765**	**-**	**3,802**

17 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 deferred income tax asset of TZS 112.9 billion as at 31 December 2015 (2014: TZS 139.7 billion). However, nothing has been recognised at the reporting date (2014: TZS 46.4 billion).

The deferred income tax recognised in the financial statements is made up as follows:

	2015 TZS 'M'	2014 TZS 'M'
At 1 January 2015	46,362	55,640
Prior period overstatement of tax losses	-	(9,278)
Debit to profit or loss	(46,362)	-
At 31 December 2015	-	**46,362**

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

	2015	Movement		2014
	TZS'M'	TZS'M'	TZS'M'	TZS'M'
Accelerated capital allowances	283,557	174,040	-	109,517
Provision for bad debts	(15,110)		663	(15,773)
Bonus accrual	(2,195)	(372)	-	(1,823)
Accrual for other expenses	(13,489)	(5,304)	-	(8,185)
Provision for probable liability	(1,393)	(803)	-	(590)
Asset Retirement Obligation	(7,736)	(0)	-	(7,736)
Current income tax losses	(620,118)	(78,910)	-	(541,208)
Net deductible temporary differences	**(376,484)**	**88,651**	**663**	**(465,798)**
Deferred tax asset at 30%	**(112,945)**	**-**	**-**	**(139,739)**
				-
Less: Deferred tax asset not recognised	112,945	-	-	93,377
				-
Deferred tax asset recognised	**-**	**-**	**-**	**(46,362)**

17. DEFERRED INCOME TAX (CONTINUED)

	2014	Movement		2013
	TZS'M'	TZS'M'	TZS'M'	TZS'M'
Accelerated capital allowances	109,517	(56,872)	-	166,389
Provision for bad debts	(15,773)	13,257	-	(29,030)
Bonus accrual	(1,823)	(1,823)	-	-
Accrual for other expenses	(8,185)	26,116	-	(34,301)
Provision for probable liability	(590)	(545)	-	(45)
Asset Retirement Obligation	(7,736)	(7,736)	-	-
Current income tax losses	(541,208)	(205,705)	41,251	(376,754)
Net deductible temporary differences	**(465,798)**	**(233,308)**	**41,251**	**(273,741)**
Deferred tax asset at 30%	**(139,739)**	**(69,992)**	**12,375**	**(82,122)**
Less: Deferred tax asset not recognised	93,377	69,992	(3,097)	26,482
Deferred tax asset recognised	**(46,362)**	**-**	**9,278**	**(55,640)**

18 INVESTEMENTS

	2015	2014
	TZS 'M'	TZS 'M'
Shares in Tanzania Towers Limited	1	1

The investment relates to 999 shares owned in Tanzania Towers Limited which represents 99.9% of the shareholding. The shares have a nominal amount of TZS 1 million each and are fully paid for. Principal place of business and country of incorporation for Tanzania Towers Limited is the United Republic of Tanzania, however Tanzania Towers Limited have not started operations

These are separate financial statements of Airtel Tanzania Limited which do not include financial statements of Tanzania Towers Limited. The results of operations for the year ended 31 December 2015 and financial position of the Tanzania Towers Limited, as at the year then ended, are included in the consolidated financial statements of Airtel Tanzania Group.

19 INVENTORIES

	2015 TZS 'M'	2014 TZS 'M'
Phones	1,542	585
Sim cards	733	2,514
Scratch cards	-	-
NFC devices	441	
Provision for impairment	(836)	(2,660)
	1,880	**439**

The inventories balances relates to modems and routers, mobile handsets, sim cards and NFC cards.

20 TRADE AND OTHER RECEIVABLES

	2015 TZS 'M'	2014 TZS 'M'
Roaming debtors	4,228	5,879
Interconnect	9,436	13,519
Post paid	12,383	16,320
Site Sharing Debtors	18,002	16,165
Provision for impairment losses	(15,411)	(22,367)
	28,638	29,516
Prepayments	9,948	15,074
Receivables from related parties	42,713	35,303
Other receivables	24,007	25,771
Withholding tax receivable	95	63
	76,763	76,211
	105,401	**105,727**

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

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

	2015 TZS 'M'	2014 TZS 'M'
At 1 January	22,367	20,535
Provision in the year	-	1,832
Utilisation / release during the year	(6,956)	-
At 31 December	**15,411**	**22,367**

21 CASH AND SHORT-TERM DEPOSITS

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

	2015 TZS 'M'	2014 TZS 'M'
Cash at bank	13,864	7,898
Restricted Cash at bank	13,069	7,556
Cash in hand	558	2,847
	27,491	18,301
Bank overdraft	(6,157)	(7,209)
	21,334	**11,092**

22 SHARE CAPITAL AND PREMIUM

The total authorised number of ordinary shares is 50,000,000 with a par value of TZS 1,000 per share. A total of 41,000,000 shares have been issued and fully paid, 60% owned by Airtel Tanzania B.V. and 40% by the Government of the United Republic of Tanzania.

	Number of shares '000	Ordinary shares TZS 'M	Share premium TZS 'M	Total TZS 'M
Authorised	50,000	50,000	-	-
Issued and fully paid	**41,000**	**41,000**	**8,755**	**49,755**

23 BORROWINGS

	2015 TZS 'M'	2014 TZS 'M'
Bank loan - Facility A (i)	-	103,869
Bank loan - Facility B (ii)	22,424	22,973
FMO loan - Bridge Facility (iii)	-	41,592
Barclays loan (iv)	15,118	-
Total bank loans	**37,542**	**168,434**
Shareholder's Loan	713,175	334,076
Accrued interest	98,903	54,676
Total borrowings	**849,620**	**557,186**

23 BORROWINGS (CONTINUED)

(i) Standard Chartered Bank Loan facility 1 - In July 2011, the Company entered into a long term credit facility agreement with Standard Chartered Bank Mauritius Limited (as the lender) and Standard Chartered Bank Tanzania Limited (as the agent). The credit facility amounted to USD 75 million attracting an interest rate of 3 months LIBOR plus 2.25% and is repayable annually until maturity. This loan was secured by Bharti Airtel International (Netherland) B.V. and all assets debenture of Company. This loan was fully liquidated during year 2015, hence had NIL balance as at the year end.

(ii) Standard Chartered Bank Loan facility 2 (EKN) – On 15 October 2013, the Company entered into a long term credit facility agreement with Standard Chartered Bank. The credit facility amounted to USD 18,798,209 attracting an interest rate of 6 months LIBOR plus 1% and is repayable at maturity on 30th October 2019. This loan is secured by Bharti Airtel International (Netherland) B.V. and all assets debenture of Company.

(iii) FMO Bank Credit Facility – In September 2011, the Company entered into a long term credit facility agreement with Nederlandse Financierings-Maatschappij Vood Ontwikkelingslanden N.V. (FMO). The credit facility amounted to USD 30 million attracting an interest rate of 6 months LIBOR plus 2.25%. This loan was secured by Bharti Airtel International (Netherland) B.V. and all assets debenture of the Company. This loan was fully liquidated during year 2015, hence had NIL balance as at the year end.

(iv) NBC Bank Tanzania and Barclays Bank Mauritius Limited: On 26th October 2015 the Company entered into a long term credit facility agreement with NBC Bank Tanzania and Barclays Mauritius Limited as lenders pursuant to which the lenders will grant the company a loan facility of USD 50,000,000. The company has thus far withdrawn USD 7mln out of the total facility and the disbursement was done by Barclays Mauritius. This facility has tenure of 5 years to 2020 with annual interest of 3.25%. Repayment of both principal and interest will be made quarterly.

(v) Shareholder's Loan – The shareholder's loan is denominated in USD and carries an interest rate of 6% of the outstanding principal amount, calculated as from the starting date on the basis of actual number of days elapsed (including the first day, but excluding the last day) over a year of 360 days.

The tenor of the loan is 7 years with payment moratorium period of 3 years starting from 8 July 2014 to 31 March 2016 inclusive. However, repayment of principal amounts is allowed at any time free of penalties.

The maturity of the borrowings is analysed as follows:

	2015 TZS 'M'	2014 TZS 'M'
Current	6,754	61,120
Non-current	842,866	496,066
	849,620	**557,186**

23 BORROWINGS (CONTINUED)

The effective interest rate on the borrowings is 2.53% for Facility A, 1.02%; 1.73% and 1.63% for TZS 9.1 billon; TZS 11.9 billion and TZS 1.0 billion respectively for Facility B; 2.69% for the FMO facility and 3.25% for Barclays credit facility.

