Vodacom Tanzania Public Limited Company

Annual Integrated Report

for the year ended 31 March 2022

Together we can

Overview

Vodacom Tanzania's Annual Report 2022

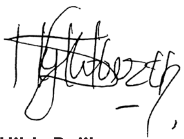
This is Vodacom Tanzania's sixth annual report, and the fifth following our listing on the Dar es Salaam Stock Exchange on 15 August 2017.

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 2021 to 31 March 2022. Our reporting process has been guided by the principles and requirements contained in the International Financial Reporting Standards (IFRS), the Value Reporting Foundation's Integrated Reporting Framework, the Dar es Salaam Stock Exchange PLC Rules 2016, and the Companies Act, 2002. Ernst & Young ('EY') audited our annual financial statements and has provided an unmodified opinion (pages 88 to 90).

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 they have ensured that these disclosures do not place the company at a competitive disadvantage. The Board approved this annual report on 12 July 2022.

Signed on the Board's behalf:

Justice (Rtd) Thomas Mihayo
Chairman
12 July 2022



Hilda Bujiku
Acting Managing Director
12 July 2022

Delivering social value through our core purpose

Vodacom Tanzania's core purpose is 'connecting for a better future'. The United Nations Sustainable Development Goals (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.

Vodacom Tanzania has identified and prioritised the following eight SDGs (shown with black squares) where we believe we can make the most meaningful impact:

Contents

Thank you!

Top Employer Africa & Tanzania 2021
Top Employer Awards 2021

Best Fintech App (M-PESA)
Tanzania Digital Awards 2021

Best Mobile Network
Tanzania ICT Awards 2021

Most Reliable and Quality Network Telecom Service Provider
Consumers Choice Awards 2021

Most Preferred Telecom Company for Customer Service Experience in Tanzania
Consumers Choice Awards 2021

Together we can

vodacom

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

15.4 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.

Our purpose

Why we exist

We connect for a better future

Digital society
Connecting people and things to the internet

Inclusion for all
A digital future that is accessible to all

Planet
Reducing our environmental impact

Our vision

Where and who we want to be

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)

Our way

How we operate

01 Earn customer loyalty

02 Create the future

03 Experiment – learn fast

04 Get it done together



Our strategy

What we need to do

- Monetise data and digital opportunities
- Accelerate customer growth through M-Pesa
- Continued enhancement of our enterprise offering
- Brand leadership. Retain and increase market share
- Actively managing cost and process efficiency
- People: Best talent, best practice

The value we impacted

Our performance

Customers
15.4 million
up 3.4%

Leading with
30.2%[1]
Customer market share

M-Pesa customers
6.8 million
down 7.6%,

Service revenue
TZS956.5 billion
down 1.0%, up 9.8%*

Mobile data revenue
TZS204.0 billion
up 18.9%

M-Pesa revenue
TZS329.6 billion
down 7.6%, up 17.7%*

Operating profit
TZS64.4 billion
up 30.1%, up 149.5%*

CAPEX
TZS173.9 billion
up 42.1%

1. Tanzania Communication Regulatory Authority (TCRA), March 2022 Report.
* All amounts/figures in this report marked with a '*' represent underlying growth which presents performance adjusted by an estimated impact of the levy on mobile money transfer and withdrawal transactions.

For our customers

Enabled communications to more than
15.4 million
customers

Expanded broadband coverage to 66.7% (1 Mbps)

4G coverage:
50.4%
(Up 8.6pp)
of population

3G coverage:
61.2%[1]
of population

2G coverage:
92.9%
(Up 0.2pp)
of population

1. YoY movement not reported due to change in computation methodology.

Extended our network adding:
4G sites: 143
3G sites: 43
2G sites: 32

Financial inclusion to
more than
6.8 million
M-Pesa customers

Rated first in customer
Net Promoter Score (NPS) with an
18-point lead

For our shareholders

A total of

TZS549.3 billion

in dividends since listing in 2017

For our employees

TZS 63.8 billion

spent on employees, including salaries, training and skills development

Provided self-development online training to over

500

employees

Over 484 employees attended five 'Doing What is Right' courses on ethics and compliance

40% **female representation** in management

In our community

TZS516.9 billion

cash contributions to public finances in taxes, levies, spectrum, and regulatory fees

283 sites

built over ten years in support of Government's rural coverage programme

TZS395.3 billion

spent on around 500 local suppliers and partner companies in Tanzania

TZS1.0 billion

on social investment expenditure[1], with over 1.5 million[2] direct and indirect beneficiaries across Tanzania

Indirect employment provided to over

144 000[3]

Tanzanians

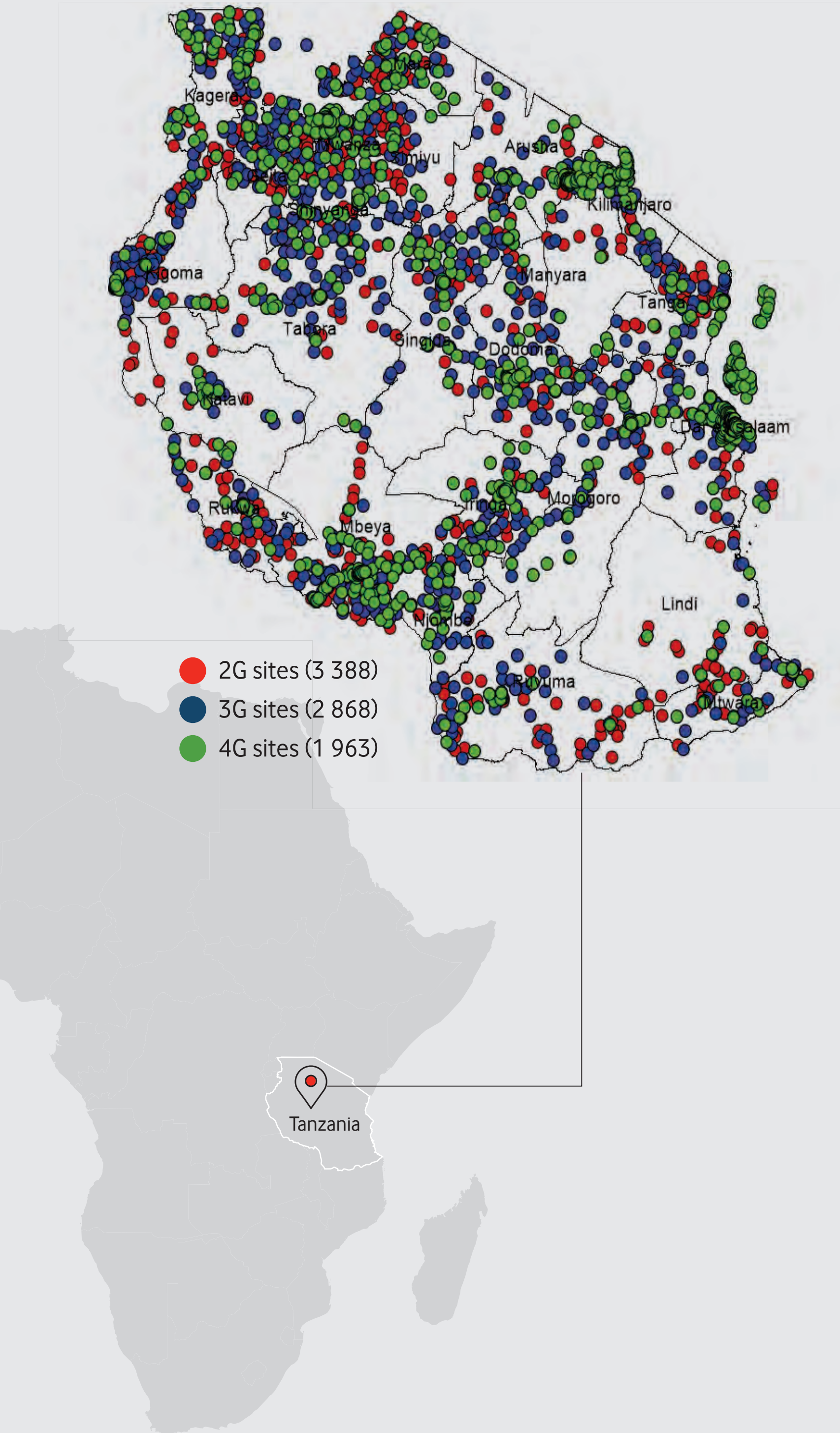
Supporting commercial agriculture – over

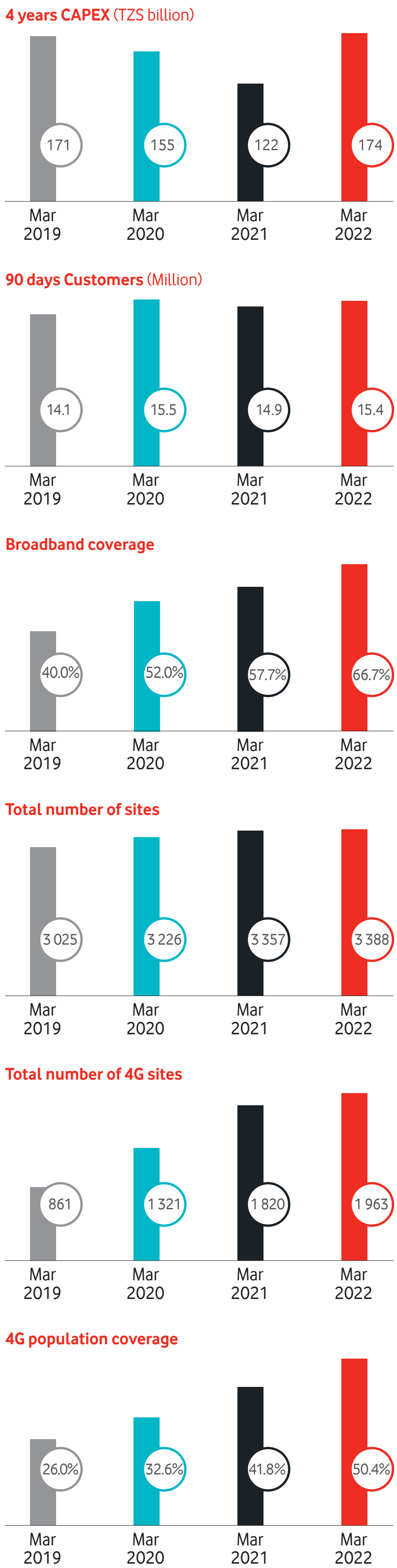
140 000 farmers

registered in M-Kulima platform

1. Include CSI funded directly by Vodacom Tanzania and injections from the Parent foundation – Vodafone Foundation, a UK-registered charity number 1193984.
2. Includes CSI activities executed directly through our customer base.
3. Includes freelancers and M-Pesa agents.

