Vodacom Tanzania Public Limited Company Annual report
for the year ended 31 March 2020

We connect for a better future

The future is exciting.

Ready?

vodacom

Vodacom Tanzania's Annual Report 2020

This is Vodacom Tanzania's fourth annual report, and the third following our listing on the Dar es Salaam Stock Exchange on 15 August 2017.

This report provides an overview of our business, business model and operating environment, and reviews our strategy, operational and governance performance for the financial year 1 April 2019 to 31 March 2020. Our reporting process has been guided by the principles and requirements contained in the International Financial Reporting Standards (IFRS), the Dar es Salaam Stock Exchange PLC Rules 2016 and the Companies Act, 2002. Ernst & Young ('EY') assured our annual financial statements and has provided an unmodified opinion (pages 66 to 69).

The Board has applied its collective mind to the preparation and presentation of the information in this report. The Board believes that this report addresses all material issues and presents a balanced and fair account of the Group's performance for the reporting period, as well as an accurate reflection of our core strategic commitments. The directors have applied their judgement regarding the disclosure of Vodacom Tanzania's strategic plans, and have ensured that these disclosures do not place the company at a competitive disadvantage. The Board approved this annual report on 14 July 2020.

Signed on the Board's behalf.

Margaret Ikongo
Interim Chairperson

Hisham Hendi
Managing Director

Delivering societal value through our core purpose

Vodacom Tanzania's core purpose is 'connecting for a better future'. The United Nations Sustainable Development Goals (UN SDGs) provide the best articulation of what that 'better future' looks like, setting a clear long-term agenda to end poverty, protect the planet and ensure prosperity for all by 2030. Vodacom Tanzania is committed to playing its role, as a private sector company, in the attainment of these goals, supporting governments, communities, businesses and individuals to build a better future. Through our core business of providing increased access to reliable and accessible data, messaging, voice and mobile money services, we are making a valuable contribution to meeting national and global developmental objectives.

SUSTAINABLE DEVELOPMENT GOALS
1 NO POVERTY
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

Vodacom Tanzania has identified and prioritised the following eight Sustainable Development Goals, where we believe we can have the most meaningful impact.

3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
13 CLIMATE ACTION
17 PARTNERSHIPS FOR THE GOALS

Contents

Who we are

Vodacom Tanzania is Tanzania's leading communications company providing a wide range of services for consumers and enterprise including voice, data, messaging, financial services and Enterprise solutions to over 15.5 million customers.

Vodacom Tanzania listed on the Dar es Salaam Stock Exchange on 15 August 2017. Vodacom Tanzania and its subsidiaries (together 'the Group') are majority owned by Vodacom Group Limited, a company registered in South Africa, which in turn is majority owned by Vodafone Group PLC., a company based in the United Kingdom.

Why

Our purpose

To provide affordable access to the internet.

We connect for a better future

Digital Society
Connecting people and things to the internet

Inclusion for all
A digital future is accessible to all

Planet
Reducing our environmental impact

Where

Our vision

- To be a leading digital company that empowers a connected society.
- Connecting for a better future.
- To be the employer of choice (The best place to work)

How

Our way

- Earn customer loyalty
- Create the future
- Experiment - learn fast
- Get it done together

What

1 **Monetise data and digital opportunities**

2 **Accelerate customer growth through M-Pesa**

3 **Continued enhancement of our enterprise offering**

4 **Brand leadership. Retain and increase market share**

5 **Actively managing cost and process efficiency**

6 **People. Best talent, best practice**

The value we impacted

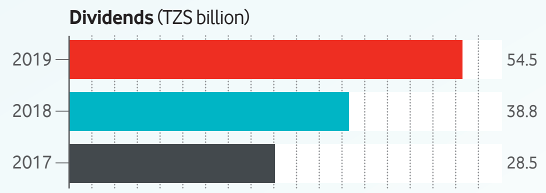
Financial performance

- +9.8% — **1.4** million — Customers
- +0.9% — **TZS1 024.9** billion — Service revenue
- +9.8% — **TZS180.8** billion — Mobile data revenue
- +7.4% — **TZS358.2** billion — M-Pesa revenue
- **TZS154.6** billion — CAPEX **15% of revenue**

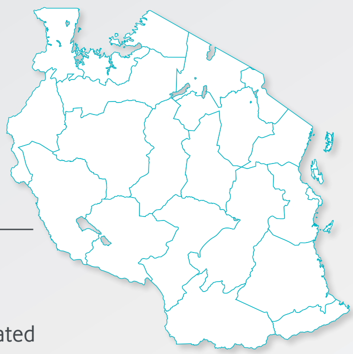
For our shareholders

TZS54.5 billion

paid in dividends to equity shareholders, making a total of **TZS121.8 billion** dividends in the past three years



For our customers



Facilitated communications to over
15.5 million
customers

Expanded our population coverage

4G	3G	2G
33%	59%	90%

of population

Extended our network: adding

- **460** – 4G sites
- **253** – 3G sites
- **201** – 2G sites

Financial inclusion to over
10.1 million
M-Pesa customers

Provided **TZS52.0 billion** in Songesha overdrafts to our customers

Rated **first** in customer Net Promoter Score ('NPS') with a 10-point lead

For our employees

TZS57.7 billion
spent on employees including training on skills development

Two health clinics conducted with
344 employees
undertaking voluntary health checks

In our community

TZS1.2 trillion

(2020: TZS435 billion, up 11.1%) cash contributions to public finances in taxes, levies, spectrum and regulatory fees over the last three years.

Actively support Government's rural coverage program with

217 sites

built over eight years.

TZS327.7 billion

spent on over 120 local suppliers and partner companies in Tanzania in 2020.

Over

TZS1.1 billion

on social investment expenditure, with over **13.5[1] million** direct and indirect beneficiaries across Tanzania.

Indirect employment provided to over

135 000[2]

Tanzanians.

1. Includes CSI activities executed directly through our customer base.
2. Includes freelancers and M-Pesa agents.

Responding to COVID-19

Delivering on our Social Contract

In alignment with the broader Vodacom Group, Vodacom Tanzania's Purpose is to **"Connect for a better future"**. As a technology company, we use our technology and communications services to connect people and enable businesses in an increasingly digital world. Enhanced communication improves quality of life, promotes efficiency and facilitates greater social inclusion by enabling the sharing of information between individuals, communities and businesses.

In delivering on this Purpose, Vodacom Tanzania has committed itself to a Social Contract, guided by three core principles:

To promote a **duty of care** to our customers through fairly priced and easy to use products delivered at high quality of service.

To ensure **fairness** and promote digital inclusivity, through enhanced access to digital products, services and infrastructure.

To demonstrate **responsible leadership** and innovation in driving the transformation to a digital society.

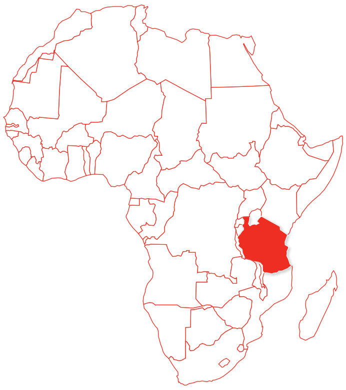
Our commitment to delivering on our Purpose and Social Contract is playing a critical role in informing our response to COVID-19. In responding to this global pandemic, we have implemented numerous measures to ensure the safety of our employees and contractors, to keep individuals, communities, businesses and Governments connected.

- We continued to invest in maintaining the resilience and quality of our network to ensure that Governments, businesses and citizens stay connected.
- We have harnessed the strength of our M-Pesa and financial services platforms to promote contactless payments.
- We have supported the Government directly by providing capacity and support services for critical Government functions, including:
  - Providing free fixed internet connectivity to a special Government task force, free data access to the National Institute of Medical Research, and unlimited data to all healthcare workers in dedicated COVID-19 centres.
  - Providing routers and data simcards to the Ministry of Health to enable free internet access and accelerate communication and activities.
  - Donating in-kind, a total of US$1 million (equivalent of TZS2.3 billion) through the Vodacom Tanzania Foundation to support Government's efforts in combatting the pandemic.
- We have zero-rated official Government websites with COVID-19 information, and we have activated an awareness campaign in collaboration with the Ministry of Health.
- We have facilitated work and life from home, and helping small and micro businesses with data allocations, modem devices, and training on work-from-home tools.
- We have provided free access to educational materials for students during schools' closures, including platforms such as 'Instant Schools' and 'Shule Direct'.
- We have educated citizens about COVID-19, transmitted more than 110 million SMSs to 15.5m customers on preventive health measures and zero-rated links to webpages with COVID-19 content.

These initiatives are underpinned by robust measures to ensure employee and contractor safety, ensuring that together we use digital technology to flatten the COVID-19 curve and connect for a better future.

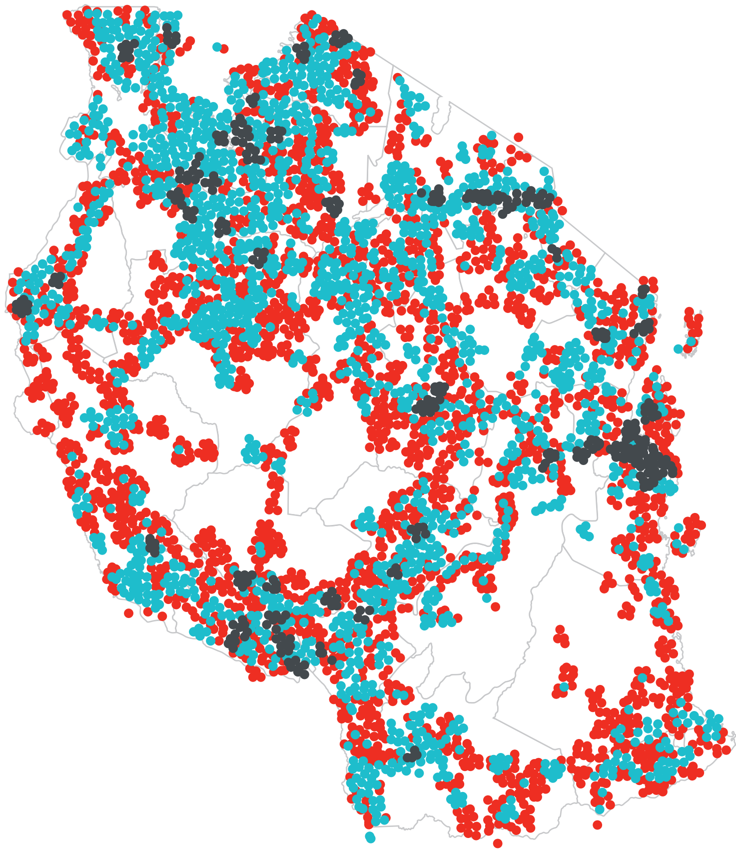
Vodacom Tanzania at a glance

Our network coverage



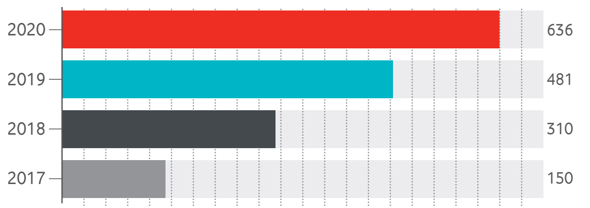
Sites

- 2G 3 226
- 3G 2 682
- 4G 1 321

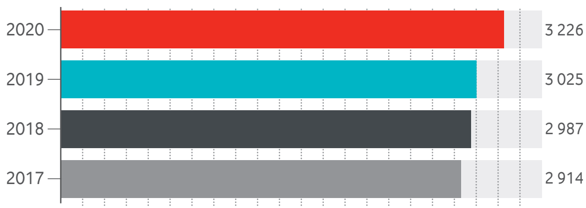


Empowering a connected society

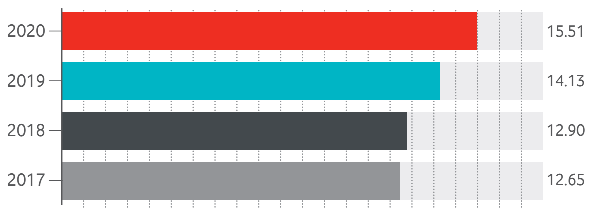
Cummulative 4 years CAPEX (TZS Billions)



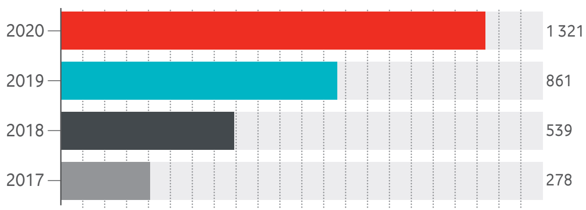
Total number of sites



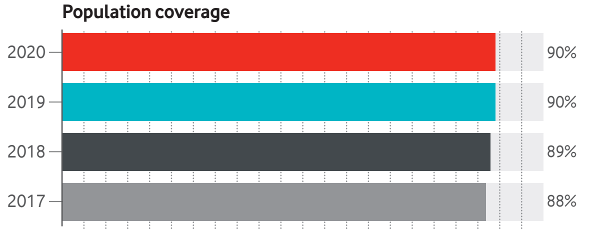
Customers (Millions)



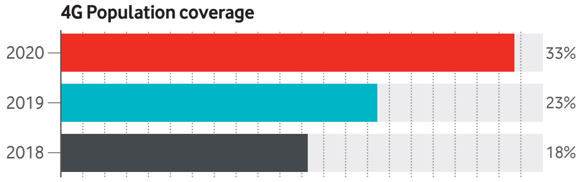
Total number of 4G sites



Population coverage



4G Population coverage



Our products and services

We have over 15.5 million active individual customers using our various products and services.

Consumer products and digital services

Voice	Mobile
Data	Mobile broadband, mobile internet, fibre, fixed
Messaging	SMS and social media applications
Value added services	Video on demand, music streaming, video streaming, music, sports, gaming, news, Advanced credit service
Customer care	Call centre, service-desks, Vodacom shops, self-care (My Vodacom app, USSD code), Digi-care (customer support through social media, website, WhatsApp and a Live Chat app) and customer alerts (flash messages)

M-Pesa

Deposits and withdrawal	through over 107 000 agents
Person-to-person transfers	in country and international money transfer (IMT)
Electronic payments platforms	Virtual M-Pesa MasterCard, Lipa kwa Simu merchant payments, Consumer to Business ('C2B'), Business to Consumer ('B2C') and Business to Business ('B2B')
Electronic payments platforms	M-Pawa savings account, M-Koba for group credit and savings, Halal Pesa savings account that abide to Sharia law and 'Songesha' M-Pesa overdraft

Enterprise

Mobile	Voice, internet, messaging, video
Connectivity	Wireless, Fixed-line, VPN, fibre, dedicated and shared internet
Managed mobility	Internet of Things ('IoT'); Corporate APN
Security, cloud and hosting	
Bespoke products and services	'Connected Farmer' or 'M-Kulima'; 'VodaShule', 'Connected education'.

Interim chairperson's review

This has been another challenging year from both market competition and regulatory perspective, and late in the year, COVID-19 pandemic brought profound risks.

Margaret Ikongo

Invested
TZS154.5 billion
in our network and IT infrastructure

Total spend
TZS2.3 billion
in supporting fight against COVID-19

The most significant challenge was the need to ensure compliance with the new customer registration guidelines, requiring the biometric registration of all customers, using a National Identification Number (NIN). The industry, together with the Tanzania Communications Regulatory Authority (TCRA) and the National Identification Agency (NIDA), launched country-wide awareness campaigns early in the year to ensure the registration deadline was met. This was a particularly difficult challenge given the low penetration of NINs across the country. As a result, 2.9 million customers were unfortunately barred from service in the last quarter of the year, of which we managed to reconnect 736 000. Before year-end, the COVID-19 pandemic presented diverse and profound new challenges. The TCRA has suspended further barring of customers due to the COVID-19 crisis.

The financial impact of complying with the new customer registration guidelines masks an otherwise sound operational performance and continued commercial momentum. We added 1.4 million customers, reaching a total of 15.5 million by year-end, maintaining our customer market leadership at 31.9%[1]. This was driven by on-the-ground commercial activities across the country and our significant investments in the customer registration process. More than TZS20 billion was spent to set up the registration platform as well as establishing a strong customer registration distribution network including the actual cost incurred to register customers biometrically.

Despite the continued regulatory pressure, we invested TZS154.6 billion in our network and IT infrastructure to ensure all customers benefit from superior services and network experience across the country. The 14.6% growth in data traffic reflects the success of the continued investment in our data network, the introduction of an affordable US$25 smartphone, as well as affordable data services. It has been particularly pleasing to see the expansion of our leading innovative financial services such as micro loans, international money transfer, merchant payments and, further interconnection with banks and other operators, offered through our mobile money platform, M-Pesa. We have 10.1 million customers using this service and continue to lead the industry with a customer market share of 37.2%.[1]

The outbreak of the global COVID-19 pandemic presents profound risks for our country, and our activities as a company. Our executives were quick to respond, taking proactive measures to ensure the safety of employees, business partners and customers, and doing everything that they could to ensure customers remain connected. One of the key risks remain is cyberattacks on the network, particularly

1. Tanzania Communications Regulatory Authority's quarterly communications statistics as at March 2020.

The 14.6% growth in data traffic reflects the success of the continued investment in our data network.

with employees working from home and the increase in the number of links onto the network. Nonetheless, our investments to strengthen the stability of the network have also served to mitigate this risk substantially. We have seen several opportunities emerge in terms of our network supporting the increased demand for digital communication, including over-the-top (OTT) services such as WhatsApp and meeting platform Zoom. This increased demand demonstrates the merit of our focusing to bring more people into the digital world.

In terms of emerging risks, the World Economic Forum's Global Risks Report 2020 highlights that geopolitical risk and economic confrontations, such as the trade war between China and the US over the past two years, are not likely to cease. As a company dependent on digital technology and global supply chains, this poses a risk for us. Although we saw progress late last year towards a 'Phase One' US-China trade deal, this remains an emerging risk that we will keep monitoring.

The regulatory environment remains challenging in Tanzania. In the past year various new regulations have emerged, with potential impact on mobile customers and mobile financial services. These risks will remain high on our dashboard as a Board, and we will maintain strong engagement with our regulators and other stakeholders.

In my few months as interim chairperson, it has been pleasing to see the positive commentary from regulators and government officials on the quality of Vodacom Tanzania's relationships with its stakeholders, which I believe is driven by the Company upholding high integrity.

My role as Interim Chairperson of the Board of Directors is to ensure that, as a Board, we provide an effective stewardship function, overseeing the Company's performance and strategic direction and ensuring that the executive team fulfils its fiduciary and societal responsibilities. Prior to taking up the position of Interim Chairperson, I was Chairperson of the Audit and Risk Compliance Committee, with a professional background in insurance and risk management. This has enabled me to fulfil my task of providing governance, compliance and risk management oversight, at a time when the industry is heavily regulated. I believe that we are fortunate to have a Board that brings the diversity in skills, experience and perspective needed to maintain a strong culture of accountability, along with the leadership and oversight to ensure stakeholder objectives are met. Operationally, we have had a good year and our Board committees have functioned well in providing leadership to the management. Our change of external auditor with the appointment of Ernst & Young has also gone smoothly.

The business environment remains very competitive and while certain competitors are competing purely on price, Vodacom Tanzania remains focused on delivering great value to customers by providing a superior customer experience through our significant and sustained investment in the network. We will remain the leading brand in terms of innovation and market leadership and will bring more people into the digital world, increasing the number of customers using our mobile money services, expanding on our enterprise services, focus on cost containment, as well as maintaining the widest and most consistent network coverage. Investing in our people to ensure they remain fit for purpose, is a key part of achieving this. We will continue to empower our customers to solve their own problems through our various self-care channels, and they feel that we are a valuable partner to them.

Our investment in the network continues to provide us with a competitive edge and enables us to fulfil our obligation to use the 700 MHz spectrum that we acquired in an auction two years ago with a commitment to increase 4G coverage. We will continue to work with the Government in implementing effective COVID-19 pandemic response measures. The Vodacom Tanzania Foundation, known for its community investment work, was quick to respond with a TZS2.3 billion donation to support government's efforts.

It has been a privilege serving as the Interim Chairperson of the Board, a role that I took on following the resignation of Mr Ali A. Mufuruki, effective from 1 December 2019. I was very saddened to hear of his subsequent passing; he was a great leader with high integrity and passion, and he is sorely missed.

On behalf of the Board, I wish to express our appreciation to the Vodacom Tanzania executive team and all of the Company's employees for their dedication during these very challenging times to ensure our customers remained connected. I would like also to thank Hisham Hendi for his dynamic leadership of the Group, making well-guided decisions and producing a solid performance. I wish also to express my appreciation to all the Directors that have given me support since I assumed the role as interim leader.

Margaret Ikongo
Interim Chairperson
14 July 2020

Managing director's review

This year we delivered a solid operational performance that resulted in continued commercial momentum, as evidenced by our maintained customer market leadership of 31.9%[1]. We invested TZS154.6 billion in network and IT infrastructure to ensure that all customers benefit from superior services and network experience across the country. This saw 1.4 million customers join Vodacom Tanzania's leading network, an increase of 9.8% to 15.5 million customers[2], enjoying access to a wide array of financial and digital services, despite intense regulatory and competitive pressure.

Hisham Hendi

We are pleased with the success of the initiatives taken during the year to ensure compliance with the new customer registration guidelines. We spent more than TZS20 billion to set up the registration platform as well as ensuring there is a strong customer registration distribution network in place, with over 35 000 service points established across the country. As at 31 March 2020, three quarters of our customer base was biometrically registered. A total of 2.9 million customers were barred in the last quarter of the year, of which 736 000 customers were reconnected, while 2.5 million customers remain non-biometrically registered in accordance with the guidelines. The Tanzania Communication Regulatory Authority (TCRA) has temporarily suspended barring in response to the COVID-19 pandemic.

The financial impact of complying with the new customer registration guidelines conceals our otherwise sound operational performance. This is evident in the slowdown in service revenue in the second half of the year, as well as increased compliance costs, resulting in service revenue growth of 0.9% (1.8% excluding the impact of mobile termination rates), led by demand for M-Pesa and data. This has been achieved through consistent and effective execution of our strategy.

Successful execution of our strategy

We delivered relatively strong revenue growth in our key strategic focus areas, with mobile data and M-Pesa revenue growing by 9.8% and 7.4% respectively.

We continued to provide a superior data experience to our customers across the country and help bridge the digital divide through sustained investment in our network infrastructure, offering low-cost smartphones, as well as affordable data services. During the year, we added 460 4G sites and 253 3G sites across the country and introduced an affordable (US$25) 'Smart Kitochi' smart-feature phone that provides many customers with the ability to access an enhanced data experience. This has led to mobile data traffic growth of 14.6%, with significant growth coming from 4G traffic.

COVID-19 impact and our response

The COVID-19 pandemic, which gained momentum in early 2020, caused unprecedented turmoil globally, shutting down entire sectors of economies, disrupting supply chains, and placing many people out of work. We saw a significant impact in particular on the hospitality and tourism industry in Tanzania and a further softening in economic growth, with a general reduction in consumer spend. While the country did not introduce a lock-down, the imperative of social distancing, the closure of schools and the general slowdown in day-to-day activities as people were encouraged to work from home, had both positive and negative business impacts. We also saw some opportunity from businesses working from home with a slight increase in demand for internet solutions.

We were one of the first companies to request office-based staff to work from home, implementing robust measures to ensure employee safety, digital connectivity and maintaining business viability. Through the Vodacom Tanzania Foundation, we donated a total of TZS2.3 billion to support government's efforts to combat COVID-19. We delivered an awareness campaign in partnership with the Ministry of Health providing free SMS services on COVID-19, zero rated various official government websites with COVID-19 information and provided special data packages to health care workers. Our main focus was to ensure our customers stay connected, and that organisations in both the private and public sector continue to operate efficiently whilst working remotely.

1. Tanzania Communications Regulatory Authority's quarterly communications statistics as at March 2020.
2. Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming. There were 11.9 million customers who generated billable transactions during the month.

An important part of our strategy was the launch of attractive data bundles that had significant uptake, combined with our partnership-led smartphone campaigns, and our focus on youth and high value customer segments. We continued to deliver on strong network quality by modernising our network and investing in capacity upgrades along with strong resilience planning.

Our mobile money service, M-Pesa, continues to deliver on its promise of financial inclusion, empowering customers to transact easily and contributing to economic growth. We have 10.1 million customers[3] using this service, processing 1.4 billion transactions worth TZS58.1 trillion in the mobile money system during the year. We expanded the ecosystem with more services such as micro loans, international money transfer, merchant payments and further interconnection with the banks and other operators. Our overdraft product known as 'Songesha' progressed very well and extended nano or small loans of up to TZS70 000 to 5.3 million customers, with facilities of TZS52.0 billion provided during the year. We are planning to expand the overdraft service to our M-Pesa agents. We saw a double-digit revenue growth from our International Money Transfer (IMT) services, in partnership with TerraPay and WorldRemit. Our IMT customers across East Africa can now send and receive money through M-Pesa. We received a total of TZS115.6 billion across the portfolio and remitted TZS48.6 billion within East Africa.

Our enterprise business delivered good growth, primarily in our mobile and fixed line services, as well as our cloud hosting solutions. We explored new futureproof Internet of Things (IoT) platform that will enhance the delivery of IoT solutions to our customers. We built and commercialised our bespoke products in partnership with Mezzanine. Our 'Connected Farmer' product is transforming the agricultural landscape with 10 000 farmers joining during the year. Our 'connected education' platform and 'VodaShule', has simplified school operations and payments.

In this highly competitive environment, it was very pleasing to see that, we remain the preferred network service providers as evidenced by the lead in net promoter score (NPS). This year we achieved an NPS score of 53pts, ending the year with a 10-point lead over our closest competitor. This continues to reflect the quality of our network and M-Pesa mobile money platform, the impact of our 'value for money' promotions, and the strength of customer engagement initiatives.

We have continued to place a strong emphasis on attracting and retaining the best local talents. During the year, we appointed four new local directors, increasing the local representation of our executive committee members to 69%. As part of our digital transformation, we established a new department that focuses on digital innovation. With the intense regulatory pressure, we invested in strengthening our compliance and governance functions to mitigate existing and emerging risk.

We maintained our focus on embedding agile structures, principles and tools across our operation. To augment our Purpose of connecting to a better future, we launched the Spirit of Vodacom to staff aimed at further embedding a customer-centric culture that drives innovation and partnerships.

Towards the end of the year, we partnered with Smart Lab, an experienced player in the start-up domain, that will manage and oversee our Digital Accelerator programme. We believe this is a strategic move that will help grow more than 1 000 start-ups into profitable revenue-generating businesses through integration into our mobile money system and developing them into relevant applications for the Tanzanian consumer. We invested over TZS350 million for the first year of the programme and have so far short-listed 15 start-ups that will re-define their products and services under the guidance of industry mentors.

A tough operating environment

Our pleasing performance has been achieved in the context of intense regulatory pressures, a highly competitive market environment, and a softening in economic growth with a general reduction in consumer spend. We operate in a highly competitive environment that has one of the lowest data prices in Africa. This competitive landscape is characterised by very aggressive pricing, with some operators appearing to be driving short-term customer growth at the expense of longer-term sustainability.

One of the major impacts this year was the TCRA's new customer registration guidelines, which requires that customer SIM Cards are biometrically registered using a National Identification Numbers (NINs). This process commenced in May 2019, with base re-registration initially required by December 2019, with an extension to January 2020.

Another regulatory challenge relates to new SIM Card registration regulations that impose limits on SIM Card ownership effective from 1 July 2020. Customers may not be allowed to own and use more than one SIM Card from each mobile network operator for voice, SMS and data services, with ownership of additional SIM Cards requiring the regulators' approval. We continue to engage with the TCRA with the aim of automating the approval process for additional SIM Cards for customers.

From an M-Pesa perspective, the Bank of Tanzania published new regulations on consumer protection. These set out a range of new consumer protection measures and various restrictions for financial service providers, including banks, mobile operators and electronic money issuers. We continue to engage with the central bank through the Mobile Association of Tanzania to get clarification on the applicability of the regulations.

Our strategic outlook

Looking ahead, we expect that our continuous engagement with the TCRA and National Identification Authority (NIDA) will enable us to reconnect barred customers over the short to medium term, as well as accelerate the biometric registration of the remaining customers.

We will retain our focus on delivering great value to customers by offering relevant products and services to our customers supported by affordable smartphones as well as our continuous investment in the network. We have revamped our digital services with the aim of providing customers with more services through digital platforms and build a diverse revenue stream. We will continue to accelerate our digital transformation journey through various additional service offerings. The COVID-19 pandemic has accelerated our digital transformation plans to a large degree.

3. M-Pesa customers are based on the number of unique customers who generated billable transactions in the last three months. There were 6.7 million customers who generated billable transactions during the month.

Managing director's review
continued

Our M-Pesa platform provides significant opportunities for further growth, particularly as we extend M-Pesa beyond traditional business to include enterprise, financial services and mobile commerce. We will continue to prioritise financial inclusion through our mobile money platform by offering more M-Pesa services to our customers. We will build on our leading market presence and platforms, and harness the opportunities associated with emerging technologies such as machine learning and artificial intelligence.

Enterprise will be a big focus in the year ahead. We aim to bring our IoT solutions to life by partnering with different institutions. We will continue to build on and commercialise on our bespoke products, with 'Connected Farmer' remaining one of our key priority areas aimed at digitising agriculture in Tanzania in partnership with the Minister of Agriculture.

We will leverage on our new digital accelerator program to maintain our leadership in innovation space through strengthening our partnerships and support for innovators across the country who have some exciting innovative ideas but lack the means to transform them into successful businesses.

These growth initiatives will be underpinned by activities aimed at maintaining our strong brand and driving operational efficiencies and ensuring that we have the right skills, capabilities and culture to achieve the Group's vision of being a leading digital company.

The COVID-19 pandemic is expected to impact the local economy and could reduce customer spend. The magnitude of the impact depends on future developments, most of which cannot be anticipated. We will continue to monitor the impact on our business, while playing a critical role in supporting the government and our customers, ensuring that we manage to pass this challenging period.

Acknowledgements

In closing, I wish to thank my colleagues on the Board, the executive team, all staff across the company for their support, advice and commitment. I also wish to express my sincere gratitude to the late Ali A Mufuruki, our previous Board Chairman for his commitment and leadership. It has been an incredible privilege serving in my second year as the Managing Director of Vodacom Tanzania. I look forward to some exciting years ahead as we work together to realise the Company's significant potential to deliver on our Social Contract to our various stakeholders, and lead Tanzania into the digital age.

Hisham Hendi
Managing Director
14 July 2020

Our business model

What we do

We secure access to spectrum, invest in mobile and fixed networks and information technology (IT), develop and distribute products and services tailored to our market segments, and run a strong customer care and brand programme.

These activities enable us to ensure revenue growth and high levels of cash generation, which is used to reinvest in the resources and relationships we rely on to do business, and to deliver on our core purpose: connecting for a better future.

Our value chain activities

Spectrum, network and IT infrastructure

Most of our communication services depend on accessing spectrum, which we strive to secure at a competitive price through auctions, proactive engagement with government and the regulator, and/or through partnerships with, or acquisitions of, existing spectrum rights-holders. The limited availability of radio spectrum is one of the key challenges facing the sector in Tanzania, especially for the provision of 4G services. Over the past three years, we have invested over TZS485.0 billion in expanding and upgrading our network infrastructure; we now have the largest nationwide data network in the country with 4G coverage across the regions.

Procurement activities

We manage a significant supplier landscape with total procurement spend in 2020 of TZS460.7 billion. We leverage off the global purchasing power and responsible procurement practices of the Vodafone Procurement Company (VPC), enabling the purchase of responsibly manufactured network equipment on favourable terms. This year 23.5 % of purchases (TZS108.1 billion) were processed through VPC. We balance the benefits of global purchasing with our commitment to promoting economic opportunities in Tanzania by promoting local procurement when feasible and appropriate. Over 71% of total procurement spend (amounting to over TZS 325 billion) was on local suppliers.

Product and service development

We are constantly developing new products, services and pricing models, informed by our segmented customer approach that caters for each customer's needs, wants and behaviours in both the consumer and enterprise markets. We place a strong emphasis on protecting customer privacy, and on mitigating the risk of data theft or loss. We are implementing the 'agile' methodology across various departments to ensure we respond faster in a constantly changing environment. We harness the power of machine learning (ML) and Customer Value Management (CVM) platforms to deliver personalised offers to our customers popularly known as "Just For You" offers.

Customer service

Providing the best customer experience, and instilling a 'customer first' attitude, is a key strategic priority and an important source of market differentiation. We seek constantly to deepen our understanding of customers and their needs, and to provide targeted product and service offerings. Our ambition is to provide a seamless, personalised, one channel, digital customer experience, with exceptional customer service our primary goal.

Sales and distribution

We use various sales and distribution channels including wholesale distributors, retailers, franchise stores, direct sales partners, street vendors and informal resellers. We have the largest retail footprint in Tanzania, with over 445 nationwide retail points, more than 28 000 freelance distributors and 107 000 M-Pesa agents. This retail network is further supported by direct sales forces, independent dealers and agents, franchises, informal distribution channels and a nationwide network of wholesale channels.

Connecting for a better **future**

Managing our brand and reputation

We build a brand with purpose, developing and maintaining a reputation as a company that is working to connect for a better future, and that shows leadership in promoting broad-based societal transformation. We communicate our service offerings and maintain our strong brand presence through our marketing and brand strategy. The iconic Vodacom brand is an important driver of purchasing decisions for consumers and enterprise customers. External reputation surveys show Vodacom is consistently one of the most recognised and trusted brands in Tanzania. Our NPS leadership proves our brand strength.

How we create value

We generate profit by efficiently utilising our network and mobile payment system to provide our customers with valued telecommunications and mobile financial services.

Our competitive differentiation lies in the reach and quality of our network premised on strong investment, our strong distribution channels, the nature of our products and services, the quality of the relationships we have with key stakeholders, our proven ability to manage our cost base and the strength of our brand.

Our revenue

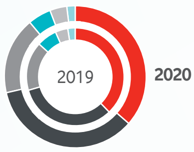
Most of our revenue comes through selling mobile telecommunication services to 'prepaid' customers, as well as fee income from providing mobile financial services to both consumers and merchants. The balance of our revenue is generated from various other products and services that we sell across both our consumer and enterprise customer bases. We focus investment across our key strategic drivers – data, M-Pesa, and enterprise – which are expected to yield strong growth, combatting the decline of our more mature and traditional revenue streams, such as mobile voice.

Key revenue differentiators

- Strong globally recognised and established brand with strong reputation across Tanzania.
- Leading and most reliable mobile finance service offering (M-Pesa), supported by a world-class payment platform.
- Superior network with extensive voice and data coverage, and state of the art technology.
- Largest retail footprint in Tanzania's telecoms sector.
- Leading provider of communications services to the large enterprise market in Tanzania.
- Effective use of machine learning and CVM platforms for personalised offers to customers to better suit their needs and behaviours.
- Ability to leverage off our relationship with Vodacom and Vodafone, driving global best practice in performance.
- Best-in-class customer service support systems.

Group service revenue

	2020	2019
Mobile voice revenue	**36.4%**	37.9%
M-Pesa revenue	**35.0%**	32.8%
Mobile data revenue	**17.6%**	16.2%
Mobile incoming revenue	**5.2%**	6.5%
Messaging revenue	**4.1%**	4.1%
Other service revenue	**1.7%**	2.5%

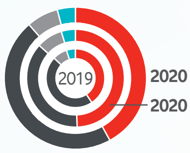


Our costs

We have a strong track record of optimising expenses and converting revenue into cash flow. We have achieved significant results by instilling an improved culture of cost containment across the business through our 'Fit-for-growth' programme. Over the years we have delivered considerable cost savings by enhancing efficiencies in network operating expenditure, renegotiating contracts in billing and IT areas, optimising publicity and distribution spend, as well as delivering a leaner, more efficient business through organisational restructuring. Our resulting strong cash flow helps us to maintain a high level of capital re-investment, primarily in our network infrastructure to maintain our leading position in network coverage, call quality and strong data speed. We continue to allocate investments to directly support commercial strategies, such as projects that enhance our customers' experience.

Key cost differentiators

- Leveraging global best practice on cost optimisation through our 'Fit-for-growth' programme.
- Benefitting from the purchasing power of the Vodafone Procurement Company (VPC).
- Continuously upgrading and modernising our network to deliver improvements in operating costs through more efficient technologies and network innovation.
- Robust governance processes for approving new or revised products and investments.



Group total expenses composition

	2020[1]	2020	2019
Direct expenses	**42.0%**	**49.7%**	40.8%
Other operating expenses	**46.8%**	**37.2%**	46.3%
Staff expenses	**7.3%**	**8.6%**	8.0%
Publicity expenses	**3.9%**	**4.6%**	4.9%

1. Normalised with IFRS 16 impact. For the twelve months ended 31 March 2020, the application of the new IFRS 16 standard resulted in reduction of other operating expenses by TZS121.2 billion as a result of not recognising operating lease expenses.

Our investment case

Despite the volatile regulatory environment and continuous competitive pricing pressure, we continue to see significant opportunity for sustained revenue growth, by protecting and growing traditional service of voice, data and messaging, as well as driving M-Pesa adoption and ecosystem expansion, building on our existing well-established differentiators.

- Tanzania has a young, growing population with significant scope for further digital adoption, in both telecommunications and mobile financial services.
- We are the leading mobile operator in Tanzania, with over 90% voice population coverage, most preferred service provider and the largest mobile money network.
- With the best data network across the country, we are best placed to benefit from growing smartphone penetration and increasing mobile data uptake.
- Opportunities in expanding M-Pesa service ecosystem places Vodacom at the most advantageous position to seal and continue its leadership in mobile financial service provision generating revenue while ensuring best experience and security to customers.
- Our investments in strong machine learning and customer value management systems positions us at the lead in provision of customized offers growing revenue and reducing price competition impact.
- Market consolidation – achieved through merger-integration or through the failure of unprofitable operators – is inevitable over the long-term; we have strong cash flow generation and a robust balance sheet to support further strategic investments.
- We are part of the Vodafone group, globally recognised for their leadership in mobile financial services and innovative digital services in emerging markets.

How we sustain value

Investing in the resources and relationships (five capitals) that impact on value

	Key inputs (2020)	Activities to sustain value
People, culture and governance (Human and intellectual capital)	• 551 (2019: 548) employees. • Experienced and diverse executive team and strong Board. • An agile, performance-based, purpose-led company culture. • Robust governance systems. • Service providers delivering on agreed terms.	• Competitive remuneration and personal development opportunities . • TZS1.0 billion (2019: TZS0.7 billion) invested in employee training and leadership development, including upskilling employees for digital transformation. • Implemented agile business processes across business units. • Continuous engagement plan with employees to ensure strong understanding of strategy and consistent delivery on targets. • Establishment of a stand-alone risk and compliance department. • Sustained focus on diversity, health and safety. • Continued commitment on building our reputation as a quality employer.
Quality relationships with key stakeholders (Social and relationship capital)	• 15.5 million customers ↗ 9.8% year-on-year • Constructive engagement with regulators. • Investors' confidence. • Positive supplier relationships. • Trusted brand and reputation.	• Continued investment in ensuring network and IT quality, strong positive customer experience and support, and segmented products and services. • Engaged actively with regulators, pursuing full compliance and driving a societal contribution. • Actively participating in government's rural coverage agenda. • Regular investor communication. • Delivering societal value through connectivity and digital services in areas such as inclusive finance, education, health and agriculture. • Strong governance processes.
Network and IT infrastructure (Manufactured capital)	• Total Base stations: 3 226 (2019:3 025) ↗ 6.6% • Self-provided fibre: 1 715km (2019: 1 319) +23.1% ↗ • Investment in network TZS154.6 billion (2019: TZS171.4 billion) ↘	• Maintaining our network and IT leadership through targeted capital investment • Network and IT systems upgrading and modernisation programmes. • Further enhancement of IT and related systems and processes to support machine learning analytics and cyber security.
Financial capital	• TZS1 904 billion market capitalisation ↗ 6.3% • TZS61.6 billion free cash flow ↘ 46.4% • TZS31.1 billion treasury bills interest earned ↗ 67.0%	• Diversifying revenue growth areas. • Employing smart capex deployments. • Maintaining strong corporate governance structures and finance team. • Realising benefits of purchasing power on network equipment, devices and opex through Vodafone Procurement Company. • Leading in application of Artificial Intelligence and CVM to increase revenues and optimise costs.
Natural resources (Natural capital)	• Radio spectrum (700, 900, 1 800, 2 100, 2 600, MHz bands for Mobile & 3 500 for Fixed 4G). • 16.0GWh electricity ↗ 5.7% • 44 335 kl water used ↘ 1.2% • 1 142 million litres fuel ↗ 34.1% • 20,197 tons of total GWP of refrigerants and fire suppressants held ↗ 10%	• Strong focus on energy efficiency in our network. • Recycling handsets and network equipment. • Identify opportunities to use IoT to promote resource efficiency, for example through smart metering and car tracking.

Outcomes of our activities (2020)	Trade-offs
Maintained employee motivation, skills and diversity through: • TZS57.7 billion invested in wages and benefits. • Enhanced communication channels. • 41.2% female representation in senior management. **Evidence of staff satisfaction:** • Top Employer award in the past four years in a row. • 6.7% staff turnover (2019: 8.9%). **Health and safety performance:** • No work-related fatalities for past eight years. • Zero Lost-time injury frequency rate. • Rapid proactive COVID-19 response. • Strong progress on staff wellbeing with over 380 employees registered in 'clubs'.	Investing in attracting, retaining and developing the best talent is one of the most significant costs to our business, impacting short-term financial capital, but generating longer-term returns in all capital stocks. Our commitment to driving a digital company, and effectively harnessing the role of Artificial Intelligence (AI), may result in pressure on some existing traditional job functions, but raising opportunities in new roles. Balancing efficiency gains (improved financial capital) against the human and social costs of job cuts is a persistent potential trade-off.
Positive customer relations • Leader in customer market share and net promoter score (NPS) with 10 points gap to the nearest competitor. • Increase in customers despite challenging operating environment. **Generally positive government relations, aided for example by:** • TZS1.2 trillion total cash contribution to public finances over the last three years. • Total of 217 Universal Communications Access Fund (UCSAF) sites built in past 8 years. • Enabled financial inclusion to over 10.1 million M-Pesa customers. • Rapid proactive response and compliance to biometric registrations. • Rapid proactive COVID-19 response.	Maintaining quality relationships across all stakeholders may require trade-offs in certain relationships as we balance competing stakeholders' interests. Investing in biometric-based SIM Card registration devices required significant short- and medium-term financial capital inputs, but enables us to meet regulatory requirements, maintain customers, and generate positive returns over the longer-term.
Positive results in most areas • 201 new 2G sites. • 253 new 3G sites. • 460 new 4G sites. • Smarter personalized offers deployment through use of Artificial Intelligence.	Investing in building and maintaining our infrastructure requires significant financial capital, and appropriate levels of human and intellectual capital, as well as certain natural capital inputs and outcomes. An extensive network is a key basis for bridging the digital divide and sharing the substantial social benefits of digital connectivity. As a purpose-led organisation we have committed to reducing the environmental impacts associated with our network infrastructure and services. An important trade-off is balancing the customer and regulatory calls to reduce prices and enhance quality, with the need to generate the financial capital needed for network investment.
• Service revenue up 0.9% to TZS1 025 billion. • EBITDA down -15.6% to TZS243.5 billion. • Cash generated from operations: TZS107.4 billion. • Total dividend per share declared in 2019: TZS24.31.	There is an important trade-off between the short-term interests of certain investors and other interest groups that seek to maximise short-term gains in financial capital, with our longer-term growth objectives that require investment of financial capital. Finding the right balance in these trade-offs between the short-term and long-term – and in different associated stakeholder interests – is a key focus in our strategic decision-making.
• 0.004 tonnes CO_2 emissions from electricity usage. • 2,381 tonnes of total GWP refrigerants and fire suppressants replenished • Increase in energy consumption during transition period when modernised cloud and legacy technologies were run concurrently. The cloud project is expected to significantly reduce energy consumption in future.	Using and impacting natural resources – which also sometimes negatively affects human and social capital – is a key trade-off for generating value across the other capitals. As part of being a purpose-led company we are committed to minimizing the environmental impacts of our operations and activities, and to realizing the significant potential for digital products and services to deliver positive environmental outcomes.

Our operating context

As a leading telecoms company in a rapidly developing market in East Africa, we face a dynamic operating context that presents both business challenges, as well as valuable commercial opportunities.

This year, we have identified four broad trends in the external operating context that had a material impact on our business. Our five strategic commitments have been developed to ensure that we are best positioned to manage the risks and realise the opportunities associated with the external operating context.

The COVID-19 pandemic

- The COVID-19 pandemic, which gained momentum in early 2020, caused unprecedented turmoil globally, shutting down entire sectors of economies, disrupting supply chains, and placing many people out of work.
- The imperative of social distancing heightened the role of the telecoms industry in supporting citizens and businesses to connect and function under extreme circumstances.

Our response

- Robust measures were implemented to ensure employee safety and maintain business viability. All our office-based staff were allowed to work from home since the last week of March 2020 to uphold safety of employees and their families against COVID-19 pandemic. This was possible following years of investing in employees' self-driven culture and robust digital connectivity to support and maintain business continuity. As an essential service we maintained only certain critical roles necessary to work from offices or designated working spaces, while increasing hygiene measures.
- In order to keep Tanzania connected during the crisis, we took various action plans and implemented specific initiatives to ensure we maintain the level of service expected by our customers.
- Provided SMS awareness messaging on preventative health measures to over 15 million subscribers.
- Free-rated a number of government and health sites in order to keep people informed about the pandemic.

A challenging regulatory environment

Government policy and regulatory decisions have a significant direct and indirect impact on our activities and operating environment. Given the important role the telecoms sector plays in a country's development, we are subject to a high level of regulatory scrutiny and extensive legislative requirements. In 2020 we saw significant regulatory and policy developments from our two major regulators: The Tanzania Communications Regulatory Authority (TCRA) for GSM services, and the Bank of Tanzania for financial services. These included:

- **SIM Card registration:** On 1 May 2019, the Tanzania Communication Regulatory Authority (TCRA) issued new customer registration guidelines, directing the biometric registration of SIM cards, using the National Identification Number (NIN) issued by the National Identification Authority (NIDA), as the only accepted identification. The TCRA required eKYC registrations to stop and extended the deadline for biometric re-registration from 31 December 2019 to 20 January 2020. Vodacom Tanzania has continuously engaged with the TCRA to ensure compliance. Together with the industry, in association with the TCRA and NIDA, we launched country-wide awareness campaigns to drive biometric registration.
- **The Bank of Tanzania (Financial Consumer Protection) Regulations 2019** The Bank of Tanzania published new regulations on consumer protection on 22 November 2019. These regulations set out a range of new consumer protection measures and various restrictions for financial service providers including banks, mobile operators and electronic money issuers such as M-Pesa. Vodacom Tanzania PLC and other mobile operators through the Mobile Association of Tanzania, are engaging with the Bank of Tanzania to get clarifications on the applicability of the regulations.