In the opinion of the Directors, the carrying amounts of term borrowings approximate to their fair values. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that the Directors expect would be available to the Company at the reporting date.

24 PROVISIONS

	Asset retirement obligation TZS 'M'	Probable liabilities TZS 'M'	Total TZS 'M'
At 1 January 2015	24,993	1,133	26,126
Provision for the year	4,234	259	4,493
At 31 December 2015	**29,227**	**1,392**	**30,619**
At 1 January 2014	22,303	1311	23,614
Provision utilised	-	(178)	(178)
Provision for the year	2,690	-	2,690
At 31 December 2014	**24,993**	**1,133**	**26,126**

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

The key assumptions used in determining the provisions are:

- Legal costs are as estimated by the Company's lawyers based on their professional experience.

25 TRADE AND OTHER PAYABLES

	2015 TZS 'M'	2014 TZS 'M'
Trade payables	26,839	36,206
Accrued expenses	300,539	274,849
Deferred revenue	24,148	23,735
Payables to related parties	102,418	70,640
Customers deposits	2,792	2,738
Interconnect payables	20,570	(663)
Roaming payables	338	464
Withholding tax payable	1,954	1,842
VAT payable	1,997	4,413
Other payables	1,878	1,117
	483,273	**415,340**

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

26 BANK OVERDRAFT

	2015 TZS 'M'	2014 TZS 'M'
Standard Chartered Bank	6,157	7,209

The Company has an overdraft facility with Standard Chartered Bank Limited with an authorised limit of USD 5 million. The overdraft facility attracts interest at the rate of 2.48% per annum and is secured by Debenture.

27 CASH GENERATED FROM OPERATIONS

	2015 TZS 'M'	2014 TZS 'M'
Loss before taxation	(298,499)	(166,195)
Adjustments for:		
Depreciation & amortisation	113,039	102,857
Interest expense	46,211	30,862
Interest income	(354)	(233)
Operating loss before working capital	**(139,603)**	**(32,709)**
Changes in working capital		
Decrease in trade and other receivables	326	38,446
Increase in inventory	(1,442)	(437)
Increase in trade and other payables	72,626	32,062
	(68,094)	**37,362**

28 CONTINGENT LIABILITIES

Legal

As at 31 December 2015, the Company was a defendant in several lawsuits. The plaintiffs are claiming damages and interest thereon for the loss caused by the Company due to breach of contracts and unlawful termination of employment. The Company has filed counter-claims against the plaintiffs. The total amount claimed in the various lawsuits approximates TZS 243 million (2014: TZS 1,296 million). 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.

29 COMMITMENTS

(i) Capital commitments

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

29 COMMITMENTS (CONTINUED)

	2015 TZS 'M'	2014 TZS 'M'
Network equipment	86,913	24,294

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

(ii) Lease commitments – Company as lessee

The Company leases various retail outlets, offices, sites and warehouses under non-cancellable operating lease agreements. The lease terms are up to five years, and majority of these lease agreements are renewable at the end of the lease period at market rates. In most of the leases, the Company is required to give a specific notice period for termination of these agreements. The operating lease expenditure charged to the profit or loss is disclosed in Note 11.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:-

	2015 TZS 'M'	2014 TZS 'M'
Not later than 1 year	38,708	25,396
Later than 1 year and not later than 5 years	148,658	94,327
More than 5 years	97,599	35,146
	284,966	**154,868**

(iii) Lease commitments – Company as lessor

The Company has leased out sites and offices in HQ building under sublease arrangement under non-cancellable operating lease agreements. The lease terms are up to five years, and majority of these lease agreements are renewable at the end of the lease period at market rates.

The future aggregate minimum lease receivable under non-cancellable operating leases are as follows:-

	2015 TZS 'M'	2014 TZS 'M'
Not later than 1 year	35,984	23,725
Later than 1 year and not later than 5 years	143,937	89,508
More than 5 years	66,574	73,936
	246,495	**187,169**

30 RELATED PARTY TRANSACTIONS

The Group is controlled by Bharti Airtel Tanzania B.V., incorporated in Netherlands which owns 60% of the issued share capital. The Government of United Republic of Tanzania owns the remaining 40% of the issued share capital. The ultimate parent is Bharti Airtel Limited, incorporated in Netherlands. There are other companies that are related to Airtel Tanzania Limited through common shareholdings and common directorships.

30 RELATED PARTY TRANSACTIONS (CONTINUED)

The following transactions were carried out with related parties:-

	2015 TZS 'M'	2014 TZS 'M'
i) Purchase of services and property lease		
Bharti Airtel Tanzania B.V. - Management services	15,428	15,565
Tanzania Telecommunications Company Limited – leased lines, site sharing, interconnect services and property	13,020	3,502
ii) Sale of services		
Tanzania Telecommunications Company Limited – site sharing, leased lines and interconnect services	3,742	2,384

iii) Loan received from shareholders

	2015 TZS 'M'	2014 TZS 'M'
Bharti Airtel Tanzania BV	295,010	100,607

iv) Outstanding balances arising from sale and purchase of services

Amounts due from related parties

	2015 TZS 'M'	2014 TZS 'M'
Airtel Burkina Faso S.A.	19	14
Airtel Tchad S.A	20	16
Airtel Congo S.A.	25	26
Airtel Congo (RDC) S.A.R.L.	2,672	-
Airtel Gabon S.A.	171	149
Airtel Ghana Limited	90	72
Airtel Networks Kenya Limited	14,943	12,097
Airtel Madagascar S.A.	344	302
Airtel Malawi Limited	4,292	2,501
Airtel Niger S.A.	96	83
Airtel Networks Limited - Nigeria	2,206	1,395
Airtel (SL) Limited	33	20
Airtel Uganda Limited	3,782	3,144
Airtel Zambia PLC	1,748	2,173
Airtel (Seychelles) Limited	0	14
Airtel Rwanda Limited	2,010	1,257
Bharti Airtel International (Netherlands)B.V.	52	8,417
Bharti Airtel UK	2,726	-
Bharti Airtel Limited	4,436	-
Airtel Mobile Commerce (Tanzania) Ltd	3,048	3,622
	42,713	**35,302**

30 RELATED PARTY TRANSACTIONS (CONTINUED)

Amounts due to related parties

	2015	2014
	TZS 'M'	TZS 'M'
Airtel Burkina Faso S.A.	45	35
Airtel Tchad S.A	17	14
Airtel Congo S.A.	31	25
Airtel Congo (RDC) S.A.R.L.	7,024	3,778
Airtel Gabon S.A.	69	54
Airtel Ghana Limited	142	108
Airtel Networks Kenya Limited	9,344	7,858
Airtel Madagascar S.A.	1,006	998
Airtel Malawi Limited	11,060	6,789
Airtel Niger S.A.	16	13
Airtel Networks Limited - Nigeria	291	926
Airtel (SL) Limited	15	12
Airtel Uganda Limited	4,238	8,813
Airtel Zambia PLC	2,834	1,150
Airtel (Seychelles) Limited	1	1
Airtel Rwanda Limited	2,645	1,236
Tanzania Towers Limited	1	1
Bharti International Singapore Pte Limited	239	-
Bharti Airtel UK	3,481	-
Bharti Airtel International (Netherlands)B.V.	54,491	33,258
Network i2i Limited	5,427	5,571
	102,417	70,640
Shareholders loan	812,078	388,752
	914,495	**459,392**

iv) 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.

	2015	2014
	TZS 'M'	TZS 'M'
Salaries and other short-term employment benefits	9,853	10,738

iv) Directors remuneration

	TZS 'M'	TZS 'M'
Directors' fees	101	36

31 ULTIMATE HOLDING COMPANY

The immediate holding company of the Group is Bharti Airtel Limited. The holding company is Bharti Airtel Tanzania B.V incorporated in Netherlands. The Government of the United Republic of Tanzania owns 40% of the shares in Airtel Tanzania Limited.