Vodacom Tanzania at a glance





Our products and services

We have over 15.4 million active individual customers using our various products and services

Consumer products and digital services

Voice
- Mobile

Data
- Mobile broadband
- Mobile internet

Messaging
- SMS and social media applications

Value added services
- Entertainment & sports (music, video, gaming, IVR services and trivia games)
- Education (news, religious and digital advertisement)
- Self-care (My Vodacom app, website, airtime advance)
- Health (Elimika, afya call)
- Transport & Market place (Paisha)

Customer Care
- Call centre
- Service-desks
- Vodacom shops
- Self care (My Vodacom app, USSD code, M-Pesa app)
- DigiCare (customer support through social media, website, WhatsApp and a Live Chat app)
- Customer alerts (flash messages)

M-Pesa

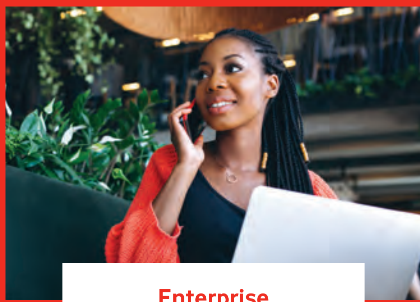
Deposits and withdrawal
Through over 120 000 agents and bank transfers

Person-to-person transfers
In country and international money transfer (IMT)

Electronic payments
- Virtual M-Pesa Visacard
- Pay by phone
- Consumer to Business ('C2B')
- Business to Consumer ('B2C')
- Business to Business ('B2B')

Financial Services
- M-Pesa overdraft ('Songesha')
- Savings and loans (M-Pawa, Halal Pesa)[1]
- Group savings ('M-koba')
- Agent Term Loans
- Insurance Services

1. Halal Pesa savings account that abide to Sharia law.



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'

Our investment case

Being a leading operator in Tanzania, with strong management, quality execution and a business model aligned with purpose, provides us with an added advantage to scale delivery of our services to customers. We see an exciting opportunity to generate sustained revenue growth over the medium and long-term. These opportunities lie in upscaling delivery of our digital and data services where demand continue to accelerate in the light of adaptation to digital ways of life, and in expanding the M-Pesa ecosystem so that we continue democratising financial services offerings. We will also continue developing innovative products and services, including areas such as Internet of Things (IoT), fixed connectivity and generally in building on our well-established differentiators as a leading global brand.

We have identified the following drivers supporting our investment case:

- Tanzania has a young, growing population with significant scope for further digital adoption – connectivity and mobile financial services.
- Tanzania has a relatively strong and stable GDP growth, which creates demand for efficient supporting infrastructures including connectivity and mobile financial services.
- We are the leading mobile operator in Tanzania, with over 90% population coverage, recognised as the most preferred service provider with a strong brand and the largest mobile money network.
- Continued industry reforms in the country, with the government supporting conducive telecom's policies to attract investment in a sector that is crucial in bridging the digital divide.
- With the best data network across the country and our smartphone users' penetration at 54.2%, we are best placed to benefit from increasing the smartphone penetration and increasing mobile data uptake.
- Our opportunities to further expand M-Pesa ecosystem through innovative products, providing highly demanded technological solutions to the community, places Vodacom Tanzania at an advantageous position to continue our leadership in the provision of mobile financial services.
- Our investments in artificial intelligence (AI), machine learning and customer value management systems positions us at the lead in provision of customised offers growing revenue and reducing price competition impact.
- We believe that market consolidation – achieved through merger-integration and/or 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.
- Continuing to drive significant investments in business-supporting infrastructure, has enabled us to provide services that are central to delivering our purpose: connecting for a better future.


*Vigezo na masharti kuzingatiwa
4G YA UKWELI NI...
Ni 4G kutoka Vodacom
inayopatikana popote Tanzania
4G
Kucheki 4G status na ofa, piga *149*01# > chagua 5 au kuunganishwa tembelea maduka na wakala wa Vodacom
Pamoja tunaweza

Chairman's review

Justice (Rtd) Thomas Mihayo

It is my pleasure to introduce Vodacom Tanzania's fifth annual integrated report since the Company's listing on the Dar es Salaam Stock Exchange in August 2017, and the second report under my chairmanship. To date, the Company remains the only listed telco in Tanzania, and I believe it is one of the few listed companies in the country to embrace the principles of integrated reporting.

Looking back at the Company's performance; as we were recovering from the economic and social disruptions as a result of the COVID-19 pandemic accounted for in my last years review, we also had to absorb the impact of the new levies imposed on mobile money transfer and withdrawal transactions effective mid-July 2021. Additionally, the competitive environment remained intense. Against this challenging backdrop, and guided by our purpose-led business model, I believe the Company delivered a pleasing performance. This performance reflected the resilience of our business model, the strength of our management team and the quality of our execution as we strive to promote digital and financial inclusion.

Underpinning the Company's strong performance is our commitment to deliver on our purpose of 'connecting for a better future'. By investing in network infrastructure, developing innovative and affordable products and services, supporting customers with short-term financial needs, increasing access to affordable smart-devices, and continuing to provide the best customer experience, the Company is both; accelerating socio-economic transformation and ensuring its long-term resilience and growth. In a particularly competitive market environment, the Company's ability to maintain its leading position both in terms of market share and customer net promoter score, is testament to the strength of its execution and strategy.

In my first Chairman's letter last year, I highlighted the critical importance of fostering a relationship of mutual trust and respect between business and government, and of ensuring closer alignment on purposeful outcomes through dialogue. It has been particularly encouraging this year to see significant progress in the nature and quality of the Company's discussions with key government institutions, and the parliament – through its parliamentary committees, on material matters impacting the industry and Company's outlook. Notably, we engaged in constructive dialogue with the ministry responsible for telecommunications and the Tanzania Communications Regulatory Authority (TCRA) in relation to telecommunication services. Additionally, we made good progress in resolving outstanding tax matters with the Tanzania Revenue Authority.

The introduction of mobile money levies in the year was an unfortunate development for financial inclusion in Tanzania. The levies significantly increased the costs for customers to transact with mobile money, resulting in over 1.3 million customers immediately relinquishing our M-Pesa services. In addition to the financial inclusion impact, the levies negatively impacted Company revenues by an estimated TZS103.8 billion. To promote transparency and demonstrate the underlying business basis in the year, we have provided additional financial disclosure in this report, excluding the impact of the levies. Whilst the impact of the levies is difficult to dismiss, we are encouraged with an increasingly open-door attitude from the government, with respect to this matter. In September 2021, the levies were reduced by 30% and a further 43% from 1 July 2022, which makes a total reduction of 60% since the levy was introduced. We remain optimistic that together with the government, we will find solutions that will progress further realisation of benefits that technology can deliver to the country and financial inclusion.

On delivering our purpose, among many initiatives undertaken this year by the company, I am proud of the exemplary M-Mama programme. The programme aims at reducing maternal deaths, through provision of transportation service to pregnant women to the health care centres in the rural areas of Tanzania. We undertook this project in collaboration with the Government of Tanzania and Vodafone Foundation[1]. We had a successful pilot in the lake region, serving over 12 000 beneficiaries including women and new born infants. The programme also trained the health workers and drivers involved in it, which is an added benefit to the community. On behalf of the Board and the whole Vodacom community, I would like to extend our heartfelt appreciation to the President of the United Republic of Tanzania, Her Excellency Samia Suluhu Hassan, who in April this year, took her precious time, to grace the official launch of the second phase of M-Mama programme. The programme has now been extended to cover 14 regions, with nearly half of the Tanzanian population. I am pleased with this forward step made, it is an evidence of our commitment with support from our partners, to unreservedly deliver on our social contract.

Vodacom Tanzania, as part of the broader Vodacom Group Limited registered in South Africa, is an equal opportunity employer, with commitment to provide its employees with 'unlimited' career growth that will realise their dreams. It is this commitment that enforced the Board to also require reporting of the gender related employee statistics in our annual reports. To this end, this year we had the pleasure of welcoming two new members to the Company's executive team.

In November 2021, we announced the appointment of Hilda Bujiku as the new Finance Director, effective January 1, 2022. I am proud that Hilda is both our first Tanzanian and, female Finance Director. Prior to this role, Hilda served as our Deputy Finance Director, representing a good example of our succession planning. She replaced Jacques Marais who also, after five years as our Finance Director, moved within the Vodacom Group family.

Following the resignation of Hisham Hendi who headed to take another role in sister company, Vodafone Spain, after five years of exemplary service with the Company, Sitholizwe (Sitho) Mdlalose was appointed as Managing Director. Previously Finance Director for Vodacom South Africa, Sitho brought a wealth of experience and knowledge to this important role. He had an immediate and positive impact to the Company. In July 2022, Sitho returned to South Africa to lead our larger sister operating company Vodacom South Africa. His successor will be announced in due course. In the interim, the Board appointed Hilda Bujiku – our Finance Director, to act as the Managing Director. On behalf of the Board, I acknowledge the talent and experience that Sitho brought into the Company. True to his abilities, and in the short period that he served at the helm of the company, he formulated a robust strategy that we all believe will serve to consolidate our leadership position in the market for the mid to long term. Sitho's leadership posture has been a strong asset to rallying support amongst key stakeholders surrounding our business including policymakers, customers and staff.

On behalf of the Board, I extend our deep appreciation to Sitholizwe and Jacques for their valued contribution to the Company and wish them the very best in their new endeavours. These career moves showcase our 'GROW' with Vodacom opportunities, which makes us among the very best employers in the country.