Implications for our strategy

- Maintaining proactive relations with government and regulators, informed by a shared understanding of the need for inclusive economic development.
- In order to remain compliant with registration requirements, we will continue investing in distribution channels' compliance awareness training and provision of necessary equipment for compliance on customer registration.
- Strengthened focus placed on ensuring robust governance processes and strong management of regulatory compliance, including the introduction of a dedicated 'Risk and Compliance' directorate.
- Accelerated focus on implementing our Social Contract initiatives, democratising data access, and providing inclusive digital and financial services.

A highly competitive environment driving unsustainably low pricing

- Mobile network operators have been more aggressive in seeking competitive differentiation. Tanzania is one of the most competitive markets in Africa, with more than seven licensed mobile network operators. The top four operators cover over 95% of the market share.
- This competitive landscape is characterised by very aggressive pricing, with some operators appearing to be driving short-term customer growth at the expense of long-term profitability leading to one of the lowest effective voice and data prices in Africa.
- Over-the-top (OTT) services (such as WhatsApp) are prevalent and growing, negatively impacting messaging and voice revenue, partially offset by an increase in data revenue.

Implications for our strategy

- To ensure that we compete effectively and continue to deliver a differentiated customer experience, we have maintained a strong focus on ensuring reach and quality of our network, expansion of products' portfolio, customized offers through CVM, the quality of our customer care, the pricing and nature of our services and devices, and our strong brand reputation. This is evidenced by our sustained leadership in customer service NPS.
- The strengthened competitive environment highlights the importance of remaining agile, and of identifying and realising opportunities for innovation. We continuously monitor existing and new competitors, and explore opportunities for innovative partnerships, including a potential consolidation within the sector.

A further softening in economic growth and increasing pressure on consumers

- Many consumption-led sectors in Tanzania have been struggling to achieve revenue growth in the past two to three years, reflecting increased pressure on consumers. The COVID-19 outbreak has placed significant added pressure on an already softening local economy. With the scale of the outcome remaining uncertain, it is clear, it will have significant long-term ramifications for the global economy, and compound existing macroeconomic challenges locally. In its World Economic Outlook released in April 2020, the International Monetary Fund projects the global economy to contract in 2020 by –3% and sub-Saharan Africa countries by -1.6% as a result of the pandemic, much worse than during the 2008–09 financial crisis.
- Tanzania has sustained comparatively strong economic growth over the last decade, with real GDP averaging about 7% per annum and ICT sector being among the fastest growing component in the services sector. The impact of the pandemic has already been felt by the hospitality and tourism industry in Tanzania, which contributes over 17.5% of the Tanzania's GDP[1].

Implications for our strategy

- In the context of global and regional macroeconomic uncertainty, we anticipate that consumer spend in Tanzania may remain under pressure over the medium term which in turn will continue to amplify price-based competition approach. In order for the business to sustain performing, our focus is on cost containment programme and personalization of segmented offers which are well suited to drive customer satisfaction in product relevance and value.
- Accelerated emphasis will be placed on our social contract initiatives, driving digital inclusion and democratising data access through affordable digital services, low cost smart devices and enhanced rural coverage. Not only that social contract focus drives customer loyalty and revenue, but also avail our contribution towards achieving a desired standard of living as measured by the United Nations (UN) sustainable development goals (SDGs).

Significant opportunities in promoting digital inclusion in Tanzania

- Tanzania currently has 48.9 million total telecommunication customers of which 26.8 million, 54.8% use internet services and 27.1 million, 55.4% use mobile financial services.
- According to the 2012 census, Tanzania also has a young population with over 40% still below the age of 15, hence potential to grow customer base.
- Smartphone penetration in Tanzania is low, with Vodacom's penetration at 28.9%[2] of the base. The challenge is being cited to be primarily due to device affordability.
- There is opportunity to grow both telecommunication users as well as data and M-Pesa users but, for these developmental and growth opportunities to be fully realised, it is essential that the mobile sector has sufficient access to adequate spectrum, and that the market pricing of data allows for the necessary investment in network infrastructure and digital products and services. We believe that these issues will be addressed, and that Vodacom Tanzania is very well placed to realise the significant opportunities in promoting digital inclusion across the country.

Implications for our strategy

- Fostering on our purpose, 'connect for the better future', we are working towards enhancing our digital offering in terms of service options and relevance including online games, health and educational tools that will support the young potential internet users in their daily legitimate requirements.
- Digital transformation brings an opportunity for us to extend revenue streams beyond connectivity by enhancing our products in areas including entertainment, agriculture and financial services. Seizing these opportunities requires us to rethink the networks and technology of the future, smart-device availability and affordability and foster a company culture that attracts and develops the best digital talent and redefine our approaches to customer engagement.
- In addressing these opportunities, we continued with 4G and 3G sites rollout as well as addressing the smartphone affordability challenge by introducing a US$ 25 smart –feature phone dubbed 'Smart-Kitochi' which has been a great success.

1. Ministry of Finance, National five year development plan 2016/17 – 2020/21.
2. Declined from 30.3% in March 2019 primarily due to the impact of service barring for biometrically unregistered customers.

Our key relationships

Vodacom Tanzania's ability to deliver value depends on the contribution and activities of a range of different stakeholders. In the table below we briefly outline those stakeholder groups who have a substantive impact on our ability to create value; we outline their contribution to value creation, our means of engaging with them, and the stakeholders' primary interests relating to our business activities.

Customers

Purchase our products and services, providing the basis for revenue growth.

Means of engagement

- Call centres, retail outlets and online.
- My Vodacom app, USSD, self- help channels, M-Pesa app.
- Weighted net promoter score ('NPS') feedback interviews and focus groups.
- Social media interaction.
- Vodacom Tanzania website.

Stakeholder's priority interests

- Better value offerings.
- Faster data networks and wider coverage.
- Making it simpler and quicker to deal with us.
- Converged solutions for business customers.
- Privacy and security of personal information.
- Prompt feedback and information on service-related issues.

Government and regulators

Provide 'conditional' access to spectrum and operating licences, the basis for creating value and reaching the citizens.

Means of engagement

- Participation in public forums.
- Engagement on draft regulations and bills.
- Direct meetings.
- Engagement through industry bodies.
- Publication of policy engagement papers.
- Partnering on key programmes in inclusive education, universal service access, inclusive growth in agriculture, inclusive finance and inclusive climate action.

Stakeholder's priority interests

- Ensuring spectrum is managed as a strategic resource.
- Regulatory compliance on issues such as customer registration, mobile termination rates, service quality, fair pricing, mobile money operations, security, safety, health, customer privacy, customer protection, rural coverage and environmental performance.
- Promoting opportunities for economic development.
- Contribution to the tax base.

Employees

Their skills and productivity determines extent of our vision realization.

Means of engagement

- Internal website and 'Workplace'
- Newsletters, internal magazine and electronic communication
- Employee hotline
- Leadership road shows, town halls and departmental meetings.
- One to one engagements.

Stakeholder's priority interests

- Participation in decisions.
- Opportunities for personal development.
- Competitive remuneration.
- More knowledge sharing across the Group.
- Building the coaching capability of leaders.
- Better understanding of reward structures.

Investors and shareholders

Provide the financial capital for sustainability and long-term growth.

Means of engagement

- Investor interactions, including conferences, forums and meetings.
- Investor days.
- Annual and interim consolidated results.
- Quarterly trading updates.
- Annual general meeting (AGM).

Stakeholder's priority interests

- Responsible practices to manage risks and opportunities and ensure financial growth.
- Sound corporate governance practices.
- Transparent executive remuneration.
- Improved liquidity of shares.
- Stable dividend policy.

Suppliers

Impact our ability to effectively provide products and services.

Means of engagement

- Supplier forums.
- Ongoing site visits.
- Audits.
- Procurement processes.

Stakeholder's priority interests

- Timely payment and fair terms.
- Transparent and fair procurement processes.
- Improving health and safety standards.

Communities

Strengthen the socioeconomic context in which we operate.

Means of engagement

- Public participation where new base stations are required.
- Vodacom Tanzania Foundation partnering with communities.
- Executives market visits.

Stakeholder's priority interests

- Access to quality mobile services (voice, data, SMS, M-Pesa) as well as health and education.
- Free-to-use social media, education and job sites.
- Responsible expansion of infrastructure.
- Share to invested corporate social investment.

Business partners

Custodians of our brand, and key to delivering the best customer experience.

Means of engagement

- Store, franchise and retail visits.
- One-on-one business meetings.
- Training sessions on new products and services.

Stakeholder's priority interests

- Fair treatment.
- Top management involvement with customers.
- Making it simpler and quicker to deal with us.
- Information on our business development and trends.
- Support where necessary, to adhere to our brand guidelines and requirements.

Media

Keep informed of business developments, and the impact of our activities.

Means of engagement

- Face-to-face and telephonic engagement.
- Interviews with key executives.
- Media releases.
- Roundtables.
- Product launches.

Stakeholder's priority interests

- Being informed of key activities and offerings.
- Transparency on performance.
- Evidence of responsible business performance.

Our principal risks

Vodacom Tanzania PLC has a mature risk management framework that is aligned with Group requirements and guided by local regulatory risk management guidelines, under which our Risk Management Charter, as well as governance structures, are established.

Key risks are identified through our Principal Risks Framework, which provides the Executive Committee and Board with a robust assessment of the principal risks facing the Group. An embedded enterprise risk management process supports the identification of these principal risks. The risk appetite for each principal risk is reviewed and approved by the Board to enable informed risk-based decision-making. The Board considers these business risks when setting strategies, approving budgets and monitoring progress against set targets. Our executive team regularly reviews our risk management processes to better identify, assess and monitor our material risks, ensuring that we are responsive to the business environment dynamics. In 2020 we established a dedicated Risk and Compliance department and appointed a Director of Risk and Compliance, bringing together the various risk functions under one department.

Below sets out the top 10 principal risks and an additional COVID-19 risk as identified through the risk management process, depicting residual risk after taking into account mitigating risk factors. This is supported by the risk and speed of impact report, reflecting the rate at which the Group will experience adverse impacts if the risk materialized.

Risk ranking High / Medium / Low

Speed of impact	
<6	Less than six months
>6<12	Between six and twelve months
>12	Above twelve months

1 Cyber threats

Ranking: High
Speed of impact: <6

Context	Mitigating actions
• An external cyber-attack, insider threat or supplier breach – malicious or accidental – could result in service interruption and / or breach of confidential data, with resulting negative impacts on our customer, revenue and reputation, as well as potential cost associated with fraud and / or extortion.	• Strong security basics, including perimeter controls, infrastructure (hygiene), protecting data leakage, preventing loss of availability, controlling information between endpoints and the cloud. • Cyber security culture is promoted. • Cyber-privilege User Access Management, through Cyber-ark. • Local cyber security monitoring and Cyber Intelligence Centre (CIC) aggregates security monitoring in place from a local perspective, Vodacom group and Vodafone group. vulnerability scanning and periodic penetration tests are performed. • Implementation of log monitoring tools (DCS, ArcSight, AD Audit, DAM, WAF) and discrepancies followed up. • Control self-assessment: Over 10 000 control tests performed. • Anonymization and pseudonymization of data projects are implemented. • End point detection and response (EDR) are in place. • Cyber security policies and processes implemented.

2 Adverse regulatory pressures

Ranking: High
Speed of impact: <6

Context	Mitigating actions
• Stringent regulatory requirements could impact our services and profitability. • Recent regulatory developments include: the introduction of new customer registration requirements; a new mobile termination rate glide path; and new requirements pertaining to the provision of mobile financial services.	• Proactive and regular engagement with the Tanzanian Communications Regulatory Authority (TCRA) and the Bank of Tanzania (BoT) both directly, as well as through national and international industry associations. • Proactive identification of changes to legislation and compliance within a reasonable timeframe. • A specialist legal, regulatory and government relations team in place who engage with external advisers where needed.

3 Non-compliance with laws and regulations

Ranking: Red

Speed of impact: <6

Context	Mitigating actions
• Breach of legal and regulatory requirements due to either not identifying requirements or inadequately assessing current compliance requirements. This exposes Vodacom Tanzania PLC to significant financial and reputational damage.	• Continuous monitoring of changes to key laws, regulations and licence requirements. • Ensure business units are sensitized, including through training programmes such as the "Doing What is Right" programme on legislative and regulatory requirements. • Annual self-assessment of the Compliance Matrix.

4 M-Pesa system failure, fraud and money laundering

Ranking: Amber

Speed of impact: >6<12

Context	Mitigating actions
• Adverse financial regulation changes, failure of systems (including network failure) and processes could negatively impact operations, reputation and revenue of our M-Pesa business.	• Fraud is controlled through both detective and preventive processes such as the maker-checker and fraud alert processes; a dedicated fraud management system is in place. • The Anti-Money Laundering team performs 'Know Your Customer' compliance reviews to check compliance of the newly registered agents and customers. • Monitor agent activities to identify suspicious transactions. • Check processed M-Pesa transactions against the approved transactions, to detect invalid and/or fictitious transactions. • M-Pesa funds risk spread across seven banks in Tanzania, including international banks.

5 Litigation

Ranking: Red

Speed of impact: <6

Context	Mitigating actions
• The Group is currently involved in various legal proceedings where an adverse outcome could lead to financial loss, negative publicity and/or reputational damage.	• Close monitoring of the progress of cases in arbitration / court, managed by our external legal counsel.

6 Market disruption

Ranking: Red

Speed of impact: <6

Context	Mitigating actions
• We face increasing competition from traditional and non-traditional sources. • Our ability to compete effectively depends on the capacity and coverage of our network, the quality of our customers' experience, and the pricing and nature of our services and devices. • Proactively anticipating, and where necessary responding to, changing market conditions is essential to maintaining revenue growth.	• Maintain competitor differentiation through our leadership in the quality and speed of our network. • Deliver a differentiated customer experience by continuously reviewing the pricing and relevance of our products, services and devices, as well as the quality of customer services.

Our principal risks
continued

7 Customer data and privacy

Ranking: ■

Speed of impact: <6

Context	Mitigating actions
• We place a strong emphasis on protecting customer privacy, and to mitigate the risk of data theft or loss. • As our customers become increasingly connected, and as the ability to track and analyse consumer behaviour becomes more sophisticated, the need to ensure the full and effective protection of customer privacy and personal data has become more critical. • Failure to protect our customers' privacy is likely to lead to severe reputational damage and potential fines.	• Our network is built with security in mind. Controls have been implemented based on world class industry standards, such as ISO 27001 and EU GDPR. • Superior security programmes implemented to protect, monitor and react to malicious cyber-attacks to ensure customers' information is protected. • World class monitoring centre in place to timeously identify attempted cyber-attacks and conduct detailed scenario planning on an ongoing basis. • Customers' rights are balanced against those of law and security enforcement agencies that are legally entitled and required to request customer information, and to instruct us to suspend service in certain circumstances; we manage such requests in accordance with Vodafone's policies, procedures and guidelines, and with applicable laws and regulations. • We contribute to Vodafone's industry-leading law enforcement disclosure report, which provides a detailed insight regarding demands from law enforcement agencies in 28 countries.

8 Technology failure

Ranking: ■

Speed of impact: <6

Context	Mitigating actions
• We operate complex mobile networks that rely on third parties to provide power or transmission. • Network and billing infrastructure may also be damaged by natural disasters or a deliberate malicious attack. Network outages may negatively impact customer usage, revenue and our reputation.	• Comprehensive business continuity and disaster recovery plans in place, as well as technology resilience controls which are aligned to Vodafone Group's technology resilience policy. • Continue to invest in maintaining and upgrading our networks as well as adopt appropriate preventative maintenance programmes.

9 Third Party/Partnerships & M&A risks

Ranking: ■

Speed of impact: >12

Context	Mitigating actions
• Failure to manage Group's third parties and partners could have a reputational impact on the Group due to the third-party actions that expose operations or customer data if not aligned to Group's processes.	• Robust Supply Chain Management policy and procedures in place, enforced and monitored. • Ensure that contracts entered into with all suppliers and partners, comply with business continuity, confidentiality, privacy and other requirements. • Comprehensive due diligence process performed on new partners during on-boarding process. • Continue to ensure that service level agreements in place and monitored.

10 Fraud & corruption

Ranking:

Speed of impact: <6

Context	Mitigating actions
• Failure to identify and implement controls to monitor and prevent fraud could have an impact on the organisation's revenue and reputation.	• Our GSM assurance framework is matured, and the controls/alerts are automated on the systems. • Mobile Money Assurance ('MMA') framework in place and enforced. • 24x7 fraud monitoring centre in place for fraud detection on GSM and mobile financial services. • Encourage Speak Up fraud reporting and investigate reported issues. • Strong forensic investigation capabilities.

11 COVID-19 exposure

Ranking:

Speed of impact: <6

Context	Mitigating actions
• A failure to deliver on new services or our strategy due to COVID-19 will negatively affect the future growth of the organisation as well as customer offerings. The risk relates to pace of execution and therefore revenue decline.	• The risk appetite is low, given that the strategy is developed to mitigate the risks relating to declining revenues in core products and services. Business Continuity Management (BCM) measures such as working from home have been taken and are effective.

A fully-fledged COVID-19 Impact Assessment was undertaken separately as it was an off-cycle event of a significant magnitude. This analysis considered a variety of risk and opportunities from all business areas, including supply chain, HR, legal, external affairs, financial services, finance /tax, cyber security, business resilience and IT.

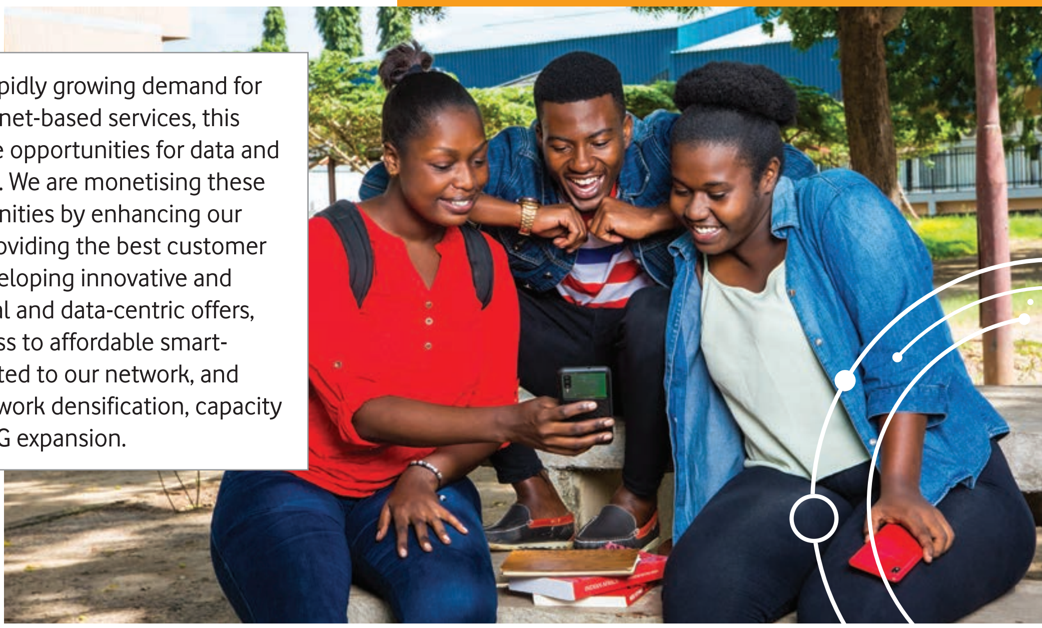
Delivering on our strategy

01

Monetise data and digital opportunities

Tanzania has low levels of smartphone penetration and a young population, with over 60 % aged below 25[1] .

Coupled with rapidly growing demand for digital and internet-based services, this creates valuable opportunities for data and revenue growth. We are monetising these growth opportunities by enhancing our leadership in providing the best customer experience, developing innovative and affordable digital and data-centric offers, increasing access to affordable smart-devices connected to our network, and investing in network densification, capacity upgrades and 4G expansion.



- Achieved
- Not achieved
- Unchanged

Our 2020 performance

(Achieved) We achieved a 9.8% growth in mobile data revenue to TZS180.8 billion, with the growth in data traffic more than offsetting competitive and regulatory impacts. Data customers[2] decreased 2.6% to 7.7 million, primarily due to the barring of non-biometrically registered customers starting in the last quarter of the year.

(Achieved) Data traffic grew by 14.6%, with significant growth coming in 4G traffic. This reflects strong demand for mobile data services and proves our investment case in enhancing customers' data experience and increasing access to affordable smartphones and data services.

(Unchanged) Data ARPU growth was driven primarily by increased usage per customer, as we experienced another year of intensified market competition, with competitors offering significant price discounts.

(Unchanged) The continued growth in data contributed to offsetting the continuing decline in mobile voice revenue, which was down 3.2% .

The growth in data revenue reflects the continued efforts in our four main focus areas.

Network and IT expansion and upgrades

(Achieved) During the year, we invested TZS154.6 billion (15% of revenue) in network and IT infrastructure, increasing 4G coverage, upgrading capacity to enable a superior data customer experience, and maintaining our market leadership position.

(Achieved) We expanded footprint coverage across the regions, adding 460 new 4G sites on our network, bringing the total to 1 321 4G sites, increasing our reach to 33% of the country's population, up from 23% last year. We added 253 new 3G sites, to reach a total of 2 682 3G sites, enabling us to provide 3G data services to around 59% of the population, up from 52% in 2019. We added 201 new 2G sites, including 18 sites under government rural coverage programme, bringing our 2G coverage to 90% of Tanzania's population.

(Achieved) In addition to investing in the roll out of new sites, we also invested in network modernisation, with the continuation of capacity backhauling upgrades to enhance customers' data experience. Our investments in network expansion and upgrades supported our continued improvements in terms of network reliability and accessibility.

(Unchanged) Although we remain second in terms of overall network NPS, with our competitor enjoying the benefits of a less loaded network, we have closed the gap particularly in signal and data coverage, and we are confident of further improvements.

(Achieved) We continued our deployment of technologies such as network function virtualization (NFV), and we modernised our radio network (RAN) by deploying new sites or changing existing base stations to single radio access network (SRAN). We explored the potential deployment of a new future-proof Internet of Things (IoT) platform to add value to our existing simple-legacy IoT solution.

1. National Bureau of Statistics, "Tanzania in Figure 2012", Published in June 2013
2. Data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.

- We maintained ISO 27001 certification, and we are also still EU GDPR (General Data Protection Regulation) compliant.
- We adopted an IT planning tool called Program Increment Planning (PI Planning), which has reduced product time to market by about 60%.
- In improving the customer experience, we established an IT operations monitoring centre to monitor product and services performance. This has enabled the proactive resolution of avoidance of problems, reducing the number of calls to the call centre. We also created a Social Listening Tool that allows us to track our customer sentiments across social media platforms.
- We have continued to enhance our cyber security measures, allowing customers to enjoy our secured services. Vodacom Tanzania was among the best markets in Vodafone in implementation and effectiveness of Cyber security baseline controls (CSB).

Monetising data through segmented offers

- Following the good results delivered by our Dar es Salaam acceleration initiative, our customer value management (CVM) team has been using machine learning technologies to deploy segmented regional offers to the rest of the regions. This has been a crucial differentiator, driving an increase in bundle uptake and customer retention, with over 4.0 million customers utilising our 'Just 4 You' offers on a monthly basis. Our sophisticated CVM platform has further supported the regional biometric registration campaigns, contributing significantly to customer base and revenue protection.
- We ran a successful 'data datani' campaign marketing our world class network, driving 4G SIM-swap, and offering bonus data packages randomly, segmented to every customer for every bundle purchase. The campaign contributed significantly to growth in data revenue and customer numbers in the first quarter of the financial year.
- We launched various propositions to suit diverse customers' interests, especially of the youth. This included our daytime 'bonge la bando', and YouTube social bundles launched in partnership with YouTube, which saw significant uptake in the third quarter. We also introduced various youth focused offers to drive youth attachment and revenue, combining data and digital offerings on Facebook, Instagram and YouTube.
- In response to market disruptions from competitors, we launched our 'Wajanja hatuzimi data' campaign to stimulate data usage and gain on data price perception, an area that competition was beginning to claim. This has been a huge success in protecting customer base and revenue.
- We remain the only operator in Tanzania to have a loyalty programme. The 'Tuzo' programme has been instrumental in improving retention in our customer base, with more than 7.5 million customers engaged to date.

Promoting smartphone adoption and optimising our data-user experience

- The launch of our 'Smart Kitochi' smart-feature phone was well received, reflecting the combined benefits of affordability (US$25), long battery life and its buttoned keypad, preferred by certain customer segments. Unfortunately, our efforts to increase smartphone penetration were nullified by the barring of biometrically unregistered customers, which saw smartphone users declining by over 0.4 million in the final quarter, ending the year with 3.4 million smartphone users, a 28.9% penetration of our customer base, down 1.4 ppts year-on-year.
- We implemented numerous initiatives this year to optimise customer service, including expanding 'Digicare', our digital support channels to assist with the increased adoption of smartphones

Accelerating digital business

- To enhance delivery of digital services relevant to our customers, we appointed a Digital Director and created a new department.
- An important strategic development towards the end of the year was our partnership with Smart Lab, an experienced player in the start-up domain. They will oversee our Digital Accelerator programme, aimed at growing more than 1,000 start-ups into profitable businesses. We invested over TZS 350 million in the first year of the programme and will use our resources to assist the selected participants to convert their ideas into viable businesses.

IMPACT OF **COVID-19**

Given that Tanzania did not have a full lock-down, the impact on our network was slightly different to what was experienced across other Vodacom markets, with a comparatively limited increase in data demand. We were well prepared for the increase given that the network was designed to accommodate for up to a 30% increase in data traffic. Daily analysis on network traffic enabled us to understand traffic variance and we were able to respond promptly. Our strategic response was firstly to assure capacity in the network and secondly to frontload orders with equipment suppliers. This enabled us to mitigate the capacity challenges facing airfreight and sea transport modes where medical supplies were a priority. Although we experienced an initial impact on supplies of our affordable smartphone device from China, this has subsequently resumed.

Our strategic outlook

Our growth strategy is aimed at delivering great value to customers, which includes specific commitments relating to network expansion, the penetration of smart devices, developing personalised data-centric offers, and maintaining a strong focus on enhancing the customer experience and driving digital transformation. With COVID-19 accelerating the need for product and service offerings that support a more digital society, we will continue our vision of leading Tanzania into the digital age and changing lives through technology. Significant challenges in meeting our growth targets include the requirement for biometric registration of customers, the new SIM Card registration regulations that impose limits on SIM Card ownership, and the sustained pressure on the prices, which are already amongst the lowest in the world.

Monetise data and digital opportunities
continued

Network and IT

- To support our data strategy, and meet regulated coverage obligations, we have ambitious targets to upgrade end-to-end capacity to address traffic growth, high network utilisation and capacity bottlenecks. We will further expand our broadband network coverage in areas where there is poor coverage within Tanzania. We will continue to roll-out 2G sites, mainly in rural areas in support of the government's commitment to expanding rural coverage, as well as expanding our broadband coverage in terms of new 3G and 4G sites and transforming the network to be ready for future technologies.
- We will optimise our costs as we deliver the network and will make use of residual hardware capacity on sites to expand on sites capacity to accommodate traffic to those areas.
- We will continue to identify opportunities to acquire spectrum to support future technologies that are more efficient than 2G in carrying data and voice.
- As part of our commitment to develop new enterprise solutions, we will be exploring IoT platforms that will drive enterprise unified communications and cloud solutions.
- We will align our technology evolution with the Vodafone Technology 2025 strategy, achieving operational and cost efficiencies with radio network (RAN), core and transport network transformation, and implementing security and resilience enhancements to ensure network protection against vulnerabilities.
- We will continue to drive and maintain IT excellence and security, retaining the ISO 27001 certification and remaining compliant with GDPR; we will further improve our network and cyber security measures that have become more critical with increasing IoT solutions.

Accelerating data monetisation

- We will be looking to secure double-digit data revenue growth by monetising data, primarily through further investments in our network and by increasing the number of users through various initiatives.
- We will become a stronger player in the coastal Dar es Salaam area, looking to gain market share through our ongoing acceleration initiative.
- We will increase penetration of smartphone devices and 4G users through appropriate pricing and payment options, and targeted consumer campaigns and marketing incentives.
- We will continue to provide customers with more reasons to consume data through our compelling digital content portfolio and unified digital platforms comprising music, video and TV, and sports and gaming offerings.
- Using our sophisticated CVM platform, enhanced by increased use of machine learning, we will continue with our targeted segmentation strategy to gain market share and drive data uptake in new regions, while protecting our share in existing strongholds.
- We will drive the uptake of personalised offers through our 'Just 4 You' platform, while exploring to invest in big data platforms that facilitate machine learning and deepen our insights into customers' behaviour.
- We will enhance our sales and distribution process to become more digitalised, a move amplified by COVID-19. We have an agile squad in place to create a distribution management system that will give us real time visibility of our sales force, with real performance update.
- By maintaining our differentiated campaigns, quality service and segmented propositions, we will ensure strong brand differentiation and an emotional connection with customers across our various engagement platforms.
- We will increase customer loyalty and bring in new features to our loyalty programme, linked to both GSM and M-Pesa.
- We will continue to implement a structured action plan to ensure that the biometric SIM-registration process runs as smoothly and efficiently as possible, driving full compliance with all subscriber registration requirements and maintaining active engagement with TCRA throughout the process.

Optimising the customer experience

- We will continue to enhance the customer experience across all channels and instil a customer-centric culture across our business. While we are developing a strong foundation for a digital future, we will also maintain our support through legacy channels (SMS and USSD).
- We will grow our digital support channels to continue reducing calls and increase the digital care volume.

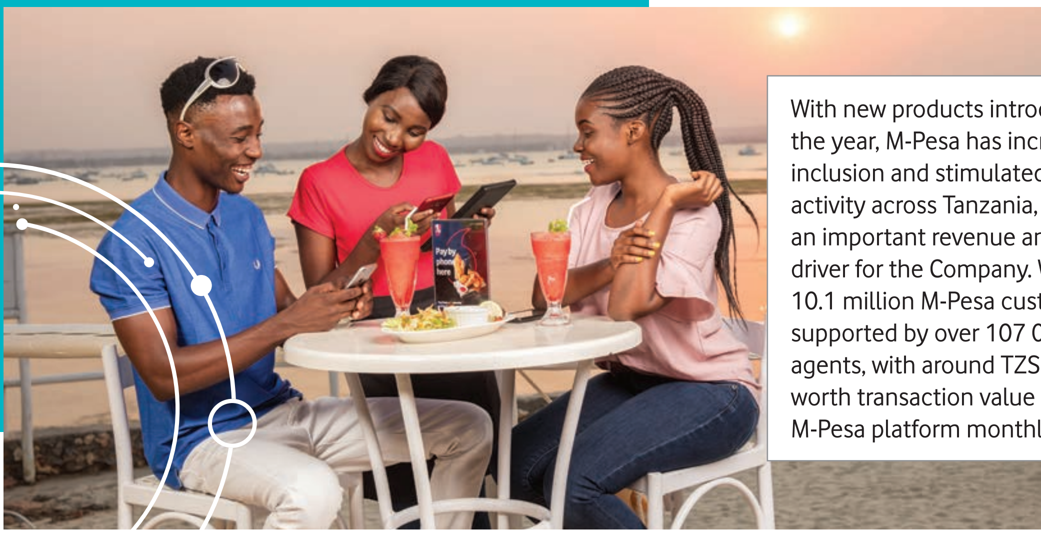
Delivering digital services and supporting innovation

- We will position ourselves as a leader in the digital space, delivering on the strong foundation of additional product and service offerings that were accelerated due to the COVID-19 pandemic.
- We will ensure that our products address fundamental requirements in the area of health, including our 'starting family' support service and access to digital health services.
- We are working with partners to develop 'instant schooling' materials in line with the government curriculum to enable online access to relevant educational materials.
- We will be launching a digital platform with a variety of content such as music, videos, games and other entertainment offerings.
- In delivering an end-to-end digital experience, we will continue to address challenges facing the FMCG, transportation, agriculture and security industries by providing tailored digital solutions.
- Being an innovation-driven company, we will support the innovation ecosystem with out-of-the-box ideas that aim to answer a need or fill a gap in the Tanzanian market. We will continue working with the 15 start-ups that have been short-listed in our Digital Accelerator programme, helping them to re-define their products and services under the guidance of industry mentors across different sectors including mobile, telecom, fintech, media, health, education, agriculture, manufacturing, and e-Commerce. Our ultimate goal is to support local talent and stimulate the innovation agenda in the country to create profitable and sustainable revenue generating businesses.

02

Accelerate customer growth through M-Pesa

Our mobile money service, M-Pesa continues to be a remarkable success story, delivering significant social and financial value.



With new products introduced during the year, M-Pesa has increased financial inclusion and stimulated economic activity across Tanzania, while serving as an important revenue and reputation driver for the Company. We have over 10.1 million M-Pesa customers, supported by over 107 000 M-Pesa agents, with around TZS4.9 trillion worth transaction value going through M-Pesa platform monthly.

Our 2020 performance

✓ M-Pesa revenue grew 7.4% year-on-year to TZS358.2 billion, despite the competitive and regulatory pressures. Revenue growth was driven by our continued focus on expanding the M-Pesa ecosystem with new financial services and new customers acquisition in both consumer and business segments, coupled with segmented offers and cross selling with GSM service through our CVM platform.

✗ We saw a significant impact from the biometric registration process, with 1.5 million active M-Pesa customers negatively affected, which substantially slowed down the M-Pesa growth.

✓ M-Pesa revenue contribution to service revenue grew by 2.1 ppts to 35.0% of service revenue, up from 32.7% in 2019.

✓ We achieved double digit revenue growth from our International Money Transfer (IMT) services, with over TZS160.0 billion in transactions value processed during the year, up 63.4%. We expanded our IMT corridors, in partnership with global players such such as TerraPay and WorldRemit, to facilitate remittances across East Africa covering Kenya, Uganda, Burundi and Rwanda.

✓ We are pleased with the uptake of our MasterCard product, launched last year, with 240 000 virtual cards created and payments worth over TZS8.2 billion processed.

✓ We registered over 17 000 new M-Pesa merchants, while over 29 000 groups were created in M-Koba, more than three times the previous year's base.

✓ We rolled out various new financial service products this year, the most significant being 'Songesha', a customer overdraft service that has progressed very well with 5.3 million customers and TZS52.0 billion in overdrafts provided during the year.

✓ We completed a major upgrade of our core platform, which now holds all accounts and businesses, enabling faster roll out of services and improved processing of transactions.

✓ On the customer experience front, we added various new features to the platform:

- A self-reversal functionality, enabling the reversal of transfers for any mistakenly sent funds; the feature has been a success used by close to 85% of our customers.
- A name confirmation feature for M-Pesa-to-bank transfers, enabling the sender to confirm the recipient before completing the transaction.
- We also enabled customer sending money from banks to M-Pesa to see the recipient name in M-Pesa before completing the transfer.

✓ The commercial initiatives executed during the year, enabled M-Pesa to continue leading the mobile financial service industry, with a market share of 37.2%[1].

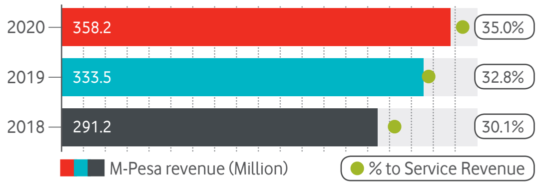
1. Tanzania Communication Regulatory Authority's quarterly communications statistics as at March 2020.

Accelerate customer growth through M-Pesa
continued

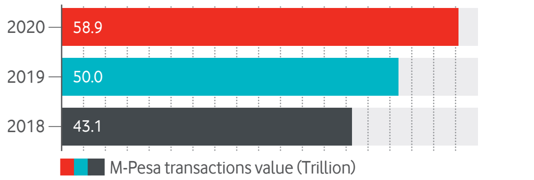
IMPACT OF **COVID-19**

Towards the end of February and during March we saw a significant slowdown in M-Pesa transactions. Sports betting was directly impacted, TV subscription payments slowed due to the halting of sports, and we felt the impact of businesses closing and the associated slowdown in customer spend. On the upside, since February, we grew close to 20% month-on-month in our merchant solution (Lipa kwa simu), which allows businesses to receive cashless payments using M-Pesa. Prior to COVID-19, our services were growing rapidly, and we successfully engaged new customers, which reflects the continuing opportunity in this space.

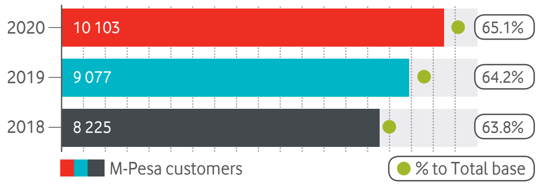
M-Pesa revenue (TZS Billions)



M-Pesa transactions value (TZS Trillions)



M-Pesa customer (Thousands)

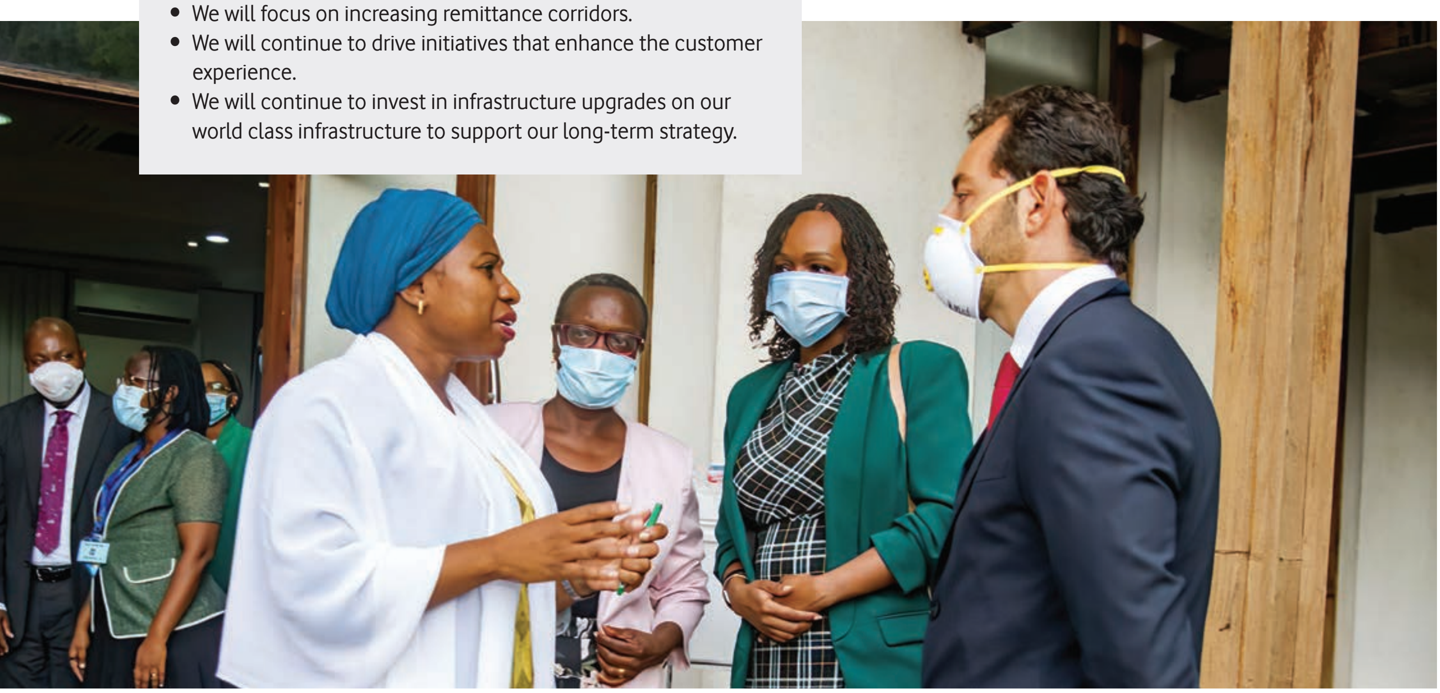


Our strategic outlook

Despite the challenging business context, increasingly competitive market and strong pricing pressure from competitors, our M-Pesa platform provides significant further opportunities for growth, particularly as we extend M-Pesa beyond person-to-person money transfers to include enterprise, financial services and mobile commerce. In doing so, we will build on our leading market presence and platforms, and harness the opportunities associated with emerging technologies such as machine learning, artificial intelligence and blockchain settlement solutions.

We are targeting continued M-Pesa revenue growth, through the following focus areas:

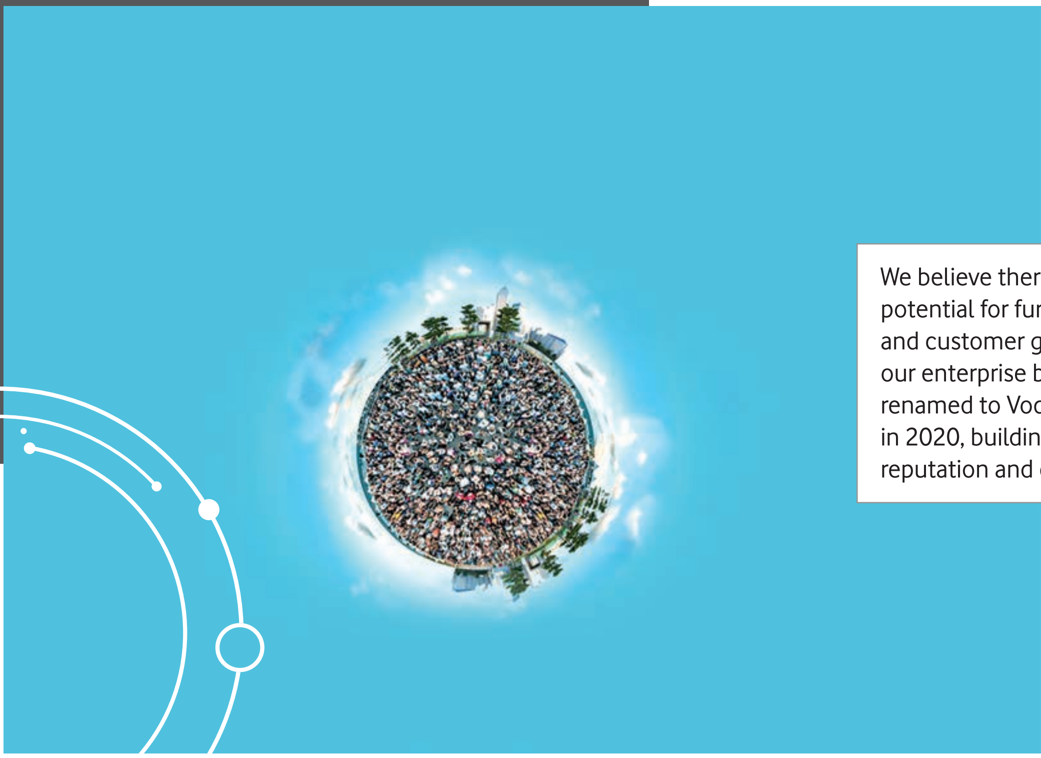
- Further expanding digital financial services through our partnership with financial service providers including banks. This will assist in meeting customers' demand for integrated financial services.
- We will continue to invest and expand on 'Lipa kwa Simu' digital payments.
- We will focus on increasing remittance corridors.
- We will continue to drive initiatives that enhance the customer experience.
- We will continue to invest in infrastructure upgrades on our world class infrastructure to support our long-term strategy.



03

Continued enhancement of our enterprise offering

We are currently the leading provider of communications services to the large enterprise market in Tanzania, serving multiple industry segments through targeted solutions that meet specific customer needs.



We believe there is significant potential for further revenue and customer growth within our enterprise business, renamed to Vodacom Business in 2020, building on our strong reputation and expertise.

Our 2020 performance

- We delivered good performance for the fourth consecutive year in the mobile and fixed-line segments, driven by new customer acquisitions and the effective retention of the existing base. We launched new services such as 'Connected education', and WTTX fixed connectivity for micro, small and medium sized enterprises, and delivered efficiencies in our existing services.
- We biometrically registered 99% of our customers, securing the customer base from disconnection.
- Due to our strong network performance, we secured some key new corporate accounts across various sectors.
- We achieved pleasing progress in fixed market, with reasonable growth in a market that as a whole remained flat.
- We continued to dominate on the contract mobile service, increasing our market share, driven by competitive offerings and high quality of service.
- We built and commercialised our bespoke products in partnership with Mezzanine. Our 'M- Kulima product is transforming the agricultural landscape with 10 000 smallholder farmers coming on board during the year. Our 'connected education' platform and 'VodaShule' are well progressing with 100 schools in pipeline. 'VodaShule' platform provides end-to-end communications to school stakeholders, simplifying school operations and payments.
- We made progress in IoT by providing tailor-made solutions for asset tracking and health care.
- We launched dedicated and shared services in the small and medium-sized enterprise (SME) and small office, home office (SoHo) segments to enhance internet connectivity through Supa Kasi and Biashara Supa.
- We faced a number of operational challenges during the year associated with heightened market competition and regulatory issues that we addressed in relevant forums with affected stakeholders.

Continued enhancement of our enterprise offering
continued

IMPACT OF **COVID-19**

We have had to postpone the sale of some of our business solutions to new customers as many of our products need to be managed through human interaction, and most offices have had restricted access. Our sales force is now working telephonically, with many of our processes having changed to digital. Many customers in the hospitality industry – such as restaurants, hotels and airlines – have either cancelled or suspended contracts, calling upon force majeure. In addition, many potential customers have delayed tenders. Revenue from enterprise customers travelling abroad has completely stopped. The halting of sports events across the country and globally has impacted some of our customers in the gaming industry. On the gaming side we have seen an impact on M-Pesa transactions, and we have also seen a reduction in bulk SMS, as companies have cut down on advertising costs, impacting our current portfolio. We have seen a slowdown in debt collection as businesses are negatively impacted, especially smaller businesses that faces cash flow problems. We are working closely with these customers to make favourable arrangements.

For our 'Connected Farmer' product we had to make use of calls and SMS to send out questions to farmers as part of our recruitment process. We saw a decline in traffic to the 'VodaShule' platform following the schools closure. However, our 'Connected Education' platform saw an increase in traffic due to the online school initiatives.