32 EVENTS AFTER THE REPORTING PERIOD

On 17th March 2016 Airtel entered into an agreement to sell its towers and other passive assets to American Towers Limited on sale and leaseback agreement subject to regulatory approvals

AIRTEL TANZANIA LIMITED

ANNUAL REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

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George & Robert, Attorneys at Law
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Arusha

Ishengoma Karume Masha & Magai (Advocates) ('IMMMA (Advocates)')
Plot No. 173, Block D, Isamilo Area
P. O. Box 1906, Mwanza

TAX ADVISORS
PricewaterhouseCoopers
Pemba House, 369 Toure Drive, Oysterbay,
P. O. Box 45
Dar es Salaam

MAIN BANKERS
National Bank of Commerce Limited
P. O. Box 9062
Dar es Salaam

Diamond Trust Bank Tanzania Limited
P. O. Box 115
Dar es Salaam

Citibank Tanzania Limited
P. O. Box 71625
Dar es Salaam

Standard Chartered Bank Tanzania Limited
P. O. Box 9011
Dar es Salaam

National Microfinance Bank PLC
P. O. Box 2653
Dar es Salaam

CRDB Bank PLC
P. O. Box 268
Dar es Salaam

AIRTEL TANZANIA LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

1 INTRODUCTION

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2015 which disclose the state of financial affairs of Airtel Tanzania Limited ("Group").

2 PRINCIPAL ACTIVITIES

The principal activity of the Group is the provision of mobile phone services and other related services using its licensed platforms.

3 RESULTS AND DIVIDEND

The results are set out on page 12 of the consolidated financial statements. During the year no dividend was paid. The Directors do not recommend payment of dividend (2014: Nil).

4 FUTURE DEVELOPMENTS

The Group will continue to offer value added services to its subscribers and other customers 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:

Name	Position	Nationality
Amb. Juma Volter Mwapachu	Chairman	Tanzanian (Appointed 1 March 2015)
Christian De Faria	Chairman	French (Resigned 11 February 2015)
Yona Killagane	Member**	Tanzanian
Mwakibinga E.P. Mihalale	Member**	Tanzanian (Resigned 23 Feb 2015; Reappointed 25 May 2015; Resigned 1 January 2016)
Maharage Ally Chande	Member**	Tanzanian; Appointed 1 January 2016
Sunil Colaso	Member*	Indian
Christophe Soulet	Member*	French
Jaideep Paul	Member*	Indian (Appointed 1 March 2015)

* Executive
** Non-executive

The Company secretary as at 31 December 2015 was David Marco Lema.

No Director had any interest in the shares of the Group.

6 CORPORATE GOVERNANCE

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

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

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

- Performance review
- Approval of annual plans
- Business challenges

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

7 SHAREHOLDERS OF THE COMPANY

There were two shareholders throughout the year to 31 December 2015 (2014: two shareholders).

The shares of the Group as at 31 December 2015 were held as follows:

Shareholder Name	Percentage	Number of shares	Citizenship
Bharti Airtel Tanzania BV	60%	24,600,000	Netherlands
Government of the United Republic of Tanzania	40%	16,400,000	Tanzanian
	100%	**41,000,000**	

8 RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the Group. 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 Group's assets;
iii. Compliance with applicable laws and regulations;
iv. The reliability of accounting records;
v. Business sustainability under normal as well as adverse conditions; and
vi. Responsible behaviours towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance with such measures by staff. Whilst no system, of internal control can provide absolute assurance against misstatement or losses, the Group'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 2015 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 LAW AND REGULATIONS

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

10 WELFARE OF EMPLOYEES

(i) Employee engagement

The Employee Engagement survey conducted in 2015 indicated that employees had rated Airtel as 77% favorable place to work which was a significant achievement. The following issues scored the highest: challenging and interesting job; understanding expectations; I feel that I am part of the team; results of last year survey have been communicated to me and the people I work with cooperate to get the job well done.

(ii) Training

To ensure excellence in customer experience and efficiency in responding to market changes/competition and achieve the group's strategic goals, during the year, the group focused on technical/functional as well as non-technical training and interventions crucial for both employee and organization development.

Some of the technical trainings included Prince 2 Training (IT), Business Analytics Training , Procurement planning & effective negotiations skills (SCM), Supplier Relationships Management and selection process ,(SCM), NBAA and Tax training, IFRS training (Finance) ,WCDMA Training (Network) ,HP Hardware & Software installation (Network), Edns & Public DNS (Network)Airtel money - Audits & Compliance Training (Airtel Money) and HR Summit attended by HR Team..

Also, to ensure the creation and maintenance of ideal work environments which are free from occupational hazards that may cause injuries or illness to all employees in work environment, Airtel Tanzania staff has attended courses on Health and Occupational Training and first Aid Training Organized by OSHA.

10 WELFARE OF EMPLOYEES (Continued)

(ii) Training (Continued)

There were also several leadership and management training to build capacity for the Airtel Management team. The training events include, 7 Habits of highly effective people, Branch Managers Leadership Skills Training. Airtel Tanzania has also continued to work with Centum Learning Limited through the Academies i.e. Service Academy (ASA) and Sales Academy (ACSA) to build capacity of staff through standard and customized training modules.

(iii) Employee benefits and employee motivation

The Rewards & Recognition (R&R) Scheme that was revamped in October 2014 continued during the year 2015. The R&R (Mkali) Scheme program honors both individual and teams who go the extra mile to serve the business. In addition to the improved rewards given to the performing employees, the scheme also extensively covers the recognition piece including awarding badges and special lanyards to all spot awardees and announcing the monthly performers on the hall of fame. A special R&R scheme for Sales staff was also in existence. Every month we recognized best performers and teams through public announcement in the general staff meeting held on every 1st day of the month or first Monday of the month if the 1st day falls over the weekend.

The categories recognized includes employee of the month, customer war on waste (WOW), best cross functional team, best territory sales managers (2) and best branch manager. Rewards includes spinning the wheel of fortune, gift vouchers, dinner for best teams and reserved parking slot for employee of the month.

A special bonus scheme introduced for the Financial Year 2014 was still in practice in 2015 to incentivize performing staff whose bonus payout depends on both Group and individual performance while Sales and Business Enterprise departments continued to practice commission scheme based on individual's achievement of monthly/quarterly targets.

11 GENDER PARITY

The Group has 398 employees, out of which 115 were female and 283 were male (2014: 401 employees, out of which 124 were female and 277 were male).

12 POLITICAL AND CHARITABLE DONATIONS

The Group did not make any political donations during the year. Donations made to charitable organizations during the year amounted to TZS 332 million (2014: TZS 170 million).

13 CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Group is a responsible corporate citizen and recognizes its role in assisting Tanzania achieve its Development goals. In line with the group policy, the group is committed to giving back to the community in which it does business.

Airtel FURSA- Youth Empowerment Program: Is our 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. Launched late May 2015, Airtel FURSA has reached out to over 2500 youths with skills workshops and provided business grants to over 85 youths across Tanzania.

13 CORPORATE SOCIAL RESPONSIBILITY (CSR) (Continued)

British Council (BADILIKO) Partnership: Airtel has partnered with the British Council and Microsoft to drive the use of technology in schools. In this tripartite, Microsoft provides computers, British council provides education content and manages the project and Airtel provides data for free under a three-year agreement that commenced in August 2013. 22 schools have benefitted from this programme to date.

Community Radio: It is a tripartite initiative where Airtel provides towers to be used for installation of radio equipment provided by UNESCO while a community through local NGO is responsible for building infrastructure and thereafter operating and sustaining of the station.

Millennium Village: This is a tripartite initiative between UN, Ericsson and Airtel through joint initiative to providing wireless communication services. The project has enabled communities at Mbola village cluster, a remote area in Tabora -Tanzania to access health services without physically visiting medical personnel. Airtel Tanzania is the sole provider of communication networks.

Employee Corporate Social Responsibility (CSR) - Also named **TUNAKUJALI:** The project was launched in 2014. It is an annual program focused at enabling employees to participate fully in giving back to communities by identifying and implementing projects by giving their time, expertise etc. Through this program, employees carryout fundraisers where necessary and the Group provides financial support and time for employees to implement the projects. In 2015 employees renovated and furnished two kindergarten units, constructed a classroom for children with disabilities and donated computers to 3 primary schools.

Wazazi Nipendeni in partnership with the CDC Foundation: Recognizing the many challenges of maternal health in Tanzania and the potential change that providing basic information such as the Dos and Don'ts for pregnancy and infant care, Airtel entered into a partnership with the CDC Foundation through MHealth Tanzania to facilitate all Airtel subscribers' access to the Wazazi Nipendeni text messaging service for free. Over 200,000 subscribers have registered and continue to access maternal health information free of charge. The partnership will last up to 2016 with an option for extension.

Airtel Rising Stars (ARS): Designed to identify and nurture young soccer talent across Africa. ARS serves as a platform for recognition of talent. It goes to the grass roots to seek talent, build the love for sports among youths and open opportunities for high potential candidates. In Tanzania, two young talented boys identified through this program have joined the under-18 National team, Serengeti Boys while 12 girls from ARS joined the National under 18 ladies side Twiga Stars.