Looking ahead, we have been encouraged by the positive signs of economic recovery for the Tanzanian economy, supported by strong management of inflation and recovery in the tourism sector which as hinted in my prior year's review, was hit-hard by the COVID-19 pandemic. While these indicators give us cause for optimism, there is significant uncertainty associated with the longer-term macro-economic implications of the conflict between Russia and Ukraine, which is already impacting global food and energy prices. Despite these uncertainties, I remain confident that Vodacom Tanzania has the appropriate strategy, leadership team, and organisational culture in place to ensure its continued resilience and growth.

> "In a particularly competitive market environment, the Company's ability to maintain its leading position both in terms of market share and customer net promoter score, is testament to the strength of its execution and strategy."

During the year, the Board continued executing its governance role as mandated by the Board Charter. I undertook my responsibility to ensure that the Board provides effective and independent oversight of the Company's performance and strategic direction, guiding the executive team to account on its fiduciary, ethical and social responsibilities. I am fortunate and pleased that we have a Board composed of executive, non-executive and independent non-executive directors with diverse skills, experience, perspective and gender.
I wish to thank all my colleagues on the Board for their valuable contribution to the Company, and to express my appreciation to the executive team and all the Company's employees for their dedication in continuing to deliver a pleasing performance under challenging conditions.

I would request and encourage all of you, our stakeholders, to take time and read our annual report for the financial year ended March 2022, understand the business performance and how it was achieved, and where relevant, please provide us with feedback.

Justice (Rtd) Thomas B Mihayo
Chairman
12 July 2022

1. In this annual report, 'Vodafone Foundation' refers to Vodafone Group's Foundation, a United Kingdom registered charity number 1193984.

Acting Managing Director's review

Hilda Bujiku

In April 2022 we extended the reach of our M-Mama programme, which provides emergency transportation for pregnant women to healthcare centres in rural areas, to cover half the population. The programme partners with the government in an effort to reduce maternal deaths and builds on the contribution we have already made in the Lake region areas of Mwanza and Shinyanga.

In the financial year 2022, we accelerated the delivery of our purpose-led strategy, building on critical programs to support the government, businesses and communities during the peak of the COVID-19 pandemic, and by advancing broader initiatives to reinforce our social contract and sustain our responsible corporate citizenship status. We are pleased with the impact of our rural connectivity program, which already spans 1 680[1] sites, including 283 sites built in collaboration with the government through the Universal Communications Service Access Fund to widen connectivity for the deep rural communities. Rural connectivity is crucial in bridging the digital divide by providing access to affordable communications while also supporting execution of our social contract programs focused on education, health, environment and agriculture.

We also extended our purpose-led impact beyond our core connectivity business by leveraging our digital ecosystem. Our M-Kulima initiative provides a cashless payment platform to more than 140 000 registered farmers, with additional benefits on speed of payments and security to the parties involved. Our impactful M-Mama program has assisted over 12 000 expectant mothers in the Lake region areas of Mwanza and Shinyanga since initiation in 2013. In April, we officially launched the program country-wide. The programme will now operate in 14 regions.

From a financial performance perspective, our service revenue momentum was stalled by the impact of the new levies imposed on mobile money services in July 2021. Having delivered 12.0% growth in the first quarter, our full year service revenue declined by 1.0%. Adjusting for an estimated TZS103.8 billion impact from the levies, our underlying service revenue grew 9.8%* in the year, underpinned by strong performance in data, supported by growing demand for digital services following our continued investment in the data network. Despite the pressure on reported service revenue, we reported operating profit of TZS64.4 billion, a 30.1% (149.5%*) improvement year on year, accelerated by our cost containment measures.

We are grateful for the 30% reduction announced in September 2021 and a further 43% reduction passed by the parliament in June 2022, making a total of 60% reduction since levy introduction. The decision will reduce the end-user charges. We believe by unlocking the growth potential in M-Pesa we can meaningfully address financial inclusion. Looking ahead, we will continue to engage and provide feedback to the government regarding the levy.

Executing on our strategy

Vodacom Tanzania delivered another year of strong execution. We made good inroads across our key strategic focus areas, while also managing new headwinds, such as levy on mobile money transfer and withdrawal transactions. Guided by our purpose-led approach, our multi-product strategy called the 'System of Advantage', leverages our capabilities and delivers diversified, differentiated offerings to our customers.

Monetise data and digital opportunities

We continued to deliver positive results in our drive to monetise data, and increase the uptake of data and digital services. Our execution was centred in network investment – particularly 4G network, increasing smartphones penetration and continued expansion of our segmented customer offers, to support service adoption, customer satisfaction and eventually, upselling. Attaining positive results in this core pillar, is critical in driving growth and our digital inclusion agenda.

During the year, despite financial performance headwinds, we remain positive on the potential of the market and continued to invest in the network. Capital expenditure of TZS173.9 billion, was up 42.1% and directed towards improving the quality of our network by accelerating

1. Based on Vodacom's internal classification criteria.

"Vodacom Tanzania delivered another year of strong execution. We made good inroads across our key strategic focus areas, while also managing new headwinds such as levy on mobile money transfers and withdrawal transactions."

TZS64.4 billion
Operating profit
up 30.1% (149.5%*)

TZS173.9 billion
Capital expenditure
up 42.1%

4G sites roll-out and upgrades, and enhancing our IT infrastructure. We added 143 new 4G sites and upgraded over 530 sites, expanding our 4G reach to 50% of the population, up from 42% last year. I am particularly pleased that our sustained capital investment and innovative smartphone penetration strategy execution, were supported by the availability of more affordable devices due to government's decision to exempt Value Added Tax on imported smartphones. This investment supported double-digit growth in mobile data revenue of 18.9% while Digital & VAS revenue grew strongly at 46.6% to TZS36.3 billion, attributed to growth in usage, product enhancements and increased adoption. Further, smartphone users increased 12.1% to 4.1 million, and penetration increased to 54.2% of data customers, up 13.5pp year-on-year, and contributed to 22.3% growth in data usage to 1.7 gigabytes per customer per month. The investment in network and smartphones, was behind the 20.8% overall growth in data volume used, with 4G traffic growing impressively at 59.0%, reflecting existence of strong demand and opportunity for data-and-digital services in the market.

We ended the year with 7.6 million data customers, down 1.2%, mainly impacted by service barring to over 200 000 data users who were not biometrically registered per the registration regulations. The closing data users' base represented a penetration of 49.5% on our total customer base.

Accelerate customer growth through M-Pesa

Leveraging our relationship with Vodacom Group and M-Pesa Africa, we continued expanding our product portfolio and implementing the best practices that sustained our M-Pesa customer market leadership currently at 39.6%[1]. This product portfolio and strong commercial execution helped us in acquiring new customers to mitigate a proportion of the 1.3 million M-Pesa customers that relinquished services immediately following the introduction of the levy. Additionally, products such as financial services, merchant payments and international money transfer (IMT) are increasingly becoming core service offers on M-Pesa, and importantly, they have proven to be more resilient to the impact of the levy.

We believe that by facilitating innovative and affordable solutions we can accelerate financial inclusion. Our lending product, Songesha, continued to perform well in facilitating seamless completion of customer transactions, with a 10.9% growth in value of overdrafts issued and a 6.8% increase in Songesha customers. The value of Songesha overdraft issued to agents scaled by over 120%, with

1. Tanzania Communication Regulatory Authority's (TCRA) quarterly report for March 2022.

an average overdraft of TZS230 000 per beneficiary per month. We also focused on providing our customers with an end-to-end payment solution through 'Lipa kwa simu', a point-of-sale payment mechanism. In the year, we have increased active merchants to over 40 000 with more than TZS1.7 trillion in transaction value processed, an increase of over 25%. Our IMT service also continued to play an important role in supporting financial inclusion and funds inflow into our M-Pesa ecosystem with over 40% growth in transaction value to more than TZS850 billion.

Although we made pleasing progress this year in piloting, launching, and accelerating several new products and services on our M-Pesa digital finance eco-system, our M-Pesa business was profoundly impacted by the introduction of levy on mobile money transfer and withdrawal transactions. Having grown our M-Pesa customers base to reach 7.8 million customers at the end of the first quarter of the financial year, subsequent to the implementation of levies, M-Pesa users fell to 6.5 million by the end of the second quarter. Our strong commercial execution coupled with the government's intervention through a 30% levy reduction in September 2021, supported a partial recovery of the customer base to 6.8 million customers as at financial year end.

M-Pesa revenue declined 7.6% to TZS329.6 billion, reflecting the impact of the levies. Adjusting for the estimated impact of the levies, underlying M-Pesa revenue growth was a strong 17.7%*, supported by the ecosystem expansion discussed earlier. We processed more than TZS60 trillion worth of transaction value through our M-Pesa platform during the year, highlighting the important role we play in the country's financial eco-system.

Continued enhancement of our enterprise offering

In our enterprise segment, we continued to deliver good revenue growth in both mobile and fixed-line data, supported by new corporate accounts and service offerings. We delivered good traction in our fixed-line business, with 20% new sites added, and adding an average of 100 new customers each month. Our fixed business revenue maintained its strong growth trend, and still offers exciting potential for significant further growth, due to the untapped opportunities in both homes and offices. On the other hand, IoT business delivered an annual revenue growth of over 25%, with valuable opportunities still existing in our ambitious journey to lead Tanzania into the digital world. We also made further progress in rolling out our digital agriculture and education products, developed in partnership with Mezzanine. At year-end, we had more than 140 000 small-scale farmers registered on our 'M-Kulima' platform, in close to 300 agricultural marketing cooperative unions (AMCOS). Delivering on M-Kulima is at the core of our hearts, as it serves a key sector in the economy, providing us an opportunity to contribute towards better future of millions of families.

Brand leadership: Retain and increase market share

In the face of the stiff market competition, we maintained positive scores on brand and customer appreciation indicators, reflecting the strength of our brand, driven through various initiatives.