On the opportunity side, there has been a significant increase in demand for connectivity as companies pay for their employees' home Wi-Fi and customers use more mobile data. We have seen data usage growth of close to 30% and voice up 15%. We have had to reorganize some of our inventory and product launch by restructuring product development and bringing forward certain products.

Our strategic outlook

Although our Vodacom Business currently makes up a small proportion of Group service revenue, we believe the recent encouraging trends reflect its potential to be a key driver of future growth. As services become commoditised through competition, we will need to use our technology to expand to new offerings. Our strategy is to move from traditional product offerings into problem solving using end-to-end digital solutions. We plan to realise this potential through our activities in the following areas:

- Implementing digital solutions along three streams – agriculture, education and manufacturing;
- Digitising the agriculture value chain through a complete solution in farmer profiling, communication, transactions, inputs, loans, off-taking, digital extension services, insurance and digital education;
- Digitising the education ecosystem through digital books, live boards, classrooms and continued deployment of our school management solutions 'VodaShule' and 'Connected education';
- Working with manufacturers, retailers and the FMCG sector to digitise across the value chain through cashless sales solutions, sales and stock control and asset management, embedded with IoT.
- Developing affordable product and service offerings using our existing 4G network and building an appropriate sales channel to penetrate the SME and SoHo segments, boosted by COVID-19;
- Restructuring our team to become more agile and solutions centric, creating specialists to build solutions in various streams including agriculture, education and FMCGs.

We will maintain a strong focus on enhancing the customer experience by deepening our enterprise CVM capabilities and by using machine learning and analytics to develop appropriate segmented offers and ensure leadership in sales execution and customer experience.

04

Maintain brand leadership, and retain and increase market share

Developing and maintaining positive relationships with our key stakeholders – our customers, government, regulators, investors, suppliers, the media and the general public – are the foundation of our ability to create value.

To maintain our brand and reputation, and to ensure that we fully appreciate and appropriately address their priority interests, we have structured engagement processes in place with each of our key stakeholder groups (see table on pages 18 and 19).

Our 2020 performance

✓ We maintained our leadership in customer net promoter score (NPS), scoring 53 points with a 10-points gap over our closest competitor. This is pleasing result considering a very volatile, competitive and dynamic market that could easily shift customers' opinion. Our maintained lead reflects our positive return on investment on customers in terms of network quality, value for money, customer engagement and products relevance in both GSM and M-Pesa businesses.

✓ Our customer base grew 9.8% year-on-year, adding 1.4 million customers off the back of strong commercial execution in acquiring new customers and retaining our existing base in compliance with biometric registration regulations; this enabled us to maintain our leadership with 31.9%[1] customer market share.

✓ Despite challenges in maintaining compliance with biometric registration, we managed to register over three quarters of our base, both new and existing. This reflects our dedicated commitment to compliance, for which we established over 35 000 service points across the country, including the industry shared registration devices.

✗ A total of 2.9 million customers were barred in the last quarter due to a failure to complete biometric registration. Of these, 736 000 customers were reconnected, while 2.5 million customers remain non-biometrically registered in accordance with the guidelines. TCRA has temporarily suspended barring in response to the COVID-19 pandemic.

✓ We enhanced the customer experience in our network through our investment in network and IT systems, together with efforts to increase smartphone penetration through partnerships and the launch of the affordable (US$25) 'Smart–Kitochi' smart feature phone, coupled with our affordable headline and customized offers and excellence in customer service.

✓ We implemented various initiatives to ensure high-quality customer service by increasing our call centre efficiency. These initiatives contributed to a 30% year-on-year reduction in call volume to our call centre, mainly driven by the self-care channels.

- We added WhatsApp to our family of digital care channels (Digicare); alongside Facebook, Twitter and Instagram, customers now receive instant support via Live Chats. Our WhatsApp customer care chat is the most popular, contributing 42% of our digital volume.
- We introduced a live chatbot support channel via Facebook messenger, myVodacom App and Vodacom website, that complements the existing FAQ section on the website and interactive voice recording (IVR) responses to various customer queries; where needed, this is escalated to a live agent. Through IVR and USSD, we continue to push self-care channels to reduce the need to contact the call centre.
- An in-depth analysis of customers' pain points has enabled identification and timely resolution of the main source of customer queries, improving experience and need to contact.
- We extended our training programmes to retail staff to cement an 'Ask Once Culture', improving our score on 'first call resolution' and continuing to lead on customer service attributes in NPS.

1 Tanzania Communication Regulatory Authority's quarterly communication statistics as at March 2020

Maintain brand leadership, and retain and increase market share
continued

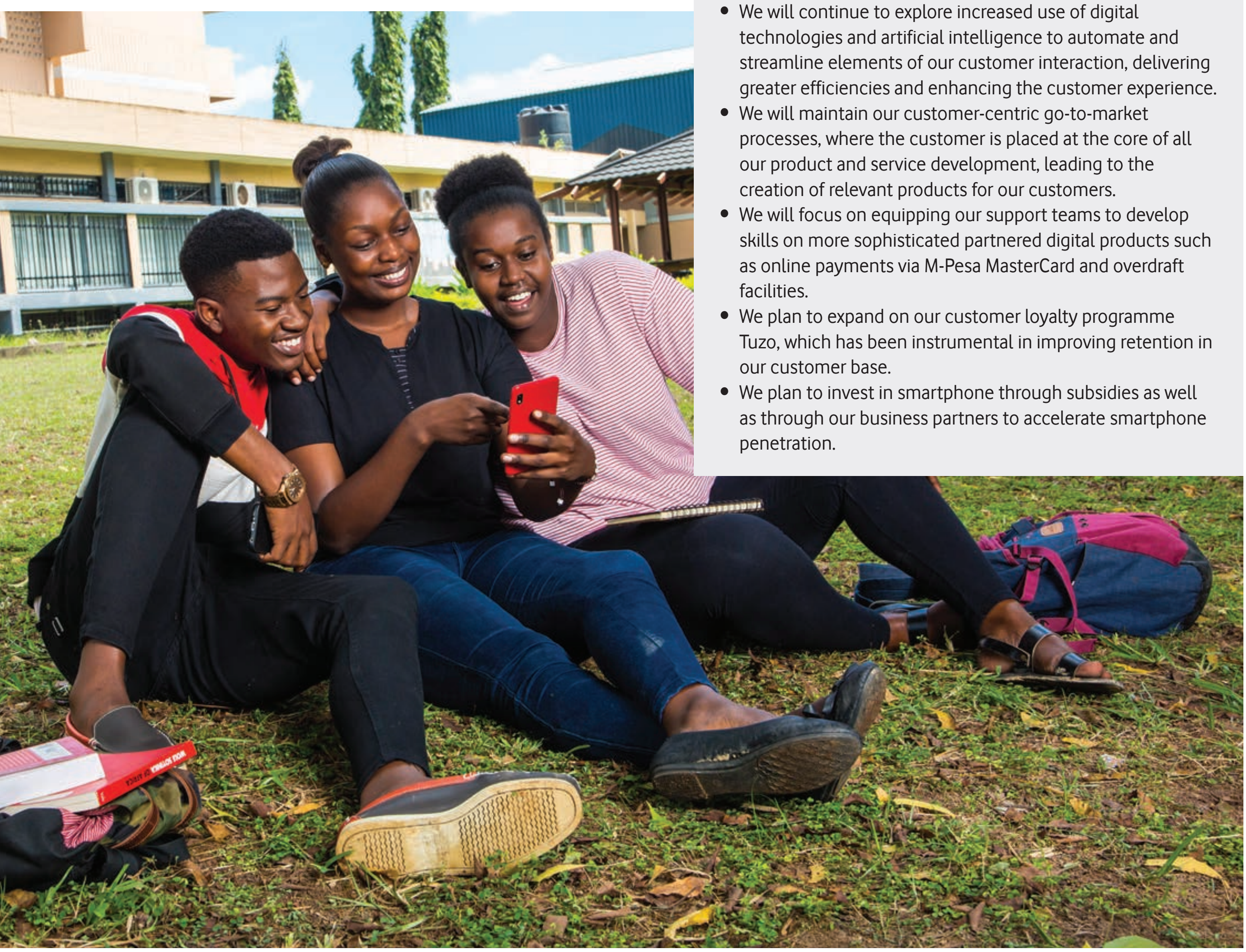
IMPACT OF **COVID-19**

With people staying at home, we have seen an impact in terms of a slowdown on voice and increased challenges in securing new customers, especially towards the end of March. On the upside, we have seen an increase in data and SMS usage. Since there was no full lockdown, and most staff remained working at our call centre, we have been able to maintain the same level of customer support. We conducted pilots with agents working from home to simulate the potential introduction of a full lockdown, testing our capability and challenges. In the event of a full lockdown, every agent may have to be equipped with a desktop or laptop, which adds additional costs compared to a call centre environment. Decentralised working arrangements also require additional monitoring tools and technologies to coach and manage people remotely.

Our strategic outlook

We have various plans in place to maintain our strong brand and further strengthen our competitive position:

- In collaboration with NIDA, we aim to complete biometric registration of the outstanding 2.5 million customers and ensure readiness to comply with all other regulations impacting our business including the one SIM regulation effective from 1 July 2020.
- Through our machine learning and CVM technologies, we will continue to introduce differentiated, personalised offerings.
- We will continue to enhance quality of customer service and afford more convenient ways for our customers to communicate with us, maintaining our strong customer relationships.
- Through enhanced customer insights and increased adoption of smartphones and technologies, we aim to increase adoption of our chatbots by making them more engaging.
- We will continue to explore increased use of digital technologies and artificial intelligence to automate and streamline elements of our customer interaction, delivering greater efficiencies and enhancing the customer experience.
- We will maintain our customer-centric go-to-market processes, where the customer is placed at the core of all our product and service development, leading to the creation of relevant products for our customers.
- We will focus on equipping our support teams to develop skills on more sophisticated partnered digital products such as online payments via M-Pesa MasterCard and overdraft facilities.
- We plan to expand on our customer loyalty programme Tuzo, which has been instrumental in improving retention in our customer base.
- We plan to invest in smartphone through subsidies as well as through our business partners to accelerate smartphone penetration.



05

Actively managing cost and process efficiency

Our aim is to be the most efficient infrastructure-based operator in Tanzania.

We have a strong track record of driving operational efficiencies through our 'Fit for Growth' programme, a Vodafone Group-wide initiative that allows us to leverage global best practice.

Our performance

Over the past three years we have realised more than TZS101.3 billion in operational cost savings through our 'Fit for growth' programme.

The challenging business environment attracted significant once off costs relating to biometric registration acceleration and COVID-19 pandemic, totalling TZS21.0 billion. Total expenses growth excluding the once off costs and the impact of IFRS 16 adoption was 3.4%.

Network-related cost optimisation

We continued to unlock savings in network costs by sharing network infrastructure with other operators, consolidating tower leases and earning discounts on long term lease arrangements. We also continued our drive to revise the terms and scope of service contracts.

Administrative efficiency

We continued streamlining administrative functions in various areas including human resources and implementing a leaner, more efficient organisational structure.

Internal digitisation and automation

We further expanded the level of electronic and other automated processes in various business areas, increasing operational efficiency and resulting in cost savings.

Publicity cost optimisation

We continued optimizing publicity costs by migrating from traditional to digital marketing; this has proven to be effective, particularly now that social applications such as WhatsApp support the sharing of most formats of digital content. Production and distribution of a digital flier is cheaper and faster than a physical paper flier.

Global purchasing power

As part of Vodafone, we have continued to benefit from the global purchasing power of the centralised Vodafone Procurement Company (VPC) across various procurement categories.

M-Pesa airtime sales

We continued to unlock cost savings in the commissions of distribution channels by increasing the proportion of airtime sales through M-Pesa. This will remain an important focus area as there remains potential to further expand M-Pesa recharges due to convenience of the recharge process and overall increasing awareness on the use of mobile financial services.

Digitising customer services

Our new digital channels have created efficiencies by reducing call volumes by close to 30%, which translate in cost savings.

IMPACT OF IFRS 16 ADOPTION

The adoption of IFRS 16 effective from 1 April 2019 resulted in reduction of operating expenses by TZS121.2 billion as a result of not recognising operating lease expenses; increased depreciation by TZS84.9 billion of the right of use asset recognised over its useful life as well as finance cost by TZS67.0 billion resulting from interest on the outstanding capital balance of the lease liabilities. This led to a TZS30.7 billion net reduction in profit before tax.

Our strategic outlook

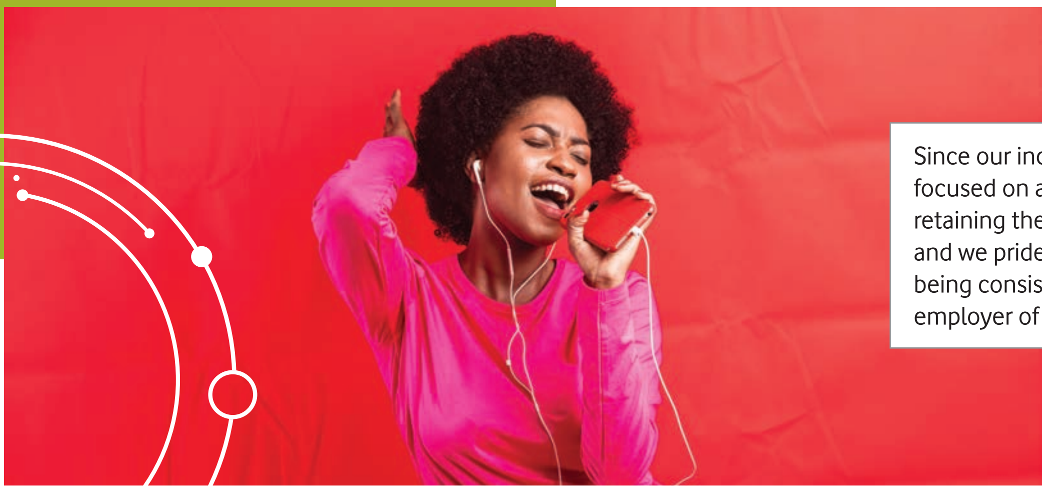
We drive further cost efficiencies through the following focus areas:

- **Creating an agile organisation that drives simpler, faster execution**
  We will continue to streamline our operating model, organisational structure and decision-making processes, with the goal of promoting a more agile, future-proof way of working. We will place a particular focus on the end-to-end automation of tasks and processes in an effort to improve the quality of engagement and focus on revenue generation across all of our business units.
- **Optimising the customer experience**
  We will continue to focus on developing digital platforms, in an attempt to blend the best of technology and human interaction in a personal, instant and easy way, driving improvements in call volumes, handling times and first call resolution.

06

People: Best talent, best practice

Delivering on our strategic vision of being a leading digital company requires that we have access to the right talent and diversity, built on a culture that fosters organisational agility and collaborative working, and that protects employee health and safety.



Since our inception, we have focused on attracting and retaining the best talent, and we pride ourselves on being consistently rated an employer of choice.

Attracting and retaining talent

- We have maintained our focus on identifying and attracting talent from outside our traditional business areas to ensure that we have the right capabilities for our new business activities, including in particular developing future skills in data science, machine learning and agile processes.
- This year we recruited 16 graduates as interns through our 'Discover' graduate assessment programme, developed to identify the future generation of Vodacom Tanzania leaders. Five of the interns have already been placed in permanent roles and we expect to place the rest as opportunities arise. The objective is to grow our talent pipeline with more diverse individuals that will prepare us for the new era of telecoms.
- We are committed to ensuring gender diversity in the workplace; at year-end 41.2% of our senior management team were female.
- We achieved Top Employer Tanzania Certification for the fourth year in a row.
- We promoted localisation through the appointment of four new EXCO members, all of whom are Tanzanians; three were promoted internally, and one was recruited externally, resulting in a 69.2% level of local representation of EXCO members, up from 36.4% three years ago. Expatriates make up 0.9% of our workforce.
- Our ability to attract the best talent benefits from being part of the Vodafone and Vodacom groups, enabling us to provide employees with access to attractive global career development opportunities; these include regional and international assignments, short-term rotational secondments, structured mentoring programmes and ongoing education and leadership development opportunities.

Driving an agile, collaborative culture

- Vodacom Tanzania was the first of the International operations in the Vodacom Group to adopt Agile structures, principles and tools. This has assisted in driving enhanced engagement across business units, greater alignment and accountability on mutually-agreed outcomes and performance indicators, and realising material efficiency and productivity gains.
- In alignment with the Vodafone Group, we launched our Spirit culture, and took our staff through an engagement process to identify the focus areas of our spirit values. We identified areas for improvement and opportunities where we can leverage. The key attribute to our spirit culture is that we aspire to be a trusted partner to connect for a better future.
- As part of our drive to become a digitally-led company, we fully digitised the employee on-boarding experience, enabled employee self-service through our online exit clearance process, and saw increased uptake of our employee-focused mobile app.
- The Company has continued to see the benefits of an open-plan working space that has brought the various divisions together, fostering a more collaborative work environment.

Developing employee and leadership skills

- We have continued to invest in enhancing the skills of our employees across core specialities such as customer value management, customer care, data analytics and digital marketing. Twenty-five employees in our consumer business unit undertook brand training during the year.

To drive our senior management succession, we embarked on a number of initiatives this year including placing two candidates into the Vodacom Advanced Executive Leadership Programme (VAEP), and nineteen senior managers in a strategic thinking course.

Employee health and safety

It is pleasing to report that there were no work-related fatalities for the eighth consecutive year. Our internal controls aiming at mitigating incidents have yielded positive results with a 10% reduction in the number of high potential incidents. The overall number of incidents is low, with road-related accidents remaining the primary cause of safery incidents.

- We invested in training for our employees and business partners with 47 employees and 29 business partners attending health and safety awareness training.

We implemented enhanced digital solutions to monitor in-field site activities on high risk activities, such as working at heights and electrical works.

We rolled out and executed our employee wellbeing programme that supports the elements of the Global Wellbeing Framework (GWF). This includes an Employee Assistance Programme (EAP), as well as mental health and domestic violence policies. This year, 430 employees attended various mental health awareness sessions. In our quest to ensure that our staff are healthy, both physically and mentally, 344 employees undertook physical medical checks organised by the company, and 380 employees were enrolled in various clubs introduced for employees' health and well-being.

IMPACT OF **COVID-19**

COVID-19 brought in new challenges for our employees with more than 80% of staff working from home, requiring the adoption of new ways of working. We were proactive in offering various forms of support such as making working tools easily accessible to ensure constant communication, education on COVID-19 and access to educational websites to support employees' children.

In addition, we provided personal protective equipment (PPE), a stand-by doctor and psychologist, a significant amount of knowledge sharing and advice, and where needed, directed staff to counselling services. We negotiated discounts on items such as ergonomic chairs for staff working from home. For the employees working from our office and retail shops, we enhanced various health measures including the installation of sanitizer dispensers in all entrances.

Our Workforce performance indicators

	Unit	March 2020	March 2019	March 2018	March 2017
Number of fulltime employee	Number	**551**	548	537	525
Women in EXCO	%	**30.8**	36.4	30.8	30.8
Women (HoD and EXCO level)	%	**39.7**	41.2	42.9	38.8
Women employees	%	**37.0**	36.5	39.5	39.8
Local (Tanzanians) % in EXCO	%	**69.2**	54.5	36.4	30.8
Total training spend	(TZS bn)	**1.0**	0.7	0.8	0.4
Employee turnover	%	**6.7**	8.9	9.3	19.0

Strategic outlook

Our underlying objective is to ensure that we have the right skills, capabilities and culture to achieve our purpose. To deliver on this objective, we have prioritised the following focus areas over the short, medium and long-term:

Attracting and retaining talent

- We will continue to drive our talent acquisition strategy, with a particular focus on agile and M-Pesa skills, and on attracting high potential youth.
- We will embed an appropriate high-performance reward structure, with the aim of attracting and retaining the best talent across existing and new functional areas; our target is to maintain our attrition level below 10%.
- We will promote localisation and gender diversity, by developing the skills and experience of identified high-potential Tanzanians through their participation in leadership development programmes and senior executive placements across the Vodacom and Vodafone groups; our target is to increase female representation in senior management to 45%.

Training and development

- We will apply a training and development framework to strengthen our core capabilities, needed to drive business growth as a leading digital company.
- In addition to developing technical skills in such areas as data science, machine learning and agile system, we will continue to develop leadership and management capabilities through specialist training programmes run by Vodacom Group and Vodafone, with more emphasis on future skills.

Driving an engaged digital culture, and building the employee brand

- To embed a digital culture, and secure internal efficiencies, we will be driving digital transformation in our human resource activities. We will be promoting the use of relevant mobile applications to streamline current processes and empower employees and line managers, and we will introduce real-time HR data dashboards using 'smart data'.
- We will continue to engage with employees to foster an environment where they may excel and grow.

Creating a safe working environment

- We will maintain our focus on ensuring employee safety, through various initiatives such as driving a culture of visible felt leadership; undertaking selected site inspections focusing on high risk functions and suppliers; establishing online health and safety training for suppliers and employees, and conducting positive safety training; and recognising and rewarding exemplary safe performance by employees and suppliers.
- We will be making greater use of digital innovation to improve safety monitoring, reporting and training, to automate and drive efficiencies in our processes, and to enhance fleet management and driver behaviour.
- We will continue to implement our employee wellbeing programme that supports the elements of the Global Wellbeing Framework (GWF). This will include quarterly health talk sessions, annual medical screening, and the promotion of healthy eating in collaboration with our in-house canteen.

Delivering on our purpose and social contract

Our purpose is to 'connect for a better future'. We strive to improve the lives of Tanzanians by connecting people and things to the internet, driving inclusion for all, and reducing our environmental impact.

As a responsible corporate citizen, Vodacom Tanzania is expected to deliver value across all our stakeholder groups, over the short, medium and long term. As part of the Vodacom Group, we have committed to delivering on three broad focus areas through which we are able to drive transformational change and contribute meaningfully to attaining the United Nations Sustainable Development Goals (UN SDGs): co-creating a digital society, driving inclusion for all, and protecting our planet by reducing our environmental impact.

We believe strongly that improved voice and data connectivity is a powerful tool for accelerating socioeconomic transformation and contributing meaningfully towards achieving national and global development objectives. In alignment with Vodacom Group, we prioritised the following eight UN- SDGs, where we believe we can make the greatest impact.

Following is a high-level overview of our initiatives and performance this year in each of our three focus areas, as well as on selected key performance indicators towards the priority UN-SDGs.

Digital Society

Bridging the digital divide is critical to delivering on Tanzania's ambition of transforming from an historically agricultural economy to an increasingly knowledge-based, semi-industrialised middle-income economy by 2025. By promoting digital inclusion, the mobile industry has already made a substantial contribution to the country's developmental goals. We have the potential to play a significant further role by increasing access to critical services, driving productivity gains across key business sectors, and facilitating inclusive economic opportunities. We are bridging the digital divide through our investment in extending networks to rural areas, enabling access to affordable smartphones, and providing low-cost price packages as well as digital solutions.

Connectivity for all

- Through this year's capex investment of TZS154.6 billion, we expanded our footprint coverage and improving the quality of our network. We added 52 sites in rural areas of Tanzania (eight 4G, forty-two 3G and two 2G sites). Of these, 18 were partly funded by the government through the Universal Communications Service Access Fund (UCSAF). At year-end, we had 1 570 rural sites, including 217 UCSAF sites.
- We introduced a US$25 smart-feature phone, 'Smart-Kitochi', with longer battery life and buttoned keypad, features that makes them durable and easy to use. We continued to drive smartphone penetration through our device partners, ending the year with 28.3% smartphone users' penetration to the base; this was down slightly from 30.3% the previous year, driven mainly by the barring of biometrically unregistered customers.
- Through our 'Just For You' offers, powered by our CVM and machine learning platforms, we have been promoting digital inclusion through our affordably priced packages for low-income customers. Our Vodacom Airtime Credit Advance platform has also enabled customers to access data by loaning airtime for repayment in their next recharge.

Digital platforms

We are driving the digital society through innovative product and service offerings provided through our various digital platforms.

- In promoting financial inclusion, M-Pesa has grown to provide the largest reach of any mobile financial services provider in Tanzania, with more than 10.1 million customers processing over 1.4 billion transactions, worth over TZS58.9 trillion annually. M-Pesa now provides customers with access to savings accounts through our

M-Pawa and Halal Pesa services, as well as savings for safety and store-of-value purpose within the M-Pesa wallet. Our M-Koba savings product, launched in partnership with the Tanzania Postal Bank, has been designed primarily for use in savings and credits associations in smaller communities. We have also enabled M-Pesa customers to access M-Pawa loans, as well as overdrafts through our new Songesha facility. Launched in July 2019, Songesha has become very popular, with more than 5.3 million customers accessing the service, and TZS52.0 billion in overdraft was provided, in the nine months since its launch.

- Our M-Kulima (Connected Farmer) platform, rolled out in collaboration with our partner Mezzanine, continues to grow, positively impacting farmers, crop buyers, agricultural extension officers and the government. The platform now links over 10 000 smallholder farmers to the agriculture value chain, enabling access to information, services and markets via SMS and App. Customers are registered with their profile details – such as farm size, location and crop type – that creates a useful database across the value chain. Faster and safer payments to farmers are now made possible through M-Pesa. We will be building on this through the work of our Foundation, looking to drive equal opportunities for Tanzanian women and youth in agriculture by using technology to increase economic empowerment and social mobilisation.
- Connected Education is one of our recent launched services, a platform in which Vodacom in collaboration with our partner 'Opportunity education' provide online classrooms for enrolled secondary schools' students. The platform offers educational content approved by Tanzania Institute of Education, online classes, examinations, markings and other class related activities. Enrolled schools get tablets as part of the package. In its early days, more than 500 students are already enrolled and using the service.
- Our assets tracking solution is a relatively new product in IOT solutions, providing remote access and control of assets, currently mainly used in car tracking. The solution provides real-time vehicle asset information, useful for controlling security, health, safety and maintenance.

Inclusion for All

We are developing and rolling out numerous initiatives to alleviate poverty and inequality by democratising education and health, and by supporting technology start-ups. These specific focus areas are in addition to the significant benefits in enhancing digital inclusion that are being achieved through our inclusive finance activities in M-Pesa, reviewed under the digital society pillar.

Democratising education

- By providing a reliable and high-quality data network, we enable customers to access educational sources through the internet, including online libraries.
- In addition to our Connected Education platform (reviewed earlier), we are enhancing education through Vodacom M-Pesa's VodaShule solution, which simplifies school operations, payments and communication between parents, teachers and other school stakeholders, helping to address challenges such as inefficient operations, inadequate record management, inconsistent academic histories of students and most importantly inefficient cash collection mechanisms, which can hinder productivity and academic performance. At least 5 schools have subscribed to the service and more than 100 schools are in pipeline to come on-board.
- Through Vodacom Foundation, we have arrangements where our customers can access educational materials for free. This include Instant Schools platform which has benefited over 66 000 beneficiaries during the year with total spend of TZS0.4 billion.

Democratising health

- By providing reliable and high-quality data network, we are enabling our customers in the health sector to drive efficiencies and enhanced effectiveness by digitising their services. These activities are being further enhanced through various Vodacom Foundation's philanthropic programmes. For this year we spent over TZS40 million on medical equipment to Muriet Health Centre in Arusha to combat infant mortality.

Supporting technology start-ups

- Our digital accelerator programme launched this year supports innovators across the country, most of them expected to be youth, to create digital applications that provides solutions to business challenges in financial technology, e-commerce, telecom, health, mobile, education, agriculture and media. We acknowledge that within Tanzania there are entrepreneurs with game-changing product ideas that unfortunately do not have the means to transform them into successful businesses, including access to finance, technology and customers. We are bridging that gap through the digital accelerator programme, which has invested over TZS350 million in its first year, with 15 start-ups projects short-listed.

Delivering on our purpose and social contract
continued

Planet

We aim to reduce the environmental impact of our business activities by promoting climate resilience through tree-planting, investing in climate-smart, energy-efficient networks and solutions, and minimising waste across our value chain. We ensure that relevant capex projects (including fibre projects and the enhancement of network backhauling) are undertaken only after obtaining approvals through environment impact assessments.

Energy and water efficiency

- This year, our energy consumption grew 5.7% to 16.0GWh, fuel usage increased by 34.1% to 1.1 million litres, and water usage declined 1.2% to 44 435 kilolitres. Our energy consumption is mainly in data centres, with the increase in both electrical and fuel primarily due to ongoing modernization with legacy core network being replaced with cloud. As the cloud modernization project is in transition, both legacy network and cloud were running in parallel consuming additional energy. There was also an increase in network traffic and an unstable grid power, leading to an increase in fuel usage.
- We are undertaking various initiatives to enhance efficiency, including replacing old generators. Ongoing modernization of our data centres is expected to reduce energy consumption. We are shutting down four mobile switching servers replacing them with cloud servers which are over 30% efficient in energy consumption.

Waste reduction

- Vodacom Tanzania has been on a mission to encourage customers to use electronic recharges including M-Pesa, ATM machines, Vodafasta and other electronic forms of recharges instead of scratch cards. With this effort, we have managed to increase electronic recharges contribution to total recharge to 62.0%, reducing usage and eventually paper wastes estimated at 174.6 tons in 2020, making 462.2 tons of paper waste saving in the past three years. Undertaking this action means we have saved forests, energy, environmental impact from logistic activities and reduce landfills.
- Since 2016, Vodacom has been advocating use of smaller sized simcards with a biodegradable material. The smaller simcards made of plastic, weighs 2.67gm while the bigger ones weigh 5.07gms. These efforts have reduced plastic usage and eventually plastic waste by 29.5 tons in 2020, making a total plastic waste reduction of 85.1 tons for the past 3 years.

Biodiversity and climate resilience

- Through our climate change action project, we are driving increased awareness of climate change and biodiversity. We spent TZS0.3 billion this year on our 'Kijanisha Dodoma' project to increase awareness and mobilise communities on climate issues at the national level.

Selected Sustainability KPIs	Unit	March 2020	March 2019	March 2018	March 2017
Number of fulltime employee	Number	**551**	548	537	525
Number of fulltime women employee	Number	**204**	200	212	209
Women in EXCO	%	**31**	36	31	31
Women (HoD and EXCO level)	%	**41**	41	43	39
Women employees	%	**37**	36	39	40
Total spend on employees	(TZS bn)	**57.7**	59.4	55.3	55.5
Total training spend	(TZS bn)	**1.0**	0.7	0.8	0.4
Work related fatalities	Number	**Zero**	Zero	Zero	Zero
Customer NPS	Position	**1st**	1st	1st	1st
Customer base	Number ('000)	**15 513**	14 133	12 899	12 653
M-Pesa users	Number ('000)	**10 103**	9 077	8 225	7 966
Data users	Number ('000)	**7 687**	7 892	7 345	6 463
CAPEX investment	(TZS bn)	**154.6**	171.4	159.7	149.9
Total tax and levies paid to government	(TZS bn)	**434.8**	391.5	379.1	352.3
Airtime advance to customers	(TZS bn)	**38.2**	34.6	53.1	113.4
Total value transacted in M-Pesa	(TZS tn)	**58.9**	50.0	43.1	31.5
Songesha overdraft to customers	(TZS bn)	**52.0**	–	–	–
Rural sites (UCSAF)	Number	**217**	199	188	173
% Customers in rural sites[1]	%	**53**	53	47	51
Paper usage saved by focusing on electronic recharges	Tons	**175**	155	132	107
Plastic usage saved by using small size simcards	Tons	**30**	31	25	29

1. Based on Vodacom Tanzania internal classification criteria.

Our financial performance

Consolidated	2020	2019	Year-on-year % change
Service revenue (TZs m)	**1 024 916**	1 016 237	0.9
of which			
Mobile voice revenue (TZs m)	**373 005**	385 498	(3.2)
M-Pesa revenue (TZs m)	**358 243**	333 519	7.4
Mobile data revenue (TZs m)	**180 840**	164 658	9.8
Mobile incoming revenue (TZs m)	**53 204**	65,709	(19.0)
Messaging revenue (TZs m)	**42 413**	41 441	2.3
Revenue (TZs m)	**1 032 667**	1 024 587	0.8
EBITDA (TZs m)	**364 763**	288 657	26.4
EBITDA margin (%)	**35.3**	28.2	7.1ppts
Capital expenditure	**(154 586)**	(171 432)	9.8
Capex intensity[1] (%)	**(15.0)**	(16.7)	1.8ppts
Customer market share[2]	**1st**	1st	
Customers[3] (thousand)	**15 513**	14 133	9.8
Data customers[4] (thousand)	**7 687**	7 892	(2.6)
MoU[5] per month	**172**	172	(0.2)
ARPU[6] (Shillings per month)	**5 616**	6 010	(6.6)
Number of employees	**551**	548	0.5
Number of sites			
4G	**1 321**	861	53.4
3G	**2 682**	2 429	10.4
2G	**3 225**	3 024	6.6
Weighted NPS[7] (position relative to competitors)	**1st**	1st	

Notes:
1. Capital expenditure as a percentage of revenue.
2. Tanzania Communication Regulatory Authority's quarterly communication statistics as at March 2020.
3. Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active while roaming.
4. Data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.
5. Minutes of use ('MoU') per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly active customers during the period.
6. ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period.
7. The net promoter score ('NPS') is an index ranging from -100 to 100 that measures the willingness of customers to recommend an operator's products or services to others. It is used as a proxy for gauging the customers' overall satisfaction with an operator's product or service and the customers' loyalty to the brand. For each operator, responses are collected from customers who use its products or services as either the primary or alternative means of telecommunication (a 'primary user' or 'alternative user'). Responses from primary and alternative users are then weighted by the natural proportion of primary and alternative users for that operator in order to calculate the weighted NPS.

Revenue

- **Service revenue** grew 0.9% (1.8% excluding the impact of change in MTRs) to TZS1 024.9 billion, driven by 3.3% growth in mobile customer revenue. This growth was primarily from a healthy 9.8% increase in customer base, partly offset by the decline in ARPU due to service barring to 2.9 million non-biometrically registered customers and intense competitive pricing pressure. We are pleased with the 1.4 million net customer additions during the year, significantly driven by on-the-ground commercial activities across the country and boosted by existing customers biometrically registering new SIM Cards instead of re-registering their existing SIM Cards.
- **Voice** decreased by 3.2% to TZS373.0 billion, with contribution to service revenue decreasing by 1.5 ppts to 36.4%. The rate of decline in the second half of the year increased as a result of reduced customers' activities following the biometric registration implementation, as well as pricing competitive pressure.
- **M-Pesa** revenue grew 7.4% to TZS358.2 billion, with contribution to service revenue increasing by 2.2ppts to 35.0%. The increasing uptake of mobile money products has contributed to the ARPU increase, partially offset by the slowdown in customer spend in the second half of the year following the biometric registration implementation and ongoing pricing competitive pressure. 10.1 million customers are now using this service and we continue to lead the industry with customer market share of 37.2%. M-Pesa is delivering on its promise of financial inclusion, empowering customers to transact easily and contributing to economic growth.

Our financial performance
continued

We are now processing 1.4 billion transactions, worth TZS58.1 trillion in the mobile money system during the year, with transaction values up 21.1%. Our 'Songesha' overdraft product progressed well, with 5.3 million customers utilizing this service, and TZS52.0 billion in overdrafts provided during the year. We expanded our international remittance portfolio in partnership with global partners, including TerraPay and World Remit, receiving a total of TZS 115.6 billion across the portfolio and remitting TZS48.6 billion within East Africa.

- **Mobile data** revenue grew 9.8% to TZS180.8 billion, primarily driven by a 14.6% increase in data traffic, with significant growth coming from 4G traffic, reflecting a strong demand for mobile data services. This was supported by our continued investment in enhancing customers' data experience and providing low-cost smartphones and affordable data services. Data customers decreased 2.6% to 7.7 million, primarily from barring of non-biometrically registered customers in the last quarter.
- **Mobile incoming** revenue declined by 19.0% to TZS53.2 billion, reflecting a 50% mobile termination rate reduction in January 2020 in line with the regulated glide path; this was partially offset by a 30.1% increase in the number of incoming minutes, as operators continued to provide more network value in their product offerings. We continue to see the decline in the contribution of mobile incoming revenue to service revenue, currently at 5.2% (down 1.3ppts).
- **Messaging** revenue increased by 2.3% to TZS42.4 billion, with the number of SMSs transmitted declining by 3.5% to 33.1 billion, while price per SMS increased by 6.0%. This is a result of the continuous improvement in our product offerings and price optimization.

Understanding the effects of IFRS 16

IFRS 16: Leases has replaced IAS 17, whereby under IAS 17, lease contracts were classified as either operating or finance leases. Under IFRS 16, the lease agreements for lessees gives rise to the recognition of a 'right-of-use asset', representing the right to use the leased item, and a liability for the future lease payments over the 'reasonably certain' period of the lease, which may include future lease periods for which the Group has extension options.

Lessee accounting under IFRS 16 is similar to finance lease accounting for lessees under IAS 17; lease costs are recognised in the form of depreciation of the right-of-use asset and interest on the lease liability, which is generally discounted at the incremental borrowing rate of the relevant Group entity, although the interest rate implicit in the lease is used when it is more readily determinable. Interest charges will typically be higher in the early stages of a lease and will reduce over the term.

The adoption of IFRS 16 resulted in the recognition of right-of-use assets and lease liabilities in relation to leases such as towers, office building, retail shops and warehouses, that were previously recognised as operating leases in IAS 17. The lease liability was recognised at the present value of the remaining lease payments, discounted using the incremental borrowing rates.

For the twelve months ended 31 March 2020, the application of the new standard resulted in reduction of operating expenses by TZS121.2 billion as a result of not recognising operating lease expenses; increased depreciation by TZS84.9 billion on the right of use asset recognised over its useful life as well as finance cost by TZS67.0 billion resulting from interest on the outstanding capital balance of the lease liabilities. This led to a TZS30.7 billion net reduction in profit before tax.

Total expenses[1]

Total expenses decreased 11.5% to TZS657.8 billion. Excluding the impact of IFRS 16 adoption, total expenses increased 4.8% to TZS779.0 billion. The increase in expenses included TZS21.0 billion relating to biometric registration implementation and COVID-19 expenses[2].Excluding these expenses, total expenses grew 2.0%, benefitting from lower interconnect costs as a result of lower MTR, as well as strong yields from our 'Fit for growth' programme, partially offset by greater network operating costs as a result of a higher number of network elements and inflation adjustments applied under service contracts.

EBITDA

EBITDA increased 26.4% to TZS364.8 billion, with EBITDA margin improving by 7.1ppts to 35.3%. Excluding the impact of IFRS 16 adoption, EBITDA declined 15.6% to TZS243.6 billion. The decline was primarily due to the slowdown in revenue growth in the second half of the year, as well as increased total expenses including biometric registration costs. Adjusting for the biometric related and COVID-19 expenses, EBITDA declined 8.3%.

Capital expenditure

We invested TZS154.6 billion; excluding right-of-use assets, this is 15.0% of revenue. We continued to focus on enhancing our data network and expanding 4G coverage across the country. 460 new 4G sites were deployed during the year, with fibre and high capacity microwave backhaul further enhancing customer data experience. We added 253 3G sites to reach 2 682 sites and modernised our network with the continuation of capacity upgrades across our 3G sites. We spent TZS5.3 billion in biometric registration devices to ensure the acceleration of customer registration.

1. Excluding depreciation, amortisation and impairment losses.
2. Biometric registration costs of TZS15.6 billion, TZS1.7 billion depreciation for biometric registration devices and TZS5.5 billion costs relating to COVID-19 pandemic and legal related expenses.

Summarised consolidated statement of profit or loss and other comprehensive income

TZS m	2020[1] Audited	2019 Audited
Revenue	**1 032 667**	1 024 587
Direct expenses	**(321 693)**	(303 306)
Staff expenses	**(57 671)**	(59 368)
Publicity expenses	**(30 571)**	(36 311)
Other operating expenses	**(247 885)**	(344 086)
Depreciation and amortisation	**(268 762)**	(165 834)
Impairment charges	**(10 086)**	(349)
Operating profit	**95 999**	115 333
Finance income	**50 465**	38 475
Finance costs	**(86 470)**	(19 891)
Net gain on foreign currency translation	**356**	970
Profit before tax	**60 350**	134 887
Income tax expense	**(14 588)**	(44 126)
Profit for the year	**45 762**	90 761
Other comprehensive income	**–**	–
Total comprehensive income for the year, net of tax[2]	**45 762**	90 761
Basic and diluted earnings per share (TZS)	**16 644**	15 532

1. The Group adopted IFRS 16 on 1 April 2019 using the modified retrospective method. Consequently, the financial results for the year ended 31 March 2020 are based on IFRS 16 while the comparatives are based on IAS 17. Refer to Note 4 of the Annual Financial Statements for further information.
2. All attributable to the owners of the parent since there is no non-controlling interest in the Group's subsidiaries.
3. Biometric registration costs of TZS15.6 billion, TZS1.7 billion depreciation for biometric registration devices and TZS5.5 billion costs relating to COVID-19 pandemic and legal related expenses.

Revenue grew 0.8% to TZS1 032.7 billion, mainly driven by growth in mobile customer revenue from a healthy 9.8% increase in customer base partly offset by the decline in ARPU due to service barring to 2.9 million non-biometrically registered customers as well as intense competitive pricing pressure.

Total expenses decreased 11.5% to TZS657.8 billion. Excluding the impact of IFRS 16 adoption, total expenses increased 4.8% to TZS779.0 billion. The increase in expenses included TZS21.0 billion relating to biometric registration implementation and COVID-19 expenses.[3] Excluding these expenses, total expenses grew 2.0%.

Depreciation grew by 62.1%, mainly driven by the impact of IFRS 16 adoption. Excluding the impact of IFRS 16 adoption, depreciation grew 10.9% driven by our continuous investment in the network.

Impairment charges in the current year relate to the provision for expected credit losses from the portfolio of trade receivables. The trade receivables are stated net of expected credit losses based on the management's assessment of the counterparty's creditworthiness. All receivables are individually tested for impairment. The impairment charges in the prior year included impairment of Shared Networks Tanzania Limited ('SNT'), a wholly owned subsidiary of Vodacom Tanzania Plc acquired in July 2016.

Net finance cost increased by TZS55.2 billion. This includes TZS67.0 billion finance costs recognised in terms of IFRS 16 adoption, excluding which, net finance income increased by TZS11.8 billion, primarily driven by the increase in interest rate on government treasury bills investment, as well as increased cash investment.

Tax expense of TZS14.6 billion is 66.9% lower than prior year (2019: TZS44.1 billion). The prior year profit before tax included a non-deductible expense related to the compensation and penalty, which increased the tax charge. In the current year, the decline in profit before tax, as well as the recognition of deferred tax asset relating to the impairment of the Shared Network Tanzania (SNT) assets, led to the decline in tax charge.

Summarised consolidated statement of financial position

TZS m	2020 Audited	2019 Audited
Assets		
Non-current assets	**1 298 663**	857 074
Property and equipment	**1 123 945**	646 288
Intangible assets	**78 510**	74 740
Capacity prepayments	**54 888**	58 385
Deferred loss	**–**	48 593
Goodwill	**1 639**	1 639
Income tax receivables	**23 755**	19 724
Trade and other receivables	**15 926**	7 705
Non-current assets held for sale	**–**	1 307
Current assets	**1 097 226**	1 134 121
Capacity prepayments	**13 657**	11 527
Inventory	**2 004**	2 145
Trade and other receivables	**100 815**	126 232
Income tax receivable	**4 723**	–
Financial assets	**337 556**	378 019
Short term investment	**164 643**	219 576
Cash and cash equivalents	**473 828**	396 622
Total assets	**2 395 889**	1 992 502
Equity and liabilities		
Equity	**1 255 152**	1 263 844
Share capital	**112 000**	112 000
Share premium	**442 435**	442 435
Capital contribution	**27 698**	27 698
Retained earnings	**673 019**	681 711
Non-current liabilities	**513 575**	100 790
Lease liabilities	**494 354**	5 801
Government grants	**1 616**	2 922
Deferred tax liabilities	**13 800**	45 687
Trade and other payables	**186**	46 380
Provision	**3 619**	–
Current liabilities	**627 162**	627 868
Lease liabilities	**50 869**	–
Trade and other payables	**552 167**	584 018
Interest due to customers	**11 992**	31 577
Income tax payable	**–**	1 983
Government grants	**2 310**	2 379
Provisions	**9 824**	7 911
Total liabilities	**1 140 737**	728 658
Total equity and liabilities	**2 395 889**	1 992 502

Property and equipment increased 73.9% to TZS1 123.9 billion. This includes right-of-use assets recognised on adoption of IFRS 16 of TZS505.6 billion excluding which, property and equipment declined by 4.6%. The investments made during the year were largely offset by the depreciation of network infrastructure assets from previous years' investments.

Deferred loss related to the sale and lease back of passive equipment to Helios Towers, whereby the proceeds were significantly lower than the estimated fair value of the disposed assets. In the prior years, these losses were deferred and amortised over the minimum 12-year term of the leaseback agreement. Following the adoption of IFRS 16, management assessed that the remaining deferred loss represented lease prepayments under IFRS 16. Consequently, the remaining carrying amount of the deferred losses was transferred to the right of use asset.

Increase in income tax receivables was primarily due to the tax deposit paid to object to the 2017 and 2018 tax assessments.

The financial assets relate to the restricted M-Pesa bank deposits.

Net cash position increased 19.5% to TZS473.8 billion driven by matured government treasury bills that rolled back from short term investment to cash, as well as improved cash flow from operations.

As at 31 March 2020, our short term investments in government treasury bills stood at TZS164.6 billion.

Lease liability relates to the recognition of finance lease liability on adoption of IFRS 16 of TZS545.2 billion of which TZS50.9 billion matures within one year.

Summarised consolidated statement of cash flows

TZS m	2020 Audited	2019 Audited
Cash flows from operating activities		
Cash generated from operations	**344 244**	318 541
Income tax paid	**(53,181)**	(45 198)
Net cash flows generated from operating activities	**291 063**	273 343
Cash flows used in investing activities		
Additions to property and equipment, and intangible assets	**(159 350)**	(184 843)
Proceeds from sale of property and equipment	**719**	20
Government grant received	**2 838**	2 489
Short term investments retired/(made)	**54 933**	(89 307)
Finance income received	**31 118**	9 557
Cash held in restricted deposits	**40 463**	(25 143)
Interest received from M-Pesa deposits	**19 347**	19 841
Net cash flows utilised in investing activities	**(9 932)**	(267 386)
Cash flows from financing activities		
Dividends paid	**(54 459)**	(38 783)
Interest paid to M-Pesa customers	**(39 013)**	(11 107)
Interest paid on other borrowings	**–**	(324)
Lease liabilities interest paid	**(67 034)**	–
Payment of lease liabilities – principal	**(43 455)**	–
Net cash flows utilised in financing activities	**(203 961)**	(50 214)
Net increase/(decrease) in cash and cash equivalents	**77 170**	(44 257)
Cash and cash equivalents at 1 April	**396 622**	439 889
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	**36**	990
Cash and cash equivalents at 31 March	**473 828**	396 622

Income tax increase of 17.7% is primarily due to the tax deposit paid to object to the 2017 and 2018 tax assessments.