13 SOLVENCY

The Board of Directors confirms that applicable accounting standards have been followed and that the consolidated financial statements have been prepared using the going concern basis. The Board has reasonable expectation that the group has adequate support from the shareholders of the Company to continue in operational existence for the foreseeable future.

14 GOING CONCERN

In 2015, the Group realised a net loss after income tax of TZS 345.92 billion (2014: TZS. 186.26 billion) for the year. The loss has significantly increased due to deferred tax write off of TZS 46 billion and forex losses of TZS 186.6 billion. At 31 December 2015, accumulated losses were TZS 734 billion (2014: TZS 388 billion) and the group is in a net current liability position of TZS 384 billion (2014: TZS 379 billion). These conditions may result in Group's ability to realise its assets and discharge its liabilities in the normal course of business, consequently it may not able to maintain its going concern status.

The Group has obtained a signed Letter of Comfort from the Ultimate parent company, Bharti Airtel Netherlands (BV).

14 GOING CONCERN (Continued)

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

a) Will generate cash inflows from operations of at least the amount projected in the group's annual operating plan. The generation of sufficient cash flows from operations is dependent on management achieving operational targets on subscriber numbers, churn rate and average revenue per user; network development services including site development, zoning and tower construction and antenna installation in Tanzania.

b) Will obtain funds from third parties; and

c) The Group will be able to obtain from shareholders of the Company any additional funding required to meet its obligations as and when they fall due. A commitment to this effect from the majority shareholder has been obtained by the Group.

The Directors are confident that the funding sources described above will be available to the Group to support its obligations as required and that it is therefore appropriate to prepare the consolidated financial statements on the going concern basis.

15 ENVIRONMENTAL CONTROL PROGRAMME

All areas of the Group's operations are run in an environmentally friendly and ethical manner.

16 RELATED PARTY TRANSACTIONS

Details of transactions with related parties are disclosed in Note 29 to the consolidated financial statements.

17 SERIOUS PREJUDICIAL MATTERS

The high taxation levied on the telecom industry in Tanzania negatively impact profitability of the industry hence the group. The currency fluctuations in the economy also negatively affect the Group performance and profitability.

18 AUDITORS

The auditor, Ernst & Young, has expressed willingness to continue in office and is eligible for re-appointment. A resolution proposing the re-appointment of Ernst & Young as auditor of the Group for the year 2016 will be put to the Annual General Meeting.

Approved by the Board of Directors on 23 JUNE 2016, and signed by the order of the Board.

SUNIL COLASO
Name of Director — **Signature**

YONA KILLAGANE
Name of Director — **Signature**

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

The Tanzania Companies Act, 2002 requires the Directors to prepare consolidated financial statements for each financial year that present fairly the state of financial affairs of the group as at the end of the financial year and of its profit or loss. The Directors are also obliged to ensure that the Group keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group. They are also responsible for safeguarding the assets of the Group.

The Directors accept responsibility for the consolidated financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Tanzania Companies Act, 2002. The Directors are of the opinion that the consolidated financial statements present fairly the state of the financial affairs of the Group and of its results in accordance with International Financial Reporting Standards. The Directors further accept responsibility for the maintenance of accounting records, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement.

The Directors are confident that sufficient funding sources will be available to the Group to support its obligations as required and that it is therefore appropriate to prepare the consolidated financial statements on the going concern basis.

The consolidated financial statements were approved for issue by the Board of Directors on 23 JUNE 2016 and signed on its behalf by:

SUNIL COLASO
Name of Director

Signature

YONA KILLAGANE
Name of Director

Signature

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working world

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INDEPENDENT AUDITOR'S REPORT
to the members of
AIRTEL TANZANIA LIMITED

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the consolidated financial statements of Airtel Tanzania Limited (the Company) and its subsidiary, Tanzania Towers Company Limited (together, the Group), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes comprising a summary of significant accounting policies and other explanatory information as set out on pages 15 to 46.

Directors' responsibility for the consolidated financial statements

The Group's Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and in the manner required by the Tanzanian Companies Act, 2002, and for such internal control as the directors determine is necessary to enable the preparation of consolidated 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 consolidated 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 whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of consolidated 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 consolidated 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 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 consolidated financial statements.

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

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INDEPENDENT AUDITOR'S REPORT *(CONTINUED)*
to the members of
AIRTEL TANZANIA LIMITED

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group, 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 Tanzanian Companies Act, 2002.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 3.1 to the consolidated financial statements which indicate that the Group made a loss of TZS 345.92 billion for the year ended 31 December 2015 and, as of that date, the Group's current liabilities exceeded its current assets by TZS 384 billion. Note 3.1 also indicates these conditions, along with other matters, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

This report, including the opinion, has been prepared for, and only for, the Group's members as a body in accordance with the Tanzanian Companies Act, 2002 and for no other purposes.

As required by the Tanzanian 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 purpose of the audit;
ii. In our opinion, proper books of account have been kept by the Group, so far as appears from our examination of those books;
iii. The Directors' Report is consistent with the consolidated financial statements;
iv. Information specified by law regarding directors' remuneration and transactions with the Group is disclosed; and
v. The Group's statement of financial position and statement of comprehensive income are in agreement with the books of account.

Ernst & Young

Ernst & Young
Certified Public Accountants
Dar es Salaam

Signed by: Neema Kiure-Mssusa (Partner)

Date 27/ 06/ **2016**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 TZS 'M'	2014 TZS 'M'
Revenue	5	573,266	532,918
Cost of sales	6	(193,748)	(199,312)
Gross profit		**379,518**	**333,606**
Other operating income		3,463	2,170
Administrative expenses	7	(234,125)	(208,994)
Distribution costs		(100,547)	(100,822)
Depreciation & Amortization	8	(113,038)	(103,474)
Operating loss		**(64,729)**	**(77,515)**
Finance income	12	354	233
Finance cost	13	(233,506)	(89,400)
Loss before income tax		**(297,881)**	**(166,681)**
Income tax expense	14 (a)	(48,044)	(19,576)
Loss for the period		**(345,925)**	**(186,258)**
Other comprehensive income		-	-
Loss for the period		**(345,925)**	**(186,258)**
Total comprehensive income		**(345,925)**	**(186,258)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Notes	2015 TZS 'M'	2014 TZS 'M'
Non-current assets			
Property plant and equipment	15	536,047	485,789
Intangible assets	16	6,676	3,802
Deferred tax asset	17	-	46,362
		542,723	**535,953**
Current assets			
Inventories	19	1,880	438
Trade and other receivables	20	105,402	105,727
Current tax assets	14(b)	9,032	8,642
Cash and short-term deposits	21	27,491	18,302
Total current assets		**143,805**	**133,109**
Total Assets		**686,528**	**669,061**
Capital and reserves			
Ordinary shares	22	41,000	41,000
Share premium	22	8,755	8,755
Retained earnings		(734,078)	(388,153)
Total Equity		**(684,323)**	**(338,398)**
Non-current liabilities			
Borrowings	23	842,930	496,099
Provisions	24	30,620	26,127
		873,550	**522,225**
Current liabilities			
Trade and other payables	25	484,390	416,906
Borrowings CL	23	6,754	61,119
Bank overdraft	26	6,157	7,209
Total current liabilities		497,301	485,234
Total liabilities		**1,370,851**	**1,007,459**
Total equity and liabilities		**686,528**	**669,061**

The consolidated financial statements were authorised for issue by the Board of Directors on 23 JUNE 2016 and were signed on its behalf by:

SUNIL COLASO	DIRECTOR	
Name	**Title**	**Signature**
YONA KILLAGANE	DIRECTOR	
Name	**Title**	**Signature**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share Capital TZS 'M'	Share premium TZS 'M'	Retained Earnings TZS 'M'	Total TZS 'M')
Year ended 31 December 2015				
Balance as at 1 January 2015	41,000	8,755	(388,152.8)	(338,398)
Total comprehensive loss for the period	-	-	(345,925)	(345,925)
Balance as at 31 December 2015	41,000	8,755	(734,078)	(684,323)
12 months ended 31 December 2014				
Balance as at 1 January 2014	41,000	8,755	(202,382)	(152,627)
Total comprehensive loss for the period	-	-	(185,771)	(185,771)
Balance as at 31 December 2014	41,000	8,755	(388,153)	(338,398)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 TZS 'M'	2014 TZS 'M'
Operating activities			
Cash generated from operations	26	(68,125)	37,362
Current income tax paid	14	(2,071)	(240)
Interest received		354	233
Interest paid		(46,211)	(30,862)
Net cash flow from operating activities		**(116,054)**	**6,494**
Investing activities			
Purchase of non-current assets (PPE and intangibles)	15	(166,171)	(144,844)
Proceeds from sale of equipment		-	671
Net cash used in investing activities		**(166,171)**	**(144,173)**
Financing activities			
Proceeds from long-term borrowings		481,767	172,045
Repayment during the period		(189,301)	(36,393)
Net cash used in financing activities		**292,466**	**135,652**
Net increase in cash and cash equivalents		10,241	2,027
Movement in cash and cash equivalents			
Cash and cash equivalent at 01 January 2015		11,092	13,119
Increase during the year		10,242	2,027
Cash and cash equivalents at 31 December 2015	20	**21,334**	**11,092**

1 GENERAL INFORMATION

The reporting entity, Airtel Tanzania Limited (the Company), and its subsidiary (together, the Group) are incorporated and domiciled in the United Republic of Tanzania under the Tanzanian Companies Act, 2002 as private limited liability companies. The address of the Company's registered office is:

Airtel House
New Bagamoyo road
P. O. Box 9623
Dar es Salaam, Tanzania

The Group is principally engaged in the provision of mobile phone communication and related services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation and consolidation

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

The subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtained control, and continues to be consolidated until the date when such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the parent Company, using consistent accounting policies. All intra-group balances, transactions, and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

The preparation of consolidated 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 Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

i) New and amended standards effective 1 January 2015
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 Group.

- **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 recognize 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.
- **IAS 27: Equity Method in Separate Financial Statements:** The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- **IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture:** The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full.

ii) Standards issued but not yet effective
Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are described below. This description is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. The Group expects that adoption of these standards, amendments and interpretations in most cases not to have any significant impact on the Group's financial position or performance in the period of initial application. In cases where it will have an impact, the Group 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 11: Accounting for the acquisition of interests in a Joint Operation (Effective 1 January 2016)
- IAS 27: Equity method in separate consolidated 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Improvement project
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)

(b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

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, for the Company, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency translation

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

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 (PPE)

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and 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 Group recognizes 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 Group 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 -"CPI;"), such assets continue to be treated as PPE as the associated risks and rewards remain with the Group and the management is confident of exercising control over them.

The Group 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Buildings	20 years
Network equipment	3-20 years
Computer equipment	3 years
Office furniture and equipment	2 – 5 years
Motor vehicles	3 -5 years
Customer Premises equipment	5-6 years
Leasehold improvements	Remaining period of the lease

(e) Intangible assets

Intangible assets comprise of subscriber acquisition costs, lease line IRU and acquired licenses.

Costs of acquiring subscriber contracts which are identifiable and controlled by the Group are capitalised as intangible assets. Typically, these are subsidies given on handsets when acquiring post-paid contracts. These subsidies are capitalised and amortised over the period of the contract on a straight line basis.

Lease line IRU, these are irrevocable rights given by the government to use the optic fibre equipments constructed underground. The total useful life of Leased line IRU is 20 years and remaining useful life as at 31 December 2015 is 17 years (2014: 18 years).

Acquired licences are shown at historical costs. Licences 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 licence over their estimated useful lives.

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 or loss account.

(f) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee
Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

2 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. No dividends were proposed during the year.

(k) Financial instruments

Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

***Derivative financial instruments** - Initial recognition and subsequent measurement*

The Group has derivative financial instruments derived from contracts. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

Balances with banks and trade and other receivables subsequent measurement

'Balances with banks' and trade and other receivables', include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, amounts 'Balances with banks' and 'trade and other receivables' are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'interest income' in profit or loss.

When a trade receivable is uncollectible, it is written off against the respective provision account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Trade and other payables and borrowings – subsequent measurement

After initial recognition, trade and other payables and interest bearing borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (continued)

Impairment of financial assets
The Group 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.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). 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.

De-recognition of financial assets
A financial asset is de-recognised when the rights to receive cash from the asset have expired, or the Group has transferred its right to receive cash flows from the asset and the transfer qualifies for de-recognition.

De-recognition of financial liabilities
A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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 Tanzania 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 realised 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.

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 taxation 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 taxation 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 taxation authority is included as part of receivables or payables in the statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Borrowings – classification

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(n) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

(o) Impairment of non-financial assets

The Group 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 Group 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Fair value measurement

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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 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 consolidated financial statements on a recurring basis, the Group 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 Group 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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Going concern

In 2015, the Group made a net loss after income tax of TZS 345.92 billion (2014: TZS. 186.26 billion) for the year, the loss has significantly increased due to deferred tax write off of TZS 46 billion, which was carried in the books of the Company, and forex losses of TZS186.6 billion. At 31 December 2015, accumulated losses were TZS 734 billion (2014: TZS. 388 billion) and the group is in a net current liability position of TZS 384 billion (2014: TZS 379 billion).

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.1 Going concern (Continued)

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

a) The Group has obtained a signed Letter of Comfort from the ultimate parent company, Bharti Airtel Netherlands (BV).

b) The Directors expect that the Group will 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 dependent on management achieving operational targets on subscriber numbers, churn rate and average revenue per user.

c) The Group expects that it will obtain funds from third parties.

d) The Group will be able to obtain from the shareholders any additional funding required to meet its obligations as and when they fall due.

These conditions indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

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.

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 utilised. 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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Income tax

Significant judgement is required in determining the Group's overall tax provision and the recoverability of estimated tax losses. There are many transactions for which the ultimate tax determination is uncertain. The Group 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.

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 2 (d) above.

Receivables

Critical estimates are made by the Directors in determining the recoverable amount of impaired receivables.

Impairment of non-financial assets

In the process of applying the Group's accounting policies, management has made judgements in determining whether assets are impaired or not.

4 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks including liquidity risk, credit risk and the effects of foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial market and seeks to minimise potential adverse effects on its financial performance, but the Group does not hedge any risks. Risk management is carried out by the Finance Department under policies approved by the Group's Treasury Unit.

Foreign exchange risk
The Group's exposure to foreign exchange risk arises from imports of network equipment that are quoted in foreign currency. The Company mitigate foreign exchange risk by hedging and making prompt payment. 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 table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2015 and 2014. Included in the table are the Group's financial instruments, categorised by currency (all amounts expressed in Tanzanian Shillings):

	USD	Euro	Others
At 31 December 2015			
Financial assets			
Trade and other receivables	48,593	-	-
Cash and bank balances	13,761	-	-
	62,354	**-**	**-**
Financial liabilities			
Borrowings	849,620	-	-
Trade and other payables	199,267	394	278
Derivative liabilities	971	-	-
Bank overdraft	6,157	-	-
	1,056,015	**394**	**278**
Net currency exposure	**(993,662)**	**(394)**	**(278)**
At 31 December 2014			
Financial assets			
Trade and other receivables	46,141	-	-
Cash and bank balances	7,783	-	-
	53,924	**-**	**-**
Financial liabilities			
Borrowings	557,186	-	-
Trade and other payables	79,628	475	59
Derivative liabilities	405	-	-
Bank overdraft	7,209	-	-
	644,428	**475**	**59**
Net currency exposure	**(590,504)**	**(475)**	**(59)**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 Group to credit risk, consist mainly of deposits held by banks as well as trade and other receivables. The Group manages the risk by banking with high credit rating 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, existence of bank guarantees for dealers and post-paid debtors and using experienced collection agencies.

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

Credit risk

	2015 TZS 'M'	2014 TZS 'M'
Cash and bank balances	27,491	18,301
Trade receivables	45,728	58,371
Receivables from related parties	39,665	35,302
Other receivables	6,917	29,100
	119,801	**141,074**

No collateral is held for any of the above assets. Furthermore, the Group 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.

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 1 year

	2015 TZS 'M'	2014 TZS 'M'
Past due not impaired		
By up to 30 days	7,208	12,059
By 31 to 60 days	7,421	7,314
Over 60 days	31,099	38,998
Total past due	45,728	58,371
Impaired	15,411	21,976

All receivables past due by more than 90 days and for interconnect more than 1 year are considered to be impaired, and are carried at their estimated recoverable value.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in interest rates. The Group's interest rate risk arises from long term borrowings. 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 Group negotiates with the lenders on its prime lending rate.