A few notable highlights in the year:

- **Customer Market Share:** We maintained our leadership in overall customer market share at 30.2%[1] and M-Pesa leadership of 39.6%[3] in mobile financial service customer share.
- **Net Promoter Score (NPS):** We maintained our leading position in headline NPS, with an 18-points lead over our closest competitor; We also led in NPS for combined network performance with a 14-points lead gap and overall customer care NPS with a 15-points lead gap.
- **AWARDS:** We received a number of service excellence awards recognising our differentiated quality of service. Listing some of them included, **Consumer Choice Awards 2021** for the 'Most Reliable and Quality Network Telecom Service Provider of the Year 2021', and for the 'Most preferred Telecom Company for Customer Service Experience in Tanzania'. **Tanzania Digital Awards 2021** for 'Telecommunication Company of the Year', 'Best Mobile Money App' (M-Pesa app), 'Innovative Telecommunication Company of the Year' and 'Telecommunication Company with the Best Customer Care', **Tanzania ICT Awards 2021** 'The best mobile network', topped by **professional recognitions**, for 'The Best Presented Financial Statements award for the Year 2021' – in the Trading and Distribution category, awarded by the National Board of Accountants and Auditors of Tanzania (NBAA) and the 'Top Employer Tanzania 2022' and 'Top Employer Africa 2022', certification issued by a global HR practice firm – 'Top employers Institute'.

Actively managing costs and process efficiency

Over the years, we have implemented a rigorous cost focus across the business to support performance of the company. We have a strong track record of driving operational efficiencies in the company, through our cost transformation initiatives and leveraging on Vodacom and Vodafone groups' global best practices in driving cost containment. This year, our cost transformation initiatives delivered a

1. Tanzania Communication Regulatory Authority's (TCRA) quarterly report for March 2022.

saving of more than TZS40 billion in both direct and operational expenses, making a total expense saving of TZS167.8 billion over the past five years. These savings protected the bottom-line performance by mitigating the cost pressures in other expense lines which were driven by the increased competitive pressure as well as the challenges in the global supply chain.

People: Best talent, best practice

Delivering on our strategic objectives requires having the right talent and skills, and a strong culture of agility, innovation, and customer-service. We maintained a strong focus this year on embedding the Vodacom Spirit through various employee engagements aimed at deepening the Spirit culture and encouraging greater self-determination at a more decentralised level. It was encouraging to see that Vodacom Tanzania once again scored highest in terms of the Team Spirt Index and engagement scores across the global Vodafone Group. And, for the fifth consecutive year, Vodacom Tanzania was certified as Top Employer Tanzania 2022 and Top Employer Africa 2022.

As part of our commitment to localisation and employee diversity, we made further progress this year towards our 2023 targets on gender representation and inclusion: at year-end, 40% of our management team were female, and we also appointed our first Tanzanian and first female Finance Director. All but two of our executives are Tanzanians, resulting in an 84.6% level of local representation of Exco members, up from 30.8% five years ago.

In a significant milestone this year, we celebrated a landmark 10th fatality free year at Vodacom Tanzania, demonstrating our success and commitment in establishing a safe working environment to both our employees and suppliers.

Our strategic outlook

I am incredibly proud of what we have achieved, and what we are working on, to drive the business forward to deliver shareholder value, safeguard and upskill our workforce, while also contributing significantly to Tanzania's economic growth and improve society's living standard.

Looking forward, we remain committed to connect Tanzanians for a better future. Our purpose is premised on three pillars that include digital society, inclusion for all and planet. We believe that accelerating data adoption, smartphones penetration, digital and financial services, is key to enabling our purpose-led approach. And, by combining our integrated approach with our Social Contract with stakeholders, we will support economic progress in Tanzania, providing us with compelling growth opportunities.

Implementation of our strategy relies on our 'System of Advantage' that extends personalised connectivity offering into digital and financial services, to deliver a great customer experience. This strategy is key to us remaining competitive, while also unlocking new opportunities for growth.

We will be placing a particular focus in **leveraging on our brand position** – deepening brand loyalty into the hearts of our stakeholders, enhancing further the customer experience, and meeting changing stakeholders' expectations by very clearly delivering on our Social Contract. We aspire Vodacom brand to be at the heart of each and every stakeholder.

We will **vigorously defend our leadership in mobile** – through managing value perception, driving further uptake and monetisation of data, expanding digital services to provide customers with a reason to consumer data, network expansion and smart device penetration, expansion of personalised offers, in particular, data offers. Market demand for data and digital services is strong, underpinning our strategy for digital inclusion. Our current 53.9% smartphone users' penetration to data users, provides us with an opportunity to accelerate further the smartphone penetration. To further increase market share, data uptake and ensure customer stickiness, we will be investing further in big data systems, enabling hyper-personalisation in our data offers. We will strive to always remain competitive and relevant to our customers while protecting the market value.

It is our ambition to **expand and escalate M-Pesa growth** – we will build on success of the existing traditional and non-traditional services in our current M-Pesa product portfolio, while accelerating development of new innovative products and services, and growing our active M-Pesa customer base penetration. Leveraging the broader Group's product roadmap, we intend to transition our M-Pesa App into a Super App underpinned by world-class technology. The Super App will continue to offer services ranging from loans and savings, seamless QR and person-to-person transfers, to entertainment and personalised shopping experiences, promoting greater financial inclusion. It is our commitment to continue accelerating the financial inclusion.

In the enterprise space, we will **relentlessly pursue fixed** business opportunities through differentiation, providing our customers with the best and secured data experience at homes and offices. We will continue **innovating and leading in the enterprise** space focusing on provision of services that addresses advanced technological business challenges, as well as providing sector specific IoT solutions. And, we will focus on opportunities to sweat our assets, ensuring maximum utilisation of the available capacities through **wholesale** contracting of extra capacities.

We will continue to deliver on sustainable cost containment initiatives and proactive measures to drive top line recovery, in order to **improve profitability of the company** and return on capital employed. And, as always, our strategy is built and relies on our commitment to always **develop and retain a high performing team.**

As we execute on our strategy we are mindful that we may face ongoing pressures from the COVID-19 pandemic and new risks related to the Russia-Ukraine war. Nevertheless, we aspire to grow our business over the medium term and continue to connect Tanzania for a better future.

Acknowledgement

In closing, I would like to express my sincere gratitude and appreciation to the Board for entrusting me with the responsibility to oversee the company through the interim period and the executive team, all the staff across the company and our business partners, for the warm welcome extended to me following the news of my appointment. I am without doubt that Vodacom Tanzania is poised for growth and I am confident that, this team is well placed to deliver on its social contract and purpose – leading Tanzania into the digital age and changing lives through technology.

Pamoja Tunaweza.

Hilda Bujiku
Acting Managing Director
12 July 2022

Our business model

What we do

We secure access to spectrum, invest in mobile and fixed networks and information technology (IT), develop and distribute a wide range of products and services tailored to our market segments, and offer a broad range of financial services through our M-Pesa ecosystem. Coupled with our excellent 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 (the five capitals) that we rely on to do business and to deliver on our purpose: connecting for a better future.

Our value chain activities

Spectrum, network and IT infrastructure

Most of our communication services depend ultimately on having access to spectrum. We strive to secure this access 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, particularly for the provision of 4G services. Over the past five years, we have invested over TZS782.1 billion in expanding and upgrading our mobile network together with the supporting IT infrastructure. We have the largest nationwide data network in the country, with 4G coverage across the country, supported by our spirit aimed at continuously enhancing the customer experience in our network.

Procurement activities

We manage a significant supplier landscape with total procurement spend FY2022 of TZS535.2 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, handsets, and other services on favourable terms. This year, 25.3% of purchases (TZS135.5 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. This year, close to 74% of total procurement spend (amounting to TZS395.3 billion) was on local suppliers.

Product and service development

We are continually 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 are evolving our products and services into new revenue streams creating innovative products and services. We place a strong emphasis on protecting customer privacy, cybersecurity risks and on mitigating the overall risk of data theft or loss. We have been implementing the 'agile' methodology across various departments to ensure we respond faster in a constantly changing environment. We have been developing new products and services in various new streams, including IoT and financial and digital services. We are deepening our use of machine learning and customer value management (CVM) platforms to deliver personalised offers to our customers, popularly known as 'Just 4 You' offers.

Customer service

Providing the best customer experience, and instilling a 'customer first' attitude, is an important source of market differentiation for Vodacom, and a key strategic priority. We listen to our customers, and seek constantly to deepen our understanding of 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 456 nationwide retail points, more than 24 000 freelance distributors and 120 000 active 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.

Managing our brand and reputation

We build a brand with purpose, developing and maintaining a reputation as a company that is leading Tanzania into the digital age and improve lives through digital technology. 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 consistent NPS leadership attests our brand strength.

How we create value

We generate profit by investing in our fixed and mobile networks to attract Consumer and Enterprise customers with compelling voice, data, messaging, financial and digital products, and related services.

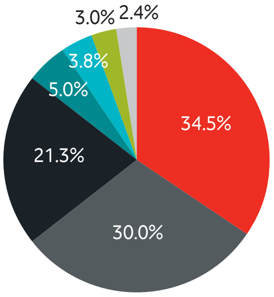
Our competitive differentiation lies in the reach and quality of our network premised on strong investment, our strong distribution channels, the diverse nature of our products and services, the quality of the relationships with key stakeholders, our proven ability to manage costs, and the strength of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

Our revenue

Most of our revenue comes through selling mobile telecommunication and digital services to 'pre-paid' customers, as well as fee income from providing mobile financial services to consumers, agents 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, digital and value added services (VAS), 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 and messaging.

Key revenue differentiators

- Globally recognised and established brand with a strong reputation across Tanzania.
- Leading mobile financial service offering (M-Pesa), supported by a world-class payment platform and highly innovative solutions.
- Revenue diversification with growing share of new revenue streams (Data and Digital & VAS).
- 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 fixed and mobile communications services to Tanzania's large-enterprise market.
- Demonstrated ability to harness machine learning and CVM platforms to develop personalised offers better suit customer needs and behaviour.
- Ability to leverage off our relationship with Vodacom and Vodafone to drive global best practice.
- Our best-in-class customer service support systems.