This relates to matured investment in Treasury Bills at the year end.

Lease payments of TZS110.5 billion including TZS67.0 billion lease interest and TZS43.5 billion lease principal paid under lease liability, reflecting adopted IFRS 16 requirements.

The Vodacom Tanzania Foundation

The Vodacom Tanzania Foundation is responsible for managing the Group's corporate social investments. In delivering on its vision of impacting positively on the lives of underserved members of the Tanzania community, guided by the UN Sustainable Development Goals, the Foundation has been leveraging Vodacom's technological capabilities and partnerships to deliver pioneering projects in education, healthcare and financial inclusion. The Foundation has invested over **TZS12.5 billion**[1] in social investment since 2004, **impacting millions of lives** directly and indirectly in various communities in **19 regions across Tanzania.**

Our 2020 performance

There was a significant decline on Foundation's activities during the year due to the pending tax matters clearance. Only a few of the planned activities were implemented.

EDUCATION

Our instant schools project continued, providing free access to online educational material to **over 66 000 beneficiaries.** This is a portal-based service accessible through smartphone or computers, in which Vodacom customers register and get **free access to education materials in various disciplines.**

4 QUALITY EDUCATION

Over
TZS0.4 billion
was invested in the programme during the year, contributing to UN SDG4 on 'Quality education'.

ENVIRONMENT CONSERVATION

In partnership with the **World Wide Fund for Nature (WWF)**, and in collaboration with the Vice President's office, the Foundation jointly implemented a programme to make **Dodoma city green, planting over 70 000 trees,** and targeting participation from the youth, women and people with disability.

13 CLIMATE ACTION

The Foundation invested over
TZS0.3 billion
in this campaign, contributing towards UN SDG 13 on 'Climate action'.

1. Excluding TZS2.3 billion donated on combatting COVID-19.

HEALTH

This year, the Foundation donated over

TZS40 million

in medical equipment to Muriet Health Centre, supporting efforts to reduce infant mortality.

The Foundation has also supported the Ministry of Health in educating citizen by sending out over **100m SMS with educational content on COVID-19 to our 15 million subscribers**. We also zero-rated various websites with relevant information on the disease, and provided identified ministry officials with free data access to assist in the fight against the pandemic. **The value of this in-kind donation was over TZS0.9 billion.**

In April 2020, Vodacom through the Vodacom Foundation, donated

TZS2.3 billion

to the government of Tanzania towards fighting COVID-19 pandemic spread.

3 GOOD HEALTH AND WELL-BEING

These projects contributed towards UN SDG3 on 'Good health and well-being'.

Our strategic outlook

In the next three years, the Foundation will focus on the following four pillars

- **Inclusive education:** We will promote inclusive and equal education by enhancing access to technology and the internet in government schools countrywide, with the aim of increasing the number of students with access to ICT learning in poor rural and urban communities.
- **Climate change and biodiversity:** We will drive interventions to address climate change and biodiversity loss in Tanzania, focusing on educating communities on environmental care, encouraging smart agriculture and tree planting, facilitating access to clean energy, and supporting workshops on the climate change agenda.
- **Reduction of infant mortality:** We will support the provision of equipment to reduce premature infant mortality, provide capacity building and awareness raising to unskilled health workers, and driving public-private partnership on reducing infant mortality rate.
- **Disaster relief management:** The fourth pillar will focus on driving mobile and ICT Technology as tools for disaster management, providing routers and SIM cards to identified users and areas to enhance connectivity for responsive disaster management, and financing workshops and seminars on disaster management.

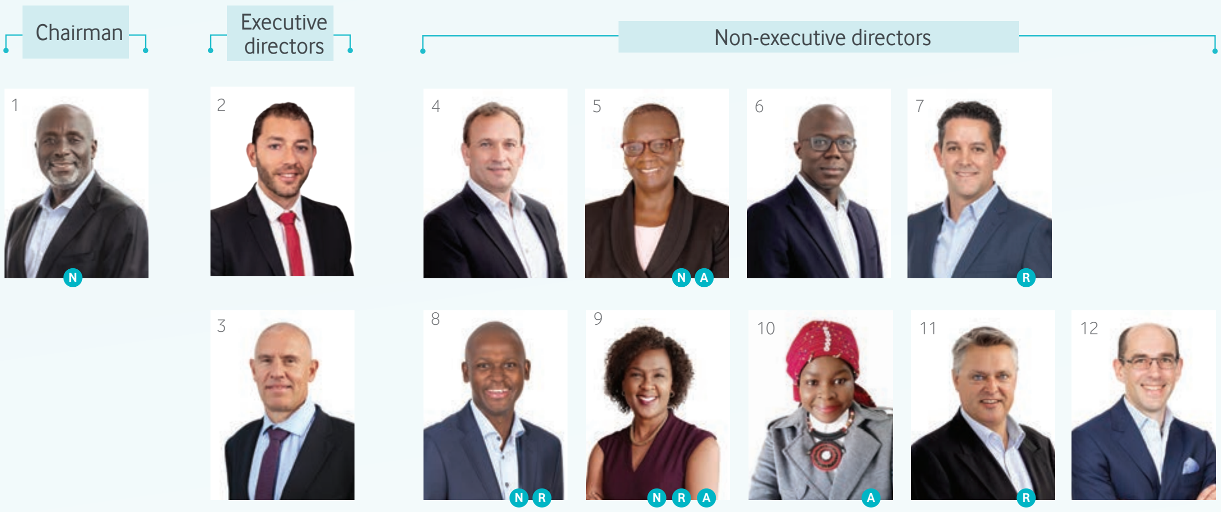
IMPACT OF **COVID-19**

COVID-19 has presented both risks and opportunities for the Foundation's work. Given the challenges associated with social distancing, we needed to adapt to new ways of working with our beneficiaries. We have revised project planning to incorporate mobile and ICT technologies to enable continued delivery of projects and have explored the use of mobile money as the preferred mode of payment to beneficiaries. Given school closures, we had to delay various projects under our education pillar, which require access to students and teachers and the delivery of hardware. The increased need for distance learning, however, also presents opportunities for greater uptake on our Instant Schools web portal. We also explored extending the portal to beyond students to include lifelong skills learning.

Our leadership team

We have a unitary Board with 12 directors, the majority of whom are non-executive directors. Our Chairman is an independent non-executive director.

Board structure



1. Ali A. Mufuruki[1] (61)
Appointed August 2017
- Extensive leadership experience.
- Corporate governance expertise.
- Government relations.

2. Hisham Hendi (40)
Appointed 19 March 2019
- An astute business leader.
- Diverse emerging market experience.
- Strong execution of new innovative products and offerings.

3. Jacques Marais (54)
Appointed in July 2016
- Sound financial expertise.
- Extensive emerging market experience.
- Extensive telecoms knowledge.

4. Andries Daniel Jan Delport[2] (56)
Appointed in April 2015
- Extensive telecoms technology knowledge and experience.
- Strategic leadership expertise.
- Operational and strategy execution expertise.

5. Margaret Ikongo* (63)
Appointed in November 2017
- Financial expertise.
- Government relations.
- Corporate governance expertise.

6. Kenneth Kwame Gomado (42)
Appointed in March 2018
- Diverse emerging market financial experience.
- Extensive telecoms and FMCG knowledge.
- Audit advisory background.

7. Diego Gutierrez (45)
Appointed in March 2018
- Commercial strategist.
- Extensive telecoms technology knowledge and emerging market experience.
- Strategic leadership expertise.

8. Matimba Mbungela (48)
Appointed in August 2017
- Extensive talent management knowledge and experience.
- Expertise in human resources best practice.
- International operational experience.

9. Winifred Ouko (50)
Appointed in November 2017
- Financial and strategic planning expertise.
- Diverse international operational and strategy execution experience.

10. Thembeka Semane (44)
Appointed in November 2017
- Corporate governance expertise.
- Operational and strategy execution experience.
- Financial expertise.

11. Henry JC Surtees[3] (50)
Appointed in May 2011
- Financial experience.
- Corporate governance expertise.
- Corporate leadership expertise.

12. Till Streichert[4] (46)
Appointed in August 2017
- Diverse international financial experience.
- Executive leadership background.
- International ICT sector insights.

A Audit, Risk and Compliance Committee (ARCC) R Remuneration Committee N Nomination Committee

* Ms. Margaret Ikongo has been serving in the capacity of Interim Chairperson since December 2019.

Note:
1 Mr Ali A. Mufuruki resigned on 1 December 2019 and was deceased on 7 December 2019.
2 Mr Andries Daniel Jan Delport resigned on 18 May 2020.
3 Mr Henry JC Surtees resigned 18 March 2020.
4 Mr Till Streichert resigned on 30 June 2020.

Executive Committee

Managing director
1


Finance
2


Consumer
3


M-Commerce
4

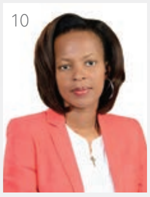

Enterprise
5

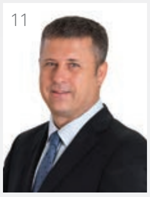

Network
6


Legal and Regulatory
7

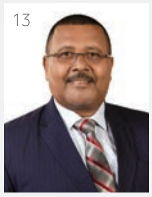

Corporate Affairs
8


Customer operations
9


Human resources
10


IT & billing
11


Digital
12


Risk and compliance
13


1. Hisham Hendi (40)
Managing Director
Joined Vodacom in 2014, Vodafone in 2003

2. Jacques Marais (54)
Finance Director
Joined Vodacom in 2001

3. Linda Riwa (33)
Consumer Business Unit Director
Joined Vodacom in 2017

4. Epimack Mbeteni (42)
M-Commerce Director
Joined Vodacom in 2014

5. Arjun Dhillon (40)
Enterprise Business Unit Director
Joined Vodacom in 2017, Safaricom in 2015

6. Andrew Lupembe (47)
Network Director
Joined Vodacom in 2007

7. Olaf Mumburi (44)
Legal and Regulatory Director
Joined Vodacom in 2008

8. Rosalynn Gloria Mworia (40)
Corporate Affairs Director
Joined Vodacom in 2008

9. Harriet Atweza Lwakatare (42)
Customer Service Director
Joined Vodacom in 2012

10. Vivienne Penessis (45)
Human Resources Director
Joined Vodacom in 2018

11. Luis Fedriani (48)
IT & Billing Director
Joined Vodacom in 2012

12. Nguvu Kamando (45)
Digital Director
Joined Vodacom in 2002

13. Tax Agapinus (55)
Risk and compliance Director
Joined Vodacom in 2020

Our Workforce

Total number of employees
551
(2019: 548)

Corporate governance report

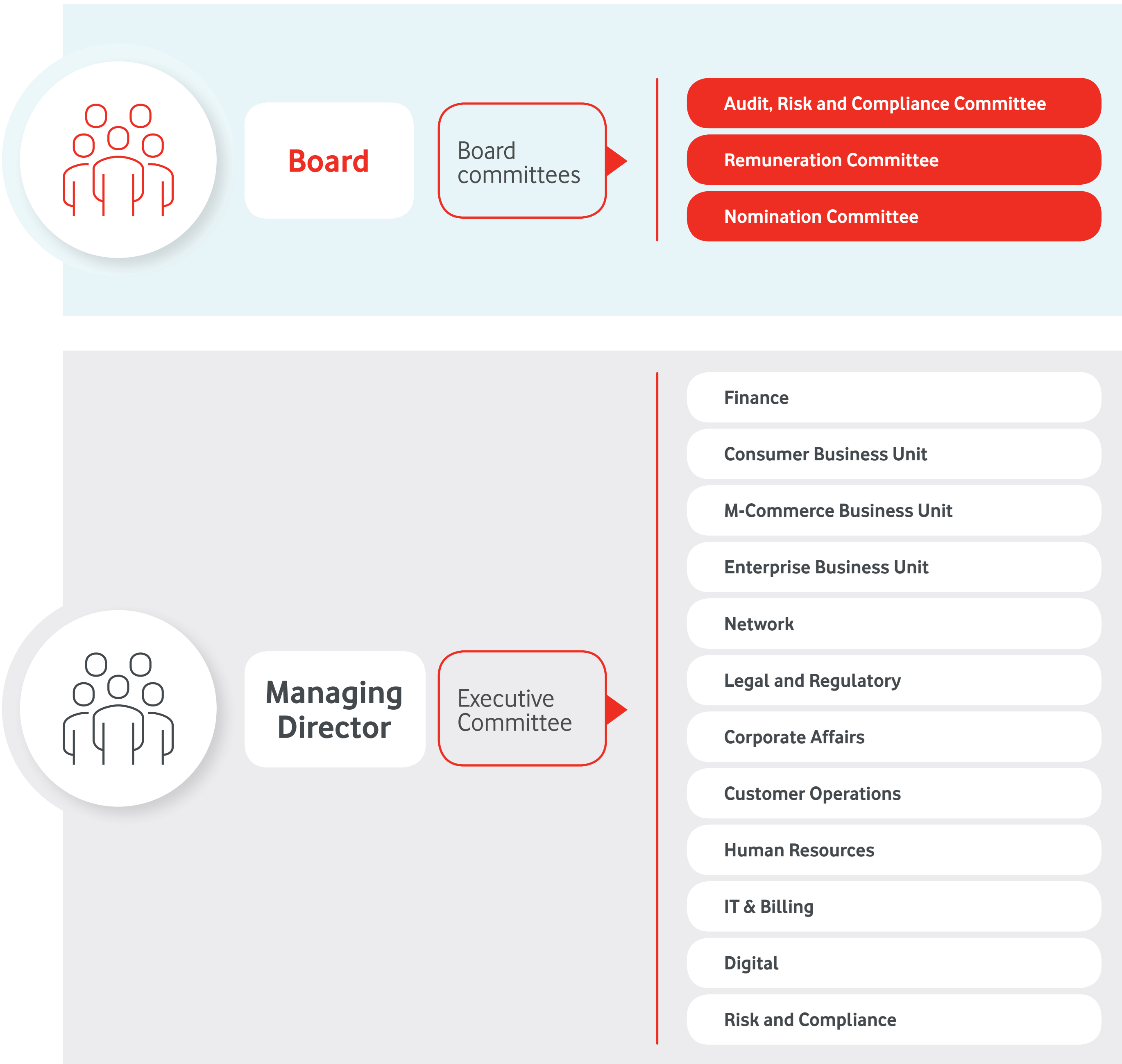
Statement of compliance

Vodacom Tanzania Public Limited Company ('Vodacom Tanzania') is committed to the highest standards of business integrity, ethics and professionalism.

Corporate governance principles include discipline, independence, responsibility, fairness, social responsibility, transparency and the accountability of directors to all stakeholders. These principles are entrenched in Vodacom Tanzania's internal controls and policy procedures governing corporate conduct and are aligned with the Capital Markets and Securities Authority's guidelines on corporate governance practices by public listed companies in Tanzania.

Corporate governance structure

The following diagram shows Vodacom Tanzania's governance structure as at 31 March 2020:



Ethical leadership

The Board accepts collective responsibility for defining how ethics and ethical behaviour should be implemented in Vodacom Tanzania. This includes setting out the conduct of individual Board members, to ensure that they act with integrity, competence, responsibility, accountability, fairness and transparency. These characteristics set the tone from the top to support an ethical culture within Vodacom Tanzania.

Board leadership and committees

Board

Vodacom Tanzania has a unitary Board of 12 directors, of whom four (including the Chairman) are independent non-executive directors, six are non-executive (but not independent as they represent major shareholders), and two are executive directors.

The Board is satisfied that the balance of knowledge, skills, experience and diversity on the Board is sufficient.

The Board may meet for the dispatch of business, adjourn and otherwise regulate its meetings as it deems fit. Board meetings are held periodically to review Vodacom Tanzania's strategy, operational and financial performance, as well as to provide oversight. Special Board meetings may be held as and when required.

The Nomination committee regularly reviews Board and committee succession to ensure we have the right skills and experience for the future. The Managing Director is responsible for ensuring that key management personnel have the necessary skills, authority and resources to execute Vodacom Tanzania's strategy.

Accountability

The Board takes overall responsibility for Vodacom Tanzania's success. Its role is to exercise leadership and sound judgement in directing Vodacom Tanzania to achieve sustainable growth and act in the best interests of its shareholders.

In line with best practice, the roles of Chairman and Managing Director are separate. The Chairman is responsible for leading the Board, while the Managing Director is responsible for the operational management of Vodacom Tanzania.

The Board charter details the responsibilities of the Board, which include:

- Appointment of the Managing Director and Finance Director;
- Effective oversight of Vodacom Tanzania's strategic direction;
- Approving major capital projects, acquisitions or divestitures;
- Exercising objective judgment on Vodacom Tanzania's business affairs, independent from management;
- Ensuring that appropriate governance structures, policies and procedures are in place;
- Ensuring the effectiveness of Vodacom Tanzania's internal controls;
- Reviewing and evaluating Vodacom Tanzania's risks;
- Approving the annual budget and operating plan;
- Approving the consolidated annual and interim financial results as well as all communications to shareholders;
- Approving the senior management structure, responsibilities and succession plans; and
- Information and technology governance.

Directors

Vodacom Tanzania's articles of association specifies that all directors are subject to retirement by rotation and re-election by shareholders at least once every three years.

Chairman

The articles of association requires the Board to re-elect the Chairman annually. The Board is comfortable that the Chairman is able to perform the duties of this office effectively. Ms Margaret Ikongo was appointed as Interim Chairperson effective 1 December 2019 following resignation of the late Ali A Mufuruki. She will hold that position until such time that the search to fill the vacancy of an independent non-executive Chairperson is concluded.

Independent advice

The Board recognises that there may be occasions where directors consider it necessary to take independent professional advice. This is done at Vodacom Tanzania's expense, in accordance with an agreed procedure.

Corporate governance activities

Board meetings

The Board holds a minimum of four meetings every year, with special Board meetings convened when necessary. Eight special board meetings were convened this year.

The table below records the attendance of directors at Board meetings for the year.

Name of director	6 Apr 2019 Special	2 May 2019 Special	23 May 2019	30 May 2019	17 Jul 2019 Special	22 August 2019	7 Oct 2019 Special	15 Oct 2019 Special	4 Nov 2019 Special	5 Nov 2019	23 Jan 2020 Special	19 March 2020
Mr Ali A Mufuruki (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	R	R
Mr Till Streichert	✓		X	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Matimba Mbungela	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Andries Delport	✓	✓	X	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Henry Surtees	X	✓	X	X	✓	✓	X	X	✓	✓	✓	R
Mr Jacques Marais	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Hisham Hendi	X	X	X	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms Margaret Ikongo	✓	✓	X	✓	✓	✓	✓	X	✓	✓	✓	✓
Ms Thembeka Semane	✓	✓	✓	✓	✓	✓	X	✓	✓	✓	✓	✓
Ms Winifred Ouko	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Diego Gutierrez	✓	✓	✓	✓	X	✓	✓	✓	✓	✓	X	✓
Mr Kenneth Gomado	✓	✓	✓	✓	X	✓	✓	✓	✓	✓	✓	✓

Note:
1. Ali A Mufuruki resigned on 1 December 2019.
2. Henry Surtees resigned on 10 March 2020.

Board Committees

The non-executive directors contribute their extensive experience and knowledge to the Board's committees. All committees operate under Board-approved charters, which are updated from time to time to stay abreast of developments in corporate law and governance best practice.

The Board has a Remuneration Committee, Nomination Committee and an Audit, Risk and Compliance Committee, which have specific delegated activities.

Board committees are responsible for the review and oversight of the activities within their defined terms of reference. Each committee should consist of no less than three members of the Board or of such other persons as the Board may deem fit, provided that the committee shall conform to any regulations that may be imposed on it by the Board and that the member shall be an ex-officio member of any committee established.

Audit, Risk and Compliance Committee* (ARC Committee)

Current members: Margaret Ikongo (Chairperson), Thembeka Semane and Winifred Ouko.

The ARC Committee has been established based on best practice in corporate governance. The committee is comprised of three independent non-executive directors. The Managing Director and Finance Director, as well as the external auditors, attend ARC Committee meetings by invitation.

The primary role of the ARC Committee is to ensure the integrity of the financial reporting and the audit process and that a sound risk management and internal control system is maintained. In pursuing these objectives, the ARC Committee oversees relations with the external auditors and reviews the effectiveness of the internal audit function.

The internal and external auditors have unlimited access to the Chairperson of the ARC Committee. The internal audit department reports directly to the ARC Committee and is also responsible to the Finance Director on day-to-day administrative matters.

The ARC Committee is responsible for:

- Reviewing Vodacom Tanzania and its subsidiaries (together 'the Group's') consolidated interim results, preliminary results, annual report and annual financial statements;
- Monitoring compliance with applicable statute and the DSE Rules;
- Reporting to the Board on the quality and acceptability of the Group's accounting policies and practices, including, without limitation, critical accounting policies and practices;
- Providing oversight of the annual reporting process;
- Considering the appointment and/or termination of the external auditors, including their audit fee, independence and objectivity and determining the nature and extent of any non-audit services;
- Approving the internal audit plan for the year;
- Receiving and dealing appropriately with any complaints, internally and externally, relating either to the accounting practices and internal audit or to the content or auditing of all entities within the Group's annual financial statements or related matters;
- Reviewing and monitoring the management and reporting of tax-related matters;
- Monitoring the risk management function and processes and assessing the Group's most significant risks; and
- Monitoring the effectiveness of the processes to create awareness and develop an understanding of relevant legislation and regulation to ensure compliance by management.

A minimum of three ARC Committee meetings are scheduled each financial year. Additional committee meetings may be convened when necessary. Five special meetings were held during the year.

The table below records the attendance of directors at the ARC Committee meetings for the year.

Name of director	2 May 2019 Special	9 May 2019 Special	30 May 2019	17 Jul 2019 Special	22 Aug 2019	4 Nov 2019 Special	5 Nov 2019	23 Jan 2020 Special	19 Mar 2020
Ms Margaret Ikongo	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms Thembeka Semane	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms Winifred Ouko	✓	✓	✓	✓	✓	✓	✓	✓	✓

* Winifred Ouko has been serving in the capacity of Interim Chairperson since December 2019.

Remuneration Committee

Current members: Winifred Ouko (Chairperson), Diego Gutierrez and Matimba Mbungela.

The Remuneration Committee serves to enable and assist the Board to discharge its responsibilities by:

- Determining and agreeing the remuneration and overall compensation packages of executives, with the exception of seconded employees;
- Determining, agreeing and developing Vodacom Tanzania's overall remuneration policy and ensuring alignment with the remuneration policy of Vodacom Group Limited;
- Ensuring that fair, competitive reward strategies and programmes are in place to facilitate the recruitment, motivation and retention of high performance staff at all levels in support of realising corporate objectives and to safeguard shareholder interest;
- Reviewing and recommending to the Board the relevant criteria necessary to measure the performance of executive management in discharging their functions and responsibilities;
- Developing and implementing a policy of remuneration philosophy;
- Considering other special benefits or arrangements of a substantive financial nature;
- Ensuring compliance with applicable laws and codes.

The following table records the attendance of directors at the Remuneration Committee meetings for the year.

Name of director	30 May 2019	17 Jul 2019 Special	22 Aug 2019	5 Sept 2019	5 Nov 2019	19 Mar 2020
Mr Winifred Ouko	✓	✓	✓	✓	✓	✓
Mr D Gutierrez	✓	✓	✓	✓	✓	X
Mr Henry Surtees	✓	✓	X	X	✓	R
Mr Matimba Mbungela	✓	✓	✓	✓	✓	✓

Note:
1. Henry Surtees resigned on 10 March 2020.

Nomination Committee

Current members: Margaret Ikongo (Interim Chairperson), Winifred and Matimba Mbungela.

The Nomination Committee serves to enable and assist the Board to discharge its responsibilities by:

- Monitoring the size and composition of the Board;
- Recommending individuals for nomination as members of the Board and its committees;
- Reviewing the Board succession plans;
- Ensuring that the performance of Board members are reviewed;
- Determining the composition and effectiveness of the boards of Vodacom Tanzania's subsidiaries;
- Approving the nomination of individuals to the respective boards of Vodacom Tanzania's subsidiaries;
- Ensuring eligibility of Board members;
- Reviewing the structure of the organisation to ensure that it is fit for purpose, delivering the strategy and long-term objectives of the business; and
- Ensuring compliance with applicable laws and codes.

The following table records the attendance of directors at the Nomination Committee meetings for the year.

Name of director	25 Apr 2019 Special	30 May 2019	17 Jul 2019 Special	7 Aug 2019 Special	22 Aug 2019	4 Nov 2019	17 Mar 2020
Ms Winifred Ouko	✓	✓	✓	✓	✓	✓	✓
Mr Ali A Mufuruki	✓	✓	✓	✓	✓	✓	R
Mr Matimba Mbungela	✓	✓	✓	✓	✓	✓	✓
Ms Margaret Ikongo							✓

Note:
1. Ali A. Mufuruki resigned on 1 December 2019.

VTPLC Subsidiaries' Board Meetings

The following table records the attendance of directors at the Shared Networks Tanzania Limited Board meetings for the year.

Name of director	29 May 2019	21 Aug 2019	4 Nov 2019	18 Mar 2020
Mr Jacques Marais	✓	✓	✓	✓
Mr Alec Mulonga	✓	✓	✓	R
Mr Olaf Mumburi				✓

Notes:
1. Alec Mulonga resigned on 1 January 2020.
2. Olaf Mumburi was appointed on 18 March 2020.

The following table records the attendance of directors at the Vodacom Trust Limited Board meetings for the year.

Name of director	29 May 2019	21 Aug 2019	4 Nov 2019	18 Mar 2020
Mr Jacques Marais	✓	✓	✓	✓
Mr Kenneth Gomado	✓	✓	✓	✓

The following table records the attendance of directors at the M-Pesa Limited Board meetings for the year.

Name of director	29 May 2019	21 Aug 2019	4 Nov 2019	18 Mar 2020
Mr Jacques Marais			✓	✓
Mr Sitoyo Lopokoiyit	✓	✓	✓	✓
Mr Christopher Williamson	✓	✓	✓	✓
Mr Olaf Mumburi				✓
Mr Evans Lyimo	✓	✓	R	R
Mr Epimack Mbeteni			✓	✓
Mr Hisham Hendi			✓	R

Notes:
1. Epimack Mbeteni, Jacques Marais, Hisham Hendi and Olaf Mumburi were appointed on 4 November 2019.
2. Evans Lyimo resigned on 4 November 2019.
3. Hisham Hendi resigned on 18 March 2020.

The following table records the attendance of directors at the Vodacom Tanzania Foundation board meetings for the year.

Name of director	29 May 2019	21 Aug 2019
Mr Jacques Marais	✓	✓
Ms Taki Netshitenzhe	X	✓
Ms Rosalynn Mworia	✓	✓

Notes:
1. Vodacom Tanzania Foundation was struck off from the companies' register effective 31 August 2019 as per the Written Laws Miscellaneous Amendments Act No. 3 of 2019.

Remuneration report

This report summarises Vodacom Tanzania's remuneration philosophy and policy for executive and non-executive directors. It also provides a description as to how the policy has been implemented.

Letter from the Chairperson of the Remuneration Committee:

Dear Shareholders

Part of our focus is to assist and advise the Board on matters relating to the remuneration of executive directors. We ensure that the remuneration philosophy and policy supports the Company's strategic targets to enable the recruitment, motivation and retention of executives, with the aim of maximising shareholder value and complying with legislation and guidelines issued by the Capital Markets and Securities Authority ('CMSA').

The committee has considered the disclosure requirements of the Capital Markets and Securities Act, 1994 and has produced the following report, which complies with the guidelines on corporate governance practices by public listed companies in Tanzania while being conscious of disclosing individual or market sensitive information. I would like to thank my fellow committee members for their continued support, and look forward to working alongside them in the year ahead.

Winifred Ouko
Chairperson of the Remuneration Committee

In accordance with the CMSA's guidelines on corporate governance practices by public listed companies in Tanzania, this report discloses Vodacom Tanzania's policies for remuneration for the executive directors and non-executive directors specifically the quantum and component of remuneration for directors including non-executive directors on a consolidated basis.

Our remuneration philosophy, policy and framework for the current year applicable to executive directors

Our aim is to attract, retain and motivate executives of the highest calibre, while at the same time aligning their remuneration with shareholders' interests and best practice. Our approach to reward is holistic, balanced across the following elements

- Guaranteed package (GP);
- Variable short-term incentive (STIP);
- Variable long-term incentive (LTIP);
- Various recognition programmes;
- Individual learning and development opportunities;
- Stimulating work environment; and
- Well-designed and integrated employee wellness programme.

Executive directors adhere to a 'total cost to company' philosophy, which we refer to as the guaranteed package (GP). Contributions to medical aid, retirement funding and insured benefits are included in the GP.

The above elements are underpinned and reinforced by our performance development (PD) and talent management processes. Our policy is to reward our executives for their contributions to our strategic, financial and operating performance. To be a top employer in our industry we need to attract, develop and retain top talent and intellectual capital, both locally and internationally.

On an annual basis, we conduct remuneration benchmarking and award increases in the GP according to the market, individual performance and potential. Individual performance and potential assessment is determined through our talent management and performance development processes. The outcome of these processes also influences the awarding of short- and long-term incentives in the future.

On an annual basis, we conduct remuneration benchmarking and award increases in the GP according to the market, individual performance and potential.

Our short-term incentive, in the form of an annual cash bonus, is linked to achieving financial, strategic and operational objectives and the executive's performance against their objectives. The pool available for short-term incentives is determined by financial performance of the Company against previously set and agreed targets.

Executive directors who are seconded to work for Vodacom Tanzania are subject to the long-term incentive scheme of Vodacom Group Limited where an annual allocation of Vodacom Group Limited shares are made by their respective employer. This encourages ownership and loyalty, and supports the Vodacom objective to retain valued employees. The scheme is a full ownership scheme; as a result, participants receive dividends from the award date although the value of the shares can only be realised after a three-year vesting period, to the extent that the vesting conditions have been met.

Remuneration disclosure of executive and non-executive directors

Executive Directors Remuneration – Guaranteed Pay

The remuneration for executive directors was reviewed taking into consideration market benchmarking and risks associated with retention of key management personnel.

The disclosure of executive and non-executive directors' remuneration is shown in Note 38 (Related parties) of the consolidated annual financial statements on pages 119 to 120 of this annual report.

Compliance with policy

The disclosure presented in this annual report are based on awards to qualifying employees where all remuneration decisions have been made in total compliance with the remuneration policy as approved previously by shareholders. There have been no known deviations from policy in the current financial year.

top EMPLOYER AFRICA 2020
CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

top EMPLOYER TANZANIA 2020
CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

* Vigezo & Masharti kuzingatiwa.

SMART
KITOCHI

4G

24GB
DAKIKA 600
& SMS 3000
BURE KWA
MIEZI 6

Yako! Kutoka kwetu

Pata Smart Kitochi kutoka maduka ya Vodacom nchi nzima kwa **Tsh 48,000** tu.

Yajayo yanafurahisha.
Uko tayari?

vodacom

Consolidated Annual Financial Statements

For the year ended 31 March 2020

Contents

Report of the directors

For the year ended 31 March 2020

The directors present their report together with the audited consolidated and separate financial statements of Vodacom Tanzania Public Limited Company (the 'Company'), and its subsidiaries (together, the 'Group') for the year ended 31 March 2020.

Nature of business

The Group conducts the business of both a mobile network operator and mobile financial services provider in Tanzania. The Group also provides other communications services, including but not limited to those related with fixed line connectivity.

Operating and financial review

The results for the year are set out in the consolidated and separate statements of profit or loss and other comprehensive income.

Group revenue for the year grew by 0.8% to TZS1 032 667 million (2019: TZS1 024 587 million). Group operating profit decreased by 16.8% to TZS95 999 million (2019: TZS115 333 million). Group net profit[1] for the year decreased by 49.6% to TZS45 762 million (2019: TZS90 761 million).

Group earnings before interest; taxation; depreciation; amortisation; profit or loss on disposal of property, equipment and intangible assets; and share-based payments related expenses ('EBITDA') increased by 26.5% to TZS364 996 million (2019: TZS288 656 million) with EBITDA margin of 35.4%, representing a 7.2% points increase year-on-year.

The 90 days active customer base increased to 15 513 thousand (2019: 14 133 thousand) representing an increase of 9.8% (2019: 9.6%) during the year.

Dividends

At the Annual General Meeting ('AGM') held on 20 September 2019, the shareholders approved a gross final dividend of TZS20.43 (2019: TZS17.33) per share, equivalent to TZS54 454 million (2019: TZS38 819 million), payable from income reserves, in respect of the financial year ended 31 March 2019.

The dividend amount was equivalent to 60% (2019: 60%) of net profit after tax.

A dividend of TZS54 454 million was paid on 18 October 2019 to shareholders recorded in the register at the close of trading on 22 August 2019.

The Company's Board of Directors (the 'Board') will recommend a dividend for approval by the shareholders at the AGM in relation to the financial year ended 31 March 2020 in accordance with the following dividend policy:

- The Company intends to pay as much of its after-tax profit as will be available after retaining such sums and repaying such borrowings owing to third parties as shall be necessary to meet the requirements reflected in the budget and business plan, taking into account monies required for investment opportunities. There is no fixed date on which entitlement to dividends arises and the date of payment will be recommended by the Board and approved by the shareholders at the time of declaration, subject to the Dar es Salaam Stock Exchange ('DSE') listing requirements.

Considering the above, the dividend policy is to pay out at least 50% of profit after tax.

Solvency and liquidity of the group

The Board considers the Group to be solvent, within the meaning ascribed by the Companies Act, No 12 of 2002 of Tanzania. The Group had net current assets of TZS470 064 million as at 31 March 2020 (2019: net current assets of TZS506 253 million) which includes cash and Government of Tanzania Treasury bill investments totalling TZS638 471 million (2019: TZS616 198 million).

1 The Group adopted IFRS 16 Leases on 1 April 2019 using the modified retrospective method. Consequently, the Group's financial results for the year ended 31 March 2020 are based on IFRS 16 while the comparative results are based on IAS 17 Leases. The initial impact of adopting IFRS 16 is detailed in Note 4 to the consolidated and separate financial statements.

Capital structure and shareholding

The Group's issued share capital[2] is held in the percentages outlined below:

	2020 %	2019 %
Vodacom Group Limited	**75.00**	48.75
Mirambo Limited	**–**	26.25
Other shareholders	**25.00**	25.00
	100.00	100.00

During the year, Vodacom Group Limited acquired 26.25% of the Company's shares that were owned by Mirambo Limited.

The Group is controlled by its parent, Vodacom Group Limited, which as at 31 March 2020 owned 75% of the shares directly (31 March 2019: owned 48.75% of the Company's shares directly and 12.86% indirectly through Mirambo Limited which owned 26.25% of the Company's shares), with the remaining 25% held by the public.

As at 31 March 2020, the Group's authorised share capital was TZS200 000 million comprising of 4 000 million ordinary shares with a par value of TZS50 while the issued share capital was TZS112 000 million comprising of 2 240 000 300 ordinary shares with a par value of TZS50. There were no changes in the authorised and issued share capital during the year.

Capital expenditure and commitments

During the year, the Group invested TZS159 393 million (2019: TZS171 432[3] million) in property and equipment, and intangible assets. This capital expenditure was funded by internally generated cash flows.

Further information on the Group's property and equipment, and intangible assets is presented in Notes 18 and 19 to the consolidated and separate financial statements.

Information about the Group's commitments is presented in Note 35 to the consolidated and separate financial statements.

Business plans and future developments

The Group continues to focus on investments across its key strategic drivers, that is, data, M-Pesa and enterprise.

Subsidiaries and other controlled entities

The consolidated financial statements include the Company's wholly owned subsidiaries, that is, Vodacom Trust Limited (previously known as M-Pesa Limited) which is a company limited by guarantee and having share capital; and Shared Networks Tanzania Limited ('SNT'), Vodacom Tansania Limited (incorporated in Zansibar) and M-Pesa Limited, which are private limited liability companies having share capital. The consolidated financial statements also include a consolidated structured entity, The Registered Trustees of M-Pesa (the 'Trust').

The principal activity of Vodacom Trust Limited was to act as bona fide trustees and/or any other like officers in order to protect and safeguard all and any monies gained from and/or relating to M-Pesa cellular phone money transfer services for the benefit of the users of the M-Pesa services. On 23 October 2018, the entity's name was changed from M-Pesa Limited to Vodacom Trust Limited following approval and issuance of the certificate of change of name by the Business Registration and Licensing Agency of Tansania ('BRELA'). The change of name was necessary to enable compliance with the National Payment System Act, 2015. The deposits held in trust by Vodacom Trust Limited are to be transferred to the Trust in accordance with the National Payment Systems regulations, and the entity wound up thereafter.

On 19 July 2016, the Company acquired 100% of SNT's issued share capital. A cash payment of TZS20 609 million (85%) was made in August 2016. The remaining balance of TZS3 637 equivalent to 15% of the total consideration was paid in March 2018. SNT was a multi-operator core network wholesaler which held a license for usage of spectrum in the 900 MHz band in rural Tanzania. During the year, the Group obtained approval from Tanzania Communications Regulatory Authority ('TCRA') to reassign the spectrum that was held by SNT to the Company. The directors intend to wind up SNT after transferring its assets and liabilities to the Company.

Vodacom Tanzania Limited (incorporated in Zanzibar) has unpaid share capital of 100 shares of which 99 shares were issued to the Company. This entity has remained dormant since its incorporation.

2 Refer to Note 27 to the consolidated and separate financial statements.
3 The amount excludes the cost of spectrum license of TZS 22 669 million.

M-Pesa Limited was incorporated on 26 October 2018. In accordance with the National Payment Systems regulations which became effective in July 2016, this entity applied for an Electronic Money Issuance ('EMI') licence which was issued by Bank of Tanzania ('BoT') on 13 March 2019. Following the receipt of the EMI licence, the entity's principal activities will be operating mobile financial services under the EMI regulations issued by BoT. This entity remained inactive during the year with the Group continuing with setting up the structures and processes for the EMI operations. The entity started operating subsequent to the reporting period.

The Registered Trustees of M-Pesa was incorporated under the provisions of The Trustees Incorporation Act, Cap 318 of Tanzania on 25 September 2019 with registration number 5656. The deposits held in trust by Vodacom Trust Limited were transferred to the Trust subsequent to the reporting period. The Trust was dormant during the year. The Trust is a non-profit making entity that has a mandate to fulfil its objectives in the best interest of the beneficiaries of the funds in the trust accounts. The Trust's activities will include: overseeing and managing effectively the trust accounts; ensuring safety of the beneficiaries of the funds in the trust accounts and preventing the funds from risks by setting up appropriate safe safeguard and remedy measures; ensuring the separation and not commingle the trust account funds with funds for the other operations of the EMI.

Borrowings

The Group did not have any borrowings as at 31 March 2020 (2019: None).

Parent and ultimate parent

The Group is controlled by Vodacom Group Limited, incorporated and domiciled in the Republic of South Africa which effectively owns and controls 75.00% (2019: 61.6%) of the Company's issued shares. The Group's ultimate parent is Vodafone Group Plc, incorporated and domiciled in the United Kingdom.

Related party transactions

Transactions with related parties were conducted in the normal course of business. Details of transactions and balances with related parties are included in Note 38 to the consolidated and separate financial statements.

Country of incorporation and domicile

The Company and its subsidiaries are incorporated and domiciled in the United Republic of Tanzania.

Directors and Company secretary

The directors of the Company who served during the year and to the date of this report are:

Title/Name	In Office as at 1 April 2019	Date of Appointment	Date of Resignation	In Office at the reporting date
Directors				
Ali Mufuruki (Chairperson)	√	–	1 December 2019	–
Andries Delport*	√	–	–	√
Margaret Ikongo (Acting Chairperson)	√	1 December 2019	–	√
Henry Surtees**	√	–	10 March 2020	–
Till Streichert***	√	–	–	√
Thembeka Semane*	√	–	–	√
Winifred Ouko^	√	–	–	√
Matimba Mbungela*	√	–	–	√
Diego Gutierrez^^	√	–	–	√
Kenneth Gomado^^^	√	–	–	√
Executive				
Hisham Hendi^^^^	√	–	–	√
Jacques Marais*	√	–	–	√
Company Secretary				
Caroline Mduma	√	–	–	√

* South African **British ***German ^Kenyan ^^Bolivian ^^^Ghanaian ^^^^Egyptian

All the other directors are Tanzanian Nationals.

Directors' interests

The directors do not hold any direct interest in the issued share capital of the Company or any of the subsidiaries.

Corporate governance

The Group is committed to the highest standards of business integrity, ethics and professionalism. Corporate governance principles include discipline, independence, responsibility, fairness, social responsibility, transparency and accountability of directors to all stakeholders. These principles are entrenched in the Group's internal controls and policy procedures governing corporate conduct.

Board of Directors

The Board takes overall responsibility for the Group's success. Its role is to exercise leadership and sound judgement in directing the Group to achieve sustainable growth and act in the best interest of the shareholders.

The non-executive directors contribute their extensive experience and knowledge to the Board's committees. All committees operate under Board-approved charters, which are updated from time-to-time to stay abreast of developments in corporate law and governance best practice. The Board has three committees with specified delegated activities as detailed below.

Remuneration Committee

The Remuneration Committee serves to enable and assist the Board to discharge its responsibilities by:

- Determining and agreeing the remuneration and overall compensation packages of executives, with the exception of seconded employees;
- Determining, agreeing and developing the Group's overall remuneration policy and ensuring alignment with the remuneration policy of Vodacom Group Limited;
- Ensuring that fair, competitive reward strategies and programmes are in place to facilitate the recruitment, motivation and retention of high performing staff at all levels in support of realising corporate objectives and to safeguard shareholder interest;
- Reviewing and recommending to the Board the relevant criteria necessary to measure the performance of executive management in discharging their functions and responsibilities; and
- Developing and implementing a policy of remuneration philosophy.

Nomination Committee

The Nomination Committee serves to enable and assist the Board to discharge its responsibilities by:

- Considering other special benefits or arrangements of a substantive financial nature;
- Ensuring that the performance of Board members is reviewed;
- Reviewing the promotions, transfers and termination policies for the Group;
- Monitoring the size and composition of the Board;
- Reviewing the independent status of directors on an annual basis;
- Recommending individuals for nomination as members of the Board and its committees;
- Reviewing the Board succession plans;
- Determining the composition and effectiveness of the boards of the Group's subsidiaries;
- Approving the nomination of individuals to the respective boards of the Group's subsidiaries;
- Ensuring eligibility of Board members;
- Reviewing the structure of the Group to ensure that it is fit for purpose, delivering the strategy and long-term objectives of the business; and
- Ensuring compliance with applicable laws and codes.

Audit, Risk and Compliance Committee (ARCC)

The ARCC is responsible for:

- Reviewing the Group's consolidated interim results, preliminary results, annual report and annual consolidated and separate financial statements;
- Monitoring compliance with applicable statute and the DSE Rules;
- Reporting to the Board on the quality and acceptability of the Group's accounting policies and practices, including, without limitation, critical accounting policies and practices;
- Providing oversight of the annual financial reporting process;
- Considering the appointment and/or termination of the external auditors, including their audit fees, independence and objectivity and determining the nature and extent of any non-audit services;
- Approving the internal audit plan for the year;
- Receiving and dealing appropriately with any complaints, internally and externally, relating either to the accounting practices and internal audit or to the content or auditing of all entities within the Group's annual consolidated financial statements or related matters;
- Reviewing and monitoring the management and reporting of tax-related matters;
- Monitoring the risk management function and processes and assessing the Group's most significant risks; and

- Monitoring the effectiveness of the processes to create awareness and develop an understanding of relevant legislation and regulation to ensure compliance by management.

Political and charitable donations

The Group did not make any political donations during the year (2019: None).

The Group made donations to the Vodacom Tanzania Foundation totalling TZS315 million during the year (2019: TZS600 million).

Corporate social responsibility

The Group established and registered Vodacom Tanzania Foundation (the 'Foundation'), a company limited by guarantee incorporated and domiciled in the United Republic of Tanzania under the Companies Act, 2002 Cap 212 of the Laws of Tanzania.

Following the amendment of the Companies Act, 2002 of Tanzania by Miscellaneous Amendment Act, No. 3 of 2019 which came into force on 30 June 2019, the authority to register entities which prohibit distribution of profits and which do not intend to promote commerce was transferred from BRELA to the Registrar of Non-Government Organisations ('NGOs'). Consequently, BRELA issued a public notice stating that on 30 August 2019, the Registrar of Companies shall not maintain in the Registry of Companies records of any company which prohibits distribution of profits and does not intend to promote commerce, and advised the companies affected to communicate with the Registrar of NGOs to be provided with guidance and directives on registration as NGOs as per the Miscellaneous Amendment Act, No. 3 of 2019.

The Foundation was affected by this change in law as it was incorporated as a company limited by guarantee with no profit objective. Consequently, the Foundation was struck off the Registry of Companies on 30 August 2019. Another entity, Vodacom Tanzania Foundation, was registered with the Registrar of NGOs under the Ministry of Health, Community Development, Gender, Elderly and Children in accordance with the Non-Governmental Organisations Act of 2002 (revised 2005) and the Non-Governmental Organisations (Amendments) Regulations of 2018 (together, the 'NGO Act and Regulations') of Tanzania.

The Foundation is the corporate social responsibility arm of the Group. Its aim is to provide public benefit through the use of mobile technology for the betterment of society.

The Foundation partners with local NGOs, civil society, community-based organisations, and not for profit organisations to compliment government efforts in improving education, health and financial inclusion by targeting vulnerable groups.

From inception to date, the Foundation has invested TZS16 150 million (2019: TZS15 800 million) in improving the Tanzania society.

Contingent liabilities

Tax matters

The Group's future tax charge, effective tax rate and profit before tax could be affected by several factors including tax reforms conducted in Tanzania and the resolution of open tax disputes with the Tanzania Revenue Authority ('TRA' or the 'tax authority') and/or tax courts.