The Group's interest rate risk arises from long and short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Where necessary the Group refinances its borrowings in order to ensure its borrowing terms remain competitive.

The Group 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 Group calculates the impact on profit or loss of a defined interest rate shift.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims at maintaining flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserves (comprises undrawn borrowing facility (Note 22) and cash and cash equivalents (Note 20) on the basis of expected cash flows.

The table below analyses the Group'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.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
At 31 December 2015				
Borrowings	41,637	43,268	954,158	1,039,063
Bank overdraft	6,157	-	-	6,157
Derivative liability	971	-	-	971
Trade and other payables	484,390	-	-	484,390
Total financial liabilities	**533,155**	**45,584**	**961,522**	**1,530,581**
At 31 December 2014				
Borrowings	82,234	106,708	481,984	670,926
Bank overdraft	7,209	-	-	7,209
Derivative liability	405	-	-	405
Trade and other payables	444,565	-	-	444,565
Total financial liabilities	**534,413**	**106,708**	**481,984**	**1,123,105**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group'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 Group may limit the amount of dividend paid to its shareholders.

The Group 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.

	2015 TZS 'M'	2014 TZS 'M'
Borrowings (Note 22)	849,620	557,185
Bank overdrafts	6,157	7,209
Less: Cash and cash equivalents (Note 19)	(27,491)	(18,301)
Net debt	828,286	546,093
Total equity	(684,323)	(338,398)
Total capital	(1,512,609)	(884,491)
Gearing ratio	**(121%)**	**162%**

The increase in the gearing ratio during 2015 resulted primarily from the additional borrowings during the current year.

5. REVENUE

	2015 TZS 'M'	2014 TZS 'M'
Airtime revenue	292,433	251,652
Value added services	143,865	157,187
Interconnect revenue	75,187	74,423
Roaming revenue	23,201	22,081
Site Sharing revenue	28,888	19,769
Subscription revenue	3,477	3,505
Other Income	6,216	4,301
	573,266	**532,918**

6 COST OF SALES

	2015 TZS 'M'	2014 TZS 'M'
Cost of cards	10,950	13,959
Cost of handsets and accessories	4,376	2,369
Other direct cost	5,682	6,683
Leased lines	10,198	8,887
Impairment provision - trade receivables	(2,469)	3,181
Roaming costs	5,860	8,540
Interconnection costs	139,902	139,229
Frequency license fees and royalty	19,248	16,463
	193,748	**199,312**

7 ADMINISTRATIVE EXPENSES

	2015 TZS 'M'	2014 TZS 'M'
Employee benefit expenses	42,902	37,125
Vehicle maintenance and fuel	-	-
Sites and office rental	53,359	32,286
Management fees	14,585	15,376
Consultancy costs	3,309	3,511
Site fuel	19,762	21,710
Network support and maintenance	48,207	48,289
IT expenses	9,020	10,480
Customer service expenses	7,722	7,820
Other operating expenses	34,416	32,398
	233,282	**208,994**

8 EMPLOYEE BENEFITS EXPENSES

	2015 TZS 'M'	2014 TZS 'M'
Wages and salaries	24,823	22,933
Social security costs -defined contribution scheme	2,044	1,419
Other employee emoluments	16,034	12,773
	42,902	**37,125**

9 DISTRIBUTION COSTS

	2015 TZS 'M'	2014 TZS 'M'
Marketing and Advertisement expenses	27,768	23,123
Sales commission	72,779	77,699
	100,547	**100,822**

10 DEPRECIATION AND AMORTIZATION

	2015 TZS 'M'	2014 TZS 'M'
Depreciation	112,718	102,650
Amortisation of intangible assets	321	824
	113,038	**103,474**

11 OPERATING LOSS

	2015 TZS 'M'	2014 TZS 'M'
The following items have been charged in arriving at operating loss :		
Amortisation of intangible assets	321	207
Auditor's remuneration	377	243
Employee benefits expense – Defined contributions scheme	2,044	1,419
Depreciation of property, plant and equipment (note 15)	112,718	102,650
Key management personnel remuneration, including directors	9,954	10,774
Loss on disposal of property, plant and equipment	41,721	-
Operating lease payments	321	24,545

12 FINANCE INCOME

	2015 TZS 'M'	2014 TZS 'M'
Interest on bank balances and deposits	(354)	(233)

13 FINANCE COSTS

	2015 TZS 'M'	2014 TZS 'M'
Net foreign exchange losses - Realised	51,631	2,335
Net foreign exchange losses - Unrealised	134,976	54,249
Interest on bank loans	4,047	4,963
Interest others	7,305	6,395
Interest on shareholder loan	34,883	19,539
Amortisation of loan issue costs	664	688
Interest on Asset Retirement obligations (ARO)	-	1,230
	233,506	**89,400**

14 INCOME TAX

(a) Income tax expense/(credit)

The Group had accumulated tax losses of TZS 620.1 billion as at 31 December 2015 (2014: TZS 541 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 tax periods to pay tax at a rate of 0.3% of the revenue reported.

	2015 TZS 'M'	2014 TZS 'M'
Current income tax:		
- Current year – Alternative Minimum Tax (AMT)	1,682	1,519
- Prior year understatement of tax	-	8,779
- Derecognised deferred tax	46,362	-
- Prior period overstatement of tax losses		9,278
	48,044	19,576

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2015 TZS 'M'	2014 TZS 'M'
Loss before tax	(297,881)	(166,195)
Tax calculated at a tax rate of 30%	(89,364)	(49,859)
Tax effect of:		
Deferred tax asset not recognised	106,101	49,859
Alternative Minimum Tax	1,682	1,519
Adjustment in respect of prior periods:	-	-
- Current income tax	-	8,779
- Deferred income tax	-	9,278
	1,682	19,576

14 INCOME TAX (Continued)

(b) Current income tax recoverable

	2015 TZS 'M'	2014 TZS 'M'
At 1 January	8,642	18,702
Current income tax paid during the year	2,071	240
Alternative minimum tax	(1,682)	(4,618)
Prior period understatement of tax	-	(5,682)
At 31 December	9,032	8,642

15 PROPERTY, PLANT AND EQUIPMENT

	Installation network TZS 'M'	Buildings TZS 'M'	Motor vehicles TZS 'M'	Office equipment TZS 'M'	Capital work in progress TZS 'M'	Total TZS 'M'
Cost						
At 1st January 2015	1,045,507	-	12	117,963	16,481	1,179,963
Additions/(de-cap)	-	-	-	-	162,976	162,976
Disposal	(1,248)	-	(12)	-	-	(1,259)
Reclass	136,862	-	-	10,656	(147,517)	-
At 31 December 2015	**1,181,121**	**-**	**-**	**128,619**	**31,940**	**1,341,679**
Depreciation						
At 1st January 2015	588,930	-	12	105,232	-	694,174
Charge for the year	100,966	-		11,751	-	112,718
Disposal	(1,248)	-	(12)	-	-	(1,259)
At 31 December 2015	**688,649**	**-**	**-**	**116,983**	**-**	**805,632**
Net Book Value						
At 31 December 2015	**492,472**	**-**	**-**	**11,636**	**31,940**	**536,047**
Cost						
At 1st January 2014	932,042	1,195	-	80,316	25,458	1,039,011
Additions/(de-cap)	4,604	-	-	36,464	103,776	144,844
Disposal	(341)	-	-	-	(507)	(849)
Transfer/reclass/sale	109,202	(1,195)	12	1,183	(112,246)	(3,044)
At 31 December 2014	**1,045,507**	**-**	**12**	**117,963**	**16,481**	**1,179,963**
Depreciation						
At 1st January 2014	528,353	568	-	62,906	-	591,827
Charge for the year	89,595	-	-	13,055	-	102,650
Disposal	(177)	-	-	-	-	(177)
Transfer/reclass/sale	(28,842)	(568)	12	29,271	-	(127)
At 31 December 2014	**588,930**	**-**	**12**	**105,232**	**-**	**694,174**
Net Book Value						
At 31 December 2014	**456,576**	**-**	**-**	**12,731**	**16,481**	**485,789**

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

All assets have been charged in favour of Standard Chartered Bank (Mauritius) Limited by creating an all assets debenture over the fixed and floating assets as a security for the payment and discharge of the secured obligations. Refer to Note 21 for further details.