Group service revenue composition

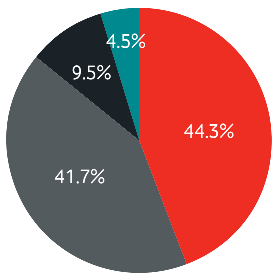
- M-Pesa (FY2021: 36.9%)
- Voice (FY2021: 31.3%)
- Data (FY2021: 17.8%)
- Incoming (FY2021: 6.0%)
- Messaging (FY2021: 3.3%)
- Digital & VAS (FY2021: 2.6%)
- Others (FY2021: 2.2%)

Our costs

We have a good track record of optimising expenses and converting revenue into cashflow. This track record is supported by a culture of cost containment across the business through our cost transformation initiatives. We have delivered considerable cost savings in recent years by enhancing efficiencies in network operating expenditure, renegotiating contracts in billing and IT areas, optimising publicity spend, and 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

- Saved over TZS40 billion through our cost transformation initiatives.
- Ability to optimise costs through efficient use of Robotic Process Automation (RPA), investment in big data, and Artificial intelligence (AI).
- Leveraging global best practice on cost optimisation through our relationship with Vodacom and Vodafone groups.
- Continuously upgrading and modernising our network to deliver improvements in operating costs through more efficient technologies and network innovation.
- Benefitting from the purchasing power of the Vodafone Procurement Company ('VPC').
- Robust governance processes for approving new or revised products and investments.



Group total expenses composition

- Direct expenses (FY2021: 45.9%)
- Other operating expenses (FY2021: 39.4%)
- Staff expenses (FY2021: 9.3%)
- Publicity expenses (FY2021: 5.4%)

How we sustain value

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

	Critical inputs (2022)[1]	Our activities to sustain value
HC IC **People, culture and governance** Human and intellectual capital	▶ 560 employees (2021: 569) ▶ Experienced executive team ▶ An agile, performance-based, purpose-led culture ▶ A strong Board and robust governance systems ▶ Service providers delivering efficiently and effectively on agreed terms ▶ Focus on employees, contractors and suppliers' safety	● Competitive remuneration and personal development opportunities ● Investment in employee training and leadership development, including upskilling employees for digital transformation ● Agile business processes being implemented across our business units ● Various initiatives to build and maintain our existing reputation as a quality employer ● Regular engagement with employees to foster strong culture and ensure consistent delivery on targets ● Sustained focus on employee safety and health
SRC **Quality relationships with key stakeholders** Social and relationship capital	▶ 15.4 million customers (up 3.4%) ▶ Constructive engagement with regulators, informed by mutual trust ▶ Sustained levels of investor confidence ▶ Positive supplier relationships ▶ Trusted brand and reputation	● Continued investment in ensuring network and IT quality, strong positive customer experience, and segmented products and services ● Regular and frank engagement with regulators, pursuing maximum compliance ● Continuing to participate actively in government's rural coverage agenda ● Regular communication with investors ● Delivering societal value through connectivity and digital services in areas such as inclusive finance, education, health and agriculture ● Credible governance processes ● Corporate social responsibility programs
MC **Network and IT infrastructure** Manufactured capital	▶ 3 388 base stations (up 1.0%) ▶ 2 055 km of self-provided fibre (up 9.4%) ▶ TZS174.0 billion investment in network (up 42.1%)	● Maintaining our network and IT leadership through targeted investment ● Upgrading and modernising our network and IT systems ● Further enhancing our IT and related systems and processes to support machine learning analytics and cybersecurity
FC **Financial capital**	▶ TZS1 724 billion market capitalisation, (FY2021: TZS1 724 billion) ▶ TZ13.0 billion free cash flow (down 42.3%)	● Diversifying revenue streams ● 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 AI and CVM to increase revenues and optimise costs ● Driving strong cost containment initiatives
NC **Natural resources** Natural capital	▶ Radio spectrum: 700, 900, 1 800, 2 100, 2 600 MHz bands for Mobile and 3 500 MHz band for Fixed 4G ▶ 16.4[2] GWh electricity (down 3.3%) ▶ 1 748[3] kl of fuel (up 5.8%) ▶ 26 887 kl of water (up 6.4%) ▶ 31 649 tons of refrigerants and fire suppressants used (GHG contributor) (up 5.1%) ▶ Plastics, paper and related inputs	● Strong focus on energy efficiency across our network ● Recycling handsets and network equipment ● Identifying opportunities to use IoT to promote resource efficiency, for example through smart metering and vehicle tracking ● Dematerialising by using smaller SIM cards and encouraging electronic recharges

1. Data for all inputs as at 31 March 2022.
2. Usage excluding third party, total usage amounts to 68.8 GWh of electricity.
3. Usage excluding third party, total usage amounts to 6 160 litres of fuel.

✓ Value created ✗ Value eroded = Value sustained

Results of our activities (2022)

Maintained employee motivation, skills, and diversity through:
- ✓ TZS63.8 billion in wages and benefits
- ✓ 40.0% female representation in senior management

Sustained evidence of staff satisfaction:
- ✓ Top Employer certification for six consecutive years
- ✓ Strong 85% engagement index score in Spirit Beat survey.

Health and safety performance
- ✓ Celebrated a landmark 10th fatality free year
- ✓ Proactive COVID-19 response

Positive customer relations
- = Leader in customer net promoter score (NPS) with 18-points gap over nearest competitor, various awards won on customer appreciation
- ✓ Further progress in developing smarter personalised offerings following AI deployment

Generally positive government relations, supported for example by:
- ✓ TZS1.4 trillion total cash contribution to public finances over last three years
- ✗ Enabling financial inclusion to more than 6.8 million M-Pesa customers
- ✓ Built 283 Universal Communications Access Fund sites in the past ten years
- ✓ CSR projects

On health e.g 'M-Mama' (details on **page 56)**
Girls' empowerment e.g #codelikeagirl (details on **page 57)**
On education e.g 'Instant schools' (details on **page 57)**
On environment e.g 'Kijani zaidi program' (details on **page 57)**

Positive results in most areas
- ✓ TZS173.9 billion CAPEX investment to address network and IT plans
- ✓ 32 new 2G sites
- ✓ 43 new 3G sites
- ✓ 143 new 4G sites
- ✓ Network resilience supporting 20.8% growth in total data traffic, and 59.0% increase in 4G traffic carried in the network
- ✓ A 14 points clear lead on network quality NPS against the second competitor
- ✓ A leading company in Cybersecurity across the Vodafone Group Operations

- ✓ 30.1% increase in operating profit to TZS64.4 billion
- ✓ TZS56.2 billion cash generated from operations
- ✓ Our cost transformation program delivered over TZS40 billion savings
- ✓ Mobile customer revenue for our GSM business grew 4.9%
- ✗ Service revenue down 1.0% to TZS956.5 billion (impacted by levy and competitive pricing pressures)
- ✗ EBITDA down 5.0% to TZS300.3 billion

- ✓ 4 046[4] tonnes CO_2 emissions from electricity usage (down 19.1%)
- ✓ 1 054 tonnes of total GWP refrigerants and fire suppressants replenished (down 32.4%)
- ✓ Proportionate increase in energy consumption relative to increase in network elements
- ✓ Prevented over 15 tons of plastic wastes, and over 134 tons of paper usage

Trade-offs

Investing in attracting, retaining, and developing talent in the very competitive digital space is one of the most significant costs to our business. While this impacts short-term financial capital, it is an essential investment in 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 (depleting human and social capital), but also raises opportunities in new roles. Balancing efficiency gains (improved financial capital) against the human and social costs of job cuts (human and social capital) is a persistent potential trade-off.

Maintaining quality relationships across all stakeholders may require trade-offs in certain relationships as we balance competing stakeholders' interests. While we aspire to acquire and serve all potential customers in the market, we have to comply with the biometric registration regulations.

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, which however comes with an additional responsibility to enhance customer data security and privacy. As a purpose-led organisation we have committed to reduce 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.

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 between the short-term and long-term – and in different stakeholder interests – is a key focus in our strategic decision-making.

Using and impacting natural resources – which sometimes negatively affects human and social capital – is a key trade-off for generating value across other capitals. As a purpose-led company we are committed to minimising the environmental impacts of our operations and activities, and to realising the significant potential for digital products and services to deliver positive environmental outcomes.

4. Prior year CO_2 emissions were erroneously captured as 0.005 tonnes instead of 5 000 tones. Emissions excluding third party, total emissions amount to 36 502 tonnes.

Our operating context

As a telecoms, digital and financial services company in an emerging market, we face a dynamic operating context that presents both demanding challenges, as well as potentially rewarding commercial opportunities for innovation and growth.

We have identified five broad trends in the external operating environment that have a material impact on our business. These are broadly similar trends identified in recent years. By ensuring effective execution of our strategic commitments, we believe that we are well positioned to manage the risks and realise the opportunities associated with each of these trends.

A challenging regulatory and policy environment

Given the significant potential contribution of the telecoms sector in a country's socio-economic development, mobile network operators are subjected to a high level of regulatory scrutiny in almost all markets globally. There have been some significant recent regulatory and policy developments from the government and its departments, particularly our two main regulators – the Tanzania Communications Regulatory Authority (TCRA) for GSM services, and the Bank of Tanzania (BoT) covering our financial services – that have impacted our activities. The most significant recent developments are listed below.

Levies on mobile money transfers and withdrawals and airtime: On 30 June 2021, the President approved the Finance Act, which included the amendments to the National Payment System Act (NPS Act) and the Electronic & Postal and Communication Act (EPOCA) which introduced levies on mobile money transfer transactions and airtime. For mobile money transfer and withdrawal transactions, a transaction value dependent levy of between TZS10 and TZS10 000 was implemented from 15 July 2021. Subsequent to the implementation and following our continuous engagements with the relevant Government stakeholders, the regulations were amended effective from 03 September, reducing the levy by 30%. Despite this reduction, transaction volume and values were still at the lower levels compared to the transactions before the levies were implemented, as the levies still represented a material increase to end-user charges. During the year, we collected mobile money transactions' levy totalling TZS118.8 billion for the government. Encouragingly, the parliament approved a further 43% reduction in the levy effective from 1 July 2022, which makes a total reduction of 60% since the introduction in July 2021.