The Group is committed to acting with integrity and transparency in all tax matters including a policy of full transparency to the tax authority and the payment of all taxes properly due under the relevant tax laws in Tanzania.

The Group is regularly subject to audits and examination by the tax authority of its direct and indirect tax filings. The consequence of such reviews is that in some instances, disputes can arise with the tax authority over the interpretation or application of certain tax rules where these tax laws are ambiguous and subject to a broad range of interpretations.

To address and manage this tax uncertainty, good governance is fundamental to the Group's business sustainability. The major tax positions taken are thus subject to review by executive management and reported to the Board. The Group has support from external advisors supporting the positions taken in respect of the significant tax matters which support the application and interpretation of the tax legislation.

The Group has considered all matters in dispute with the tax authority and has accounted for any exposure identified, if required. The Group has not disclosed all the details in relation to the open tax disputes because the matters are still under the dispute resolution process.

The following open tax disputes are material contingent liabilities not recognised in the statement of financial position and may have a significant impact on the profit of the Group if these disputes are not resolved favourably.

- **Capital allowances of telecommunication equipment**
  Open tax disputes in relation to the classification of telecommunication equipment are currently in the court. The TRA disagrees with the Company's classification of the equipment as there is no clearly defined category for telecommunication equipment in the Income Tax Act. The matter is however a timing difference as the capital allowance deductions claimed in future years of assessment will be more if the Company does not resolve the dispute favourably.

- **Withholding tax on satellite, international roaming and undersea cable services**
  The assessments received by the Company in respect of withholding tax on satellite services, international roaming and undersea cable services provided by foreign suppliers are also currently in the court process.

  The Company did not withhold the foreign services withholding tax on these telecommunication services as Tanzania is a member of the International Telecommunication Union ("ITU") and is a signatory to the ITU conventions that established the elimination of double taxation of international telecommunication services. The Company has provided evidence (attestation) from the ITU that these agreements were ratified in Tanzania to the Court.

- **Transfer pricing**
  The Group, as part of a multinational enterprise, makes extensive use of services provided by associated entities in a value adding manner and applies the arm's length principle in such undertakings. These intercompany transactions are documented in the Group's transfer pricing documentation which is done in accordance with the requirements of local Transfer Pricing regulations and OECD guidelines. The TRA conducted a transfer pricing audit for the 2015 to 2017 tax years which resulted in certain disputed items in terms of the methodology and other Transfer Pricing aspects used to support the arm's length principle.

Litigation and other claims contingencies

The Group is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the outcome of these proceedings. Following this assessment, the Group's management has determined that adequate provision has been made in respect of these legal proceedings as at year-end.

The Group is subject to claims under contracts signed with other parties. Disputes can arise with other parties over the interpretation or application of contractual provisions. These disputes may not necessarily be resolved in a manner that is favourable to the Group, and the resolution of the disputes could result in an obligation to the Group. Management has assessed that no provision for claims is warranted as at year-end (2019: None).

Other matters

Biometrics customer registration

On 1 May 2019, Tanzania Communications Regulatory Authority (TCRA) issued new customer registration guidelines, directing that biometric registration of customers using the National Identification Number (NIN) issued by the National Identification Authority (NIDA), is the only accepted identification. The TCRA required eKYC registrations to stop. The Group, in alignment with the industry, continuously engaged with the TCRA to ensure compliance. The industry in association with the TCRA and NIDA launched country-wide awareness campaigns to drive biometric registrations.

The biometric registration process commenced in May 2019, with base migration required to be completed by December 2019. The deadline was later extended to 20 January 2020. The low penetration of NINs across the country largely impacted the biometric registration process. The Group had not yet re-registered all customers by 20 January 2020. On 20 January, the TCRA directed that customers be barred in phases, which led to the barring of 2.9 million customers between 20 January and 31 March 2020. In addition, 2.5 million customers remain not biometrically registered and are also expected to be barred as per TCRA's instructions, until such time that the biometric registration for these customers is done.

This negatively impacted the Group's revenue in the fourth quarter and subsequent to year-end. This together with the incremental costs incurred on the biometrics re-registration process negatively impacted the Group's financial results. The Group continues with the process to register the sim cards not registered by the deadline and engaging with TCRA and industry peers to ensure that all sim cards are re-registered. While all necessary measures are taken, there are concerns on the wider impact of the unregistered and barred sim cards on the Group's financial performance.

Other changes in sim card registration regulations

On 7 Feb 2020, the Government published new Electronic & Postal Communications (SIM Card Registration) Regulations 2020. The Regulations provide for a biometric process of using the National ID, as the sole means of registering SIM Cards in the United Republic of Tanzania. The regulation has also introduced limitation on ownership of the number of SIM Cards for individuals and companies or institutions effective from 1 July 2020. An individual is allowed not more than one SIM Card for use on voice, SMS and data services and not more than four SIM Cards for use on machine to machine communication from each mobile network operator. A company or institution is allowed not more than thirty SIM Cards for use on voice, SMS and data services and not more than fifty SIM Cards for use on machine to machine communication from each mobile network operator. TCRA's approval is required for additional SIM Cards. The Company and other mobile network operators are engaging with the TCRA with a view of putting in place an automated solution that will facilitate customers to get approval for additional SIM Cards.

Mobile Termination Rates

The TCRA published new Mobile Termination Rates (MTRs) on 29 December 2017 which are effective from January 2018 to December 2022. As a result, MTRs declined from TZS10.4 to TZS5.2 starting from January 2020 (from TZS15.6 to TZS10.4 starting from January 2019). The TCRA's 'glide path' reduces the MTR annually until it becomes TZS2.00 in January 2022. The Company's appeal against TCRA's new MTRs logged with the Fair Competition Tribunal (FCT) was heard in December 2019 and the ruling was not favourable.

Acquisition of Mirambo Limited shares

The Company's majority shareholder, Vodacom Group Limited, acquired the 588 million shares of the Company previously owned by Mirambo Limited ('Mirambo'). This resulted in Vodacom Group Limited increasing its total interest in the Company from 61.6% (direct and indirect) to 75% (direct). The transaction was closed during the year after completing the conditions precedent, including requisite regulatory approvals.

Events after the reporting period

The events after the reporting period are disclosed in Note 45 to the consolidated and separate financial statements. The Board is not aware of any other matter or circumstance arising since the end of the reporting period, not otherwise dealt with herein, which requires adjustment to or disclosure in the consolidated and separate financial statements.

Auditor

Ernst & Young, the auditor for the financial year 2020, 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 ending 31 March 2021 will be put to the Annual General Meeting.

Consolidated and separate financial statements

The consolidated and separate financial statements for the year ended 31 March 2020 were approved and authorised for issue by the Board on 21 May 2020.

By order of the board

MKatbungu

Margaret Ikongo
Interim Chairperson

Hisham Hendi
Director

Statement of directors' responsibilities

For the year ended 31 March 2020

The Companies Act, 2002 No.12 of Tanzania requires directors to prepare consolidated and separate financial statements for each financial year that present fairly, in all material respects, the financial position and results of the Group and the Company. A further requirement is that the directors ensure that the Group and the Company keep proper accounting records that disclose, with reasonable accuracy, the financial position and results of the Group and of the Company. The directors are also responsible for safeguarding the assets of the Group and the Company and hence taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The directors accept responsibility for the consolidated and separate financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2002 No.12 of Tanzania. The directors are of the opinion that the consolidated and separate financial statements present fairly, in all material respects, the state of the financial affairs of the Group and the Company and of the Group's and the Company's financial results in accordance with IFRS and the requirements of the Companies Act, 2002 No. 12 of Tanzania. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the consolidated and separate financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated and separate financial statements that are free from material misstatement whether due to fraud or error.

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

The consolidated and separate financial statements for the year ended 31 March 2020 were approved and authorised for issue by the Board of Directors on 21 May 2020.

Mkabungu

Margaret Ikongo
Interim Chairperson

Hisham Hendi
Director

Declaration of the head of finance

For the year ended 31 March 2020

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

It is the duty of a professional accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity's financial position and performance in accordance with IFRS and the requirements of the Companies Act, 2002 No.12 of Tanzania.

Full legal responsibility for the preparation of financial statements rests with the Board of Directors as stated under the Statement of Directors' Responsibilities on the previous page.

I, Robin Kimambo, being the Head of Finance Operations of Vodacom Tanzania Public Limited Company hereby acknowledge my responsibility of ensuring that consolidated and separate financial statements for the year ended 31 March 2020 have been prepared in compliance with IFRS and the requirements of the Companies Act, 2002 No.12 of Tanzania.

I thus confirm that the consolidated and separate financial statements give a true and fair view position of Vodacom Tanzania Public Limited Company as on that date and that they have been prepared based on properly maintained financial records.

Robin Kimambo
NBAA Membership No: GA4810
Head of Finance Operations

21 May 2020

Independent auditor's report

For the year ended 31 March 2020

To the shareholders of Vodacom Tanzania Public Limited Company

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Vodacom Tanzania Public Limited Company (the 'Company') and its subsidiaries (together, the 'Group') set out on pages 71 to 131, which comprise the consolidated and separate statements of financial position as at 31 March 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial positions of the Group and the Company as at 31 March 2020, and the consolidated and separate financial performance and the consolidated and separate cash flows of the Group and the Company for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, 2002 of Tanzania.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other matter

The consolidated and separate financial statements of the Group and the Company for the year ended 31 March 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated and separate financial statements on 30 May 2019.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provided the basis for our audit opinion on the accompanying consolidated and separate financial statements.

No.	Key audit matter	How our audit addressed the key audit matter
1.	**Adoption of IFRS 16 *Leases***	
	IFRS 16 *Leases* replaced IAS 17 *Leases* effective from 1 January 2019. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Group adopted IFRS 16 effective from 1 January 2019 using the modified retrospective approach. In applying this approach, the Group recognised in the statement of financial position right-of-use assets and lease liabilities relating to the leased telecommunication towers, office space, staff accommodation, retails shops, furniture and motor vehicles. We considered this to be a key audit matter because: • The amounts involved are significant to the consolidated and separate financial statements. For the consolidated financial statements, the right-of-use assets and liabilities as at year-end were TZS505 616 and TZS545 223 million respectively while the impact on the results for the year comprised of the depreciation charge on the right-of-use assets of TZS84 921 million and interest expense on the lease liabilities of TZS67 041 million. • Application of the standard involved judgement including determination of the rates used to discount the minimum lease payments and considering how termination and renewal options in lease contracts impacted the lease terms. • The disclosures related to leases in Notes 4, 5, 18 and 29 are significant to understanding the consolidated and separate financial statements.	Our audit procedures included, but were not limited to: • Reviewing management's IFRS 16 impact assessment and evaluating compliance with IFRS 16. • Checking that the inputs used in determining the lease liabilities and right-of-use assets, for example, lease terms, minimum lease payments and incremental borrowing rates used as the discount rates, agreed to supporting documentation and explanations. • Checking correctness of the information in the lease database by agreeing a sample of leases to lease contracts or other supporting information. • Reviewing the lease liabilities and right-of-use assets calculations including checking the arithmetic correctness and evaluating compliance with IFRS 16. • Comparing, on a sample basis, the disclosures in the consolidated and separate financial statements regarding the lease terms and conditions with the related lease contracts. • Assessing the adequacy of the Group's disclosures regarding lease arrangements.
2.	**Accounting for uncertain tax positions**	
	The Group is required to comply with a number of taxes including income taxes, Value Added Tax, excise duty and payroll taxes, among others. As disclosed in Note 36 to the consolidated and separate financial statements, the Group had open tax assessments as at year-end. The open tax assessments are significant to the consolidated and separate financial statements. Determination of provisions and contingent liabilities for the taxes requires management and the directors to make judgements and estimates in relation to the tax exposures arising from open tax years and assessments. Open tax positions were significant to our audit because the assessment process involves significant judgement in the interpretation and application of tax laws and in assessing tax liabilities and contingencies that could arise from tax audits. We also considered there to be a risk that the disclosures on uncertain tax positions in Notes 36 which are significant to the understanding of the Group's and the Company's tax positions are not complete.	Our audit procedures included, but were not limited to: • Understanding the Group's processes for recording and assessing of tax provisions and contingent liabilities. • Determining the completeness and reasonableness of the amounts recognised as tax liabilities and contingent liabilities, including the assessment of the matters in the correspondence with tax authorities and reports of the Group's external tax consultants, and the evaluation of the related tax exposures. • Including in our team tax specialists to analyse the tax positions and to evaluate the assumptions used to determine tax provisions and contingencies. • Assessing relevant historical and recent rulings and judgements passed by the tax authorities and courts in considering any precedent. • Assessing the adequacy of the Group's disclosures in respect of uncertain tax positions.

Other information

The directors are responsible for the other information. Other information consists of the information included in the Corporate Information, Directors’ Report, Statement of Directors’ Responsibilities and the Declaration by the Head of Finance, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date, other than the consolidated and separate financial statements and our auditor’s report thereon.

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

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

When we read the contents of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

Auditor’s responsibilities for the audit of the consolidated and separate financial statements

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

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

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

Independent auditor’s report continued

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

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

- We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- In our opinion, proper books of account have been kept by the Group and the Company, so far as appears from our examination of those books;
- The Directors’ Report is consistent with the consolidated and separate financial statements;
- Information specified by law regarding directors’ remuneration and transactions with the Group and the Company is disclosed; and,
- The Group’s and the Company’s consolidated and separate statements of financial position and consolidated and separate statements of profit or loss and other comprehensive income are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor’s report is Julius Rwajekare.

Signed by Julius Rwajekare
Registration Number TACPA 2760

For and on behalf of Ernst & Young
Certified Public Accountants
Dar es Salaam, Tanzania

Date: 25 June 2020

Consolidated and separate statements of profit or loss and other comprehensive income

For the year ended 31 March 2020

		GROUP		COMPANY	
TZS m	**Note**	**2020[4]**	2019	**2020[4]**	2019
Revenue	6	**1 032 667**	1 024 587	**1 033 029**	1 025 602
Direct expenses	7	**(321 693)**	(303 306)	**(323 383)**	(305 441)
Staff expenses	8	**(57 671)**	(59 368)	**(57 631)**	(59 255)
Publicity expenses		**(30 571)**	(36 311)	**(30 570)**	(36 311)
Other operating expenses	9(a)	**(247 885)**	(344 086)	**(247 467)**	(341 962)
Depreciation and amortisation	9(b)	**(268 762)**	(165 834)	**(263 805)**	(163 409)
Impairment charges	9(c)	**(10 086)**	(349)	**(34 153)**	(25 802)
Operating profit		**95 999**	115 333	**76 020**	93 422
Finance income	10	**50 465**	38 475	**32 907**	20 062
Finance costs	11	**(86 470)**	(19 891)	**(66 709)**	(159)
Net gain on foreign currency translation	12	**356**	970	**362**	1 079
Profit before tax		**60 350**	134 887	**42 580**	114 404
Income tax expense	13(a)	**(14 588)**	(44 126)	**(14 985)**	(44 532)
Profit for the year[5]		**45 762**	90 761	**27 595**	69 872
Other comprehensive income		**–**	–	**–**	–
Total comprehensive income for the year, net of tax[5]		**45 762**	90 761	**27 595**	69 872

		TZS	TZS
Basic and diluted earnings per share (TZS)	14	**20.43**	40.52

4 The Group adopted IFRS 16 on 1 April 2019 using the modified retrospective method. Consequently, the financial results for the year ended 31 March 2020 are based on IFRS 16 while the comparatives are based on IAS 17. Refer to Note 4 for further information.
5 All attributable to the owners of the parent since there is no non-controlling interest in the Group's subsidiaries.

Consolidated and separate statements of financial position

as at 31 March 2020

		GROUP		COMPANY	
TZS m	**Note**	**2020**	2019	**2020**	2019
Assets					
Non-current assets		**1 298 663**	857 074	**1 271 376**	828 130
Property and equipment	18	**1 123 945**	646 288	**1 116 953**	639 340
Intangible assets	19	**78 510**	74 740	**59 854**	54 383
Capacity prepayments	20	**54 888**	58 385	**54 888**	58 385
Deferred loss	21	**–**	48 593	**–**	48 593
Goodwill	16	**1 639**	1 639	**–**	–
Income tax receivables[6]	13(d)	**23 755**	19 724	**23 755**	19 724
Trade and other receivables[8]	22(a)	**15 926**	7 705	**15 926**	7 705
Non-current assets held for sale	23	**–**	1 307	**–**	1 307
Current assets		**1 097 226**	1 134 121	**759 634**	780 272
Capacity prepayments	20	**13 657**	11 527	**13 657**	11 527
Inventory	24	**2 004**	2 145	**2 004**	2 145
Trade and other receivables[7]	22(b)	**100 815**	126 232	**107 244**	155 592
Income tax receivable	13(d)	**4 723**	–	**1 195**	–
Financial assets[8]		**337 556**	378 019	**–**	–
Short term investment	25	**164 643**	219 576	**164 643**	219 576
Cash and cash equivalents	26	**473 828**	396 622	**470 891**	391 432
Total assets		**2 395 889**	1 992 502	**2 031 010**	1 609 709

6 These are deposits with TRA in respect to objected assessments for corporate tax.
7 Trade and other receivables as at 31 March 2020 include contract assets amounting to TZS2 770 million of which TZS941 million is non-current and TZS1 829 million is current (2019: current TZS1 754 million and non-current TZS895 million).
8 Financial assets relate to the restricted M-Pesa bank deposits.

Consolidated and separate statements of financial position continued

As at 31 March 2020

		GROUP		COMPANY	
TZS m	**Note**	**2020**	2019	**2020**	2019
Equity and liabilities					
Equity		**1 255 152**	1 263 844	**1 236 984**	1 263 843
Share capital	27	**112 000**	112 000	**112 000**	112 000
Share premium	27	**442 435**	442 435	**442 435**	442 435
Capital contribution	28	**27 698**	27 698	**27 698**	27 698
Retained earnings		**673 019**	681 711	**654 851**	681 710
Non-current liabilities		**513 575**	100 790	**507 995**	94 789
Lease liabilities	29	**494 354**	5 801	**494 354**	5 801
Government grants	30	**1 616**	2 922	**1 616**	2 922
Deferred tax liabilities	13(e)	**13 800**	45 687	**8 220**	39 686
Trade and other payables	32	**186**	46 380	**186**	46 380
Provision	33	**3 619**	–	**3 619**	–
Current liabilities		**627 162**	627 868	**286 031**	251 077
Lease liabilities	29	**50 869**	–	**50 869**	–
Trade and other payables[9]	32	**552 167**	584 018	**223 028**	235 276
Interest due to customers	32	**11 992**	31 577	**–**	–
Income tax payable	13(d)	**–**	1 983	**–**	5 511
Government grants	30	**2 310**	2 379	**2 310**	2 379
Provisions	33	**9 824**	7 911	**9 824**	7 911
Total liabilities		**1 140 737**	728 658	**794 026**	345 866
Total equity and liabilities		**2 395 889**	1 992 502	**2 031 010**	1 609 709

The consolidated and separate financial statements on pages 31 to 171 were approved and authorised for issue by the Board of Directors on 21 May 2020 and were signed on its behalf by:

Margaret Ikongo
Interim Chairperson

Hisham Hendi
Director

9 The Group trade and other payables include amounts owed to M-Pesa agents and customers of TZS329 068 million (2019: TZS349 946 million).

Consolidated and separate statements of changes in equity

For the year ended 31 March 2020

GROUP

TZS m	Share capital (Note 27)	Share premium (Note 27)	Capital contribution (Note 28)	Retained earnings	Total
At 1 April 2019	**112 000**	**442 435**	**27 698**	**681 711**	**1 263 844**
Total comprehensive income for the year	–	–	–	**45 762**	**45 762**
Transactions with owners:					
Dividends declared	–	–	–	**(54 454)**	**(54 454)**
At 31 March 2020	**112 000**	**442 435**	**27 698**	**673 019**	**1 255 152**
At 31 March 2018	112 000	442 435	27 698	628 321	1 210 454
Initial impact of IFRS 9	–	–	–	1 402	1 402
Initial impact of IFRS 15	–	–	–	46	46
At 1 April 2018	112 000	442 435	27 698	629 769	1 211 902
Total comprehensive income for the year	–	–	–	90 761	90 761
Transactions with owners:					
Dividend declared	–	–	–	(38 819)	(38 819)
At 31 March 2019	112 000	442 435	27 698	681 711	1 263 844

COMPANY

TZS m	Share capital (Note 27)	Share premium (Note 27)	Capital contribution (Note 28)	Retained earnings	Total
At 1 April 2019	**112 000**	**442 435**	**27 698**	**681 710**	**1 263 843**
Total comprehensive income	–	–	–	**27 595**	**27 595**
Transactions with owners:					
Dividends declared	–	–	–	**(54 454)**	**(54 454)**
At 31 March 2020	**112 000**	**442 435**	**27 698**	**654 851**	**1 236 984**
At 31 March 2018	112 000	442 435	27 698	649 209	1 231 342
Initial impact of IFRS 9	–	–	–	1 402	1 402
Initial impact of IFRS 15	–	–	–	46	46
At 1 April 2018	112 000	442 435	27 698	650 657	1 232 790
Total comprehensive income	–	–	–	69 872	69 872
Transactions with owners:					
Dividend declared	–	–	–	(38 819)	(38 819)
At 31 March 2019	112 000	442 435	27 698	681 710	1 263 843

Consolidated and separate statements of cash flows

For the year ended 31 March 2020

		GROUP		COMPANY	
TZS m	**Note**	**2020**	2019	**2020**	2019
Cash flows from operating activities					
Cash generated from operations	42(a)	**344 244**	318 541	**361 550**	308 088
Income tax paid	13	**(53 181)**	(45 198)	**(53 157)**	(45 182)
Net cash flows generated from operating activities		**291 063**	273 343	**308 393**	262 906
Cash flows used in investing activities					
Additions to property and equipment, and intangible assets	42(b)	**(159 350)**	(184 843)	**(159 350)**	(184 452)
Proceeds from sale of property and equipment		**719**	20	**719**	20
Government grant received	30	**2 838**	2 489	**2 838**	2 489
Short term investments retired/(made)	25	**54 933**	(89 307)	**54 933**	(89 308)
Finance income received		**31 118**	9 557	**32 907**	10 985
Cash held in restricted deposits		**40 463**	(25 143)	**–**	–
Interest received from M-Pesa deposits	10	**19 347**	19 841	**–**	–
Net cash flows used in investing activities		**(9 932)**	(267 386)	**(67 953)**	(260 266)
Cash flows used in financing activities					
Dividends paid		**(54 459)**	(38 783)	**(54 459)**	(38 783)
Interest paid to M-Pesa customers		**(39 013)**	(11 107)	**–**	–
Interest paid on other borrowings		**–**	(324)	**–**	(324)
Lease liabilities interest paid	29	**(67 034)**	–	**(66 702)**	–
Payment of lease liabilities – principal	29	**(43 455)**	–	**(39 856)**	–
Net cash flows used in financing activities		**(203 961)**	(50 214)	**(161 017)**	(39 107)
Net increase/(decrease) in cash and cash equivalents		**77 170**	(44 257)	**79 423**	(36 467)
Cash and cash equivalents at 1 April		**396 622**	439 889	**391 432**	426 909
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	12	**36**	990	**36**	990
Cash and cash equivalents at 31 March	26	**473 828**	396 622	**470 891**	391 432

Notes to the consolidated and separate financial statements

For the year ended 31 March 2020

1. General information

Vodacom Tanzania Public Limited Company (the 'Company') is incorporated in Tanzania as a limited liability company and is domiciled in Tanzania. The principal activities of the Group are disclosed in the Directors' Report. The address of its registered office and place of business are disclosed under the Corporate Information presented on page 139.

2. Basis of preparation

The consolidated and separate annual financial statements of the Company and its subsidiaries (together the 'Group') are prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRS Interpretations Committee ('IFRIC') interpretations as issued by the International Accounting Standards Board ('IASB'), and those sections of the Tanzania Companies Act, No. 12 of 2002 applicable to financial reporting under IFRS. The consolidated and separate financial statements are prepared on a going concern basis.

For purposes of the Tanzania Companies Act, No. 12 of 2002, the statement of financial position is equivalent to the balance sheet while the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

The preparation of the consolidated and separate financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of consolidated and separate financial statements and the reported amounts of revenue and expenses during the reporting period. Refer to 'Critical accounting judgments and estimates' in Note 5 for the disclosures on the Group's critical accounting judgments and estimates, Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Amounts in the financial statements are stated in Tanzanian Shillings (TZS), rounded to the nearest million (TZS m), except when otherwise indicated. The significant accounting policies are consistent in all material respects with those applied in the previous period except where new and amended IFRS and interpretations have been adopted during the reporting period.

3. Significant accounting policies

a) Accounting convention

The consolidated and separate annual financial statements are prepared on a historical cost basis, except where otherwise disclosed.

b) Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the Company and its subsidiaries for the year ended 31 March 2020. The Company and all subsidiaries have the same reporting period and apply the same accounting policies.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred by the Company to the former owners of the acquiree, and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Company's previously held equity interest in the acquiree, if any, over the net fair value of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

Where applicable, the consideration transferred includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Changes in fair value that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Changes in fair value that do not qualify as measurement period adjustments are adjusted prospectively, with the corresponding gain or loss being recognised in profit or loss.

Components of non-controlling interests that are current ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at the acquisition date at either:

- Fair value; or
- The non-controlling interest's proportionate share of the acquiree's identifiable net assets.

3. Significant accounting policies *continued*

b) Consolidation *continued*

The choice of measurement basis is made on an acquisition-by-acquisition basis.

All other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by IFRS.

The difference between the proceeds and the carrying amount of the net assets and liabilities disposed of, adjusted for any related carrying amount of goodwill, is recognised as the profit or loss on disposal of subsidiaries. The same principle applies to a joint arrangement.

Accounting for subsidiaries

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has existing rights that give it the current ability to direct the activities that affect the Company's returns and exposure or rights to variable returns from the entity. The results of subsidiaries are included in the statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The consolidated financial statements include the Company's fully owned subsidiaries, Vodacom Trust Limited (previously M-Pesa Limited), which is a company limited by guarantee and having share capital; and Shared Networks Tanzania Limited, Vodacom Tanzania Limited (incorporated in Zanzibar) and M-Pesa Limited, which are private limited liability companies having share capital. The consolidated financial statements also include a consolidated structured entity, The Registered Trustees of M-Pesa, which is a trust incorporated under the provisions of The Trustees Incorporation Act, Cap 318 of Tanzania.

c) Operating segments

The Group determines its operating segments according to the major business activities that the Group undertakes, the entity components regularly reviewed by the Group Executive Committee and whether discrete financial information is available.

Segment information is reconciled to the consolidated and separate annual financial statements. The measure reported by the Group is in accordance with the significant accounting policies adopted for preparing and presenting the consolidated and separate financial statements.

The segment assets and liabilities comprise of all assets and liabilities of the different segments that are employed by the segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Capital expenditure on property and equipment and intangible assets is allocated to the segments to which it relates.

Refer to Note 43 for more details about operating segments.

d) Revenue recognition

When the Group enters into an agreement with a customer, goods and services deliverable under the contract are identified as separate performance obligations ('obligations') to the extent that the customer can benefit from the goods or services on their own and that the separate goods and services are considered distinct from other goods and services in the agreement. Where individual goods and services don't meet the criteria to be identified as separate obligations they are aggregated with other goods and/or services in the agreement until a separate obligation is identified. The obligations identified will depend on the nature of individual customer contracts, but might typically be separately identified for mobile handsets, other equipment provided to customers and services provided to customers such as mobile and fixed line communication services. Where goods and services have a functional dependency (for example, a fixed line router can only be used with the Group's services), this does not, in isolation, prevent those goods or services from being assessed as separate obligations.

The Group determines the transaction price to which it expects to be entitled to in return for providing the promised obligations to the customer based on the committed contractual amounts, net of sales taxes and discounts. Where indirect channel dealers, such as retailers, acquire customer contracts on behalf of the Group and receive commission, any commissions that the dealer is compelled to use to fund discounts or other incentives to the customer are treated as payments to the customer when determining the transaction price and consequently are not included in contract acquisition costs.

3. Significant accounting policies *continued*

d) Revenue recognition *continued*

The transaction price is allocated between the identified obligations according to the relative standalone selling prices of the obligations. The standalone selling price of each obligation deliverable in the contract is determined according to the prices that the Group would achieve by selling the same goods and/or services included in the obligation to a similar customer on a standalone basis. Where standalone selling prices are not directly observable, estimation techniques, maximising the use of external inputs, are used. Refer to Note 5 'Critical accounting judgements and estimates' for further details.

Revenue is recognised when the respective obligations in the contract are delivered to the customer and payment remains probable.

Revenue for the provision of services, such as mobile airtime and fixed line broadband, is recognised when the Group provides the related service during the agreed service period.

Revenue for device sales to end customers is generally recognised when the device is delivered to the end user customer. For device sales made to intermediaries such as indirect channel dealers, revenue is recognised if control of the device has transferred to the intermediary and the intermediary has no right to return the device to receive a refund; otherwise revenue recognition is deferred until sale of the device to an end user customer by the intermediary or the expiry of any right of return.

When the Group has control of goods or services prior to delivery to a customer, then the Group is the principal in the sale to the customer. As a principal, receipts from, and payments to, suppliers are reported on a gross basis in revenue and operating costs. If another party has control of goods or services prior to transfer to a customer, then the Group is acting as an agent for the other party and revenue in respect of the relevant obligations is recognised net of any related payments to the supplier and recognised revenue represents the margin earned by the Group. Refer to Note 5 'Critical accounting judgements and estimates' for further details.

When revenue recognised in respect of a customer contract exceeds amounts received or receivable from a customer, at that time a contract asset is recognised. Contract assets will typically be recognised for handsets or other equipment provided to customers where payment is recovered by the Group via future service fees. If amounts received or receivable from a customer exceed revenue recognised for a contract, for example if the Group receives an advance payment from a customer, a contract liability is recognised.

When contract assets or liabilities are recognised, a financing component may exist in the contract. This is typically the case when a handset or other equipment is provided to a customer up-front but payment is received over the term of the related service agreement, in which case the customer is deemed to have received financing. If a significant financing component is provided to the customer, the transaction price is reduced, and interest revenue is recognised over the customer's payment period using an interest rate reflecting the relevant central bank rates and customer credit risk.

Other income

Dividends from investments are recognised when the Company's right to receive payment has been established.

Interest is recognised using the amortised cost method with reference to the principal amount receivable and the effective interest rate applicable.

Revenue presentation: Gross versus Net

Where the Group's role in a transaction is that of principal, revenue is recognised on a gross basis. This requires revenue to comprise the gross value of the transaction billed to the customer, after trade discounts, with any related administrative fees charged as an operating cost. Where the Group's role in a transaction is that of an agent, revenue is recognised on a net basis, with revenue representing the margin earned.

Contract-related costs

When costs directly relating to a specific contract are incurred prior to recognising revenue for a related obligation, and those costs enhance the ability of the Group to deliver an obligation and are expected to be recovered, then those costs are recognised on the statement of financial position as fulfilment costs and are recognised as expenses in line with the recognition of revenue when the related obligation is delivered.

The direct and incremental costs of acquiring a contract including, for example, certain commissions payable to staff or agents for acquiring customers on behalf of the Group, are recognised as contract acquisition cost assets in the statement of financial position when the related payment obligation is recorded. Costs are recognised as an expense in line with the recognition of the related revenue that is expected to be earned by the Group. Typically, this is over the customer contract period as new commissions are payable on contract renewal. Certain amounts payable to agents are deducted from revenue recognised (see above).

3. Significant accounting policies *continued*

e) Commissions

Intermediaries are awarded cash incentives by the Group to connect new customers and upgrade existing customers.

For intermediaries who do not purchase products and services from the Group, such cash incentives are accounted for as an expense. Cash incentives to other intermediaries are also accounted for as an expense if:

- The Group receives an identifiable benefit in exchange for the cash incentive that is separable from sales transactions to that intermediary; and
- The Group can reliably estimate the fair value of that benefit.

Cash incentives that do not meet these criteria are recognised as a reduction of the related revenue.

Distribution incentives paid to service providers and dealers for exclusivity are deferred and expensed over the contractual relationship period.

f) Intangible assets

The following are the main categories of intangible assets:

Intangible assets with an indefinite useful life
Goodwill is initially recognised at cost and subsequently stated at cost less accumulated impairment losses, if any. Goodwill is not amortised but is tested for impairment on an annual basis. Goodwill is denominated in the currency of the acquired entity.

Intangible assets with a finite useful life
Intangible assets with finite lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life and commences when the intangible asset is available for use and ceases at the earlier of the date the asset is classified as held for sale or the date it is derecognised. Useful lives and amortisation methods are reviewed on an annual basis with the effect of any changes in estimate accounted for on a prospective basis.

The Group's intangible assets with finite useful lives are as follows:

Licences
Licenses which are acquired to yield an enduring benefit are amortised from the date of commencement of usage rights over the shorter of the economic life or the duration of the license agreement.

Computer software
Expenditure incurred to develop, maintain and renew internally generated trademarks and patents is recognised as an expense in the period it is incurred. Computer software that is not considered to form an integral part of any hardware equipment is recorded as an intangible asset. Software integral to a related item of hardware equipment is accounted for as property and equipment. An intangible asset is derecognised on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset measured as the difference between the net disposal proceeds and the carrying amounts of the asset are recognised in profit or loss when the asset is derecognised.

g) Impairment of tangible and intangible assets

An impairment loss is recognised immediately in profit or loss if the recoverable amount of an asset is less than its carrying amount. Recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows from continuing use and ultimate disposal of the asset 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 for which the estimates of future cash flows have not been adjusted.

Assets that do not generate cash inflows largely independent of those from other assets are grouped at the lowest levels for which there are separately identifiable cash flows; known as cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in the prior period. A reversal of an impairment loss is recognised immediately in profit or loss. Goodwill impairment losses are not reversed.

3. Significant accounting policies *continued*

g) Impairment of tangible and intangible assets *continued*

Property and equipment, and intangible assets with a finite useful life

The Group annually reviews the carrying amounts of its property and equipment, and intangible assets with finite useful lives in order to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amounts of the assets are estimated in order to determine the extent, if any, of the impairment loss.

Assets with an indefinite useful life, intangible assets not yet available for use and goodwill

These are tested annually for impairment and when events or changes in circumstances indicate that the carrying amount may not be recoverable.

h) Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land and buildings in which the Group occupies more than 25% of the floor space or for which the primary purpose is the service and connection of customers are classified as property, and equipment.

Assets in the course of construction are carried at cost less any impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

The cost of property and equipment includes directly attributable incremental costs incurred in the acquisition and installation of such assets, as well as the present value of the estimated cost of dismantling, removal or site restoration costs if applicable, so as to bring the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

The cost of small parts as well as repairs and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised in profit or loss on a straight-line basis over the shorter of the lease term if applicable or the estimated useful life and ceases at the earlier of the date the asset is classified as held for sale or the date it is derecognised. Depreciation is not ceased when assets are idle.

Useful lives, residual values and depreciation methods are reviewed on an annual basis with the effect of any changes in estimate accounted for on a prospective basis.

Property and equipment acquired in exchange for non-monetary assets is measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

An item of Property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of Property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

i) Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out method and comprises direct materials and where applicable, those overheads that have been incurred in bringing the inventories to their present location and condition.

j) Leases

The group adopted IFRS 16 on 1 April 2019. The details of the policy and impact of adoption has been detailed in Note 4.

Leases policy prior to adopting IFRS16 on 1 April 2019

Lease classification

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Group as lessee

Finance leases

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in profit or loss.

In sale and leaseback transactions that result in finance leases any profit or loss is deferred and amortised over the lease term.

3. Significant accounting policies *continued*

j) Leases *continued*

Operating leases

Operating lease payments, including benefits received and receivable as an incentive to enter into the lease, are expensed on a straight-line basis over the lease term. Early termination penalties are expensed in the period in which the termination occurs. In sale and leaseback transactions that result in operating leases where the transaction is priced at fair value, any profit or loss is recognised on the effective date of the sale. If the sale price is below fair value, profit or loss is recognised on the effective date of the sale except that, if a loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used.

k) Foreign currencies and translation of foreign currencies

The consolidated and separate financial statements are presented in TZS, which is the Group's functional and presentation currency. The functional and presentation currency of the consolidated subsidiaries and structured entity is also TZS. Items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded at the foreign exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency of the Group at the rates prevailing at the reporting date. Exchange differences on the settlement or translation of monetary assets and liabilities identified as being part of operating activities are included in operating profit, while exchange differences on the settlement or translation of monetary assets and liabilities which are not considered as being part of operating activities are included in gains or losses on re-measurement and disposal of financial instruments in profit or loss in the period in which they arise.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated. When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, any exchange component of that gain or loss is recognised directly in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

l) Expenses

Expenses are recognised as they are incurred. Prepaid expenses are deferred and recognised in the periods to which they relate.

m) Employee benefits

Post-employment benefits

The Group contributes to a defined contribution fund for the benefit of employees. Contributions to the fund are recognised as an expense as they fall due. The Group is not liable for contributions to the medical aid of the retired employees.

Short-term and long-term benefits

The cost of all short-term employee benefits, such as salaries, employee entitlements to leave pay, bonuses, medical aid and other contributions, are recognised in profit or loss in the period in which the employee renders the related service.

The Group provides for long-term employee benefits payable to eligible employees during the period in which the employee renders the related service and is accounted for in the year in which they arise.

Share-based payments

The Group has share-based payment compensation plans for certain eligible employees.

Equity-settled share-based payments

Equity-settled shared-based payments are measured at the grant date fair value of the equity instruments granted and are expensed on a straight-line basis over the vesting period. The annual expense is based on the Company's estimate of the shares that will eventually vest, adjusted for the effect of non-market vesting conditions. The Company reimburses the cost incurred on these benefits through monthly invoices in form of cost recovery with no future obligation and this is accounted for as cash settled scheme by recording the amount paid directly to profit or loss. There is no future obligation for the Company.

Cash-settled share-based payments

Cash-settled share-based payment liabilities are initially measured at fair value and subsequently remeasured to fair value at each reporting date as well as at the date of settlement, with any changes in fair value recognised in profit or loss. The expense is recognised on a straight-line basis over the vesting period, with a corresponding increase in the liability.

3. Significant accounting policies *continued*

n) Tax

The income tax expense represents the sum of the current tax and deferred tax. Current and deferred tax are recognised in profit or loss, except when they relate to items recognised in other comprehensive income or directly to equity, in which case, current and deferred tax is also recognised directly in other comprehensive income or in equity.

Tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they either relate to income taxes levied by the same tax authority on either the same taxable entity or on different taxable entities which intend to settle the current tax assets and liabilities on a net basis.

Current taxation
Current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because some items of income or expense are taxable or deductible in different years or may never be taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the end of the reporting date.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the consolidated and separate financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition, other than in a business combination, of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are not recognised to the extent that they arise from the initial recognition of goodwill.

A deferred tax asset for the carry forward of unused tax losses and tax credits is only recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting date and adjusted to reflect changes in the probability that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the reporting date. The applicable statutory rate at the reporting date is disclosed in Note 13.

Value Added Tax
Revenues, expenses and assets are recognised net of the amount of Value Added Tax, except where 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 or receivables and payables that 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 consolidated and separate statements of financial position.

o) Financial instruments

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Group's and Company's statements of financial position when the Group and the Company become party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at fair value, including transaction costs except for those classified as at fair value through profit or loss which are initially measured at fair value, excluding transaction costs.

The fair value of a financial instrument on initial recognition is normally the transaction price unless the fair value is evident from observable market data.

3. Significant accounting policies *continued*

o) Financial instruments *continued*

Financial assets, excluding derivative financial instruments

Financial assets are recognised and derecognised on trade-date where the purchase or sale of the financial asset is under a contract whose terms require delivery of the instrument within the timeframe established by the market concerned.

Subsequent to initial recognition, these instruments are measured as follows:

Financial assets that are debt instruments, are classified based on how they are managed by the business and the nature of their contractual cash flows.

All other investments, including trade receivables, are held to collect contractual interest and principal repayments and are stated at amortised cost using the effective interest method, less any impairment.

Trade and other receivables, included in financial assets stated at amortised cost above

Trade and other receivables mainly consist of amounts owed to the Group by customers and amounts paid in advance to suppliers by the Group. This also includes contract assets which represent an asset for accrued revenue in respect of goods or services delivered to customers for which a trade receivable does not yet exist.

Trade receivables represent amounts owed by customers where the right to payment is conditional only on the passage of time. Trade receivables that are recovered in instalments from customers over an extended period are discounted at market rates and interest revenue is accreted over the expected repayment period. Other trade receivables do not carry any interest and are stated at their nominal value. The carrying value of all trade receivables and contract assets recorded at amortised cost is reduced by allowances for lifetime estimated credit losses. Estimated future credit losses are first recorded on the initial recognition of a receivable and irrecoverable amounts are based on the ageing of the receivable balances and historical experience. Individual balances are written off when management deems them not to be collectible.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. For receivables that do not involve a significant financing component, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group assesses the individual receivable or portfolio of receivables on each reporting date basing on its historical credit loss experience, relationship and forward-looking factors specific to the debtor or portfolio and the economic environment.

The Group considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, with the exception of trade and other receivables, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For trade and other receivables and contract assets, the amount of the impairment loss is the irrecoverable amount estimated by management based on assumptions about risk of default and expected loss rates. Refer to Note 22 for further disclosures.

The carrying amount is reduced directly by the impairment loss, with the exception of trade receivables and contract assets, where the carrying amount is reduced through the use of an allowance account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed, either directly or by adjusting the allowance account, through profit or loss. The carrying amount of the financial asset at the date the impairment loss is reversed will not exceed what the amortised cost would have been had the impairment loss not been recognised.

3. Significant accounting policies *continued*

o) Financial instruments *continued*

Financial liabilities (excluding derivative financial instruments) and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the applicable definitions. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities and includes no obligation to deliver cash or other financial asset. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issuance costs.

Subsequent to initial recognition, financial liabilities are measured as follows:

- Borrowings are subsequently stated at amortised cost, using the effective interest rate method. Any difference between the proceeds net of transaction costs and the settlement or redemption of borrowings is recognised over the term of the borrowings.
- Trade and other payables (excluding liabilities created by statutory requirements, revenue charged in advance, deferred revenue and reduced subscriptions) as well as dividends payable are not interest bearing and are subsequently stated at their nominal values.

p) Offsetting of financial instruments

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities and there is an intention to settle the liability and realise the asset simultaneously or to settle on a net basis, all related financial effects are offset, and the net amount is reported in the consolidated and separate statements of financial position.

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank overdrafts, demand deposits and short term highly liquid instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, all of which are available for use by the Group unless otherwise stated. Cash on hand is initially recognised at fair value and subsequently stated at its face value.

r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and the amount of obligation can be reliably estimated. The expenses relating to provisions are presented in profit or loss in the period in which they are incurred net of any reimbursement.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect of the time value of money is material.

s) Borrowing costs

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

t) Non-current assets held-for sale

Non-current assets are classified as held-for-sale if their carrying amount will be recoverable principally through a sale transaction, not through continuing use. The condition is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Upon initial classification as held-for-sale, non-current assets and disposal groups are recognised at the lower of the carrying amount and fair values less cost of disposal. An impairment loss is recognised for any initial or subsequent write-down of the asset. Any gain for the subsequent increase in fair value less cost of disposal of the asset is only recognised to the extent that it does not exceed the cumulative impairment loss that has been recognised.

u) Government grants

The Group may be entitled to receive grants from national or regional government which are primarily for the purpose of purchasing property and equipment ('capital grants'). Government grants are recognised when there is reasonable assurance that the Group will comply with any condition on which payment or retention of the grant is dependent and the grant will be paid.

It is the Group's policy to deduct capital grants from the cost of the assets acquired which will result in the depreciation expense for the related assets being reduced during the useful life of the related assets. In the event that a capital grant becomes repayable, the cost of the related assets is increased by the amount of the repayment and cumulative depreciation that would have been recognised in profit or loss had the repaid amount not originally been recorded will be recognised immediately in profit or loss.

Government grants related to income are recognised in profit or loss on a systematic basis over the periods in which the Group recognises the related costs as expenses, for which the grant is intended to compensate.

3. Significant accounting policies *continued*

v) Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when either:

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

The Group classifies all other liabilities as non-current.

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

4. New accounting pronouncements

The new accounting pronouncements adopted by the Group on 1 April 2019 as well as the accounting pronouncements to be adopted in coming financial years are set out below:

Accounting pronouncements adopted on 1 April 2019

On 1 April 2019, the Group adopted IFRS 16 'Leases' which was issued by the IASB. This standard had a significant impact on the Group's financial reporting. Additional information on the impact of this standard is discussed below.

The following pronouncements, issued by the IASB, were effective for periods commencing on or after 1 January 2019:

- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures";
- "Improvements to IFRS: 2015–2017 cycle";
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement";
- Amendments to IFRS 9 "Prepayment Features with Negative Compensation"; and
- IFRIC 23 "Uncertainty over Income Tax Treatments".

The Group's financial reporting was not materially impacted by these pronouncements.

New accounting pronouncements to be adopted on or after 1 April 2020

The Group has not yet adopted the following pronouncements, which have been issued by the IASB and are effective for annual periods beginning on or after 1 January 2020:

- Amendments to IFRS 3 "Definition of a Business"; and
- Amendments to IAS 1 and IAS 8 "Definition of Material".
- Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform".

The Group's financial reporting will be presented in accordance with the above new pronouncements from 1 April 2020. However, these and other pronouncements issued but not yet effective and not listed above, are not expected to have a material impact on the consolidated and separate results, financial position or cash flows.

In addition, IFRS 17 "Insurance contracts", which has been issued by the IASB is effective for accounting periods starting on or after 1 January 2021. This new standard will not impact the Group's financial reporting since the Group does not issue insurance policies.

4. New accounting pronouncements *continued*

Standards adopted during the year ended 31 March 2020

The Group adopted the new, revised or amended accounting pronouncements as issued by the IASB, which were effective and applicable to the Group from 1 April 2019. The accounting pronouncement considered by the Group as significant on adoption was IFRS 16 "Leases" ("IFRS 16") as set out below.

Other IFRS changes effective on 1 April 2019 had no material impact on the consolidated and separate results, financial position or cash flows.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16 "Leases"

IFRS 16 was adopted by the Group on 1 April 2019 using the modified retrospective approach with the cumulative impact recognised as an adjustment to accumulated profit on the date of adoption.