16 INTANGIBLE ASSETS

	Cellular license TZS 'M'	Lease line IRU TZS 'M'	Subscriber acquisition costs TZS 'M'	Towerco license TZS 'M'	Total TZS 'M'
Year ended 31 December 2015					
Cost		-			
At 1 January 2015	1,378	3,044	2,633	634	7,689
Additions	-	3,195	-	-	3,195
At 31 December 2015	**1,378**	**6,239**	**2,633**	**634**	**10,884**
Amortisation					
At 1 January 2015	341	279	2,633	634	3,887
Reclassification/reinstatement	-	-	-	-	-
Charge for the year	55	266	-	-	321
At 31 December 2015	**396**	**545**	**2,633**	**634**	**4,208**
Net book amount					
At 31 December 2015	**982**	**5,694**	**-**	**-**	**6,676**
Year ended 31 December 2014					
Cost					
At 1 January 2014	1,378		2,633	634	4,645
Reclassification	-	3,044	-	-	3,044
Additions	-	-	-	-	-
At 31 December 2014	**1,378**	**3,044**	**2,633**	**634**	**7,689**
Amortisation					
At 1 January 2014	286	-	2,633	17	2,936
Reclassification	-	127	-	-	127
Charge for the year	55	152	-	23	230
Impairment	-	-	-	593	593
At 31 December 2014	**341**	**279**	**2,633**	**634**	**3,887**
Net book amount					
At 31 December 2014	**1,037**	**2,765**	**-**	**0**	**3,802**

17 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 Group has a deferred income tax asset of TZS 112.9 billion as at 31 December 2015 (2014: TZS 139.7 billion). However, nothing has been recognised at the reporting date (2014: TZS 46.4 billion).

The deferred income tax recognised in the consolidated financial statements is made up as follows:

	2015 TZS 'M'	2014 TZS 'M'
At 1 January 2015	46,362	55,640
Prior period overstatement of tax losses	-	(9,278)
Debit to profit or loss	(46,362)	-
At 31 December 2015	-	**46,362**

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

	2015 TZS'M'	Movement TZS'M'	 TZS'M'	2014 TZS'M'
Accelerated capital allowances	283,557	174,040		109,517
Provision for bad debts	(15,110)	-	663	(15,773)
Bonus accrual	(2,195)	(372)	-	(1,823)
Accrual for other expenses	(13,489)	(5,304)	-	(8,185)
Provision for probable liability	(1,392)	(802)	-	(590)
Asset Retirement Obligation	(7,736)	-	-	(7,736)
Current income tax losses	(620,118)	(78,910)	-	(541,208)
Net deductible temporary differences	**(376,484)**	**88,651**	**663**	**(465,798)**
Deferred tax asset at 30%	**(112,945)**			**(139,739)**
				-
Less: Deferred tax asset not recognised	112,945	-	-	93,377
				-
Deferred tax asset recognised	**-**	**-**	**-**	**(46,362)**

17 DEFERRED INCOME TAX (Continued)

	2014	Movement		2013
	TZS'M'	TZS'M'	TZS'M'	TZS'M'
Accelerated capital allowances	109,517	(56,872)	-	166,389
Provision for bad debts	(15,773)	13,257	-	(29,030)
Bonus accrual	(1,823)	(1,823)	-	-
Accrual for other expenses	(8,185)	26,116	-	(34,301)
Provision for probable liability	(590)	(545)	-	(45)
Asset Retirement Obligation	(7,736)	(7,736)	-	-
Current income tax losses	(541,208)	(205,705)	41,251	(376,754)
Net deductible temporary differences	**(465,797)**	**(233,308)**	**41,251**	**(273,741)**
Deferred tax asset at 30%	**(139,739)**	**(69,992)**	**12,375**	**(82,122)**
Less: Deferred tax asset not recognised	93,377	69,992	(3,097)	26,482
Deferred tax asset recognised	**(46,362)**	**-**	**9,278**	**(55,640)**

18 INVENTORIES

	2015	2014
	TZS 'M'	TZS 'M'
Phones	1,542	584
Sim cards	732	2,513
NFC devices	441	-
Provision for impairment	(836)	(2,660)
	1,880	**438**

The inventories balances relates to modems and routers, mobile handsets, simcards and NFC cards.

19 TRADE AND OTHER RECEIVABLES

	2015 TZS 'M'	2014 TZS 'M'
Roaming debtors	4,228	5,879
Interconnect	9,436	13,519
Post paid	12,383	16,320
Site Sharing Debtors	18,002	16,165
Provision for impairment losses	(15,411)	(22,367)
	28,638	29,516
Prepayments	9,948	15,074
Receivables from related parties	42,713	35,302
Other receivables	24,007	25,227
Withholding tax receivable	95	63
	76,763	75,666
	105,401	**105,182**

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

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

	2015 TZS 'M'	2014 TZS 'M'
At 1st January	22,367	20,535
Provision in the year	-	1,832
Utilization/release during the year	(6,956)	-
At 31 December	**15,411**	**22,367**

20 CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents are made up as follows:

	2015 TZS 'M'	2014 TZS 'M'
Cash at bank	13,864	7,898
Restricted Cash at bank	13,069	7,556
Cash in hand	558	2,848
	27,491	18,302
Bank overdraft	(6,157)	(7,209)
	21,334	**11,092**

21 SHARE CAPITAL AND PREMIUM

The total authorised number of ordinary shares is 50,000,000 with a par value of TZS 1,000 per share. A total of 41,000,000 shares have been issued and fully paid, 60% owned by Airtel Tanzania B.V. and 40% by the Government of the United Republic of Tanzania.

	Number of shares '000	Ordinary shares TZS 'M	Share premium TZS 'M	Total TZS 'M
Authorised	50,000	50,000	-	-
Issued and fully paid	**41,000**	**41,000**	**8,755**	**49,755**

22 BORROWINGS

	2015 TZS 'M'	2014 TZS 'M'
Bank loan - Facility A (i)	-	103,869
Bank loan - Facility B (ii)	22,424	22,973
FMO loan - Bridge Facility (iii)	-	41,592
Barclays loan (iv)	15,118	-
Total bank loans	**37,541**	**168,434**
Shareholder's Loan	713,175	334,076
Accrued interest	98,968	54,676
Total borrowings	**849,684**	**557,186**

(i) Standard Chartered Bank Loan facility 1 - In July 2011, the Group entered into a long term credit facility agreement with Standard Chartered Bank Mauritius Limited (as the lender) and Standard Chartered Bank Tanzania Limited (as the agent). The credit facility amounted to USD 75 million attracting an interest rate of 3 months LIBOR plus 2.25% and is repayable annually until maturity. This loan was secured by Bharti Airtel International (Netherland) B.V. and all assets debenture of Group. This loan was fully liquidated during year 2015, hence had Nil balance as at the year end.

(ii) Standard Chartered Bank Loan facility 2 (EKN) – On 15 October 2013, the Group entered into a long term credit facility agreement with Standard Chartered Bank. The credit facility amounted to USD 18,798,209 attracting an interest rate of 6 months LIBOR plus 1% and is repayable at maturity on 30th October 2019 This loan is secured by Bharti Airtel International (Netherland) B.V. and all assets debenture of Group.

22 BORROWINGS (CONTINUED)

(iii) FMO Bank Credit Facility – In September 2011, the Group entered into a long term credit facility agreement with Nederlandse Financierings-Maatschappij Vood Ontwikkelingslanden N.V. (FMO). The credit facility amounted to USD 30 million attracting an interest rate of 6 months LIBOR plus 2.25%. This loan was secured by Bharti Airtel International (Netherland) B.V. and all assets debenture of the Group. This loan was fully liquidated during year 2015, hence had Nil balance as at the year end.

(iv) NBC Bank Tanzania and Barclays Bank Mauritius Limited: On 26th October 2015 the Group entered into a long term credit facility agreement with NBC Bank Tanzania and Barclays Mauritius Limited as lenders pursuant to which the lenders will grant the Group a loan facility of USD 50,000,000. The Group has thus far withdrawn USD 7 million out of the total facility and the disbursement was done by Barclays Mauritius. This facility has tenure of 5 years to 2020 with annual interest of 3.25%. Repayment of both principal and interest will be made quarterly.

(v) Shareholder's Loan – The shareholder's loan is denominated in USD and carries an interest rate of 6% of the outstanding principal amount, calculated as from the starting date on the basis of actual number of days elapsed (including the first day, but excluding the last day) over a year of 360 days.

The tenor of the loan is 7 years with payment moratorium period of 3 years starting from 8 July 2014 to 31 March 2016 inclusive. However, repayment of principal amounts is allowed at any time free of penalties.