Additionally, and in accordance with the Electronic and Postal Communications (Airtime Levy) Regulations 2021, airtime based levies of between TZS5 and TZS223 were implemented on 20 October 2021. During the year, we collected airtime levies totalling TZS2.1 billion for the government.

Vodacom Tanzania Plc and the other mobile operators continue to engage with the relevant Government institutions on the further reduction of levy, so as not to continue to interrupt the significant strides made in the last decade in reducing barriers to financial inclusion.

Tanzania Instant Payments System (TIPS): The Government through Bank of Tanzania, has proposed introduction of a National Switch for payment transactions across different digital financial services providers, with the stated aim of improving the BoT's visibility of transactions and reducing consumer's transaction cost. Implementation of the switch may have significant implications for our existing M-Pesa business and agents' model. The switch is scheduled to be live by end of June 2022. We continue engaging with the BoT in order to have a clearer understanding of the business implications to our business.

SIM Card biometric 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.

On 7 February 2020, the new Electronic & Postal Communications (SIM Card Registration) Regulations 2020 were published. The Regulations provide for a biometric registration of SIM cards using the National ID, as the sole means of registering SIM cards in the United Republic of Tanzania. During the year, as directed by the TCRA, we barred 568 000 non-biometrically registered customers.

On 1 July 2020, the TCRA issued a public release that required customers who biometrically registered more than one SIM card per service provider to verify their SIM cards ownership through their mobile phones. Furthermore, the TCRA and mobile network operators have implemented an approval process that allows customers to request for additional SIM cards by visiting service providers' retail outlets or an automated process through Unstructured Supplementary Service Data (USSD). Customers are allowed to have more than one SIM card if they follow the correct approval process. We continue to drive awareness on the SIM card verification process.

Our response

- As part of our commitment to ensuring robust governance processes and instilling a strong culture of compliance across the Company, in the financial year 2020, we established a dedicated 'Risk and Compliance' directorate and appointed a Risk and Compliance Director at Exco level. The directorate is charged with the role of monitoring and managing all major risks against the business.
- We continuously monitor changes to regulations and licencing requirements, and ensure that our business units are sensitised, including through training programs such as the 'Doing What is Right' programme on legislative and regulatory requirements, supported by an annual self-assessment.
- We are maintaining proactive relations with government and relevant regulatory bodies and tax authorities, informed by a shared understanding of the need for inclusive economic development and the important contribution of a profitable business sector.
- We engage continuously with the TCRA and other regulatory authorities to ensure compliance with customer registration requirements, and we have worked with the industry representative body (TAMNOA) to launch country-wide awareness campaigns to drive biometric registration. We continue to invest in compliance awareness training in distribution channels and in the provision of necessary customer registration equipment.

Potential global economic impact on consumer spending

The Tanzanian economy continues to recover from the COVID-19 pandemic, which has had a particularly significant impact on the country's tourism sector, an important driver of economy. Gross Domestic Product (GDP)[1], grew by 4.9% in the quarter ending December 2021, after growing 5.2% in the quarter to September 2021, compared to 4.8% and 4.4% growths in the corresponding periods in the year 2020. The IMF's World Economic Outlook, released in April 2022, projects a 3.8% GDP growth for Sub Saharan Africa in 2022, down from their 4.5% projection for 2021 following impact of the Russia-Ukraine war.

In Tanzania, the projected real GDP growth rate for 2022 is more positive at 4.8%, due to improved performance of the tourism sector and the reopening of trade corridors, however inflation is projected at 6.3%, up 2.1pp from 4.2% for the year 2021.

Downside risks to the outlook for Tanzania include continuing regulatory and policy bottlenecks that constrain private sector activity, as well as the profound uncertainties associated with the conflict between Russia and Ukraine. This conflict has already impacted global food and energy prices, and it is instilling further inflationary pressure on the global economy. In Dar es salaam, Tanzania, fuel prices have increased by more than 40% and 25% for diesel and petrol respectively[2], between May and January 2022, which potentially put pressure on disposable incomes due to increase in transportation costs.

Our response

- Given continuing global and regional uncertainty in the macro-economic outlook, we anticipate that consumer spend in Tanzania will remain under pressure for the immediate future, further amplifying an already intense price-based competitive environment. Constrained consumer spending, and heightened price-based competition, highlights the strategic imperative of providing machine learning driven and highly personalised offers relevant to our customers' lifestyle and spend, supported by an effective cost containment programme. At the same time, we need to address the sustained downward pressure on data prices (see next page) which is critical factor for our long-term investment decisions.
- To mitigate some of the underlying structural challenges, and to deliver on our core purpose of 'connecting for a better future', we are driving an increased focus on our social contract initiatives, democratising data access and promoting digital inclusion through enhanced rural coverage, and affordable smart devices and digital services. In our enterprise business we are exploring further commercial opportunities to deliver strong social value in critical areas such as health, education, environment and sustainable agriculture.
By focusing on our social contract and core purpose, the Company will continue to make a meaningful contribution to the UN SDGs and help to enhance the underlying social and environmental conditions critical to economic development and business success.

1. Source: National Bureau of Statistics.
2. Computed based on fuel cap prices announced by Energy and Water Utilities Regulatory Authority (EWURA).

Low data prices constraining long-term investment

Tanzania is one of the most competitive telecommunications markets in Africa, with eight mobile network operators (MNOs), each seeking competitive differentiation and driving some very aggressive pricing leading to one of the lowest effective voice and data prices in Africa. Coupled with the recent implementation of levy on mobile money transfer and withdrawal transactions and the impact of the recent customer registration requirements, this places a sustained pressure on already tight operating margins.

The low data prices constrain our ability to drive our ambitious revenue growth, and thus in turn undermine our capacity to make some of the necessary long-term investments needed to drive a faster 'digital dividend' in the country.

Our response

- To continue investing on our network and supporting infrastructure to deliver the best network experience while aggressively but responsibly defending our market position.
- To compete effectively and deliver a differentiated customer experience, we maintain a strong focus on the strength and reach of our network, the quality of our customer care, the pricing and nature of our services and devices, and our strong brand reputation. These are all areas in which we have demonstrated competitive performance, as evidenced for example by our sustained leadership in customer service and overall network Net Promoter Scores (NPS)[1].
- To continue engaging with the government through the regulator and other relevant stakeholders on the importance of price regulation to support industry investment.
- The strengthened competitive environment, sometimes from unexpected sources, highlights the importance of remaining agile, and of identifying and realising opportunities for innovation. We continuously monitor existing and new competitors, and are exploring opportunities for innovative partnerships, including as part of a potential consolidation within the sector.

Exciting commercial opportunities in bridging the digital divide

With a young and growing population, and comparatively low levels of smartphone and internet penetration, Tanzania offers exciting opportunities for significant growth in data usage, digital services and revenue generation over the short to medium term. Tanzania's internet penetration stands at an estimated 50.0%[2] of the population, up 1.0pp year-on-year. Roughly, 25.2%[3] of market customers in the country have access to a smartphone, while data users' penetration is estimated at 54.0% and 4G penetration at 15.5% of market customers.

By helping to bridge the digital divide and promote digital inclusion, the telecommunications sector has already made a substantial contribution to Tanzania's developmental goals, facilitating access to essential services, enabling inclusive economic opportunities, and driving productivity gains across key business sectors. Vodacom has the potential to play a significant further role in stimulating inclusive economic development through its core data and voice services, overlaid with the IoT solutions, including specifically driving digitisation opportunities in finance, education, agriculture, cybersecurity, e-commerce, transportation, logistics and health. For these opportunities to be fully realised, it is essential that the pricing of data supports the necessary investment case, and that the mobile sector has sufficient access to adequate spectrum. We are grateful for considerable efforts undertaken by the government to support smart devices accessibility through Value Added Tax (VAT) exemption on smartphones, tablets and modems. However, we have to further address the affordability challenge for the smart devices and access to digital skills, and levels of consumer awareness particularly in the rural areas.

We remain confident that these issues will be addressed in time. Vodacom is very well placed to realise the exciting commercial opportunities in promoting digital inclusion across the country.

Our response

- To realise the significant commercial opportunities for digital growth in Tanzania, we have overtly positioned Vodacom to be a leading digital company that empowers a connected society by helping to close the digital divide in Africa's key economic sectors.
- Digital transformation offers significant opportunities for us to extend revenue streams beyond traditional connectivity. Seizing these opportunities requires us to rethink the networks and technology of the future, foster a company culture that attracts and develops the best digital talent, and redefine our approaches to customer engagement.
- Economic digitisation provides us with opportunity to offer industry specific services that delivers digital solutions including IoT services that addresses our customers' current and future challenges.
- Digitisation also presents profound opportunities to drive positive societal change through our innovative digital products and services in fields such as education, healthcare, agriculture, and financial services.

1. Our Net Promoter Score study is commissioned and conducted by an independent external market research company.
2. Tanzania Communication Regulatory Authority's quarterly communications statistics as at March 2022.
3. Smartphone and 4G users' penetration rates have been estimated using extrapolation on reported statistics in TCRA quarterly reports and Facebook Insights report for 9 May 2022.

Some continuing disruption from the COVID-19 pandemic

Although its impacts have significantly lessened the COVID-19 pandemic has continued to cause social and economic turmoil, both locally and globally, reducing levels of economic activity, disrupting supply chains and traditional working patterns, and causing many people to suffer health, economic and emotional hardship. Although the government in Tanzania has prioritised the need to keep the economy open to sustain livelihoods, certain sectors – such as tourism and hospitality – have been profoundly disrupted, with ramifications felt across the economy.

The increase in remote working has highlighted the valuable role of the telecoms industry in enabling connectivity. The sector's activities in facilitating electronic communications, particularly through social media channels, has assisted in spreading information and education about the pandemic.

Our response

Together with the broader Vodacom Group, we have been implementing numerous measures since the start of the pandemic to keep individuals, communities, businesses, and government connected, to protect the wellbeing of our employees and contractors, and where possible to use digital technologies to mitigate the pandemic's impacts.