The Group has applied the following expedients in relation to the adoption of IFRS 16:

- The right of use assets were measured at an amount equal to the lease liability at adoption, and initial direct costs incurred when obtaining leases were excluded from this measurement. Lease prepayments and accruals previously recognised under IAS 17 at 31 March 2019 were added and deducted, respectively, from the value of the right of use assets on adoption.
- The Group impaired the right of use assets recognised on adoption by the value of the provisions for onerous leases held under IAS 37 at 31 March 2019 instead of performing a new impairment assessment for those assets on adoption.

The above expedients applied on initial adoption have resulted in reclassifications of lease-related prepayments, accruals and provisions at 1 April 2019 to the right of use assets or lease liabilities.

The key differences between the Group's IAS 17 accounting policy (the 'previous policy' which is disclosed in the Group's annual consolidated and separate financial statements for the year ended 31 March 2019) and the Group's IFRS 16 accounting policy (which is indicated below), as well as the primary impact of applying IFRS 16 in the current financial period are disclosed below.

The primary impact on the Group's financial statements, and the key causes of the movements recorded in the consolidated statement of financial position on 1 April 2019, as a result of applying the IFRS 16 ('current') accounting policy instead of the previous policy under IAS 17 are:

Lessee

- Under IAS 17, lessees classified leases as either operating or finance leases. Operating lease costs were expensed on a straight-line basis over the period of the lease. Finance leases resulted in the recognition, in the consolidated statement of financial position, of an asset and a corresponding liability for lease payments, at present value.
- Under IFRS 16 all lease agreements give rise to the recognition of a 'right of use asset', representing the right to use the leased item, and a liability for the future lease payments over the 'reasonably certain' period of the lease, which may include future lease periods for which the Group has extension options.
- Lessee accounting under IFRS 16 is similar to finance lease accounting for lessees under IAS 17; lease costs are recognised in the form of depreciation of the right of use asset and interest on the lease liability which is generally discounted at the incremental borrowing rate of the Group, although the interest rate implicit in the lease is used when it is more readily determinable. Interest charges will typically be higher in the early stages of a lease and will reduce over the lease term. Interest expense on lease liabilities is included in finance costs in profit or loss.
- Under IFRS 16, both cash flows from operating activities and payments classified within cash flows used in financing activities increase, as payments made at both lease inception and subsequently are characterised as repayments of lease principal and interest liabilities, and repayment of lease principal liabilities is presented under financing activities. Under IAS 17, operating lease payments were treated as operating cash outflows. Net cash flow is not impacted by the change in policy.

4. New accounting pronouncements *continued*

Standards adopted during the year ended 31 March 2020 *continued*

Lease accounting policy – IFRS 16

As a lessee

When the Group leases an asset, a right of use asset is recognised for the leased item and a lease liability is recognised for any lease payments due at the lease commencement date. The right of use asset is initially measured at cost, being the present value of the lease payments paid or payable, plus any initial direct costs incurred in entering the lease and dismantling costs (if not recognised as part of a restoration asset), less any lease incentives received. The right of use assets are recognised under property and equipment.

Right of use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. The lease term is the non-cancellable period of the lease plus any periods for which the Group is 'reasonably certain' to exercise any extension options (see below).

The useful life of the asset is determined in a manner consistent to that for owned property and equipment. If right-of-use assets are considered to be impaired, the carrying value is reduced accordingly.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date and are usually discounted using the incremental borrowing rates of the Group or where determinable, the rate implicit in the lease is used. Lease payments included in the lease liability include:

- fixed payments and in-substance fixed payments during the term of the lease reduced by any lease incentives;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease; and
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

After initial recognition, the lease liability is recorded at amortised cost using the effective interest method. It is remeasured when:

- there is a change in the residual value guarantee;
- there is a change in future lease payments arising from a change in an index or rate (e.g. an inflation related increase);
- the Group's assessment of the lease term changes;
- lease modifications occur that are not treated as separate leases.

Any change in the lease liability as a result of these changes also results in a corresponding change in the recorded right-of-use asset.

IFRS 16 Transition disclosures

The weighted average incremental borrowing rate applied to the Group's lease liabilities recognised in the statement of financial position at 1 April 2019 was 13.11%.

The most significant differences between the IAS 17 lease commitments as at 31 March 2019 and the lease liabilities recognised on transition to IFRS 16 are set out below:

		GROUP	COMPANY
TZS m	**Note**	**2019**	**2019**
Undiscounted operating lease commitments at 31 March 2019	35	756 959	753 032
Less: Effect of discounting on payments included in the operating lease commitments		(227 592)	(227 262)
Lease liability on initial application of IFRS 16		529 367	525 770
Add: Transfer from finance lease liabilities previously reported under IAS 17		5 801	5 801
Lease liability		535 168	531 571
The lease liability is made up as follows:			
Non-current		487 047	487 047
Current		48 121	44 524
Lease liability		535 168	531 571

4. New accounting pronouncements *continued*

Standards adopted during the year ended 31 March 2020 *continued*

IFRS 16 Transition disclosures *continued*

The effect [increase/(decrease)] on the Group of adopting IFRS 16 as at 1 April 2019 was as follows:

TZS m	At 31 March 2019 Audited	Impact of adoption of IFRS 16 Reviewed	At 1 April 2019 Reviewed
Assets			
Non-current assets	857 074	484 527	1 341 601
Property and equipment[10]	646 288	533 120	1 179 408
Intangible assets	74 740	–	74 740
Capacity prepayments	58 385	–	58 385
Income tax recoverable	19 724	–	19 724
Trade and other receivables	7 705	–	7 705
Deferred loss[11]	48 593	(48 593)	–
Goodwill	1 639	–	1 639
Current assets	1 134 121	(1 012)	1 133 109
Capacity prepayments	11 527	–	11 527
Inventories	2 145	–	2 145
Trade and other receivables[12]	126 232	(1 012)	125 220
Financial assets	378 019	–	378 019
Short term investment	219 576	–	219 576
Cash and cash equivalents	396 622	–	396 622
Non-current assets held for sale	1 307	–	1 307
Total assets	1 992 502	483 515	2 476 017

10 Refer to Note 18.
11 Refer to Note 21.
12 Reclassification of prepayments for operating leases previously recognised under IAS 17 to right of use assets.

4. New accounting pronouncements *continued*

Standards adopted during the year ended 31 March 2020 *continued*

IFRS 16 Transition disclosures *continued*

TZS m	At 31 March 2019 Audited	Impact of adoption of IFRS 16 Reviewed	At 1 April 2019 Reviewed
Equity and liabilities			
Capital and reserves	1 263 844	–	1 263 844
Share capital	112 000	–	112 000
Share premium	442 435	–	442 435
Capital contribution	27 698	–	27 698
Retained earnings	681 711	–	681 711
Non-current liabilities	100 790	435 394	536 184
Lease liabilities[13]	–	487 047	487 047
Finance lease[13]	5 801	(5 801)	–
Government grant	2 922	–	2 922
Deferred tax liability	45 687	–	45 687
Trade and other payables[14]	46 380	(45 852)	528
Current liabilities	627 868	48 121	675 989
Trade and other payables	584 018	–	584 018
Lease liabilities[13]	–	48 121	48 121
Interest due to customers	31 577	–	31 577
Income tax payable	1 983	–	1 983
Government grant	2 379	–	2 379
Provisions	7 911	–	7 911
Total liabilities	728 658	483 515	1 212 173
Total equity and liabilities	1 992 502	483 515	2 476 017

13 Increase relates to the lease liability recognised on initial application of IFRS 16 and reclassification of finance lease amount previously recognised under IAS 17.
14 Reversal of accruals for operating leases previously recognised under IAS 17.

IFRIC Interpretation 23 "Uncertainty over Income Tax Treatment"

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Group applies significant judgement in identifying uncertainties over income tax treatments.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing and classification of telecommunication towers for the purpose of tax capital allowances. The Group determined, based on advice by its tax consultants and legal team, that it is probable that the tax treatment applied will be accepted by the tax authority. The interpretation did not have an impact on the financial statements of the Group and the Company.

5. Critical accounting judgements and estimates

The Group prepares its financial statements in accordance with IFRS as issued by the IASB, the application of which often requires management to make judgements when formulating the Group's and the Company's financial position and results. Judgements, including those involving estimations, made in the process of applying the Group's accounting policies are discussed below. Management considers these judgements to have a material effect on the consolidated and separate financial statements.

The determination of estimates requires the exercise of judgements based on various assumptions and other factors such as historical experience, current and expected economic conditions. Although estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from these estimates. Accounting estimates and the underlying assumptions are reviewed on an ongoing basis. The discussion below should also be read in conjunction with the Group's significant accounting policies in Note 3.

Management has discussed the critical accounting judgements and estimates, and associated disclosures with the Company's Audit, Risk and Compliance Committee.

a) Involvement in subsidiaries

Judgment is required in the assessment of whether the Company has control or significant influence in terms of the variability of returns from the Company's involvement in the investee or structured entity, the ability to use power to affect those returns and the significance of the Company's involvement in the investee or structured entity. The Company classified its investments and structured entities considering this assessment of control or significant influence. Refer to Note 3(b) for further disclosures on the consolidated entities.

b) Impairment of non-financial assets reviews

Management undertakes an annual impairment test for goodwill and intangible assets not yet available for use. For assets with finite useful lives, impairment testing is performed if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment testing is an area involving management judgments, requiring assessment as to whether the carrying amounts of assets can be supported by the higher of their fair value less cost of disposal and value in use. The Group uses parties with the relevant expertise to determine the assets' fair value and cost of disposal.

Value in use is calculated as the net present value of future cash flows derived from assets using cash flow projections which have been discounted at appropriate discount rates. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- Growth in EBITDA, calculated as earnings before interest, taxation, depreciation, amortisation, impairment losses, profit/loss on disposal of property and equipment, intangible assets and investments;
- Timing and quantum of future capital expenditure;
- Long-term growth rates; and
- The selection of appropriate discount rates to reflect the risks involved.

The Group prepares and annually approves formal five-year management plans, which are used in the value in use calculations.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and consequently its results.

The Group's review includes a sensitivity analysis of the key assumptions related to the cash flow projections.

Refer to Notes 16 and 17 for more information on the impairment assessment for goodwill and the investment in Shared Networks Tanzania Limited. Other non-financial assets are disclosed in Notes 18 and 19.

5. Critical accounting judgements and estimates *continued*

c) Revenue recognition and presentation

Revenue recognition under IFRS 15 is significantly more complex than under the previous reporting requirements and necessitates the collation and processing of very large amounts of data and the increased use of management judgements and estimates to produce financial information. The most significant critical accounting judgement and the key sources of estimation uncertainty are disclosed below.

Determination of standalone selling price

Where the Group doesn't sell equivalent goods or services in similar circumstances on a standalone basis, it is necessary to estimate the standalone price. When estimating the standalone price, the Group maximises the use of external inputs. Methods for estimating standalone prices include determining the standalone price of similar goods and services sold by the Group, observing the standalone prices for similar goods and services when sold by third parties or using a cost-plus reasonable margin approach (which is sometimes the case for handsets and other equipment). Where it is not possible to reliably estimate standalone prices due to lack of observable standalone sales or highly variable pricing, which is sometimes the case for services, the standalone price of an obligation may be determined as the transaction price less the standalone prices of other obligations in the contract. The standalone price determined for obligations materially impacts the allocation of revenue between obligations and impacts the timing of revenue when obligations are provided to customers at different times – for example, the allocation of revenue between handsets, which are usually delivered up-front, and services which are typically delivered over the contract period. However, it is considered that there is no significant risk of material adjustment to the carrying value of contract-related assets or liabilities in the 12 months after the reporting date if these estimates were revised.

Presentation: gross versus net

Determining whether the Group is acting as a principal or as an agent requires judgement and consideration of all relevant facts and circumstances. When deciding the most appropriate basis for presenting the revenue or related costs, both the legal form and substance of the agreement between the Group and its business partners are reviewed to determine each party's respective role in the transaction. Such judgements impact the amount of reported revenue and operating expenses but do not impact reported assets, liabilities or net cash flows from operating activities.

Refer to Note 6 for further disclosures on revenue.

d) Recognition of deferred tax assets

The recognition of deferred tax assets, particularly in respect of tax losses and tax credits, is based upon whether it is probable that there will be sufficient and suitable taxable profits in the relevant legal entity to utilise the assets in the future. Management therefore exercises judgement in assessing the future financial performance of the particular entity in which the deferred tax asset is to be recognised. Refer to Note 13 for further disclosures on deferred tax.

e) Leases – Group as a lessee (IAS 17)

The Group applies judgement when determining whether an arrangement contains a lease. Arrangements that are not dependent on the use of one or more specific assets and do not convey a right to use these assets do not contain a lease. The costs in terms of these arrangements are expensed as incurred. In determining lease classification as either an operating or finance lease during the prior year, the Group applied judgement, especially in determining whether the lease term was for the major part of the economic life of the asset and whether at inception of the lease, the present value of the minimum lease payments amounted to at least substantially all of the fair value of the asset.

f) Leases – IFRS 16

Lease identification

Whether the arrangement is considered a lease, or a service contract depends on the analysis by management of both the legal form and substance of the arrangement between the Group and the counter-party to determine if control of an identified asset has been passed between the parties; if not, the arrangement is a service arrangement. Control exists if the Group obtains substantially all of the economic benefit from the use of the asset, and has the ability to direct its use, for a period of time. An identified asset exists where an agreement explicitly or implicitly identifies an asset or a physically distinct portion of an asset which the lessor has no substantive right to substitute.

The scenarios requiring the greatest judgement include those where the arrangement is for the use of fiber or other fixed telecommunication lines. Generally, where the Group has exclusive use of a physical line it is determined that the Group can also direct the use of the line and therefore leases will be recognised. Where the Group provides access to fiber or other fixed telecommunication lines to another operator on a wholesale basis, the arrangement will generally be identified as a lease, whereas when the Group provides fixed line services to an end-user, generally control over such lines is not passed to the end-user and a lease is not identified.

5. Critical accounting judgements and estimates *continued*

f) Leases – IFRS 16 *continued*

Lease identification *continued*

The impact of determining whether an agreement is a lease, or a service contract depends on whether the Group is a potential lessee or lessor in the arrangement and, where the Group is a lessor, whether the arrangement is classified as an operating or finance lease. The impact for each scenario is described below where the Group is potentially:

A lessee: The judgment impacts the nature and timing of both costs and reported assets and liabilities. A lease results in depreciation and interest being recognised and an asset and a liability being reported; the interest charge will decrease over the life of the lease. A service contract results in operating expenses being recognised evenly over the life of the contract and no assets or liabilities being recorded, other than trade payables, prepayments and accruals.

An operating lessor: The judgment impacts the nature of income recognised. An operating lease results in lease income being recognised whilst a service contract results in service revenue. Both are recognised evenly over the life of the contract.

A finance lessor: The judgment impacts the nature and timing of both income and reported assets. A finance lease results in the lease income being recognised at commencement of the lease and an asset (the net investment in the lease) being recorded.

Lease term

Where leases include additional optional periods after an initial lease term, significant judgement is required in determining whether these optional periods should be included when determining the lease term. The impact of this judgment is significantly greater where the Group is a lessee. As a lessee, optional periods are included in the lease term if the Group is reasonably certain it will exercise an extension option or will not exercise a termination option. This depends on an analysis by management of all relevant facts and circumstances including the leased asset's nature and purpose, the economic and practical potential for replacing the asset and any plans that the Group has in place for the future use of the asset. Where a leased asset is highly customised, either when initially provided or as a result of leasehold improvements, or it is impractical or uneconomic to replace, then the Group is more likely to judge that lease extension options are reasonably certain to be exercised.

Where extension options are included, a higher value of the right-of-use asset and lease liability will be recognised. The normal approach adopted for determining the lease term by asset class is described below.

- Between 5 and 10 years for land and buildings (excluding retail), with terms at the top end of this range if the lease relates to assets that are considered to be difficult to exit sooner for economic, practical or reputational reasons;
- Where leases are used to provide internal connectivity, the lease term for the connectivity is aligned to the lease term or useful economic life of the assets connected; and
- The customer service agreement length for leases of local loop connections or other assets required to provide fixed line services to individual customers.

In most instances, the Group has options to renew or extend leases for additional periods after the end of the lease term which are assessed using the criteria above.

After initial recognition of a lease, the Group only reassesses the lease term when there is a significant event or a significant change in circumstances, which was not anticipated at the time of the previous assessment. Significant events or significant changes in circumstances could include merger and acquisition or similar activity, significant expenditure on the leased asset not anticipated in the previous assessment, or detailed management plans indicating a different conclusion on optional periods to the previous assessment. Where a significant event or significant change in circumstances does not occur, the lease term, and therefore lease liability and right of use asset value, will decline over time.

Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

5. Critical accounting judgements and estimates *continued*

f) Leases – IFRS 16 *continued*

Determining the lease term of contracts with renewal and termination options *continued*

The Group included the renewal period as part of the lease term for the leases recognised. The Group typically exercises its option to renew for leases because there will be a significant negative effect on operations if a replacement asset is not readily available. The renewal periods for leases are not included as part of the lease term if they are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available, such as when the Group does not enter into similar financing transactions, or when they need to be adjusted to reflect the terms and conditions of the lease, for example, when leases are not in the Group's functional currency.

The Group estimates the IBR using observable inputs, such as market interest rates, when available, and is required to make certain entity-specific estimates, such as the Group's credit rating.

Refer to Note 29 for further disclosures on leases.

g) Direct and indirect tax liabilities

The calculation of the Group's direct and indirect tax liabilities necessarily involves judgments, including those involving estimations, in respect of certain matters where the tax impact is uncertain until a conclusion has been reached with the tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material gains, losses and/or cash flows. The Group uses inhouse tax experts when assessing uncertain tax positions and seeks the advice of external professional advisers where appropriate. Provisions are recognised for uncertain tax positions when the Group has a present obligation as a result of a past event and it is probable that there will be a future outflow of economic benefits from the Group. Provisions are measured using the most likely outcome.

The resolution of issues is not always within the Group's control and it is often dependent on the efficiency of the legal processes in the relevant tax jurisdictions in which the Group operates. Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result, there can be substantial differences between the taxation charge to profit or loss and tax payments.

Refer to Note 36 for further disclosures on tax matters.

h) Non-current assets held for sale

The Group exercises judgement in estimating the amount of time that a sale transaction of a non-current asset or disposal group (the 'asset') will take to be completed, when determining whether the asset qualifies to be classified as held for sale under IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations". Refer to Note 23 for further details on the non-current assets held for sale.

i) Provisions and contingent liabilities

The Group exercises judgments in measuring the exposure to contingent liabilities relating to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgments, including those involving estimations, are necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement.

Refer to Notes 33 and 36 for further disclosures on provisions and contingent liabilities.

5. Critical accounting judgements and estimates *continued*

j) Business combinations

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the consideration transferred to the fair value of the identifiable assets acquired and the liabilities assumed. The Group uses external parties with the requisite expertise to determine the acquisition-date fair values of certain identifiable assets acquired. The fair value of assets is determined by discounting estimated future net cash flows generated by the assets, where no active market for the assets exists. The use of different discount rates as well as assumptions for the expectation of future cash flows would change the valuation of the asset.

Allocation of the consideration transferred affects the Group's results as property and equipment as well as intangible assets with finite useful lives are respectively depreciated and amortised, whereas goodwill are not. This could result in differing depreciation and amortisation charges based on the allocation.

Refer to Note 16 for further disclosures on goodwill.

k) Intangible assets with a finite useful life

Intangible assets with finite useful lives comprise licenses and computer software. These assets arise from purchases and from acquisitions as part of business combinations. The relative size of the Group's intangible assets with finite useful lives makes the judgments surrounding the estimated useful lives critical to the consolidated and separate financial positions and performance. The useful lives used to amortise intangible assets relate to the future performance of the assets acquired and management's judgment of the period over which economic benefits will be derived from the assets. The residual values of intangible assets are estimated to be zero. At 31 March 2020, the Group's intangible assets with finite useful lives amounted to TZS78 510 million (2019: TZS74 740 million) and represented 3.28% (2019: 3.75%) of the Group's total assets.

Estimation of useful lives

The basis for determining the useful lives for the various categories of intangible assets is as follows:

Licenses

The estimated useful life is, generally, the term of the license, unless there is a presumption of renewal at a negligible cost. The license term reflects the period over which the Group will receive economic benefits. For technology-specific licenses with a presumption of renewal at a negligible cost, the estimated useful life reflects the Group's expectation of the period over which the Group will continue to receive economic benefits from the license.

Computer software

For computer software licenses, the useful life represents management's view of the expected period over which the Group will receive benefits from the software, but not exceeding the license term. For unique software products controlled by the Group, the life is based on historical experience with similar products as well as anticipation of future events, which may impact the life, such as changes in technology.

The estimated useful lives of intangible assets with finite useful lives are as follows:

Years	2020	2019
Licences	**3 – 25**	3 – 25
Computer software	**3 – 6**	3 – 6

Refer to Note 19 for further disclosures on intangible assets.

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5. Critical accounting judgements and estimates *continued*

l) Property and equipment

Property and equipment represent a significant proportion of the Group's and Company's total asset base. Therefore, the estimates and assumptions made to determine their carrying amounts and related depreciation are critical to the Group's and the Company's financial position and performance.

Estimation of useful life and residual value

The charge in respect of periodic depreciation is derived after estimating an asset's expected useful life and the expected residual value. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge to profit or loss.

The Group assesses the residual value of every item of property and equipment annually. In determining residual values, the Group uses management's best estimate for residual values and third-party confirmation. Management has determined that there is no active market for the following assets within the network infrastructure and equipment category: radio, transmission, switching, SIM centers and community services, and therefore these assets have no residual value. At the end of the useful life, the value of these assets is expected to be nil or insignificant.

The estimation of useful lives is based on certain indicators such as historical experience with similar assets as well as anticipation of future events, which may impact the lives, such as changes in technology. The useful lives will also depend on the future performance of the assets as well as management's judgment of the period over which economic benefits will be derived from the assets.

Network infrastructure is only depreciated over a period that extends beyond the expiry of the associated license under which the operator provides telecommunications services if there is a reasonable expectation of renewal or an alternative future use for the asset.

The estimated useful lives of depreciable property and equipment are as follows:

Years	2020	2019
Buildings included in land and buildings	**25 – 50**	25 – 50
Leasehold improvements	**1 – 5**	1 – 5
Network infrastructure and equipment	**3 – 20**	3 – 20
Other assets	**2 – 5**	2 – 5

Refer to Note 18 for further disclosures on property and equipment.

m) Provision for expected credit losses for trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns, that is, by product type, customer type and rating, and coverage by deposits and other forms of credit insurance.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 22.

6. Revenue

	GROUP		COMPANY	
TZS m	2020	2019	2020	2019
Major products/service lines				
Customer service revenue[1]	**951 314**	920 723	**951 314**	920 723
Mobile interconnect	**53 204**	65 709	**53 204**	65 709
Fixed service revenue	**13 202**	11 707	**13 528**	12 530
Other service revenue	**7 196**	18 098	**7 232**	18 290
Service revenue	**1 024 916**	1 016 237	**1 025 278**	1 017 252
Equipment revenue	**6 412**	6 918	**6 412**	6 918
Other non-service revenue	**816**	935	**816**	935
Revenue from contracts with customers	**1 032 144**	1 024 090	**1 032 506**	1 025 105
Interest income recognised as revenue	**523**	497	**523**	497
	1 032 667	1 024 587	**1 033 029**	1 025 602

1 Comprises of mobile contract revenue and mobile prepaid revenue.

Total future revenue from contracts with customers with performance obligations not satisfied at 31 March 2020 is TZS50 055 million (2019: TZS62 556 million) of which TZS36 621 million (2019: TZS50 767 million) is expected to be recognised within the next year, with the remaining TZS13 434 million (2019: TZS11 789 million) in the following 12 months.

Revenue is further disaggregated per revenue stream as follows:

	GROUP		COMPANY	
TZS m	2020	2019	2020	2019
Mobile voice revenue	**373 005**	385 498	**373 041**	385 689
M-Pesa revenue	**358 243**	333 519	**358 243**	333 519
Mobile data revenue	**180 840**	164 658	**180 840**	164 658
Mobile incoming revenue	**53 204**	65 019	**53 204**	65 709
Messaging revenue	**42 413**	42 130	**42 413**	41 441
Other service revenue	**17 211**	25 413	**17 537**	26 236
Service revenue	**1 024 916**	1 016 237	**1 025 278**	1 017 252
Non-service revenue	**7 751**	8 350	**7 751**	8 350
	1 032 667	1 024 587	**1 033 029**	1 025 602

Equipment revenue is recognised at a point in time while the other revenue is recognised over time.

7. Direct expenses

	GROUP		COMPANY	
TZS m	2020	2019	2020	2019
Interconnect costs	**(32 190)**	(44 897)	**(32 190)**	(44 897)
Business managed services costs	**(274)**	(26)	**(2 319)**	(3 439)
Decrease in expected credit losses (Note 22)	**–**	942	**–**	942
Mobile prepaid airtime commission costs	**(204 029)**	(183 203)	**(204 029)**	(183 203)
Regulatory fees	**(45 910)**	(46 287)	**(45 627)**	(45 039)
Mobile other costs	**(5 121)**	(7 398)	**(5 049)**	(7 368)
Acquisition costs	**(28 742)**	(20 976)	**(28 742)**	(20 976)
Retention costs	**(3 964)**	(2 742)	**(3 964)**	(2 742)
Stock obsolescence (charge)/reversal (Note 24)	**(1 463)**	1 281	**(1 463)**	1 281
	(321 693)	(303 306)	**(323 383)**	(305 441)

8. Staff expenses

	GROUP		COMPANY	
TZS m	**2020**	2019	**2020**	2019
Wages and salaries, including other termination benefits	**(49 377)**	(49 097)	**(49 354)**	(49 028)
Share based compensation (Note 8.1)	**(702)**	(156)	**(702)**	(156)
Pension costs – defined contribution plans	**(3 845)**	(3 432)	**(3 828)**	(3 388)
Skills and Development Levy	**(1 757)**	(1 549)	**(1 757)**	(1 549)
Bonus expense	**(1 990)**	(5 134)	**(1 990)**	(5 134)
	(57 671)	(59 368)	**(57 631)**	(59 255)

8.1 Share based compensation

Vodacom Group Limited Forfeitable Share Plan (FSP)

This share-based payment arrangement is accounted for as an equity-settled share-based payment transaction by Vodacom International Limited (VIL), an employer company for the Vodacom Tanzania Public Limited Company staff who are part of the scheme, since the Group has no obligation to settle the share-based payment transaction.

Under the FSP, awards of Vodacom Group Limited shares are granted to executive directors and selected employees of the Vodacom Group Limited. The vesting of these shares is subject to continued employment, and is conditional upon achievement of performance targets, measured over a three-year period, for directors, senior management and other selected employees. The fair value of the share awards on grant date were measured using the quoted market price of a Vodacom Group Limited share without adjusting for expected dividends and non-market performance conditions.

The Company reimburses the cost incurred by Vodacom Investment Limited through monthly invoices in form of cost recovery with no future obligation.

9. Other expenses

		GROUP		COMPANY	
	TZS m	**2020**	2019	**2020**	2019
(a)	Other operating expenses				
	Network operating expenses	**(158 458)**	(243 044)	**(158 458)**	(241 145)
	Amortisation of Government grants (Note 30)	**2 229**	1 773	**2 229**	1 773
	Office administration expenses	**(53 006)**	(53 921)	**(52 949)**	(53 743)
	Other recoveries and expenses	**(11 257)**	(11 109)	**(11 257)**	(11 109)
	Amortisation of capacity prepayments (Note 20)	**(13 447)**	(13 144)	**(13 447)**	(13 144)
	Auditors' remuneration	**(877)**	(510)	**(831)**	(464)
	Audit fees	**(605)**	(455)	**(559)**	(409)
	Other charges	**(272)**	(55)	**(272)**	(55)
	(Loss)/gain on disposal of property and equipment and intangible assets	**(202)**	(115)	**88**	(115)
	Capacity leases and right of way expenses	**(12 053)**	(15 072)	**(12 053)**	(15 072)
	Foreign exchange losses	**(474)**	(1 320)	**(474)**	(1 319)
	Tax penalty – Late payment of SNT WHT on shareholder's loan interest	**(25)**	–	**–**	–
	Amortisation of deferred loss (Note 21)	**–**	(7 024)	**–**	(7 024)
	Donation to Vodacom Tanzania Foundation	**(315)**	(600)	**(315)**	(600)
		(247 885)	(344 086)	**(247 467)**	(341 962)

9. Other expenses *continued*

TZS m	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
(b) Depreciation and amortisation				
Depreciation (Note 18)	**(253 715)**	(154 456)	**(250 163)**	(153 435)
Amortisation (Note 19)	**(15 047)**	(11 378)	**(13 642)**	(9 974)
	(268 762)	(165 834)	**(263 805)**	(163 409)
(c) Impairment charges				
Expected credit losses (Note 22)	**(10 086)**	–	**(10 086)**	–
Impairment of goodwill (Note 16)	–	(349)	–	–
Impairment of investment in SNT (Note 17)	–	–	–	(24 246)
Expected credit losses on loan due from SNT (Note 17)	–	–	**(24 067)**	(1 556)
	(10 086)	(349)	**(34 153)**	(25 802)

10. Finance income

TZS m	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Interest income from cash, investments in government treasury bills and amounts due from related parties	**31 118**	18 634	**32 907**	20 062
	31 118	18 634	**32 907**	20 062
Interest income from M-Pesa cash balances	**19 347**	19 841	–	–
	50 465	38 475	**32 907**	20 062

11. Finance costs

Finance costs include interest on the lease liabilities recognised following the adoption of IFRS 16. The recognised finance costs, which are all recognised using the effective interest method, are detailed below:

TZS m	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Interest on long term loans (Note 38)	–	(9)	–	(9)
Finance charge on lease liabilities (Note 29)	**(67 041)**	(149)	**(66 708)**	(149)
Interest on bank overdrafts	**(1)**	(1)	**(1)**	(1)
	(67 042)	(159)	**(66 709)**	(159)
Interest payable: M-Pesa customers	**(19 428)**	(19 732)	–	–
	(86 470)	(19 891)	**(66 709)**	(159)

12. Net gain on foreign currency translation

TZS m	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Mirambo Limited loan	–	(20)	–	(20)
SNT loan receivable	–	–	**6**	109
Lease liabilities (Note 29)	**320**	–	**320**	–
Cash and cash equivalents	**36**	990	**36**	990
	356	970	**362**	1 079

13. Income tax

a) Income tax expense

	GROUP		COMPANY	
TZS m	**2020**	2019	**2020**	2019
Current income tax expense:	**46 475**	48 709	**46 451**	48 694
– In respect of the current year	**45 777**	44 915	**45 753**	44 898
– In respect of prior years	**698**	3 794	**698**	3 796
Deferred tax credit on origination and reversal of temporary differences	**(31 887)**	(4 583)	**(31 466)**	(4 162)
– In respect of the current year	**(31 740)**	(1 580)	**(31 319)**	(1 157)
– In respect of the prior year	**(147)**	(3 003)	**(147)**	(3 005)
Total income tax expense	**14 588**	44 126	**14 985**	44 532
b) Components of deferred tax credited to profit or loss				
Property and equipment capital allowances	**(24 509)**	(8 826)	(24 088)	(8 405)
Unrealised foreign exchange losses	**(67)**	(367)	(67)	(367)
Provisions and deferred income	**(7 311)**	4 610	(7 311)	4 610
	(31 887)	(4 583)	(31 466)	(4 162)
c) Factors affecting the tax expense for the year				
Expected income tax expense on profit before tax at the Tanzania statutory tax rate	**18 105**	40 466	**12 774**	34 321
Adjusted for:				
– Non-deductible expenditure	**4 186**	2 290	**4 186**	9 901
– Non-taxable gaming income	**(2 526)**	(499)	**(2 526)**	(480)
– Deferred tax credit on items not included in consolidated profit	**(7 220)**	–	**–**	–
– Deferred tax credit not recognised – subsidiary	**1 468**	1 079	**–**	–
– Other adjustments[15]	**575**	790	**551**	790
	14 588	44 126	**14 985**	44 532

The Tanzania statutory tax rate is 30% (2019: 30%). The Group's effective tax rate is 24.2% (2019: 32.7%). The Company's effective tax rate is 35.2% (2019: 38.9%).

The effective tax rate of 24.2% in the current year is lower than the statutory rate of 30.0% partly due to the unrecognised deferred tax credit from a subsidiary.

15 Includes prior year tax adjustments and alternative minimum tax charged in a subsidiary.

13. Income tax *continued*

d) Income tax receivable

	GROUP		COMPANY	
TZS m	**2020**	2019	**2020**	2019
Opening balance	**17 741**	21 822	**14 213**	18 293
Current income tax expense	**(46 475)**	(48 709)	**(46 451)**	(48 694)
Reclassification of tax deposits in relations to indirect taxes	**–**	(5 283)	**–**	(5 281)
Additional tax deposits	**4 030**	4 713	**4 030**	4 713
Current income tax paid	**53 182**	45 198	**53 157**	45 182
Withholding tax deducted at source	**4 518**	1 871	**4 518**	1 871
Tax paid	**48 664**	43 327	**48 639**	43 311
Closing balance	**28 478**	17 741	**24 949**	14 213
Maturity analysis				
Non-current:	**23 755**	19 724	**23 755**	19 724
Pending tax matters	**23 755**	19 724	**23 755**	19 724
Current:	**4 723**	(1 983)	**1 194**	(5 511)
Current tax receivable/(payable)	**4 723**	(1 983)	**1 194**	(5 511)
	28 478	17 741	**24 949**	14 213

e) Components of deferred tax liabilities

	GROUP		COMPANY	
TZS m	**2020**	2019	**2020**	2019
Analysed after offset as follows:				
Deferred tax liabilities	**22 202**	46 910	**16 622**	40 909
Property and equipment capital allowances	**21 629**	46 138	**16 049**	40 137
Deferred income	**573**	772	**573**	772
Deferred tax assets	**8 402**	1 223	**8 402**	1 223
Unrealised foreign exchange losses	**1 290**	1 223	**1 290**	1 223
General provisions	**7 112**	–	**7 112**	–
Net deferred tax liabilities	**13 800**	45 687	**8 220**	39 686

f) Reconciliation of net deferred tax balance

	GROUP		COMPANY	
TZS m	**2020**	2019	**2020**	2019
At the beginning of the year	**45 687**	49 649	**39 686**	43 227
IFRS 9 and IFRS 15 impact on retained earnings	**–**	621	**–**	621
Credit to profit or loss	**(31 887)**	(4 583)	**(31 466)**	(4 162)
At the end of the year	**13 800**	45 687	**8 220**	39 686

14. Earnings per share

Earnings per share calculations are based on earnings and the weighted average number of ordinary shares outstanding as set out below:

	GROUP		COMPANY	
	2020	2019	**2020**	2019
Basic and diluted earnings per share (TZS)	**20.43**	40.52	**12.32**	31.19
Earnings attributable to equity shareholders (TZS m)	**45 762**	90 761	**27 595**	69 872
Weighted average number of ordinary shares outstanding (million)[16]	**2 240**	2 240	**2 240**	2 240

No dilutive instruments existed at year-end (2019: None).

15. Dividend per share

	GROUP		COMPANY	
	2020	2019	**2020**	2019
Dividend per share (TZS)	**24.31**	17.33	**24.31**	17.33
Dividend declared (TZS m)	**54 454**	38 819	**54 454**	38 819
Weighted average number of ordinary shares outstanding (million)	**2 240**	2 240	**2 240**	2 240

16. Goodwill

On 19 July 2016, the Company acquired 100% of SNT. SNT held a license to use spectrum in the 900 MHz band in rural Tanzania. A cash payment of TZS20 609 million (85%) was made in August 2016. The remaining balance of TZS3 637 million equivalent to 15% of the total consideration was paid in March 2018. The goodwill was generated on acquisition date as show below:

	GROUP
TZS m	2018
Consideration transferred	
Cash consideration	24 246
Net consideration	24 246
Assets acquired, and liabilities assumed at the date of acquisition	
Fair value of net assets acquired	22 258
Property and equipment	17 238
Intangible assets	24 101
Trade and other receivables	1 725
Cash and cash equivalents	35
Trade and other payables	(13 716)
Deferred tax liability	(7 125)
Goodwill arising on acquisition	
Cash consideration	24 246
Less: Fair value of identifiable assets acquired	(22 258)
Goodwill arising on acquisition	1 988

16 No shares were bought back during the year ended 31 March 2019 and the year ended 31 March 2020.

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16. Goodwill *continued*

TZS m	GROUP 2020	GROUP 2019
At 1 April	**1 639**	1 988
Impairment charge for the year	**–**	(349)
At 31 March	**1 639**	1 639

The movement in the impairment of goodwill was as follows:

TZS m	GROUP 2020	GROUP 2019
At 1 April	**349**	1
Impairment charge for the year	**–**	349
At 31 March	**349**	349

The goodwill impairment testing done as at year-end indicated no impairment charge (2019: TZS349 million). In conducting the impairment assessment of the goodwill, an election was made to compare the carrying amount of the Cash Generating Unit to which the goodwill is allocated and fair value less costs of disposal as the recoverable amount. The goodwill was considered not impaired since the recoverable amount was higher than the carrying amount.

Refer to Note 17 for further disclosures.

17. Investment in and loan due from subsidiary

The carrying amount of the investment in SNT and loan due from SNT were as follows:

TZS m	COMPANY Investment in SNT	COMPANY Loan receivable
At 1 April 2018	24 246	21 968
Additions	–	4 272
Interest accrued	–	1 427
Impairment charge/expected credit losses for the year	(24 246)	(1 556)
At 31 March 2019	–	26 111
Additions	–	2 551
Interest accrued	–	1 337
Expected credit loss for the year	–	(24 067)
At 31 March 2020	–	5 932

During the year, the Group obtained approval from TCRA to reassign the spectrum that was held by SNT to the Company. The directors intend to wind up SNT after transferring its assets and liabilities to the Company. The loan receivable by the Company from SNT was impaired to the extent of the net carrying amount of the SNT assets transferrable to the Company.

18. Property and equipment

GROUP

TZS m	Land occupancy rights & buildings	Network infra-structure & equipment	Other assets	Total
Net book value as at 1 April 2018	15 961	623 182	5 629	644 772
Cost	22 623	1 323 625	9 242	1 355 490
Accumulated depreciation	(6 662)	(700 443)	(3 613)	(710 718)
Additions	179	155 001	200	155 380
Disposals – cost	–	(672)	(41)	(713)
Accumulated depreciation on disposed assets	–	536	41	577
Depreciation charge for the year	(291)	(153 078)	(1 087)	(154 456)
Reclassification between asset categories	(2 567)	3 898	(1 331)	–
Depreciation reallocation	426	(426)	–	–
Cost reclassified from non-current assets held for sale (Note 23)	–	950	–	950
Cost reclassified to intangible assets (Note 19)	–	(222)	–	(222)
Transfer from work in progress to completed assets	234	(496)	262	–
Net book value as at 31 March 2019	13 942	628 673	3 673	646 288
Cost	20 469	1 482 084	8 332	1 510 885
Accumulated depreciation	(6 527)	(853 411)	(4 659)	(864 597)
Initial impact of IFRS 16	16 865	514 098	2 157	533 120
Net carrying value as at 1 April – Restated	30 807	1 142 771	5 830	1 179 408
Additions	540	192 720	226	193 486
Disposals – cost	–	(142 463)	(49)	(142 512)
Accumulated depreciation on disposed assets	–	142 456	49	142 505
Depreciation charge for the year	(3 476)	(250 012)	(227)	(253 715)
Cost reclassified from non-current assets held for sale (Note 23)	–	1 307	–	1 307
Increase in provision for site restoration obligation (Note 33)	–	3 619	–	3 619
Write off	–	(153)	–	(153)
Transfer from work in progress to completed assets	–	(31)	31	–
Net book value as at 31 March 2020	**27 871**	**1 090 214**	**5 860**	**1 123 945**
Cost	**37 874**	**2 051 181**	**10 697**	**2 099 752**
Accumulated depreciation	**(10 003)**	**(960 967)**	**(4 837)**	**(975 807)**

Included in the net book value balance of network infrastructure and equipment is the cost of assets under construction (work in progress or WIP) of TZS21 489 million (2019: TZS15 642 million). The cost of these assets was not depreciated during the year (2019: Nil).

18. Property and equipment *continued*

COMPANY

TZS m	Land occupancy rights & buildings	Network infra-structure & equipment	Other assets	Total
Net book value as at 1 April 2018	15 961	615 212	5 629	636 802
Cost	22 623	1 309 290	9 242	1 341 155
Accumulated depreciation	(6 662)	(694 078)	(3 613)	(704 353)
Additions	179	155 001	200	155 380
Disposals – cost	–	(672)	(41)	(713)
Accumulated depreciation on disposed assets	–	537	41	578
Depreciation charge for the year	(291)	(152 058)	(1 086)	(153 435)
Depreciation reallocation	426	(426)	–	–
Reclassification between asset categories	(2 567)	3 898	(1 331)	–
Cost reclassified from non-current assets held for sale (Note 23)	–	950	–	950
Cost reclassified to intangible assets (Note 19)	–	(222)	–	(222)
Transfer from WIP to completed assets	234	(496)	262	–
Net book value as at 31 March 2019	13 942	621 724	3 674	639 340
Cost	20 469	1 467 749	8 332	1 496 550
Accumulated depreciation	(6 527)	(846 025)	(4 658)	(857 210)
Initial impact of IFRS 16	16 865	510 501	2 157	529 523
Net carrying value as at 1 April – Restated	30 807	1 132 225	5 831	1 168 863
Additions	540	192 720	226	193 486
Disposals – cost	–	(142 462)	(49)	(142 511)
Accumulated depreciation on disposed assets	–	142 456	49	142 505
Depreciation charge for the year	(3 476)	(246 460)	(227)	(250 163)
Write off	–	(153)	–	(153)
Cost reclassified from non-current assets held for sale (Note 23)	–	1 307	–	1 307
Increase in provision for site restoration obligation (Note 33)	–	3 619	–	3 619
Transfer from work in progress to completed assets	–	(31)	31	–
Net book value as at 31 March 2020	**27 871**	**1 083 221**	**5 861**	**1 116 953**
Cost	**37 874**	**2 033 679**	**10 697**	**2 082 250**
Accumulated depreciation	**(10 003)**	**(950 458)**	**(4 836)**	**(965 297)**

Included in the net book value balance of network infrastructure and equipment is the cost of asset under construction of TZS21 489 million (2019: TZS15 642 million). The cost of these assets was not depreciated during the year (2019: Nil).

No property and equipment were pledged as collateral against borrowings at year-end (2019: None).

18. Property and equipment *continued*

Land occupancy rights and buildings

	GROUP		COMPANY	
TZS m	2020	2019	2020	2019
Plot No. 49-53, Block M, Mbezi Juu, Dar es Salaam, Tanzania, Certificate of Title No. 49468 (acquired in May 2007)	**7 983**	11 441	**7 983**	11 441
Plot No. 43, Kwale Road, Dar es Salaam, Tanzania, Certificate of Title No. 186031/10 (acquired in May 2001)	**2 235**	3 028	**2 235**	3 028
Plots No. 1 & 2, Block B, NCC Link Area, Dodoma Municipality (acquired in July 2005)	**1 133**	2 712	**1 133**	2 712
Plot No. 1999, Block M, Forest Area, Mbeya Municipality (acquired in April 2000)	**691**	1 090	**691**	1 090
Nyegezi Hill, Mwanza (acquired in October 2009)	**737**	1 182	**737**	1 182
Moshono Hill, Arusha (acquired in July 2009)	**712**	1 016	**712**	1 016
	13 491	20 469	**13 491**	20 469

The register with details of the cost price, cost of improvements and date of acquisition of the land occupancy rights and buildings is available for inspection at the Company's registered office. The remaining terms for the leasehold improvements vary between 14 and 71 years.

Right-of-use assets

The Group's and Company's property and equipment includes the following right of use (ROU) assets recognised following the application of IFRS 16.

GROUP

TZS m	Note	Network infra-structure & equipment	Land occupancy rights & buildings	Other assets	Total
At 1 April 2019		–	–	–	–
Transfer from trade and other payables: non-current	4	(45 852)	–	–	(45 852)
Transfer from prepayments	4	1 012	–	–	1 012
Transfer from deferred loss	21	48 593	–	–	48 593
Recognised on initial application of IFRS 16	29	510 345	16 865	2 157	529 367
Initial impact of IFRS 16		514 098	16 865	2 157	533 120
Transfer of furniture finance lease assets to right of use assets		–	–	3 594	3 594
At 1 April 2019 – Restated		514 098	16 865	5 751	536 714
Additions	29	53 283	540	–	53 823
Depreciation		(81 894)	(3 027)	–	(84 921)
At 31 March 2020		**485 487**	**14 378**	**5 751**	**505 616**

18. Property and equipment *continued*

Right-of-use assets *continued*

COMPANY

TZS m	Note	Network infra-structure & equipment	Land occupancy rights & buildings	Other assets	Total
At 1 April 2019		–	–	–	–
Transfer from trade and other payables: non-current	4	(45 852)	–	–	(45 852)
Transfer from prepayments	4	1 012	–	–	1 012
Transfer from deferred loss	21	48 593	–	–	48 593
Recognised on initial application of IFRS 16	29	506 748	16 865	2 157	525 770
Initial impact of IFRS 16		510 501	16 865	2 157	529 523
Transfer of furniture finance lease assets to right of use assets		–	–	3 594	3 594
At 1 April 2019 – Restated		510 501	16 865	5 751	533 117
Additions	29	53 283	540	–	53 823
Depreciation		(79 355)	(3 027)	–	(82 382)
At 31 March 2020		**484 429**	**14 378**	**5 751**	**504 558**

19. Intangible assets

GROUP

TZS m	Licences	Computer software	Total
Net book value as at 1 April 2018	22 687	24 488	47 175
Cost	26 013	44 454	70 467
Accumulated amortisation	(3 326)	(19 966)	(23 292)
Additions	22 669	16 052	38 721
Amortisation	(2 644)	(8 734)	(11 378)
Cost reclassified from property and equipment (Note 18)	–	222	222
Net book value as at 31 March 2019	42 712	32 028	74 740
Cost	48 682	60 728	109 410
Accumulated amortisation	(5 970)	(28 700)	(34 670)
Additions	4 807	14 923	19 730
Amortisation	(3 426)	(11 621)	(15 047)
Disposals – cost	(351)	(690)	(1 041)
Disposals – accumulated amortisation	55	73	128
Net book value as at 31 March 2020	**43 797**	**34 713**	**78 510**
Cost	**53 138**	**74 961**	**128 099**
Accumulated amortisation	**(9 341)**	**(40 248)**	**(49 589)**

19. Intangible assets *continued*

COMPANY

TZS m	Licences	Computer softwar	Total
Net book value as at 1 April 2018	926	24 488	25 414
Cost	1 912	44 454	46 366
Accumulated amortisation	(986)	(19 966)	(20 952)
Additions	22 669	16 052	38 721
Amortisation charge	(1 240)	(8 734)	(9 974)
Reclassification costs from property and equipment (Note 18)	–	222	222
Net book value as at 31 March 2019	22 355	32 028	54 383
Cost	24 581	60 728	85 309
Accumulated amortisation	(2 226)	(28 700)	(30 926)
Additions	4 807	14 923	19 730
Amortisation charge	(2 022)	(11 620)	(13 642)
Disposals – cost	–	(690)	(690)
Disposals – accumulated amortisation	–	73	73
Net book value as at 31 March 2020	**25 140**	**34 714**	**59 854**
Cost	**29 388**	**74 961**	**104 349**
Accumulated amortisation	**(4 248)**	**(40 247)**	**(44 495)**

20. Capacity prepayments

The Company entered into long term (10 year) agreement with the Tanzania Telecommunication Company Limited ('TTCL') in the financial year ended 31 March 2014 for the provision of 1 Synchronous Transport Module ('STM') level-16 fibre optic capacity between various points of presence on the National Information and Communication Technology Backbone ('NICTBB'). The capacity increased to 2xSTM level-16 and 3xSTM level-4 in 2015.