The maturity of the borrowings is analysed as follows:

	2015 TZS 'M'	2014 TZS 'M'
Current	6,754	61,120
Non current	842,866	496,066
	849,620	**557,186**

The effective interest rate on the borrowings is 2.53% for Facility A, 1.02%; 1.73% and 1.63% for TZS 9.1b; TZS 11.9b and TZS 1.0b respectively for Facility B; 2.69% for the FMO facility and 3.25% for Barclays credit facility.

In the opinion of the Directors, the carrying amounts of term borrowings approximate to their fair values. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that the Directors expect would be available to the Group at the reporting date.

23 PROVISIONS

	Asset retirement obligation TZS 'M'	Probable liabilities TZS 'M'	Total TZS 'M'
At 1 January 2015	24,993	1,133	26,126
Provision for the year	4,234	259	4,494
At 31 December 2015	**29,227**	**1,392**	**30,620**
At 1 January 2014	22,303	1,311	23,614
Provision utilised	-	(178)	(178)
Provision for the year	2,690	-	2,690
At 31 December 2014	**24,993**	**(1,133)**	**26,126**

The probable liabilities relate to litigations for which the directors have assessed that the Group will probably incur the recognized costs.

The key assumptions used in determining the provisions are:
- Legal costs are as estimated by the Group's lawyers based on their professional experience.

24 TRADE AND OTHER PAYABLES

	2015 TZS 'M'	2014 TZS 'M'
Trade payables	26,839	36,206
Accrued expenses	301,457	276,416
Deferred revenue	24,148	23,735
Payables to related parties	102,418	70,638
Customers deposits	2,792	2,738
Interconnect payables	20,571	(663)
Roaming payables	338	464
Withholding tax payable	1,954	1,842
VAT Payable	1,997	4,413
Other payables	1,878	1,117
	484,390	**416,906**

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

25 BANK OVERDRAFT

	2015 TZS 'M'	2014 TZS 'M'
Standard Chartered Bank	6,157	7,209

The Group has an overdraft facility with Standard Chartered Bank Limited with an authorised limit of USD 5 million. The overdraft facility attracts interest at the rate of 2.48% per annum.

26 CASH GENERATED FROM OPERATIONS

	2015 TZS 'M'	2014 TZS 'M'
Loss before taxation	(297,882)	(166,195)
Adjustments for:		
Depreciation & Amortisation	113,038	102,857
Interest expense	46,211	30,862
Interest income	(354)	(233)
Operating (loss) before working capital	**(138,986)**	**(32,709)**
Changes in working capital		
Decrease in trade and other receivables	326	38,446
Increase in inventory	(1,442)	(437)
Increase in trade and other payables	71,978	32,062
	(68,125)	**37,362**

27 CONTINGENT LIABILITIES

Legal

As at 31 December 2015, the Group was a defendant in several lawsuits. The plaintiffs are claiming damages and interest thereon for the loss caused by the Group due to breach of contracts and unlawful termination of employment. The Group has filed counter-claims against the plaintiffs. The total amount claimed in the various lawsuits approximates TZS 243 million (2014: TZS 1,296 million). In the opinion of the Directors and Group'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 consolidated financial statements.

28 COMMITMENTS

(i) Capital commitments

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

	2015 TZS 'M'	2014 TZS 'M'
Network equipment	86,913	24,294

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

(ii) Lease commitments – Group as lessee

The Group leases various retail outlets, offices, sites and warehouses under non-cancellable operating lease agreements. The lease terms are up to five years, and majority of these lease agreements are renewable at the end of the lease period at market rates. In most of the leases, the Group is required to give a specific notice period for termination of these agreements. The operating lease expenditure charged to the profit or loss is disclosed in Note 10.

28 COMMITMENTS (Continued)

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:-

	2015 TZS 'M'	2014 TZS 'M'
Not later than 1 year	38,708	25,396
Later than 1 year and not later than 5 years	148,658	94,327
More than 5 years	97,599	35,146
	284,966	**154,868**

(iii) Lease commitments – Group as lessor

The Group has leased out sites and offices in HQ building under sublease arrangement under non-cancellable operating lease agreements. The lease terms are up to five years, and majority of these lease agreements are renewable at the end of the lease period at market rates.

The future aggregate minimum lease receivable under non-cancellable operating leases are as follows:-

	2015 TZS 'M'	2014 TZS 'M'
Not later than 1 year	35,984	23,725
Later than 1 year and not later than 5 years	143,937	89,508
More than 5 years	66,574	73,936
	246,495	**187,169**

29 RELATED PARTY TRANSACTIONS

The Group is controlled by Bharti Airtel Tanzania B.V., incorporated in Netherlands which owns 60% of the issued share capital. The Government of United Republic of Tanzania owns the remaining 40% of the issued share capital. The ultimate parent is Bharti Airtel, incorporated in Netherlands. There are other companies that are related to Airtel Tanzania Limited through common shareholdings and common directorships.

The following transactions were carried out with related parties:-

	2015 TZS 'M'	2014 TZS 'M'
i) Purchase of services and property lease		
Bharti Tanzania B.V. - Management services	15,428	15,565
Tanzania Telecommunications Group Limited – leased lines, site sharing, interconnect services and property	13,020	3,502
ii) Sale of services		
Tanzania Telecommunications Group Limited – site sharing, leased lines and interconnect services	3,742	2,384

29 RELATED PARTY TRANSACTIONS (Continued)

	2015 TZS 'M'	2014 TZS 'M'
iii) Loan received from shareholders		
Bharti Airtel Tanzania BV	295,010	100,607

iii) Outstanding balances arising from sale and purchase of services

Amounts due from related parties

	2015 TZS 'M'	2014 TZS 'M'
Airtel Burkina Faso S.A.	18	14
Airtel Tchad S.A	20	16
Airtel Congo S.A.	25	26
Airtel Congo (RDC) S.A.R.L.	2,672	-
Airtel Gabon S.A.	171	149
Airtel Ghana Limited	90	72
Airtel Networks Kenya Limited	14,943	12,097
Airtel Madagascar S.A.	344	302
Airtel Malawi Limited	4,292	2,501
Airtel Niger S.A.	96	83
Airtel Networks Limited - Nigeria	2,205	1,395
Airtel (SL) Limited	33	20
Airtel Uganda Limited	3,782	3,144
Airtel Zambia PLC	1,748	2,173
Airtel (Seychelles) Limited	0	14
Airtel Rwanda Limited	2,010	1,257
Bharti Airtel International (Netherlands)B.V.	52	8,417
Bharti Airtel UK	2,726	-
Bharti Airtel Limited	4,436	-
Airtel Mobile Commerce (Tanzania) Limited	3,048	3,622
	42,713	**35,302**

29 RELATED PARTY TRANSACTIONS (Continued)

Amounts due to related parties

	2015 TZS 'M'	2014 TZS 'M'
Airtel Burkina Faso S.A.	45	35
Airtel Tchad S.A	17	14
Airtel Congo S.A.	31	25
Airtel Congo (RDC) S.A.R.L.	7,024	3,778
Airtel Gabon S.A.	69	54
Airtel Ghana Limited	142	108
Airtel Networks Kenya Limited	9,344	7,858
Airtel Madagascar S.A.	1,006	998
Airtel Malawi Limited	11,060	6,789
Airtel Niger S.A.	16	13
Airtel Networks Limited - Nigeria	291	926
Airtel (SL) Limited	15	12
Airtel Uganda Limited	4,238	8,813
Airtel Zambia PLC	2,834	1,150
Airtel (Seychelles) Limited	1	1
Airtel Rwanda Limited	2,645	1,236
Tanzania Towers Limited	1	1
Bharti International Singapore Pte Limited	239	-
Bharti Airtel UK	3,481	-
Bharti Airtel International (Netherlands)B.V.	54,491	33,258
Network i2i Limited	5,427	5,571
	102,418	70,640
Shareholders loan	812,078	388,752
	914,496	**459,392**

iv) Key management compensation

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

	2015 TZS 'M'	2014 TZS 'M'
Salaries and other short-term employment benefits	**9,853**	**10,738**

iv) Directors remuneration

	TZS 'M'	TZS 'M'
Directors' fees	**101**	**36**

30 EVENTS AFTER THE REPORTING PERIOD

On 17th March 2016 Airtel Tanzania Limited entered into an agreement to sell its passive assets and share capital of Tanzania Towers Limited to American Towers Limited subject to regulatory approval. The passive assets are to be sold on a sale and leaseback agreement.