- To ensure employee wellbeing while maintaining business operations, we are encouraging a hybrid of remote and office working while adhering to all healthy precautions. Since late March 2020 when our employees started working from home, we provided them with support through various initiatives, including our Employee Assistance Programme that provides counselling services to help coping with personal and work-related matters.
- To ensure continued connectivity across Tanzania, we have continued to invest in maintaining the resilience and quality of our network. Through this connectivity, we have facilitated a hybrid working life from home and office, which is becoming a new norm, post the heightened COVID-19 pandemic period.
- We have harnessed the strength of our M-Pesa platform and particularly the merchant services to promote contactless payments for our customers.
- We still provide access to a 'free' hotline to access 'Afya Call Center' for health related consultation and information including COVID-19 by dialling #199.

Investing in 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 also highlight their contribution to value creation, our means of engaging with them, and the stakeholders' priority interests relating to our business activities.

Customers

Stakeholder value
Provide the basis for revenue growth by purchasing our products and services.

Means of engagement	Priority interests
• Call centres, retail outlets and online. • My Vodacom app, USSD code, M-Pesa app, self-help channels. • Weighted net promoter score ('NPS') feedback interviews and focus groups. • Social media interaction. • Vodacom Tanzania website.	▶ Better value offerings. ▶ Faster data networks and wider coverage. ▶ Making it simpler and quicker to deal with us. ▶ Simplicity in accessing our services. ▶ Converged solutions for business customers. ▶ Privacy of information. ▶ Feedback on service-related issues. ▶ Safety of M-Pesa transactions. ▶ Readily available services.

Governments and regulators

Stakeholder value
Provide access to spectrum and operating licences, the basis for creating value.

Means of engagement	Priority interests
• Participation in public forums. • Engagement on draft regulations and bills. • Engagement through industry bodies. • Publication of policy engagement papers. • Partnering on key programmes e.g Inclusive education, Inclusive health, Inclusive growth in agriculture, and Inclusive climate action.	▶ Ensuring spectrum is managed as a strategic resource. ▶ Regulatory compliance on issues such as customer registration, mobile termination rates, service quality, price, security, and safety, health and environmental performance. ▶ Promoting opportunities for economic development. ▶ Contribution to the tax base. ▶ Communications' sector. ▶ Fair market competition.

Investors and shareholders

Stakeholder value
Provide the financial capital needed to sustain and grow.

Means of engagement	Priority interests
• Investor interactions, including conferences, meetings, and roadshows. • Annual and interim consolidated results. • Quarterly trading updates.	▶ 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.

Employees

Stakeholder value
Provide the skills and inputs needed to realise our vision.

Means of engagement	Priority interests
• Internal website, 'Workplace' • Newsletters, internal magazine, and electronic communication. • Employee hotline/Speak up line. • Leadership road shows. • Engagement surveys. • Online training. • Health consultant/Psychologist.	▶ Opportunities for personal development. ▶ Competitive remuneration. ▶ Knowledge sharing across the Group. ▶ Building the coaching capability of leaders. ▶ Better understanding of reward structures. ▶ Health and safety. ▶ Being heard. ▶ Safe working place.

Suppliers

Stakeholder value
Affect our ability to provide products and services.

Means of engagement
- Supplier forums.
- Ongoing site visits.
- Audits.
- Procurement processes (including tendering).

Priority interests
- Timely payment and fair terms.
- Transparent and fair tender processes.
- Relevant health and safety standards, and ESG expectations.
- A 'fair' share of the local purchases (local spend).

Communities

Stakeholder value
Provide a social licence to operate and strengthen the socioeconomic context.

Means of engagement
- Public participation where new base stations are required.
- Vodacom Tanzania Corporate Social Responsibility in partnership with communities.
- Social media pages.

Priority interests
- Access to our communication services, as well as services such as finance, health, and education.
- Free-to-use social media, health, education, and job sites.
- Responsible expansion of infrastructure.
- Sustainable business.
- Responsible business practices.

Business partners

Stakeholder value
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.
- Management visits.

Priority interests
- Fair treatment.
- Top management involvement with customers.
- Making it simpler and quicker to deal with us.
- Being heard as partners.

Media

Stakeholder value
Have a potentially significant influence on other stakeholders' perceptions.

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

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

Our material risks and opportunities

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

In the financial year 2020, we established a dedicated Risk and Compliance department, under a newly appointed Director of Risk and Compliance, and last year we successfully separated Risk and Compliance as a stand-alone function, ensuring consistent support to the business plans and priorities.

Our material 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 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 risks when setting strategies, approving budgets, and monitoring progress against 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.

The Group's risk heat map (Figure 1) sets out the top 10 principal risks as identified through the risk management process; the heat map depicts residual risk after considering mitigating risk factors. This is supported by the risk and speed of impact report (Figure 2), reflecting the rate at which the Group would experience adverse impacts if the risk materialised.

Risk
1 Market distribution
2 Cyber threats
3 Regulatory compliance
4 Taxation
5 Technology resilience
6 Adverse political and regulatory pressures
7 Financial and economic conditions
8 Privacy
9 Fraud
10 Spectrum
11 Financial services (M-Pesa)
12 Litigation
13 Third party management
14 Talent management

Figure 1: Vodacom principal risks FY2022 (impact versus likelihood)

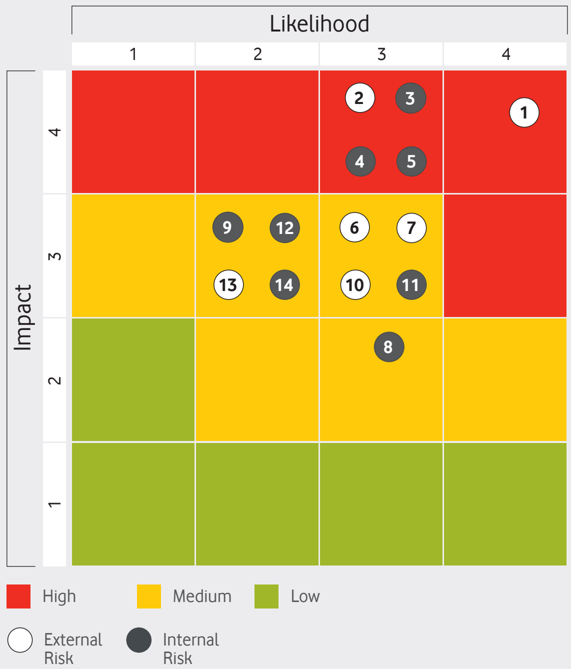
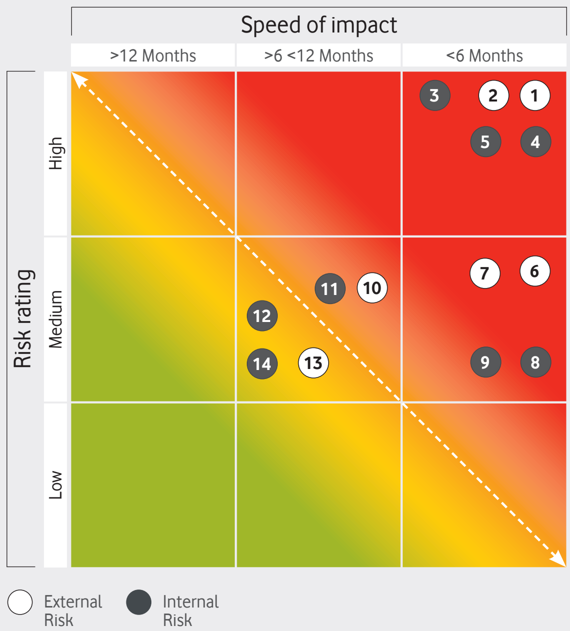


Figure 2: Vodacom speed of impact FY2022



The table below reviews the top 10 material risks as identified through our risk management process, depicting the residual risks after considering our mitigating risk factors.

1 Market disruptions
(FY2021: 4)

RISK TREND	SPEED OF IMPACT:
^	**<6 months**

Context

- 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.

Mitigating actions

- 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, developing innovative propositions, and investing in the quality of customer services, including through advanced CVM capabilities.
- Execute bundle rules and special offers regulations to stabilise market price aggression.

2 Cyber threats
(FY2021: 1)

RISK TREND	SPEED OF IMPACT:
v	**<6 months**

Context

- 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 and potential cost associated with fraud and/or extortion.

Mitigating actions

- Strong security basics, including perimeter controls, infrastructure (hygiene), protecting data leakage, preventing loss of availability, controlling information between endpoints and the cloud.
- Cybersecurity policies and processes implemented, and cybersecurity culture promoted.
- Cyber-privilege User Access Management, through Cyber-ark.
- Local cybersecurity monitoring and Cyber Intelligence Centre (CIC) aggregates security monitoring.
- Vulnerability scanning and periodic penetration tests are performed.
- Implementation of log monitoring tools and discrepancies followed up.
- Control self-assessment: Over 10 000 control tests performed.
- Anonymisation and pseudonymisation of data projects are implemented.
- End-point detection and response in place.

3 Regulatory compliance
(FY2021: 3)

RISK TREND	SPEED OF IMPACT:
>	**<6 months**

Context

- Any breach of legal and regulatory requirements due to either not identifying requirements or inadequately assessing current compliance requirements exposes Vodacom Tanzania to significant financial and reputational damage.

Mitigating actions

- Continuous monitoring of changes to key laws, regulations, and licence requirements.
- Ensure business units are sensitised, including through training programs such as the 'Doing What is Right' Programme on legislative and regulatory requirements.
- Annual self-assessment of the Compliance Matrix.
- Engage with regulators to seek clarity and sufficient time to implement new requirements.

4 Taxation
(FY2021: 7)

RISK TREND	SPEED OF IMPACT:
	<6 months

Context

- Changes in local or international tax rules, and/or challenges by the tax authority, could expose us to liabilities.

Mitigating actions

- Systems in place to ensure efficient management of tax, ensuring these stand up to any potential challenges by authorities.
- Active engagement with governments and tax authorities to ensure good working relationships and help manage potential impacts of legislative change.
- Expert tax advice sought as needed.
- Report publicly on tax issues.