The Company also made prepayments under NICTBB, Seacom, Zantel and Vodacom group fibre company (PanSA) leased line contracts for the provision of undersea fibre capacity. These were converted from short-term to long-term whereby the Company made an upfront payment for services over a 10-year period.

The movement in capacity prepayments are shown below:

	GROUP		COMPANY	
TZS m	2020	2019	2020	2019
At 1 April	**69 912**	56 546	**69 912**	56 546
Additions	**12 080**	26 510	**12 080**	26 510
Amortisation for the year (Note 9)	**(13 447)**	(13 144)	**(13 447)**	(13 144)
At 31 March	**68 545**	69 912	**68 545**	69 912
Non-current	**54 888**	58 385	**54 888**	58 385
Current	**13 657**	11 527	**13 657**	11 527
	68 545	69 912	**68 545**	69 912

21. Deferred loss

The Company maintained the sell and leaseback agreements of the passive equipment to Helios Towers Tanzania Limited ('HTT') during the year. These agreements resulted into recognition of a deferred loss due to the fact that the proceeds from the sales were significantly lower than the estimated fair value of the disposed of assets. Therefore, management concluded that the losses from the disposal of these assets are compensated for under the terms of the leaseback agreements, whereby lease payments which are below market-value were agreed.

In the prior years, these losses were deferred and amortised over the minimum 12-year term of the leaseback agreement. Following the adoption of IFRS 16, management assessed that the remaining deferred loss represented lease prepayments under IFRS 16. Consequently, the remaining carrying amount of the deferred losses was transferred to the right of use asset.

	GROUP		COMPANY	
TZS m	**2020**	2019	**2020**	2019
At 1 April	**48 593**	55 617	**48 593**	55 617
Reclassification to right of use asset (Note 18)	**(48 593)**	–	**(48 593)**	–
Amortisation charge for the year (Note 9)	**–**	(7 024)	**–**	(7 024)
At 31 March	**–**	48 593	**–**	48 593

22. Trade and other receivables

		GROUP		COMPANY	
	TZS m	**2020**	2019	**2020**	2019
a)	Non-current				
	Contract assets	**941**	895	**941**	895
	Deposits in relation to indirect taxes	**14 985**	6 810	**14 985**	6 810
		15 926	7 705	**15 926**	7 705
b)	Current				
	Trade receivables	**62 469**	74 023	**64 338**	79 240
	Prepayments	**24 034**	36 741	**25 059**	36 839
	Intergroup receivables (Note 38)	**3 551**	8 659	**9 483**	34 768
	Contract assets	**1 829**	1 754	**1 829**	1 754
	Other receivables	**8 932**	5 055	**6 535**	2 991
		100 815	126 232	**107 244**	155 592

Further details on the matters to which the "deposits in relation to indirect taxes" relate to are in Note 36.

The trade receivables as at 1 April 2018 were TZS67 374 million and TZS67 041 for the Group and Company, respectively.

None of the above assets are either past due or impaired except for the following amounts that are included in the provision for expected credit losses.

The trade receivables are stated net of expected credit losses based on the management's assessment of the counterparty's creditworthiness. All receivables are individually tested for impairment.

22. Trade and other receivables *continued*

	GROUP		COMPANY	
TZS m	**2020**	2019	**2020**	2019
At 1 April	**(44 643)**	(48 857)	**(44 643)**	(48 857)
Bad debts written off	**9 526**	3 272	**9 526**	3 272
(Charge)/credit to profit or loss (Notes 9(c) & 7)	**(10 086)**	942	**(10 086)**	942
At 31 March	**(45 203)**	(44 643)	**(45 203)**	(44 643)

Trade receivables are stated at cost which normally approximates fair value due to short term maturity. Generally, no interest is charged on trade receivables.

23. Non-current assets held for sale

In September 2013, the Company sold and leased back passive equipment to HTT. The sale was done in phases (closings) with the first to twelfth closings happening before March 2018. The remaining 5 towers and related equipment were reclassified back to property and equipment because it was no longer expected that the assets will be sold within the next twelve months.

The movement in the non-current assets held for sale is shown below:

	GROUP		COMPANY	
TZS m	**2020**	2019	**2020**	2019
At 1 April	**1 307**	2 257	**1 307**	2 257
Sites reclassified back to property and equipment (Note 18)	**(1 307)**	(950)	**(1 307)**	(950)
At 31 March	**–**	1 307	**–**	1 307

24. Inventory

	GROUP		COMPANY	
TZS m	**2020**	2019	**2020**	2019
Goods held for resale	**2 004**	2 145	**2 004**	2 145
	2 004	2 145	**2 004**	2 145
The inventory is stated net of the following provision for valuation allowance:				
At 1 April	**(1 971)**	(3 252)	**(1 971)**	(3 252)
(Increase)/decrease in provision (Note 7)	**(1 463)**	1 281	**(1 463)**	1 281
At 31 March	**(3 434)**	(1 971)	**(3 434)**	(1 971)

The cost of inventories recognised as an expense during the year ended 31 March 2020 was TZS1, 646 million (2019: TZS13 257 million).

25. Short term investments

The Company has invested in treasury bills with maturities of 182 days. Treasury bills amounting to TZS164 643 million had not matured by year-end (2019: TZS219 576 million). The treasury bills are unsecured and bear interest rates of 6.20% to 9.15% (2019: 2.47% to 8.10%). The fair value of the short-term investments approximates the carrying amount due to the short-term maturity.

26. Cash and cash equivalents

	GROUP		COMPANY	
TZS m	2020	2019	2020	2019
Cash at bank and on hand	**352 913**	275 513	**349 976**	270 323
M-Pesa balances	**2 850**	3 162	**2 850**	3 162
Short-term deposits	**118 065**	117 947	**118 065**	117 947
Bank and cash balances presented in the statement of financial position	**473 828**	396 622	**470 891**	391 432
Cash and cash equivalents presented in the statement of cash flows	**473 828**	396 622	**470 891**	391 432

The fair value of cash and cash equivalents approximates the carrying amount due to the short-term maturity.

27. Share capital and premium

The Group is controlled by its parent Vodacom Group Limited, which, as at 31 March 2020, owned 75% of the Company's issued shares with the remaining 25% of the issued shares held by the public.

	GROUP		COMPANY	
	2020	2019	2020	2019
Authorised ordinary shares	**4 000 000 000**	4 000 000 000	**4 000 000 000**	4 000 000 000
Par value (TZS)	**50**	50	**50**	50
Authorised capital (TZS m)	**200 000**	200 000	**200 000**	200 000
Issued shares	**2 240 000 300**	2 240 000 300	**2 240 000 300**	2 240 000 300
Issued share capital (TZS m)	**112 000**	112 000	**112 000**	112 000
Share premium				
25% shares issued in IPO – number	**560 000 075**	560 000 075	**560 000 075**	560 000 075
Share premium per share (TZS)	**800**	800	**800**	800
Share premium proceeds (TZS m)[17]	**448 000**	448 000	**448 000**	448 000
IPO cost (TZS m)	**(5 565)**	(5 565)	**(5 565)**	(5 565)
Share premium (TZS m)	**442 435**	442 435	**442 435**	442 435

17 Costs which were deductible from the equity raised through the IPO and included: authorised collecting agency fees, lead receiving bank fees, lead advisor's and sponsoring broker's fees, central securities depository fees, printing, and various other fees.

28. Capital contribution

	GROUP		COMPANY	
TZS m	2020	2019	2020	2019
At 1 April	**27 698**	27 698	**27 698**	27 698
Share based payment – equity	**–**	–	**–**	–
At 31 March	**27 698**	27 698	**27 698**	27 698

The capital contribution entitles the shareholders to additional returns on their investment in the form of future dividends. It will be realised by the shareholders once their equity investment in the Company is disposed of.

29. Lease liabilities

The Group has the following lease arrangements:

- Leases of office furniture and fittings with Paloma Park Limited. This lease arrangement bears interest at a fixed rate of 2.62% per annum over the lease term of 8 years. The lease payments will be made monthly from August 2020.
- 3 262 lease contracts for telecommunication towers with various vendors. These leases generally have terms of 5 to 12 years.
- 35 lease contracts for properties and 85 lease contracts for motor vehicles that have lease terms of 2 to 8 years.

The Group also has certain leases of staff accommodation with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	GROUP		COMPANY	
TZS m	**2020**	2019	**2020**	2019
At 1 April	**5 801**	5 513	**5 801**	5 513
Impact of initial application of IFRS 16 (Note 4)	**529 367**	–	**525 770**	–
At 1 April – Restated	**535 168**	5 513	**531 571**	5 513
Additions for the year	**53 823**	139	**53 823**	139
Accretion of interest (Note 11)	**67 041**	149	**66 708**	149
Translation differences	**(320)**	–	**(320)**	–
Payments – principal	**(43 455)**	–	**(39 855)**	–
Payments – interest	**(67 034)**	–	**(66 704)**	–
At 31 March	**545 223**	5 801	**545 223**	5 801
The carrying amount is due as follows:				
Non-current	**494 354**	5 801	**494 354**	5 801
Current	**50 869**	–	**50 869**	–
	545 223	5 801	**545 223**	5 801

The following are the amounts recognised in profit or loss in respect to lease liabilities under IFRS 16:

	GROUP		COMPANY	
TZS m	**2020**	2019	**2020**	2019
Depreciation of right of use assets	**84 921**	–	**82 382**	–
Interest expense on lease liabilities	**67 041**	–	**66 708**	–
Expense relating to short-term leases	**901**	–	**901**	–
Expenses relating to low-value assets	**79**	–	**79**	–
	152 942	–	**150 070**	–

Expenses relating to short-term leases are staff benefit costs included under payroll cost and low-value items relate to office equipment and are included in the Other Operating expenses.

29. Lease liabilities *continued*

The Group had the following cash outflows relating to lease liabilities:

	GROUP		COMPANY	
TZS m	2020	2019	2020	2019
Payments relating to the recognised lease liabilities	**110 489**	–	**106 557**	–
Payments for short-term leases	**901**	–	**901**	–
Payments for low-value assets	**79**	–	**79**	–
	111 468	–	**107 537**	–

The Group also had non-cash additions to right-of-use assets and lease liabilities of TZS53 823 during the year (2019: NIL).

The Group has no future cash outflows relating to leases that have not yet commenced.

The following are the minimum lease payments and related finance costs (Group and Company):

TZS m	2020	2019
Future minimum lease payments	**(735 902)**	(7 024)
Finance costs	**190 679**	1 223
Present value of minimum lease payments	**(545 223)**	(5 801)

The maturity analysis of the minimum lease payments is presented under Note 39.3, liquidity risk management.

The Group has lease contracts that include extension and termination options. These mainly comprise of telecommunication site lease contracts which are evaluated as having a lease term of 12 years, being the period during which the Group is reasonably certain that the lease contracts will not be terminated. However, a large portion of the lease contracts are automatically renewable for periods of 5 years up to a maximum of 4 terms, that is, option to renew for 20 years beyond the 12-year lease term considered in determining the lease liability.

The extension and termination options are negotiated by the Group to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. These options are used to limit the period to which the Group is committed to individual lease contracts and to maximise operational flexibility in terms of using the leased assets. The Group's management and directors exercise significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 5). The Group's directors and management have assessed that the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease terms used in determining the lease liabilities recognised cannot be reasonably estimated without undue cost and effort as they are subject to significant uncertainty over future telecommunication network planning in the longer term. The significant uncertainty arises from factors such as technological change, business strategy, mergers and acquisitions in the sector, competitive actions and regulatory environment which could affect the number of sites required and the site leasing market rates. Moreover, the lease agreements provide for adjusting, every 5 years during the extension period, the monthly lease payments in respect of each leased telecommunication site to the lower of the average rate and applicable market rate at the date of adjustment.

30. Government grants

This relates to grants received from Universal Communications Service Access Fund (UCSAF) which is a Government of Tanzania institution. The aim of UCSAF is to enable accessibility to communication services with a view to promote social, education and economic development of the under-served areas of the country. The UCSAF Authority identifies locations which need network coverage and launches tenders for the provision of the network services among the Mobile Network Operators (MNOs). The MNO which wins the tender is awarded the grant to build the network infrastructure in the specified locations. The MNO is required to provide telecommunication network services in the locations for a minimum period of five years from the commencement of the service provisioning.

The following are the unamortised amounts:

	GROUP		COMPANY	
TZS m	**2020**	2019	**2020**	2019
At 1 April	**5 301**	6 467	**5 301**	6 467
Received during the year	**2 838**	2 489	**2 838**	2 489
Amortised during the year (Note 9)	**(2 229)**	(1 773)	**(2 229)**	(1 773)
Amounts matched with cost of funded assets	**(1 984)**	(1 882)	**(1 984)**	(1 882)
At 31 March	**3 926**	5 301	**3 926**	5 301
Non-current	**1 616**	2 922	**1 616**	2 922
Current	**2 310**	2 379	**2 310**	2 379
	3 926	5 301	**3 926**	5 301

During the year, an advance grant of TZS1 685 million (2019: TZS2 489 million) was received from UCSAF for the provision of communication services in 22 (2019: 97) rural coverage areas. Additional amount of TZS1 153 million was received during the year as a surplus on completion of Phase 18. As at 31 March 2020, all sites were operational (2019: all sites operational).

The Group accounts for the grants received as cash flows from investing activities since the cash flows are compensating and reimbursing the Group for investing in the telecommunication sites.

31. Borrowings

The Company repaid the loan due to its parent, Vodacom Group Limited in March 2019 and had no borrowings as at year-end.

	GROUP		COMPANY	
TZS m	**2020**	2019	**2020**	2019
At 1 April	–	285	–	285
Interest repayment (shareholder loan)	–	(285)	–	(285)
At 31 March	–	–	–	–

Bank overdrafts

The Group has an unsecured bank overdraft facility with Citibank Tanzania Limited of US$14.5 million (2019: US$14.5 million) which attracts interest at six months US$ LIBOR + 3.75%. During the year the group utilised Nil (2019: Nil). In addition, the group obtained a standby letter of credit and guarantee facility of US$5.5 million and maintenance of supply chain finance of US$7 million.

32. Trade and other payables

	GROUP		COMPANY	
TZS m	2020	2019	2020	2019
Non-current				
Deferred income	**186**	241	**186**	241
Operating lease liability	**–**	46 139	**–**	46 139
	186	46 380	**186**	46 380

	GROUP		COMPANY	
TZS m	2020	2019	2020	2019
Current				
Trade payables	**21 247**	26 054	**21 226**	29 066
Capital expenditure creditors	**23 701**	23 744	**23 701**	23 744
Pending tax matters	**–**	2 902	**–**	2 902
Value Added Tax	**12 904**	14 256	**12 904**	14 256
Excise duty	**9 651**	11 135	**9 651**	11 135
Accruals	**113 369**	91 119	**113 319**	89 311
Deposits due to M-Pesa agents and customers	**329 068**	349 946	**–**	–
Deferred revenue	**18 033**	19 638	**18 033**	19 638
Other payables	**4 948**	22 635	**4 948**	22 635
Payables to related parties (Note 38)	**19 246**	22 589	**19 246**	22 589
	552 167	584 018	**223 028**	235 276
Interest due to customers	**11 992**	31 577	**–**	–
	564 159	615 595	**223 028**	235 276

Current trade and related payables are stated at cost which normally approximates fair value due to short-term maturity.

During the year, revenue of TZS18 219 million (2019: TZS22 185 million) was recognised relating to the satisfaction of performance obligations that were previously recorded as contract liabilities.

33. Provisions

The Group is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the outcome of these proceedings to have the total probable exposure indicated below. Other provisions are disclosed below.

	GROUP		COMPANY	
TZS m	**2020**	2019	**2020**	2019
At 1 April	**7 911**	3 725	**7 911**	3 334
Increase/(decrease) in provision – legal cases	**1 087**	(1 013)	**1 087**	(622)
Increase in provision – marketing fees	**826**	–	**826**	–
Increase in provision – site restoration obligation	**3 619**	–	**3 619**	
Reclassification of provision for marketing fees from trade and other payables	**–**	5 199	**–**	5 199
At 31 March	**13 443**	7 911	**13 443**	7 911
Comprising of:				
Non-current				
Site restoration obligation	**3 619**	–	**3 619**	–
Current				
Legal provision	**3 799**	2 712	**3 799**	2 712
Marketing fees	**6 025**	5 199	**6 025**	5 199
	9 824	7 911	**9 824**	7 911
Total provisions	**13 443**	7 911	**13 443**	7 911

According to the nature of the provisions, the timing of settlement is uncertain.

The Group and the Company did not have material site restoration provisions in the prior years.

34. Interest in other entities – Company

The Company has interests in the following entities:

Vodacom Trust Limited (previously known as M-Pesa Limited)

Vodacom Trust Limited which is limited by guarantee and having share capital as well. The principal activity of Vodacom Trust Limited was to act as bona fide trustees and/or any other like officers in order to protect and safeguard all and any monies gained from and/or relating to M-Pesa cellular phone money transfer services for the benefit of the users of the M-Pesa services.

On 23 October 2018, the entity's name was changed from M-Pesa Limited to Vodacom Trust Limited following approval and issuance of the certificate of change of name by the BRELA'. The change of name was necessary to enable compliance with the National Payment System Act, 2015. The deposits held in trust by Vodacom Trust Limited are to be transferred to The Registered Trustees of M-Pesa in accordance with the National Payment Systems regulations, and it is expected that the entity will be wound up thereafter.

Below is an extract from the separate financial statements of Vodacom Trust Limited:

TZS m	**2020**	2019
Statement of financial position		
Total assets	**343 989**	386 474
Net assets	**10**	10
Statement of profit or loss and other comprehensive income		
Total income	**118**	–
Total expenses	**(37)**	(108)

A new entity (EMI entity) under the name M-Pesa Limited was created and was issued with a certificate of incorporation on 26 October 2018. The EMI license was issued to Vodacom on 13 March 2019. There was no transaction or balance relating to this entity during the period.

34. Interest in other entities – Company *continued*

M-Pesa Limited

M-Pesa Limited was incorporated on 26 October 2018. In accordance with the National Payment Systems regulations which became effective in July 2016, this entity applied for an Electronic Money Issuance ('EMI') licence which was issued by Bank of Tanzania ('BoT') on 13 March 2019. Following the receipt of the EMI licence, the entity's principal activities will be operating mobile financial services under the EMI regulations issued by BoT. This entity remained inactive during the year with the Group continuing with setting up the structures and processes for the EMI operations.

The Registered Trustees of M-Pesa

The Registered Trustees of M-Pesa was incorporated under the provisions of The Trustees Incorporation Act, Cap 318 of Tanzania on 25 September 2019 with registration number 5656. The Trust is a non-profit making entity that has a mandate to fulfil its objectives in the best interest of the beneficiaries of the funds in the trust accounts. The Trust's activities will include: overseeing and managing effectively the trust accounts; ensuring safety of the beneficiaries of the funds in the trust accounts and preventing the funds from risks by setting up appropriate safe safeguard and remedy measures; ensuring the separation and not commingle the trust account funds with funds for the other operations of the EMI. The deposits held in trust by Vodacom Trust Limited will be transferred to the Trust. The Trust was dormant during the year.

Vodacom Tanzania Limited (incorporated in Zanzibar)

Vodacom Tanzania Limited was incorporated and registered in Zanzibar on 20 July 2000 under the Companies Act, 2013 of Zanzibar. This entity has authorised share capital of 1 000 000 ordinary shares with a par value of TZS100 per share. The entity has unpaid share capital of 100 shares. 99 shares were issued to the Company. The entity has remained dormant since it was incorporated.

Vodacom Tanzania Foundation Limited (the 'old foundation')

The old foundation was established and registered on 29 October 2007 under The Companies Act, No. 12 of 2002 as a company limited by guarantee and without share capital. The guarantee is limited to TZS1 000 per guarantor. The old foundation has four guarantors, one of which is the Company. The old foundation's principal activities were charitable in nature.

Below is an extract from the financial statements of the old foundation:

TZS m	2020	2019
Statement of financial position		
Total assets	**1 279**	1 455
Net liabilities	**(1 209)**	(366)
Statement of profit or loss and other comprehensive income		
Donation income	**315**	1 734
Other income	**–**	1
Operating expenses	**(490)**	(1 294)
Income tax expense	**(668)**	(590)

The old foundation was required to use donations in the year when the donations are received. However, due to the nature of the charitable activities performed by the old foundation, there were often timing differences between receiving and using donations. The old foundation ceased to exist during the year as elaborated below.

Vodacom Tanzania Foundation (the 'new foundation')

Following the amendment of the Companies Act, 2002 of Tanzania by Miscellaneous Amendment Act, No. 3 of 2019 which came into force on 30 June 2019, the authority to register entities which prohibit distribution of profits and which do not intend to promote commerce was transferred from BRELA to the Registrar of Non-Government Organisations ('NGOs'). Consequently, BRELA issued a public notice stating that on 30 August 2019, the Registrar of Companies shall not maintain in the Registry of Companies records of any company which prohibits distribution of profits and does not intend to promote commerce, and advised the companies affected to communicate with the Registrar of NGOs to be provided with guidance and directives on registration as NGOs as per the Miscellaneous Amendment Act, No. 3 of 2019. The Foundation was affected by this change in law as it was incorporated as a company limited by guarantee with no profit objective. Consequently, the Foundation was struck off the Registry of Companies on 30 August 2019. Another entity, Vodacom Tanzania Foundation, was registered with the Registrar of NGOs under the Ministry of Health, Community Development, Gender, Elderly and Children in accordance with the Non-Governmental Organisations Act of 2002 (revised 2005) and the Non-Governmental Organisations (Amendments) Regulations of 2018 (together, the "NGO Act and Regulations") of Tanzania. The new foundation remained inactive until year-end as management was still pursuing the income tax exemption status from TRA.

34. Interest in other entities – Company *continued*

Shared Networks Tanzania Limited ('SNT')

Below is an extract from the SNT financial statements:

TZS m	2020	2019
Statement of financial position		
Total assets	**9 454**	10 450
Net liabilities	**(21 149)**	(17 254)
Statement of profit or loss and other comprehensive income		
Revenue	**2 008**	3 221
Total expenses	**(6 903)**	(6 823)

Refer to Notes 16 and 17 for further information on SNT.

35. Commitments

	GROUP		COMPANY	
TZS m	**2020**	2019	**2020**	2019
Lease commitments [Note (a)]	**–**	756 959	**–**	753 032
Capital expenditure contracted for but not yet incurred [Note (b)]	**11 945**	25 805	**11 945**	25 805
Other (including sports and marketing commitments)	**67 627**	76 509	**67 627**	76 509
	79 572	859 273	**79 572**	855 346

(a) Lease commitments

Future minimum lease payments under irrevocable lease arrangements:

	GROUP		COMPANY	
TZS m	**2020**[18]	2019	**2020**[18]	2019
Within one year	–	92 750	–	88 823
Between one and five years	–	386 315	–	386 315
More than five years	–	277 894	–	277 894
	–	756 959	–	753 032

18 The maturity analysis is indicated in Note 39.3.

The 2019 balances comprise of operating leases which included leases for offices and other accommodation, motor vehicles, sites and others. The remaining lease terms vary between six months and fifteen years and the lease rent escalates annually on the anniversary date using fixed or consumer price index rates with an option to renew on the same terms and conditions.

(b) Capital commitments

Capital commitments for property and equipment will be financed through internally generated funds and extended supplier credit.

36. Contingent liabilities

Tax matters

The Group's future tax charge, effective tax rate and profit before tax could be affected by several factors including tax reforms conducted in Tanzania and the resolution of open tax disputes with the Tanzania Revenue Authority ('TRA' or the 'tax authority') and/or tax courts.

The Group is committed to acting with integrity and transparency in all tax matters including a policy of full transparency to the tax authority and the payment of all taxes properly due under the relevant tax laws in Tanzania.

The Group is regularly subject to audits and examination by the tax authority of its direct and indirect tax filings. The consequence of such reviews is that in some instances, disputes can arise with the tax authority over the interpretation or application of certain tax rules where these tax laws are ambiguous and subject to a broad range of interpretations.

To address and manage this tax uncertainty, good governance is fundamental to the Group's business sustainability. The major tax positions taken are thus subject to review by executive management and reported to the Board. The Group has support from external advisors supporting the positions taken in respect of the significant tax matters which support the application and interpretation of the tax legislation.

The Group has considered all matters in dispute with the tax authority and has accounted for any exposure identified, if required. The Group has not disclosed all the details in relation to the open tax disputes because the matters are still under the dispute resolution process.

The following open tax disputes are material contingent liabilities not recognised in the statement of financial position and may have a significant impact on the profit of the Group if these disputes are not resolved favourably.

- **Capital allowances of telecommunication equipment**

  Open tax disputes in relation to the classification of telecommunication equipment are currently in the court. The TRA disagrees with the Company's classification of the equipment as there is no clearly defined category for telecommunication equipment in the Income Tax Act. The matter is however a timing difference as the capital allowance deductions claimed in future years of assessment will be more if the Company does not resolve the dispute favourably.

- **Withholding tax on satellite, international roaming and undersea cable services**

  The assessments received by the Company in respect of withholding tax on satellite services, international roaming and undersea cable services provided by foreign suppliers are also currently in the court process. The Company did not withhold the foreign services withholding tax on these telecommunication services as Tanzania is a member of the International Telecommunication Union ('ITU') and is a signatory to the ITU conventions that established the elimination of double taxation of international telecommunication services. The Company has provided evidence (attestation) from the ITU that these agreements were ratified in Tanzania by the Court.

- **Transfer pricing**

  The Group, as part of a multinational enterprise, makes extensive use of services provided by associated entities in a value adding manner and applies the arm's length principle in such undertakings. These intercompany transactions are documented in the Group's transfer pricing documentation which is done in accordance with the requirements of local Transfer Pricing regulations and OECD guidelines. The TRA conducted a transfer pricing audit for the 2015 to 2017 tax years which resulted in certain disputed items in terms of the methodology and other Transfer Pricing aspects used to support the arm's length principle.

- **Legal contingencies**

  The Group is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the outcome of these proceedings. Following this assessment, the Group's management has determined that adequate provision has been made in respect of these legal proceedings as at year-end.

  The Group is subject to claims under contracts signed with other parties. Disputes can arise with other parties over the interpretation or application of contractual provisions. These disputes may not necessarily be resolved in a manner that is favourable to the Group, and the resolution of the disputes could result in an obligation to the Group. Management has assessed that no provision for claims is warranted as at year-end (2019: None).

Refer to Note 33 for further disclosures.

37. Other matters

Acquisition of Mirambo Limited shares

The Group's biggest shareholders, Vodacom Group Limited, acquired 588 million shares of Vodacom Tanzania Plc previously owned by Mirambo Limited ('Mirambo'). This resulted in Vodacom Group Limited increasing its total interest in Vodacom Tanzania from 61.6% (direct and indirect) to 75% (direct). The transaction was closed during the year after completing the conditions precedent, including requisite regulatory approvals.

Biometrics customer registration

On 1 May 2019, Tanzania Communications Regulatory Authority (TCRA) issued new customer registration guidelines, directing that biometric registration of customers using the National Identification Number (NIN) issued by the National Identification Authority (NIDA), is the only accepted identification. The TCRA required eKYC registrations to stop. The Group, in alignment with the industry, continuously engaged with the TCRA to ensure compliance. The industry in association with the TCRA and NIDA launched country-wide awareness campaigns to drive biometric registrations.

The biometric registration process commenced in May 2019, with base migration required to be completed by December 2019. The deadline was later extended to 20 January 2020. The low penetration of NINs across the country largely impacted the biometric registration process. The Group had not yet re-registered all customers by 20 January 2020. On 20 January, the TCRA directed that customers be barred in phases, which led to the barring of 2.9 million customers between 20 January and 31 March 2020. In addition, 2.5 million customers remain not biometrically registered and are also expected to be barred as per TCRA's instructions, until such time that the biometric registration for these customers is done.

This negatively impacted the Group's revenue in the fourth quarter and subsequent to year-end. This together with the incremental costs incurred on the biometrics re-registration process negatively impacted the Group's financial results. The Group continues with the process to register the sim cards not registered by the deadline and engaging with TCRA and industry peers to ensure that all sim cards are re-registered. While all necessary measures are taken, there are concerns on the wider impact of the unregistered and barred sim cards on the Group's financial performance.

Other changes in sim card registration regulations

On 7 Feb 2020, the Government published the Electronic & Postal Communications (SIM Card Registration) Regulations 2020. The regulations provide for a biometric registration process using the National Identity Card number as the sole means of registering SIM cards in the United Republic of Tanzania. The regulations also introduce limitation on ownership of the number of SIM cards for individuals and companies effective from 1 July 2020 whereby an individual is allowed to own and use not more than one SIM card per mobile network operator for use of voice, SMS and data services or otherwise, has to seek for approval from TCRA for additional SIM cards. For companies, a maximum of 30 SIM cards is allowed per mobile network operator with TCRA preapproval required for extra SIM cards. The Group and other mobile operators are engaging with the TCRA with a view of putting in place an automated solution that will enable customers to obtain approval for additional SIM Cards.

Shared Networks Tanzania Limited spectrum reassignment

On 19 July 2016, the Company acquired 100% of Shared Networks Tanzania Limited ('SNT')'s issued share capital. SNT held a license to use spectrum in the 900 MHz band in rural Tanzania. A cash payment of TZS20 609 million (85%) was made in August 2016. The remaining balance of TZS3 637 equivalent to 15% of the total consideration was paid in March 2018.

During the year, the Group obtained approval from TCRA to reassign the spectrum that was held by SNT to the Company. A spectrum re-assignment cost of US$2.1 million was paid by the Company to TCRA. The Group intends to transfer the remaining SNT assets and liabilities to the Company and wind up SNT thereafter.

Government electronic payment gateway ('GePG')

On 01 April 2018, the Government introduced a government electronic payment gateway ('GePG') where all mobile money payments to state-owned companies are to be routed for an incremental service fee borne by the customer. Furthermore, commercial arrangements governing payments between Vodacom M-Pesa and Tanzania Electric Supply Company Limited ('TANESCO'), where the Company received a payment facilitation fee, were terminated.

Post-employment benefits

Subject to eligibility, all employees of the Group are members of the National Social Security Fund of Tanzania ('NSSF') which is a defined contribution pension scheme for which both the Group and each employee contribute 10% of the gross remuneration per month.

The Group has no legal or constructive obligation to pay contributions to NSSF if the fund does not hold sufficient assets to pay any employee the benefits relating to his or her employment in the current and prior periods.

38. Related parties

The Group's related parties are its ultimate parent, immediate parent, shareholders with significant influence, subsidiaries, other related companies including sister companies and key management personnel including directors.

	GROUP		COMPANY	
TZS m	**2020**	2019	**2020**	2019
Balances with related parties				
Trade and other receivables				
Vodafone Group Plc (Ultimate parent)	**1 391**	6 445	**1 391**	6 445
Vodacom Group Limited (Immediate parent)	**2 160**	2 214	**2 160**	2 212
SNT (Subsidiary) [Note 17]	**–**	–	**5 932**	26 111
	3 551	8 659	**9 483**	34 768
Trade payables				
Vodafone Group Plc (Ultimate parent)	**(16 455)**	(19 875)	**(16 455)**	(19 875)
Vodacom Group Limited (Immediate parent)	**(2 791)**	(2 714)	**(2 791)**	(2 714)
	(19 246)	(22 589)	**(19 246)**	(22 589)

The amount due from SNT relates to the loans advanced by the Company comprising principal amounts of TZS20 billion (at the Bank of Tanzania statutory minimum rate) and US$2.2 million (bearing interest at six-month LIBOR plus 3.0%). The other amounts due from/to related parties are interest free. All the balances due from/to related parties are due on demand and are unsecured.

Refer to Note 17 for further disclosures including the expected credit loss recognised on the amount due from SNT.

Transactions with related parties

	GROUP		COMPANY	
TZS m	**2020**	2019	**2020**	2019
Vodafone Group Plc and its subsidiaries				
Revenue	**1 783**	4 250	**1 783**	4 250
Direct costs	**(2 481)**	(971)	**(2 481)**	(971)
Other operating expenses	**(21 227)**	(28 029)	**(21 227)**	(28 029)
Donation to Vodacom Tanzania Foundation	**(315)**	(600)	**(315)**	(600)
	(22 240)	(25 350)	**(22 240)**	(25 350)
Vodacom Group Limited subsidiaries – Mozambique, DRC, Mauritius and Lesotho				
Revenue	**597**	546	**597**	546
Direct costs	**(24)**	(33)	**(24)**	(33)
Other operating expenses	**(3 654)**	(4 465)	**(3 654)**	(4 465)
	(3 081)	(3 952)	**(3 081)**	(3 952)
Vodacom Group Limited – South Africa				
Revenue	**8 213**	10 199	**8 213**	10 199
Direct costs	**(2 682)**	(3 190)	**(2 682)**	(3 190)
Other operating expenses	**(12 224)**	(11 888)	**(12 224)**	(11 888)
	(6 693)	(4 879)	**(6 693)**	(4 879)

38. Related parties *continued*

	GROUP		COMPANY	
TZS m	**2020**	2019	**2020**	2019
Transactions with related parties *continued*				
Mirambo Limited (Shareholder in 2019)				
Finance costs (Note 11)	**–**	9	**–**	9
Shared Networks Tanzania Limited				
Revenue	**–**	–	**2 008**	3 221
Direct costs	**–**	–	**(681)**	(1 072)
	–	–	**1 327**	2 149
Key management compensation				
Short-term employee benefits	**(7 324)**	(6 322)	**(7 324)**	(6 322)
Long-term employee benefits	**(786)**	(483)	**(786)**	(483)
	(8 110)	(6 805)	**(8 110)**	(6 805)
Non-executive directors				
Non-executive directors' fees	**(1 097)**	(929)	**(1 097)**	(929)
Executive directors				
Short-term employee benefits	**(3 166)**	(3 810)	**(3 166)**	(3 810)
Long-term employee benefits	**(379)**	(408)	**(379)**	(408)
	(3 545)	(4 218)	**(3 545)**	(4 218)

39. Risk management policies and objectives

39.1 Financial instruments carrying amounts

The Group and Company hold the following financial instruments measured at amortised cost:

	GROUP		COMPANY	
TZS m	**2020**	2019	**2020**	2019
Financial assets				
Trade receivables	**62 469**	74 023	**64 338**	79 240
Other receivables	**8 933**	5 055	**6 535**	2 991
Cash and bank balances (Note 26)	**352 913**	275 513	**349 976**	270 323
M-Pesa balances (Note 26)	**2 850**	3 162	**2 850**	3 162
Financial assets: M-Pesa bank deposits	**337 556**	378 019	**–**	–
Short term investments: Treasury bills	**164 643**	219 576	**164 643**	219 576
Short term deposits (Note 26)	**118 065**	117 947	**118 065**	117 947
Intergroup receivables (Note 38)	**3 551**	8 659	**9 483**	34 768
	1 050 980	1 081 954	**715 890**	728 007
Financial liabilities				
Trade payables	**(21 247)**	(26 054)	**(21 226)**	(29 066)
Accruals	**(113 369)**	(91 119)	**(113 319)**	(89 311)
Lease liabilities	**(545 223)**	(5 801)	**(545 223)**	(5 801)
Intergroup payables (Note 38)	**(19 246)**	(22 589)	**(19 246)**	(22 589)
Capital expenditure creditors	**(23 701)**	(23 744)	**(23 701)**	(23 744)
Other payables	**(4 948)**	(22 635)	**(4 948)**	(22 635)
Deposits due to M-pesa agents and customers	**(329 068)**	(349 946)	**–**	–
Interest due to customers	**(11 992)**	(31 577)	**–**	–
	(1 068 794)	(573 465)	**(727 663)**	(193 146)

The Group did not have financial instruments measured at fair value.

39. Risk management policies and objectives *continued*

39.2 Interest rate profile

At the reporting date, the interest rate profile of the Group's and Company's financial assets and liabilities was as follows:

TZS m	Fixed interest rate	Variable interest rate	Non-interest bearing	Total
GROUP				
2020				
Financial assets				
Trade receivables	**–**	**–**	**62 469**	**62 469**
Other receivables	**–**	**–**	**8 933**	**8 933**
Cash and bank balances	**–**	**–**	**352 913**	**352 913**
M-Pesa balances	**–**	**–**	**2 850**	**2 850**
Short term investments: Treasury bills	**164 643**	**–**	**–**	**164 643**
Short term deposits	**118 065**	**–**	**–**	**118 065**
Financial assets: M-Pesa bank deposits	**337 556**	**–**	**–**	**337 556**
Intergroup receivables	**–**	**–**	**3 551**	**3 551**
	620 264	**–**	**430 716**	**1 050 980**
Financial liabilities				
Trade payables	**–**	**–**	**(21 247)**	**(21 247)**
Lease liabilities	**(545 223)**	**–**	**–**	**(545 223)**
Other payables	**–**	**–**	**(4 948)**	**(4 948)**
Accruals	**–**	**–**	**(113 369)**	**(113 369)**
Capital expenditure creditors	**–**	**–**	**(23 701)**	**(23 701)**
Intergroup payables	**–**	**–**	**(19 246)**	**(19 246)**
Deposits due to M-Pesa agents	**(329 068)**	**–**	**–**	**(329 068)**
Interest due to customers	**(11 992)**	**–**	**–**	**(11 992)**
	(886 283)	**–**	**(182 511)**	**(1 068 794)**
GROUP				
2019				
Financial assets				
Trade receivables	–	–	74 023	74 023
Other receivables	–	–	5 055	5 055
Cash and bank balances	–	–	275 513	275 513
M-Pesa balances	–	–	3 162	3 162
Short term investments: Treasury bills	219 576	–	–	219 576
Short term deposits	117 947	–	–	117 947
Financial assets: M-Pesa bank deposits	378 019	–	–	378 019
Intergroup receivables	–	–	8 659	8 659
	715 542	–	366 412	1 081 954
Financial liabilities				
Trade payables		–	(26 054)	(26 054)
Lease liabilities	(5 801)	–	–	(5 801)
Other payables	–	–	(22 635)	(22 635)
Accruals	–	–	(91 119)	(91 119)
Capital expenditure creditors	–	–	(23 744)	(23 744)
Intergroup payables	–	–	(22 589)	(22 589)
Deposits due to M-Pesa agents	(349 946)	–	–	(349 946)
Interest due to customers	(31 577)	–	–	(31 577)
	(387 324)	–	(186 141)	(573 465)

39. Risk management policies and objectives *continued*

39.2 Interest rate profile *continued*

TZS m	Fixed interest rate	Variable interest rate	Non-interest bearing	Total
COMPANY				
2020				
Financial assets				
Trade receivables	**–**	**–**	**64 338**	**64 338**
Other receivables	**–**	**–**	**6 535**	**6 535**
Cash and bank balances	**–**	**–**	**349 976**	**349 976**
M-Pesa balances	**–**	**–**	**2 850**	**2 850**
Short term investments: Treasury bills	**164 643**	**–**	**–**	**164 643**
Short term deposits	**118 065**	**–**	**–**	**118 065**
Intergroup receivables	**–**	**5 932**	**3 551**	**9 483**
	282 708	**5 932**	**427 250**	**715 890**
Financial liabilities				
Trade payables	**–**	**–**	**(21 226)**	**(21 226)**
Other payables	**–**	**–**	**(4 948)**	**(4 948)**
Lease liabilities	**(545 223)**		**–**	**(545 223)**
Accruals	**–**	**–**	**(113 319)**	**(113 319)**
Capital expenditure creditors	**–**	**–**	**(23 701)**	**(23 701)**
Intergroup payables	**–**	**–**	**(19 246)**	**(19 246)**
	(545 223)	**–**	**(182 440)**	**(727 663)**
COMPANY				
2019				
Financial assets				
Trade receivables	–	–	79 240	79 240
Other receivables	–	–	2 991	2 991
Cash and bank balances	–	–	270 323	270 323
M-Pesa balance	–	–	3 162	3 162
Short term investments: Treasury bills	219 576	–	–	219 576
Short term deposits	117 947	–	–	117 947
Intergroup receivables	–	26 111	8 657	34 768
	337 523	26 111	364 373	728 007
Financial liabilities				
Trade payables	–	–	(29 066)	(29 066)
Other payables	–	–	(22 635)	(22 635)
Lease liabilities	(5 801)	–	–	(5 801)
Accruals	–	–	(89 311)	(89 311)
Capital expenditure creditors	–	–	(23 744)	(23 744)
Intergroup payables	–	–	(22 589)	(22 589)
	(5 801)	–	(187 345)	(193 146)

39. Risk management policies and objectives *continued*

39.3 Financial risk management

Market risk

The Group's normal operations, its sources of finance and changing market conditions expose it to various financial risks which highlight the importance of financial risk management. The principal financial risks faced by the Group are foreign currency, interest rate, credit and liquidity risks.

A treasury division of Vodacom Group Limited provides the Group with support to access both domestic and international financial markets and manage foreign currency, interest rate and liquidity risks. Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by the Vodacom Group Limited board. There has been no significant change during the reporting period, or since the end of the reporting period, to the types of financial risks faced by the Group, the measures used to gauge these risks or the objectives, policies and processes for managing the risks.

The Group's activities expose it to the risks of fluctuations in foreign currency exchange rates and interest rates. Market risk exposures are measured using sensitivity analyses which show how profit for the year would have been affected by a small adverse change in the relevant risk variable that were reasonably possible at the reporting date. Sensitivity analyses are for illustrative purposes only as, in practice, market rates rarely change in isolation.

There were no changes in the methods and assumptions used in preparing sensitivity analysis as at year-end.

Foreign currency risk

Various monetary items exist in currencies other than the Group's functional currency. The table below discloses the net currency exposure (net carrying amount of foreign-denominated monetary assets/(liabilities) of the Group. The Group is mainly exposed to the United States dollar ('US$') and to a lesser extent to the Euro ('€') and South African rand ('R').

	31 March 2020		
	US$	**€**	**R**
GROUP			
Financial assets			
Trade and other receivables	**19 556**	**940**	**61**
Cash and cash equivalents	**170 512**	**20 246**	**463**
	190 068	**21 186**	**524**
Financial liabilities			
Trade and other payables	**(6 604)**	**(8 221)**	**(2 890)**
	(6 604)	**(8 221)**	**(2 890)**
Net gap	**183 464**	**12 965**	**(2 366)**

	31 March 2019		
	US$	**€**	**R**
GROUP			
Financial assets			
Trade and other receivables	8 439	104	–
Cash and cash equivalents	60 094	2 262	4 050
	68 533	2 366	4 050
Financial liabilities			
Trade and other payables	(2 885)	(2 180)	(15 884)
	(2 885)	(2 180)	(15 884)
Net gap	65 648	186	(11 834)

39. Risk management policies and objectives *continued*

39.3 Financial risk management *continued*

Foreign currency risk *continued*

	31 March 2020		
	US$	**€**	**R**
COMPANY			
Financial assets			
Trade and other receivables	**19 556**	**940**	**61**
Cash and cash equivalents	**170 512**	**20 246**	**463**
	190 068	**21 186**	**524**
Financial liabilities			
Trade and other payables	**(6 604)**	**(8 221)**	**(2 890)**
	(6 604)	**(8 221)**	**(2 890)**
Net gap	**183 464**	**12 965**	**(2 366)**

	31 March 2019		
	US$	**€**	**R**
COMPANY			
Financial assets			
Trade and other receivables	8 439	104	–
Cash and cash equivalents	60 094	2 262	4 050
	68 533	2 366	4 050
Financial liabilities			
Trade and other payables	(2 885)	(2 180)	(15 884)
	(2 885)	(2 180)	(15 884)
Net gap	65 648	186	(11 834)

The analysis below discloses the Group's sensitivity to the specified percentage change in its functional currency, TZS, against the foreign currencies which it is exposed to. The management's assessment of a reasonable possible change in foreign currency exchange rates is based on estimated foreign exchange rate differentials. This analysis includes outstanding foreign-denominated monetary items only and adjusts their translations at the reporting date with the specified percentage change.

	€	**US$**	**R**
GROUP			
2020			
% change	**9**	**9.6**	**22**
Profit after tax and equity – (TZS m)	**(815)**	**(7 489)**	**368**
2019			
% change	8.2	3.8	2.5
Profit after tax and equity – (TZS m)	10.7	1 746.2	207.1

39. Risk management policies and objectives *continued*

39.3 Financial risk management *continued*

Foreign currency risk *continued*

	€	US$	R
COMPANY			
2020			
% change	**9**	**9.6**	**22**
Profit after tax and equity – (TZS m)	**(815)**	**(7 489)**	**368**
2019			
% change	8.2	3.8	2.5
Profit after tax and equity – (TZS m)	10.7	1 746.2	207.1

Interest rate risk

The Group's interest rate profile consists of short-term investments, bank balances, lease liabilities, interest and deposits due to Vodacom Trust Limited (M-Pesa) customers and agents, which exposes the Group to interest rate risk and may be summarised as follows:

	GROUP		COMPANY	
TZS m	**2020**	2019	**2020**	2019
Financial assets: M-Pesa bank deposits	**337 556**	378 019	**–**	–
Short term investments: Treasury bills	**164 643**	219 576	**164 643**	219 576
Short term deposits	**118 065**	117 947	**118 065**	117 947
	620 264	715 542	**282 708**	337 523
Deposits due to M-Pesa agents and customers	**(329 068)**	(349 946)	**–**	–
Interest due to customers	**(11 992)**	(31 577)	**–**	–
Lease liabilities	**(545 223)**	(5 801)	**(545 223)**	(5 801)
	(886 283)	(387 324)	**(545 223)**	(5 801)

Interest rate sensitivity analysis

As per the interest rate profile, the Group is not exposed to interest rate risk because it holds no financial instruments with variable interest rates.

The Company is exposed to interest rate risk relating to the amounts due from a related party which carry variable interest rates. The analysis below shows the sensitivity to change in market interest rates. Management's assessment of a reasonable possible change in market interest rates is based on economic forecasts from various sources.

	GROUP		COMPANY	
TZS m	**2020**	2019	**2020**	2019
Basis point increase	**50**	50	**50**	50
Profit after tax and equity	**–**	–	**158**	130

Decrease in interest rates would have the reverse effect.

39. Risk management policies and objectives *continued*

39.3 Financial risk management *continued*

Credit risk

The carrying amounts of financial assets, are shown net of any impairment losses, and represent the Group's maximum exposure to credit risk. The Group's policy is to deal with credit worthy counterparties only and to obtain sufficient collateral, where appropriate, to mitigate the risk of financial loss from defaults. The Group uses publicly available financial information, the financial standing of counterparties and the Group's own trading records in order to determine the credit quality of a counterpart. Contractual arrangements are entered into with other mobile network operators in line with any regulatory requirements and industry normal business practice. Credit exposure is further controlled by defining credit limits per counterparty which are periodically reviewed and approved by the credit risk department. The Group's exposure and credit ratings are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. In determining the recoverability of trade receivables, the Group considers changes in credit quality.

The Group's largest customer represents 19.8% (2019: 17.3%) of the total trade receivables balance. With the exception of the aforementioned, the credit risk for trade and other receivables is generally limited due to the customer base being large and unrelated in conjunction with stringent credit approval processes. The average credit period for trade receivables is 30 days (2019: 30 days). The Group has not renegotiated the terms of any of its financial assets which resulted in them not being past due or impaired.

The credit risk associated with cash and cash equivalents and financial assets are limited as they are placed with high credit quality financial institutions.

The following is the aging analysis of trade and other receivables (excluding prepayments, deposits and deferred costs) that are past due.

TZS m	30 – 60 days	60 – 90 days	90 – 120 days	Over 120 days	Total
GROUP					
2020					
Total	**345**	**8 134**	**35 948**	**–**	**44 427**
2019					
Total	38 596	2 342	82	65 886	106 906

TZS m	30 – 60 days	60 – 90 days	90 – 120 days	Over 120 days	Total
COMPANY					
2020					
Total	**345**	**8 134**	**35 948**	**–**	**44 427**
2019					
Total	38 596	2 342	82	38 219	79 239

39. Risk management policies and objectives *continued*

39.3 Financial risk management *continued*

Liquidity management

The Group ensures that adequate funds are available to meet its expected and unexpected financial commitments through undrawn borrowing facilities. At the end of the reporting date, the Group had US$14.5 million (2019: US$14.5 million) undrawn foreign-denominated borrowing facilities to manage its liquidity. The Group uses bank facilities under the normal operating cycle to manage short-term liquidity. The Group raises funds in bank markets and ensures a reasonable balance is maintained between the period over which the assets generate funds and the period over which the respective assets are funded to manage long-term liquidity. Liquidity on long-term borrowings is managed by maintaining a varied maturity profile thereby minimising refinancing risk.

The tables below disclose the maturity profile of the Group's non-derivative financial liabilities and those financial assets used for managing liquidity risk. The tables have been drawn up based on the earliest date on which the Group can be required to settle or can require settlement. The amounts disclosed in the table are the contractual undiscounted cash flows at the year-end.

TZS m	<1 year	2 – 5 years	5+ years	Total
GROUP				
2020				
Financial liabilities				
Lease liabilities	**(91 242)**	**(443 515)**	**(201 145)**	**(735 902)**
Accruals	**(113 996)**	**–**	**–**	**(113 996)**
Intergroup payables	**(19 246)**	**–**	**–**	**(19 246)**
Capital expenditure creditors	**(23 701)**	**–**	**–**	**(23 701)**
Deposits due to M-Pesa agents and customers	**(329 068)**	**–**	**–**	**(329 068)**
Interest due to customers	**(11 992)**	**–**	**–**	**(11 992)**
Other payables	**(4 948)**	**–**	**–**	**(4 948)**
Trade payables	**(21 247)**	**–**	**–**	**(21 247)**
	(615 440)	**(443 515)**	**(201 145)**	**(1 260 100)**
Financial assets				
Trade receivables	**62 469**	**–**	**–**	**62 469**
Other receivables	**8 933**	**–**	**–**	**8 933**
Intergroup receivables	**3 551**	**–**	**–**	**3 551**
Cash and cash equivalents	**352 913**	**–**	**–**	**352 913**
Financial assets: M-Pesa bank deposits	**337 556**	**–**	**–**	**337 556**
Short term investments: Treasury bills	**164 643**	**–**	**–**	**164 643**
M-Pesa balances	**2 850**	**–**	**–**	**2 850**
Short term deposits	**118 065**	**–**	**–**	**118 065**
	1 050 980			**1 050 980**

39. Risk management policies and objectives *continued*

39.3 Financial risk management *continued*

Liquidity management *continued*

TZS m	<1 year	2 – 5 years	5+ years	Total
GROUP				
2019				
Financial liabilities				
Lease liabilities	–	(1 854)	(5 170)	(7 024)
Accruals	(91 119)	–	–	(91 119)
Intergroup payables	(22 589)	–	–	(22 589)
Capital expenditure creditors	(23 744)	–	–	(23 744)
Deposits due to M-Pesa agents and customers	(349 946)	–	–	(349 946)
Interest due to customers	(31 577)	–	–	(31 577)
Trade payables	(26 054)	–	–	(26 054)
Other payables	(22 635)	–	–	(22 635)
	(567 664)	(1 854)	(5 170)	(574 688)
Financial assets				
Trade and other receivables	79 078	–	–	79 078
Intergroup receivables	8 659	–	–	8 659
Cash and cash equivalents	275 513	–	–	275 513
Financial assets: M-Pesa bank deposits	378 019	–	–	378 019
Short term investments: Treasury bills	219 576	–	–	219 576
M-Pesa balances	3 162	–	–	3 162
Short term deposits	117 947	–	–	117 947
	1 081 954	–	–	1 081 954

TZS m	<1 year	2 – 5 years	5+ years	Total
COMPANY				
2020				
Financial liabilities				
Lease liabilities	**(91 242)**	**(443 515)**	**(201 145)**	**(735 902)**
Accruals	**(113 319)**	**–**	**–**	**(113 319)**
Intergroup payables	**(19 246)**	**–**	**–**	**(19 246)**
Capital expenditure creditors	**(23 701)**	**–**	**–**	**(23 701)**
Other payables	**(4 948)**	**–**	**–**	**(4 948)**
Trade payables	**(21 226)**	**–**	**–**	**(21 226)**
	(273 682)	**(443 515)**	**(201 145)**	**(918 342)**
Financial assets				
Trade receivables	**64 338**	**–**	**–**	**64 338**
Other receivables	**6 535**	**–**	**–**	**6 535**
Intergroup receivables	**9 483**	**–**	**–**	**9 483**
Cash and cash equivalents	**349 976**	**–**	**–**	**349 976**
M-Pesa balances	**2 850**	**–**	**–**	**2 850**
Short term investments: Treasury bills	**164 643**	**–**	**–**	**164 643**
Short term deposits	**118 065**	**–**	**–**	**118 065**
	715 890	**–**	**–**	**715 890**

39. Risk management policies and objectives *continued*

39.3 Financial risk management *continued*

Liquidity management *continued*

TZS m	<1 year	2 – 5 years	5+ years	Total
COMPANY				
2019				
Financial liabilities				
Lease liabilities	–	(1 854)	(5 170)	(7 024)
Accruals	(89 311)	–	–	(89 311)
Intergroup payables	(22 589)	–	–	(22 589)
Capital expenditure creditors	(23 744)	–	–	(23 744)
Trade payables	(29 066)	–	–	(29 066)
Other payables	(22 635)			(22 635)
	(187 345)	(1 854)	(5 170)	(194 369)
Financial assets				
Trade receivables	79 240	–	–	79 240
Other receivables	2 991			2 991
Intergroup receivables	34 768	–	–	34 768
Cash and cash equivalents	270 323	–	–	270 323
M-Pesa balances	3 162	–	–	3 162
Short term investments: Treasury bills	219 576	–	–	219 576
Short term deposits	117 947	–	–	117 947
	728 007	–	–	728 007

40. Capital management

The Group finances its operations through a mixture of internally generated cash-flows as well as shareholder and other external loans. The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising return to shareholders. Capital is monitored on the basis of net debt to equity.

Adjusted equity comprises of share capital, retained earnings and other reserves.

The Group's strategy is to maintain an optimal net debt to adjusted equity ratio. This internal ratio establishes levels of debt that the Group should not exceed other than for relatively short periods of time and it is reviewed on a semi-annual basis to ensure it is being met. The Group is not subject to externally imposed capital requirements.

The following table summarises the capital of the Group:

	GROUP		COMPANY	
TZS m	**2020**	2019	**2020**	2019
Cash and bank balances – (Note 26)	**(473 828)**	(396 622)	**(470 891)**	(391 432)
Equity	**1 255 152**	1 263 844	**1 263 843**	1 263 843
Net debt to adjusted equity ratio	**N/A**	N/A	**N/A**	N/A

41. Immediate and ultimate parent companies

The Group is controlled by its parent, Vodacom Group Limited, which is incorporated and domiciled in South Africa, and as at 31 March 2020, owns 75% (2019: 48.75%) of the Company's shares directly and Nil% (2019: 12.86%) indirectly. The ultimate parent is Vodafone Group Plc., which is incorporated and domiciled in the United Kingdom.

42. Statement of cash flows notes

			GROUP		COMPANY	
	TZS m	**Note**	**2020**	2019	**2020**	2019
(a)	Cash generated from operations					
	Profit before tax		**60 350**	134 887	**42 580**	114 404
	Adjusted for:					
	Impairment charges	9(c)	**10 086**	349	**34 153**	25 802
	Finance income	10	**(50 465)**	(38 475)	**(32 907)**	(20 062)
	Finance cost	11	**86 470**	19 891	**66 709**	159
	Net gain on foreign currency translation	12	**(356)**	(970)	**(362)**	(1 079)
	Operating profit		**106 085**	115 682	**110 173**	119 224
	Adjusted for:					
	Loss/(gain) on disposal of property and equipment	9(a)	**202**	115	**(88)**	115
	Depreciation and amortisation	9(b)	**268 762**	165 834	**263 805**	163 409
	Amortisation of capacity prepayments	20	**13 447**	13 144	**13 447**	13 144
	Amortisation of deferred loss	21	**–**	7 024	**–**	7 024
	Increase/(decrease) in provision for inventory	24	**1 463**	(1 281)	**1 463**	(1 281)
	Amortisation of Government grant	30	**(2 229)**	(1 773)	**(2 229)**	(1 773)
	Government grants applied against funded assets	30	**(1 984)**	(1 882)	**(1 984)**	(1 882)
	Increase/(decrease) in legal and marketing fees provisions	33	**1 913**	(1 013)	**1 913**	(622)
	Cash flows from operations before working capital changes		**387 659**	295 850	**386 500**	297 358
	Payment for capacity contracts	20	**(12 080)**	(26 510)	**(12 080)**	(26 510)
	(Increase)/decrease in inventory – gross		**(1 322)**	1 121	**(1 322)**	1 121
	Decrease in trade and other receivables		**2 068**	3 429	**931**	5 339
	(Decrease)/increase in trade and other payables		**(32 081)**	44 651	**(12 479)**	30 780
	Cash generated from operations		**344 244**	318 541	**361 550**	308 088
	The decrease in trade and other receivables is made up as follows:					
	Decrease in trade and other receivables		**6 098**	8 142	**4 961**	10 052
	Additional tax deposits paid [Note 13(d)]		**(4 030)**	(4 713)	**(4 030)**	(4 713)
			2 068	3 429	**931**	5 339
(b)	Additions to property and equipment, and intangible assets					
	Additions to property and equipment	18	**193 486**	155 380	**193 486**	155 380
	Less: Non-cash additions	18	**(53 823)**	–	**(53 823)**	–
	Changes in capital expenditure creditors		**(43)**	(9 258)	**(43)**	(9 649)
	Property and equipment cash additions		**139 620**	146 122	**139 620**	145 731
	Additions to intangible assets	19	**19 730**	38 721	**19 730**	38 721
			159 350	184 843	**159 350**	184 452

43. Operating segments

In order to identify operating segments, management identifies components:

- that engage in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Group Executive Committee; and
- for which discrete financial information is available.

Based on management's analysis, there are no separate business segments for which discrete financial information, as required, is available. In addition, the Group operates within the same geographical area, the United Republic of Tanzania, therefore no separate geographical segments exist. Entity wide segment information is the same as that presented in the consolidated and separate financial statements. There are no revenues from transactions with a single external customer that amount to 10% or more of the Group's revenue.

44. Net current assets position

The Group had a net current assets position of TZS470 064 million as at 31 March 2020 (2019: TZS506 253 million). The Group will adopt to market conditions in order to maintain an optimal capital structure, commensurate with the level of risk which one would expect from an emerging market telecommunication entity.

45. Events after the reporting period

The COVID-19 pandemic continued to affect countries and businesses at the time of issuing these consolidated and separate financial statements. The directors have assessed that, at the time of issuing these consolidated and separate financial statements, it was impracticable to quantitatively determine and disclose the extent of the possible effects of the pandemic on the Group. The directors expect that considering that the Group is an essential service provider, the Group's operations will continue despite the disruption caused by the pandemic.

Data and M-Pesa revenue streams could gain as more customers resort to remote working because of social distancing. However, biometrics customer re-registration could be delayed because of the disruptions caused by social distancing.

Network upgrading, expansion and maintenance programs could be delayed in case of lock down and due to supply chain disruptions. However, no significant impairment of tangible and intangible assets is expected. It is expected that credit risk will not increase significantly as debtors will continue paying the amounts due as they will require services despite the disruptions.

The Group might incur additional expenses arising from changes in work modalities including remote working, but it is expected that any incremental expenses will be financed from cash flows from operations and the available working capital facilities. Otherwise, no additional significant liabilities are expected to result from the pandemic.

The directors are not aware of other events after the reporting period which require adjustment to or disclosure in the consolidated and separate financial statements.

Notice of a virtual annual general meeting

Notice of a virtual annual general meeting
Vodacom Tanzania Public Limited Company
(Incorporated in the United Republic of Tanzania)
(Registration number 38501)
(ISIN: TZ1996102715 Ticker code: VODA)
('Vodacom Tanzania' or 'the Company')

Notice is hereby given that, the fourth annual general meeting of the Company for the year ended 31 March 2020 will be held virtually on Friday 30 October 2020 at 10:00 to conduct the following business:

1. Confirmation of minutes

To confirm minutes of the third annual general meeting held on 20 September 2019.

Ordinary resolution number 1

"RESOLVED THAT the minutes of the third annual general meeting held on 20 September 2019 be and are hereby confirmed."

Copies of the minutes are obtainable from the Company's website **www.vodacom.co.tz/investors**

2. Adoption of audited consolidated annual financial statements

To receive, consider and adopt the audited consolidated annual financial statements for the year ended 31 March 2020.

Ordinary resolution number 2

"RESOLVED THAT the audited consolidated annual financial statements of the Company, together with the independent auditors' report and directors' report for the year ended 31 March 2020, be and are hereby received and adopted."

Copies of the full audited consolidated annual financial statements for the year ended 31 March 2020 are obtainable from the Company's website **www.vodacom.co.tz/investors**

3. Election and re-election of a director

To elect by way of separate resolutions:

3.1 Messers Nkateko Nyoka, Sitholizwe Mdlalose and Dejan Kastelic as non-executive directors, having been appointed since the last annual general meeting of the company are in accordance with article 86 of the Company's articles of association are obliged to retire at this annual general meeting.

Ordinary resolution number 3

"RESOLVED THAT Mr Nkateko Nyoka be and is hereby elected as non-executive director of the Company."

Ordinary resolution number 4

"RESOLVED THAT Mr Sitholizwe Mdlalose be and is hereby elected as non-executive director of the Company."

Ordinary resolution number 5

"RESOLVED THAT Mr Dejan Kastelic be and is hereby elected as non-executive director of the Company."

The profiles of the directors up for election appear below:

Nkateko Nyoka (57)
Chief of Legal & Compliance – Vodacom Group Limited
Master of Law and Public Administration from Harvard University
Bachelors of Laws (LL.B) and Baccalareus Procurationis (B.Proc) from the University of Witwatersrand, Johannesburg

Nkateko is the Chief of Legal & Compliance at Vodacom Group Limited since 2007. Prior to joining Vodacom, he held several positions at MTN (Pty) Limited and MTN Group Limited, including Group Executive for Corporate Services where his responsibilities included Legal and Regulatory as well as the MTN SA Foundation. He has also been Chief Executive Officer (CEO) of the Independent Communications Authority of South Africa (ICASA), where he played a vital role in facilitating a competition enabling environment in South Africa's communications sector. Nkateko is a non-executive director on the Boards of Vodacom Lesotho, Vodacom Mozambique and Vodacom DRC.

Sitholizwe Mdlalose (40)
Interim Chief Financial Officer – Vodacom Group Limited
Bachelors of Accounting Science (BCompt) from University of South Africa
Member of the Association of Chartered Certified Accountants (ACCA)

Sitholizwe was appointed as interim Chief Financial Officer of Vodacom Group Limited on 1 July 2020. He has been a Finance Director of Vodacom South Africa since 2017 with overall responsibility for the finance function of Vodacom South Africa. Other past positions held in the Vodacom Group include Chief Financial Officer of the Vodacom Group International Business and Managing Executive: Vodacom Group Internal Audit. Prior to joining Vodacom Group, Sitholizwe worked with Vodafone Group for more than 6 years holding various senior positions in finance including that of Senior Finance Manager for the Vodafone Group AMAP region. He has more than 19 years of finance, management and consulting experience, of which 13 years has been in telecommunications across both emerging and developed markets. He is an established business leader with the ability to lead in global organisations.

Dejan Kastelic (43)
Chief Technology Officer – Vodacom Group Limited
Bachelors of Science in Electrical Engineering from University of Maribor
Studied at Harvard University, Boston in the United States and INSEAD
Enrolled in an MBA program at IEDC Bled

Dejan was appointed as Chief Technology Officer for Vodacom Group Limited and a member of the Vodacom Group Limited Executive Committee with effect from August 2020. Dejan joins Vodacom from PT Indosat Ooredoo TBK, where he served as the Chief Technology and Information Officer, part of Ooredoo Group from Qatar. He was also the Director of Indosat Singapore Pte. Ltd. and is the Deputy Chairman of the Supervisory Board of Posta Slovenije d.o.o. Dejan began his professional career with the first alternative provider of telecommunication services Amis Ltd. in Slovenia, and was later promoted to the Chief Technology Officer in 2004 as the company progressed to MBO acquisition. In 2009, he continued his path with IBM Central and Eastern Europe in Global Technology Services as the Resource Deployment Manager for the region. He joined the Telekom Austria Group in 2012 and initially took over the Executive Director and Chief Technology and Information Officer position for Vip mobile Serbia. He was later assigned as the Cluster Executive Director and CTIO overseeing Vip mobile Serbia and Si.Mobil Slovenia. In 2015, he was assigned to Mobiltel Bulgaria in the same capacity until he was appointed to his previous role at Indosat. Dejan is also a non-executive director on the Boards of Vodacom Mozambique and Vodacom Lesotho.

3.2 Mesdames Winifred Ouko and Thembeka Semane are obliged to retire by rotation at this annual general meeting in accordance with the provisions of articles 104 and 105 of the Company's articles of association. Having so retired, Mesdames Winifred Ouko and Thembeka Semane are eligible for re-election as directors.

Ordinary resolution number 6

"RESOLVED THAT Ms Winifred Ouko be and is hereby re-elected as an independent non-executive director of the Company."

Ordinary resolution number 7

"RESOLVED THAT Ms Thembeka Semane be and is hereby re-elected as an independent non-executive director of the Company."

The profiles of the directors up for re-election appear below:

Winifred Ouko (50)
Independent Non-Executive Director
Chairperson of the Remuneration Committee
Member of the Audit, Risk and Compliance Committee and considered to be a financial expert on this committee
Master of Business Administration, Cornell University, United States of America.
Member of the Institute of Certified Public Accountants of Kenya.

Winnie was appointed as an independent non-executive director of Vodacom Tanzania in November 2017. She is an experienced corporate finance, project finance and strategy professional. As the Managing Director of Lattice Consulting, she offers over 20 years of experience in delivering a variety of corporate finance and strategy services solutions to corporate clients in Africa and the US. Winnie is currently a non-executive director and chairperson of the audit and risk committee of Absa Bank of Kenya. She is also a board member of the Kenya Pooled Water Fund.

Thembeka Semane (44)
Independent Non-Executive Director
Member of Audit, Risk and Compliance Committee and considered to be a financial expert on this committee
Post Graduate Diploma in Business Administration, University of Pretoria's Gordon Institute of Business Science, South Africa.
Certified Associate of the Institute of Bankers in South Africa.

Thembeka was appointed as an independent non-executive director of Vodacom Tanzania in November 2017. Thembeka is an experienced business executive proficient in corporate strategy development, business systems implementation, high value project financing, compliance and monitoring, corporate governance and financial management. She is a director at Linea consulting (Pty) Ltd, a regulatory committee member of ACASA and ATNS, reporting to South Africa's Minister of Transport, as well as a councillor at ICASA. Thembeka serves as a board member of the Department of Human Settlements' EAAB, where she also serves as the chairperson of its finance and investment committee as well as being a member of the audit and risk committee and human resources and remuneration committee. She is a board member and a member of both the audit & risk management committee and remuneration committee of South African National Parks. Furthermore, Thembeka is a member of the South African Heritage Resource Agency and the Sol Platjie Municipality's audit, risk and performance management committee.

4. Appointment of Ernst & Young as auditors of the Company

To appoint Ernst & Young Inc., as nominated by the Company's Audit, Risk and Compliance Committee, as independent auditors of the Company, to hold office until the conclusion of the next annual general meeting of the Company.

Ordinary resolution number 8

"RESOLVED THAT Ernst & Young Inc. be and are hereby appointed as the auditors of the Company to hold office until the conclusion of the next annual general meeting of the Company."

5. Appointment of members of the Audit, Risk and Compliance Committee

To re-elect, by way of separate resolutions and in accordance with article 32(f) of the Company's articles of association, the following members to continue to serve as members of the Audit, Risk and Compliance Committee.

Ordinary resolution number 9

"RESOLVED THAT Ms Winifred Ouko be and is hereby re-elected to continue to serve as a member of Audit Risk & Compliance Committee."

Ordinary resolution number 10

"RESOLVED THAT Ms Thembeka Semane be and is hereby re-elected to continue to serve as a member of Audit Risk & Compliance Committee."

Ordinary resolution number 11

"RESOLVED THAT Ms Margaret Ikongo be and is hereby re-elected to continue to serve as a member of Audit Risk & Compliance Committee."

The profiles of the directors up for membership appear on page 133 and on this page:

Margaret Ikongo (62)
Independent Non-Executive Director
Chairperson of the Audit, Risk and Compliance Committee and considered to be a financial expert for the purpose of this committee
Master of Business Administration, Open University, Tanzania.
International Certificate in Risk Management, Institute of Risk Management, United Kingdom.
International Diploma in Risk Management and Graduate Member of the Institute of Risk Management United Kingdom.
Associate member of Chartered Insurance Institute, United Kingdom.

Margaret was appointed as an independent non-executive director of Vodacom Tanzania in November 2017. She is also a board member of NMB Bank PLC and AAR Insurance Tanzania. Previously, Margaret sat on the Board of Trustees of the National Social Securities Fund. Margaret has extensive financial and corporate governance expertise which were gained from her career in the insurance industry where she was Managing Director of the National Insurance Corporation for a period of ten years. Margaret was also an advisor to the Commissioner of the Tanzania Insurance Regulatory Authority as well as the Acting Head of the Technical Directorate.

6. Dividend

6.1 Final Dividend

To approve a final dividend of TZS 12.26 per ordinary share for the financial year ended 31 March 2020 as recommended by the directors. The dividend will be paid on or before Friday 13 November 2020 to shareholders recorded in the register as at the close of trading on Wednesday 19 August 2020.

Ordinary resolution number 12

"RESOLVED THAT the dividend of TZS 12.26 per ordinary share for the year ended 31 March 2020 be and is hereby approved."

6.2 Special Dividend

To approve a special dividend of TZS 178.57 per ordinary share as recommended by the directors. The dividend will be paid on or before Friday 13 November 2020 to shareholders recorded in the register as at the close of trading on Friday 16 October 2020.

Ordinary resolution number 13

"RESOLVED THAT a special dividend of TZS 178.57 per ordinary share be and is hereby approved."

7. Approval of the directors' remuneration

To approve the non-executive directors' remuneration of US$481 000 from 1 November 2020 until the conclusion of the next annual general meeting of the Company, enabling the Company to attract and retain persons of the capability, skills and experience required to make a meaningful contribution to the Company. No increase in fees has been proposed.

Ordinary resolution number 14

"RESOLVED THAT the level of non-executive directors' remuneration of US$481 000 be and is hereby approved on the basis set out as follows:

	Proposed fee US$[1]	Current fee US$
Board Chairman	150 000	150 000
Board Member	30 000	30 000
ARCC Chairman	15 000	15 000
ARCC Member	8 000	8 000
Remco Chairman	12 000	12 000
Remco Member	4 000	4 000
Nomco Member	3 000	3 000

1 These amounts represent gross remuneration, inclusive of all taxes (including withholding tax) and are payable in Tanzanian shillings for local directors, South African rand for South African directors and United States dollar for other directors. Payments are made on a quarterly basis in arrears for a minimum of four ordinary meetings per annum, three special board meetings and an AGM and any EGM as may be required.

8. Special Business

8.1 Election of an independent non-executive director above the age of 70 years

To elect Justice (retired) Thomas B Mihayo as an independent non-executive director in compliance with sections 194 (1) and 194(5) of the Companies Act, Cap 212 and the provisions of article 75 of the Company's articles of association.

Special resolution number 1

"RESOLVED THAT, Justice (retired) Thomas B Mihayo be and is hereby appointed as an independent non-executive director of the Company."

The profile of the director up for election appears in this notice of annual general meeting below:

Justice (retired) Thomas B Mihayo (74)
Independent non-executive director
Degree in Law (LL.B) from University of Dar es Salaam, Tanzania.
Arbitrator and Legal Consultant.

Justice Mihayo was a career judge with over 35 year of experience working in various courts in Tanzania. He started as a Resident Magistrate and rose in the ranks to District Registrar and Registrar of the High Court. He served as Principal Corporation Counsel with the Tanzania Legal Corporation and then Registrar of the LART Loans Recovery Tribunal and finally for seven years as Judge of the High Court of Tanzania. He thereafter served as Board Member of the Public Procurement Regulatory Authority and President of the Media Council of Tanzania. Justice Mihayo also served as a Council Member in the Tanganyika Law Society and was President thereof for two terms of one year each.

He is currently the President of the Tanzania Retired Judges Associations. He is also Commissioner in the National Electoral Commission and Chairman of the Board of Directors of the Tanzania Tourist Board. Justice Mihayo is an Advocate of the High Court and Courts subordinate thereto save Primary Courts.

Reason for and effect of special resolution no 1

To comply with the Companies Act, 2002 sections 194(1) and 194(5) which require the appointment of a person as a director of a company whose age is above 70 to be done at the shareholders' meeting upon issuing of a special notice to the shareholders.

Record date

The record date for shareholders to be registered in the books of the Company for purposes of being entitled to participate, speak and vote at the annual general meeting is Friday 16 October 2020.

Participation by electronic means

The annual general meeting will be held in full electronic format in accordance article 29 and 63 of the Company's articles of association.

The annual general meeting will be streamed live via a link using a web enabled device with compatible web browser (smart phone/tablet/ iPad). Shareholders who will be on the register on the record date will have to self-register to obtain meeting credentials. For more information, please visit the Company's website **www.vodacom.co.tz/investors** or call 0800750164.

Shareholders will be liable for their own network and data charges. The Company will not be held accountable in the case of the loss of network connectivity or network failure due to insufficient airtime/internet connectivity/power outages/electronic participation channel malfunction which could prevent a shareholder from participating in the electronic annual general meeting.

Shareholders are encouraged to submit any questions concerning the resolutions proposed as set out in this notice of annual general meeting in advance of the annual general meeting by emailing their questions to **investorrelations@vodacom.co.tz** by no later than 10:00 Wednesday 28 October 2020. These questions will be addressed via the electronic participation channel at the annual general meeting. Submission of questions in advance will however not preclude a shareholder from asking a question at the electronic meeting.

Voting and Proxy

Only shareholders are entitled to attend, speak and vote at the annual general meeting.

Shareholders may appoint a proxy to attend, speak and vote in their stead. A proxy need not be a shareholder of the Company. A duly filled form of proxy, obtained from the company's website, along with DSE Depository receipt, personal identification (National ID/ Voters ID/ Driver ID) and contact details must be emailed to **investorrelations@vodacom.co.tz** or delivered for the attention of the Company Secretary at 7 Floor, Vodacom Tower, Ursino Estate, Plot 23, Bagamoyo Road, Dar es Salaam, Tanzania not later than 10:00 Wednesday 28 October 2020. The completion of a form of proxy does not preclude any shareholder attending the annual general meeting.

Voting shall be conducted in accordance with the Company's memorandum and articles of association. An ordinary resolution to be approved at the annual general meeting must be supported by more than 50% of the voting rights of shareholders, whereas a special resolution must be supported by the holders of not less than 75% of the voting rights.

Shareholders holding shares, but not in their own name must furnish their custodians or broker with their instructions for voting at the annual general meeting. If your custodian or broker, as the case may be, does not obtain instructions from you, it will be obliged to act in accordance with your mandate furnished to it.

Shareholders are encouraged to continuously monitor the Company's website for updates relating to the annual general meeting.

By order of the Board.

Caroline M Mduma
Company Secretary

5 October 2020

Form of proxy

Vodacom Tanzania Public Limited Company
(Incorporated in the United Republic of Tanzania)
(Registration number 38501)
(ISIN: TZ1996102715 Ticker code: VODA)
('Vodacom Tanzania' or 'the Company')

Section A
To be completed by all shareholders

Full Name

CDS Account Number

Number of shares held in the Company

Section B
Only shareholders who wish to appoint individual(s) other than the Chairman as a proxy should complete this section

I (We), the person(s) named in Section A above, with the CDS Account Number and Number of shares held in the Company shown in Section A above, do hereby appoint (see note 1 & 2)

or failing him/her,

or failing him/her,

the Chairperson of the annual general meeting as my(our) proxy to attend and speak and vote for me(us) on my(our) behalf at the virtual annual general meeting which will be held on Friday 30 October 2020 for the purpose of considering and, if deemed fit, passing the ordinary and special resolutions to be proposed and at each adjournment of the meeting and to vote for or against the ordinary and special resolutions or to abstain from voting in respect of the shares in the issued capital of the Company registered in my(our) name(s).

Section C
To be completed by all shareholders

Please indicate with an "x" in the applicable space, how you wish your votes to cast.
Unless otherwise directed the proxy specified in Section B above will vote as he or she thinks fit.

	For	Against	Abstain
1. **Ordinary resolution number 1** Confirmation of minutes of the annual general meeting held on 20 September 2019			
2. **Ordinary resolution number 2** Adoption of consolidated annual financial statements for the year ended 31 March 2020			
3. **Ordinary resolution number 3** Election of Nkateko Nyoka as non-executive director			
4. **Ordinary resolution number 4** Election of Sitholizwe Mdlalose as non-executive director			
5. **Ordinary resolution number 5** Election of Dejan Kastelic as non-executive director			
6. **Ordinary resolution number 6** Re-election of Winifred Ouko as an independent non-executive director			
7. **Ordinary resolution number 7** Re-election of Thembeka Semane as an independent non-executive director			
8. **Ordinary resolution number 8** Appointment of Ernst & Young Inc. as auditors of the Company for the year ended March 2021			
9. **Ordinary resolution number 9** Re-election of Winifred Ouko as a member of Audit Risk & Compliance Committee			
10. **Ordinary resolution number 10** Re-election of Thembeka Semane as a member of Audit Risk & Compliance Committee			
11. **Ordinary resolution number 11** Re-election of Margaret Ikongo as a member of Audit Risk & Compliance Committee			
12. **Ordinary resolution number 12** Approval of a final dividend of TZS 12.26 per share			
13. **Ordinary resolution number 13** Approval of a special dividend of TZS 178.57 per share			
14. **Ordinary resolution number 14** Approval of the non-executive directors' remuneration of US$ 481 000			
15. **Special resolution number 1** Election of Justice (retired) Thomas Mihayo as an independent non-executive director			

Signed this day of October 2020

Signature: Signature:

Completed forms of proxy must be lodged with the Vodacom Tanzania PLC Company Secretary office by no later than 10:00 on Wednesday 28 October 2020.

Notes to the form of proxy

1. A member entitled to participate and vote at the annual general meeting may appoint one or more proxies to attend, vote and speak in his/her stead at the annual general meeting. A proxy need not be a member of the Company. In the case of a member being a corporate, the proxy form must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.
2. Please insert an 'X' in the relevant space according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the Company insert the number of shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable at the meeting. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
3. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the Chairman of the annual general meeting" but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
4. Duly signed forms of proxy and a copy of the shareholder's depository receipt may be scanned and emailed to **investorrelations@vodacom.co.tz** or deposited for the attention of the Company Secretary at 7th Floor, Vodacom Tower, Ursino Estate, Plot 23, Bagamoyo Road, Dar es Salaam, Tanzania by no later than 10:00 on Wednesday 28 October 2020.
5. Any alterations or corrections made to this form of proxy must be initialled by the signatory/ies.
6. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced.
7. The Chairman of the annual general meeting may accept any form of proxy which is completed other than in accordance with these notes if he is satisfied as to the manner in which the shareholder wishes to vote.
8. Where there are joint holders of shares:
   - Any one holder may sign this form of proxy; and
   - The vote of the senior shareholder (for that purpose, seniority will be determined by the order in which the names of the shareholders appear in the company's register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholders.

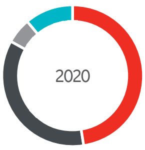
Ms Caroline Mduma
Company Secretary
7th Floor, Vodacom Tower, Ursino Estate,
Plot 23, Bagamoyo Road,
PO Box 2369
Dar es Salaam,
E-mail: investorrelations@vodacom.co.tz

Share information

Total shareholding	# of Shares	% holding
Vodacom Group Limited[1]	**1 680 000 200**	75.0%
Government Employees Pension Fund (Public Investment Corporation SOC Limited, the Republic of South Africa)	**164 503 540**	7.3%
Institutional Investors (East Africa)	**249 886 242**	11.2%
Institutional Investors (Rest of the World)	**50 438 753**	2.3%
Others[2]	**95 171 565**	4.2%
	2 240 000 300	100.0%

Note

1. During the year, Vodacom Group Limited acquired 26.25% of the Company's shares that were owned by Mirambo Limited as explained in the report of the directors.
2. Balance of remaining holdings, including shares below analysis threshold. May include additional institutional/retail shareholdings.



Institutional Investors

	% Institutional holding
Tanzania	47.8
PIC	35.4
Uganda	6.0
Other International investors	10.9
	100.0

Corporate Information

Company Information

Vodacom Tanzania Public Limited Company
(Incorporated in the United Republic of Tanzania)
Registration number: 38501
(ISIN: TZ1996102715 Share Code: VODA)

Directors

AA Mufuruki[1] (Chairman), M Ikongo[1] (Interim Chairperson), H Hendi [8] (Managing Director), JJ Marais [3] (Finance Director), D Gutierrez[4], T Streichert[5], K Gomado[6], M Mbungela[3], ADJ Delport[3], W Ouko[2], T Semane[3], HJC Surtees[7]

1. Tanzanian 2. Kenyan 3. South African 4. Bolivian 5. German 6. Ghanaian 7. British 8. Egyptian

Company Secretary

Caroline Mduma
15th Floor Vodacom Tower
Plot 23, Ursino Estate
New Bagamoyo Road
P.O. Box 2369
Dar es Salaam, Tanzania

Registered office and place of business

15th Floor Vodacom Tower
Plot 23, Ursino Estate
New Bagamoyo Road
P.O. Box 2369
Dar es Salaam, Tanzania

Auditor

Ernst & Young
4th Floor, Tanhouse Tower
Plot 34/1, Ursino South
New Bagamoyo Road
P.O. Box 2475
Dar es Salaam, Tanzania

Main bankers

Citibank Tanzania Limited
Citibank House
Plot 1962, Toure Drive, Oysterbay
P.O. Box 71625
Dar es Salaam, Tanzania

National Bank of Commerce Limited
Sokoine Drive & Azikiwe Street
P.O. Box 1863
Dar es Salaam, Tanzania

NMB Bank PLC
Ohio street/Ali Hassan Mwinyi Road
P.O. Box 9213
Dar es Salaam, Tanzania

CRDB Bank Plc.
Azikiwe street
P.O. Box 268
Dar es Salaam, Tanzania

External legal counsel

Rex Attorneys
344 Toure Drive
Dar es Salaam, Tanzania

IMMMA (Advocates)
Plot 357, IMMMA House
United Nations Road, Upanga
P.O. Box 72484
Dar es salaam, Tanzania

Transfer secretary

CSD & Registry Company Limited
Dar es Salaam Stock Exchange
3rd Floor, Kambarage House
Plot 6, Ufukoni Street
P.O. Box 70081
Dar es Salaam, Tanzania

Sponsoring licenced dealing member
Orbit Securities Company Limited

External communications
Rosalynn Mworia

Investor Relations

Hilda Bujiku, Albert Maneno
investorrelations@vodacom.co.tz
www.vodacom.co.tz/investors

Definition of terms

2G	2G networks are operated using global system for mobile ('GSM') technology which offers services such as voice, text messaging and low speed data. In addition, our network supports general packet radio services ('GPRS'), often referred to as 2.5G. GPRS allows mobile devices to access online data services such as the internet and email.
3G	A cellular technology based on wide band code division multiple access delivering voice and faster data services.
4G	4G or long-term evolution ('LTE') technology offers even faster data transfer speeds than 3G.
5G	5G is the coming fifth-generation wireless broadband technology which will provide better speeds and coverage than the current 4G.
Active customers	Active customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active while roaming.
Active data customers	Active data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate access point names ('APNs'), and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.
30 day active M-Pesa customers	30 day active M-Pesa customers are the number of unique customers who have generated billable transactions during the past 30 days.
ARPU	ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period.
Capital Markets and Securities Act	Capital Markets and Securities Act, Cap. 79 of the Laws of the United Republic of Tanzania (Act No. 5 of 1994), as amended from time to time.
Cloud services	Services where the customer has little or no equipment at their premises and all the equipment and capability associated with the service is run from the Vodacom network and data centres instead. This removes the need for customers to make capital investments and instead they have an operating cost model with a recurring fee.
Companies Act	Companies Act, Cap. 212 of the Laws of the United Republic of Tanzania (Act No. 12 of 2002), as amended from time to time.
Customer value management ('CVM')	The delivery of perceived value to identifiable customer segments that results in a profitable return for the company.
EBIT	Earnings before interest, taxation, impairment losses, profit/loss on disposal of investments, profit/loss from associate and restructuring cost.
EBITDA	Earnings before interest, taxation, depreciation and amortisation, impairment losses, profit/loss on disposal of investments, property, plant and equipment, and intangible assets, profit/loss from associate and restructuring cost.
EPOCA	The Electronic and Postal Communications Act, Cap. 172 of the Laws of the URT (Act No. 3 of 2010) as amended from time to time.
Free cash flow	Cash generated from operations less additions to property, plant and equipment and intangible assets, proceeds on disposal of property, plant and equipment and intangible assets, tax paid, net finance charges paid or received. Free cash flow excludes movements in amounts owed to M-Pesa customers.
GSM Association	An organisation which represents the interests of mobile operators globally, uniting nearly 800 operators with almost 300 companies in the broader mobile ecosystem.
IIRC	International Integrated Reporting Council

Definition of terms continued

Internet of Things ('IoT')	The network of physical objects embedded with electronics, software, sensors, and network connectivity, including built-in mobile SIM cards, that enables these objects to collect data and exchange communications with one another or a database.
Mobile broadband	Mobile broadband allows internet access through a browser or a native application using any portable or mobile device such as smartphone, tablet or laptop connected to a cellular network.
Mobile customer	A mobile customer is defined as a subscriber identity module ('SIM') which has access to the network for any purpose, including data only usage.
Mobile termination rate ('MTR')	A per minute charge paid by a telecommunications network operator when a customer makes a call to another mobile or fixed network operator.
MoU	Minutes of use per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly active customers during the period.
Operating free cash flow	Cash generated from operations less additions to property, plant and equipment and intangible assets other than licence and spectrum payments and purchases of customer bases, net of proceeds on disposal of property, plant and equipment and intangible assets, other than licence and spectrum payments and disposals of customer bases. Operating free cash flow excludes movements in amounts owed to M-Pesa customers.
PABX	A private automatic branch exchange ('PABX') is an automatic telephone switching system within a private enterprise.
RAN	Radio access network is the part of a mobile telecommunications system which provides cellular coverage to mobile phones via a radio interface, managed by base stations installed on towers and rooftops across the coverage area, and linked to the core nodes through a backhaul infrastructure which can be owned, leased or a mix of both.
Roaming	Allows customers to make calls, send and receive texts and data on other operators' mobile networks, usually while travelling abroad.
Smartphone penetration	The number of smartphones and other smart devices used on our network during a month divided by the total number of mobile customers which used any service during the same period.
SME	Small to medium-sized enterprise.
SoHo	Small office-home office.
Spectrum	The radio frequency bands and channels assigned for telecommunication services.
Vodacom Group	Vodacom Group Limited and each of its subsidiary companies.
Vodacom Tanzania or the Company	Vodacom Tanzania Public Limited Company.
Vodafone Group Plc	Vodafone Group Plc and each of its subsidiary companies.
VPN	A virtual private network ('VPN') is a network that uses a shared telecommunications infrastructure, such as the internet, to provide remote offices or individual users with secure access to their organisation's network.
Weighted NPS	The net promoter score ('NPS') is an index ranging from -100 to 100 that measures the willingness of customers to recommend an operator's products or services to others. It is used as a proxy for gauging the customers' overall satisfaction with an operator's product or service and the customers' loyalty to the brand. For each operator, responses are collected from customers who use its products or services as either the primary or alternative means of telecommunication (a 'primary user' or 'alternative user'). Responses from primary and alternative users are then weighted by the natural proportion of primary and alternative users for that operator in order to calculate the weighted NPS.
WiMAX	Worldwide Interoperability for Microwave Access ('WiMAX') technology is a broadband wireless data communications technology which is able to provide high speed data over a wide area.

Disclaimer

Non-IFRS information

The auditor's report does not necessarily cover all of the information contained in this annual report, which sets out the consolidated financial results of Vodacom Tanzania Public Limited Company ('the Company') and its subsidiaries (together 'the Group') for the twelve months ended 31 March 2019. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work they should obtain a copy of that report together with the accompanying financial information from the registered office of the Company. This announcement contains certain non-IFRS financial measures which has not been reviewed or reported on by the Group's auditors. The Group's management believes these measures provide valuable additional information in understanding the performance of the Group or the Group's businesses because they provide measures used by the Group to assess performance. However, this additional information presented is not uniformly defined by all companies, including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, although these measures are important in the management of the business, they should not be viewed in isolation or as replacements for or alternatives to, but rather as complementary to, the comparable IFRS measures. Refer to the 'Operating and financial review' section of this announcement for details relating to service revenue, EBIT and earnings per share.

Trademarks

Vodafone, the Vodafone logo, M-Pesa, Vodacom, Connected Farmer and Vodafone Supernet are trademarks of Vodafone Group Plc (or have applications pending). M-Fundi, M-Shamba, M-Pawa and Vodacom Faraja are trademarks of Vodacom Tanzania Public Limited Company (or have applications pending). Other product and company names mentioned herein may be the trademarks of their respective owners.

Forward-looking statements

This annual report, which sets out the consolidated financial results of the Group for the year ended 31 March 2019, contains 'forward-looking statements', which have not been reviewed or reported on by the Group's auditors, with respect to the Group's financial condition, results of operations and businesses and certain information relating to the Group's plans and objectives. In particular, such forward-looking statements include statements relating to: the Group's future performance; future capital expenditures, acquisitions, divestitures, expenses, revenues, financial conditions, dividend policy, and future prospects; business and management strategies relating to the expansion and growth of the Group; the effects of regulation of the Group's business by the government in the country in which it operates; the Group's expectations as to the launch and roll out dates for products, services or technologies; expectations regarding the operating environment and market conditions; growth in customers and usage; and the rate of dividend growth by the Group.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "will", "anticipates", "aims", "could", "may", "should", "expects", "believes", "intends", "plans" or "targets" (including in their negative form).

By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following: changes in economic or political conditions in markets served by operations of the Group; greater than anticipated competitive activity; higher than expected costs or capital expenditures; slower than expected customer growth and reduced customer retention; changes in the spending patterns of new and existing customers; the Group's ability to expand its spectrum position or renew or obtain necessary licences; the Group's ability to achieve cost savings; the Group's ability to execute its strategy in fibre deployment, network expansion, new product and service roll-outs, mobile data, Enterprise and 4G network expansion; changes in foreign exchange rates, as well as changes in interest rates; the Group's ability to realise benefits from entering into partnerships or joint ventures and entering into service franchising and brand licensing; unfavourable consequences to the Group of making and integrating acquisitions or disposals; changes to the regulatory framework in which the Group operates; the impact of legal or other proceedings; loss of suppliers or disruption of supply chains; developments in the Group's financial condition, earnings and distributable funds and other factors that the Board takes into account when determining levels of dividends; the Group's ability to satisfy working capital and other requirements; changes in statutory tax rates or profit mix; and/or changes in tax legislation or final resolution of open tax issues. All subsequent written or oral forward-looking statements attributable to the Company, to any member of the Group or to any persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Subject to compliance with applicable law and regulations, the Company does not intend to update these forward-looking statements and does not undertake any obligation to do so.

vodacom