5 Technology resilience
(FY2021: n/a)

RISK TREND	SPEED OF IMPACT:
	<6 months

Context

- A complete technology failure – in our network and IT infrastructure, IT platforms, or essential technology service providers – resulting in a major impact on our customers, revenues and reputation.

Mitigating actions

- Implement technology resilience controls in line with Vodafone's Technology Resilience Policy (TRP).
- Conduct on-going Business Continuity Management tests, and 24/7 IT and Network monitoring.
- Deploy security monitoring tools across our infrastructure.
- TRP plans are in place and reviewed annually.

6 Adverse Political and Regulatory Pressures
(FY2021: 2)

RISK TREND	SPEED OF IMPACT:
	<6 months

Context

- Stringent regulatory requirements set by the regulator or legislation could impact profitability, growth, and services.
- A conflict in interpretation between the company and the regulator, could lead to potential fines and penalties.

Mitigating actions

- 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.

7 Financial and economic conditions
(FY2021: 5)

RISK TREND	SPEED OF IMPACT:
	<6 months

Context

- The challenging macro-economic environment in Tanzania could result in currency devaluation and an unstable economy, placing pressure on consumer spending.

Mitigating actions

- Risk-averse interest rate, foreign exchange, and counterparty risk practices in place, aligned with Vodacom Group and the cost containment programmes.
- Our cost containment programme ensures we have a robust cost structure, capable of absorbing adverse indirect impacts from poor economic performance and/or changes to economic policies.

8 Privacy
(FY2021: n/a)

RISK TREND	SPEED OF IMPACT:
	<6 months

Context

- Privacy is essential for customer trust and customer data is a strategic asset. Failure to manage privacy compliance, risks and opportunities will lead to reputational damage, decline NPS and potential regulatory fines.

Mitigating actions

- Information security policies, processes, and procedures in place and enforced.
- Implement ISO27001.
- Data Privacy Agreement (DPA) included in supplier's contract.
- Cyber-threats investigation tools implementation.
- Network security zoning to ensure Cybersecurity Baseline (CSB) compliance.
- Local implementation of cyber threat Intelligence centre.
- Implement cyber-threat monitoring tools and processes.

9 Fraud
(FY2021: 9)

RISK TREND	SPEED OF IMPACT:
	<6 months

Context

- Failure to identify and implement controls to monitor and prevent fraud could have an impact the organisation's revenue and reputation.

Mitigating actions

- 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 services and Mobile.
- Encourage Speak Up fraud reporting and investigate reported issues.
- Strong forensic investigation capabilities.

10 Access to spectrum
(FY2021: 10)

RISK TREND	SPEED OF IMPACT:
	>12 months

Context

- Delays in obtaining additional spectrum, and/or unavailability of spectrum, would impede cost-effective expansion of Vodacom's Radio Access Network (RAN), both for increasing capacity and for future technology (such as 5G) to ensure network leadership.

Mitigating actions

- Continuing engagement with Government and regulators.
- Due diligence processes and business case analysis undertaken for potential acquisitions and strategic partnerships.
- Re-farm 1800 MHz spectrum for deployment of 4G services.

Delivering on our strategy

Monetise data and digital opportunities

Tanzania offers exciting growth potential relating to the provision of digital and internet-based services. With a young and urbanising population, and current low levels of smartphone penetration, there are significant opportunities in meeting the rapidly growing demand for digital and data services.

We are monetising these opportunities by developing innovative and affordable digital and data-centric services, investing in network densification, capacity upgrades and 4G expansion, increasing access to affordable smart-devices connected to our network, and enhancing our leadership in providing the best customer experience.

Our 2022 performance

The yearly performance was characterised by sustained growth in demand for digital and data services, supported by the continuous investment in our network and increase in smartphone users, on the back of competitive price pressure. The impact from government levy on mobile money transactions indirectly affected revenue from our communication business, including data. Despite these challenges, we nevertheless saw solid progress in most of our KPIs.

- ✓ Mobile data revenue increased 18.9% to TZS204.0 billion, with contribution to service revenue increasing by 3.6pp to 21.3%, primarily driven by 20.3% growth in data ARPU.
- ✓ Data traffic was up 20.8% year-on-year, supported by 59.0% growth in 4G traffic, reflecting continuing strong demand for mobile data services, and clearly supporting the investment case for increasing access to affordable smartphones, and for further enhancing customers' data experience through network investment.
- ✗ Data customers declined 1.2% year-on-year to 7.6 million, mainly impacted by service barring to over 200 000 data users who were not biometrically registered per the registration regulations.
- ✓ The continued growth in data has assisted in partially offsetting the further decline in mobile voice revenue, which was down 5.0% year-on-year.

Data services remain a key lever of growth and central to our commitment of connecting for a better future. Our strategic focus on growing data revenue and data customers is underpinned by four priority focus areas: investing in network and IT systems; monetising data through segmented offers and customer acquisition and retention initiatives; increasing smartphone penetration; and providing reasons to consume through compelling digital service offerings.

Investing in Network and IT

- ✓ In FY2022, we invested TZS173.9 billion (17.9% of revenue) in network and IT infrastructure. This investment was used to expand our 4G network coverage, upgrade network capacity, and further modernize the network to enhance security and resilience, drive operational efficiencies, and ensure 5G readiness in targeted priority areas.
- ✓ This year, we added 143 new 4G sites, bringing the total to 1 963 4G sites and increasing our reach to 50.4% of the country's population, up from 41.8% last year. We added 43 new 3G sites, reaching a total of 2 868 3G sites, enabling us to provide 3G data services to around 61.2% of the population. We also added 32 2G sites, including 21 sites as part of the government's rural coverage programme, bringing our 2G coverage to 92.9% of Tanzania's population.
- ✓ 66.7%[1] of the population is now covered by broadband, as a result of our investment in network coverage and capacity.
- ✓ To accommodate the anticipated growth in network traffic, we addressed identified instances of network congestion, and invested in various end-to-end capacity upgrades to over 530 sites across the country, to further enhance the overall customer experience. The results of these investments are reflected in our pleasing performance in our KPIs relating to network availability, dropped calls' rate, accessibility, and data download and upload rates. At the year end, we were once again Tanzania's top-rated service provider in terms of overall network NPS, with a pleasing 14-points lead over our nearest competitor.
- ✓ To deliver on various significant opportunities identified in using the Internet of Things (IoT), we are continuing with our deployment of a new future-proof IoT platform. During the year, we also made further progress in modernising our radio network (RAN) by deploying new sites or changing existing base stations to single radio access network (SRAN).

1. Measured at 1Mbps.

✓ Value created ✗ Value eroded = Value sustained

- We maintained our certification in terms of ISO 27001 (Information Security Management System) and are fully compliant with the EU GDPR (General Data Protection Regulation).
- We have made further investments in enhancing our cybersecurity measures to ensure that customers enjoy our services securely, reliably and without incident. Once again, Vodacom Tanzania was the top market in the global Vodafone Group in terms of the implementation and effectiveness of our cybersecurity baseline controls (CSB).
- As part of our cost transformation programme, we have continued to drive network and IT efficiencies, including consolidating network towers through our co-build and sharing strategy, delivering some of our key IT products internally, and streamlining some of our internal processes through increased digitisation and robotic process automation (RPA).
- To minimise network environmental impacts, we have supported our primary telecommunication towers' provider, Helios, in their activities to increase use of renewable energy and reduce greenhouse gas emissions. In addition, we have been identifying and delivering energy efficiency opportunities in our data centres. With the recent arrival of a new tower company, in the country, we anticipate a strengthened drive in the uptake of renewable energy opportunities.

Monetising data through segmented offer, customer acquisition and retention initiatives

- To deliver on our bundle uptake and customer growth targets, we made further progress this year in enhancing segmented offers across the regions, using machine learning technologies as an important competitive differentiator. Our advanced customer value management (CVM) platform has continued playing an important role in supporting our regional campaigns, as well as in strengthening our customer base and boosting revenue growth, helping to partially offset the indirect impact of the levy on mobile money transfer and withdrawal transactions introduced in July 2021.
- We achieved further pleasing uptake this year in our enhanced 'Just 4 You' personalised offerings. Currently, more than 7 million customers, monthly, use our 'Just 4 You' offers. This represents over 70% growth in users, reflecting the success of our strong regional focus through our 'J4U' towns initiatives.
- We have continued to drive various segmental propositions to suit diverse customers' interests. We have seen further strong uptake, for example, in our social bundles – launched in partnership with Facebook, Instagram, and YouTube – that have helped to drive youth attachment and revenue, and grow market share. Our 'JIMIXIE' product offering, enabling customers to build their own customised bundles, has continued to make a material contribution to growth in data revenue and customer numbers.
- We have placed a particular focus this year on strengthening the performance of our distribution teams, driving improved productivity through agile squads, enhanced performance tracking, and the introduction of a more compelling commission structure. This has contributed to the successful recovery in customer numbers nationally – following the loss of close to half a million customers who were barred because of biometric registration requirements – as well as helping us grow our market share in the strategically significant Dar es Salaam region which has the highest ARPU.
- In response to sustained price pressure from competitors, we have run various successful campaigns highlighting the benefits of our superior network, providing compelling incentives to stimulate data use, and addressing consumer perceptions relating to data costs.
- We have further enhanced our Tuzo loyalty programme, which operates across both our M-Pesa and GSM platforms, bringing in new features to drive customer attachment. We are the only operator with fully functioning loyalty programme in the market. This initiative has been an important differentiator in improving customer retention, with about 2.3 million customers engaged monthly.

Promoting smartphone adoption

- We reported solid growth of 12.1% in active smartphone users, ending the year with 4.1 million users, a 54.2% penetration of our data customer base, up 13.5pp year-on-year. This pleasing performance reflects the progress we have made in accelerating smartphone penetration, and demonstrates the effectiveness of our targeted smartphone campaigns, innovative device financing schemes and payment terms, success of open market initiatives, as well as compelling value propositions for customers and our sales team. Our commercial execution excellence, was boosted by government's decision to exempt Value Added Tax (VAT) on imported smartphones.

Accelerating digital service offerings

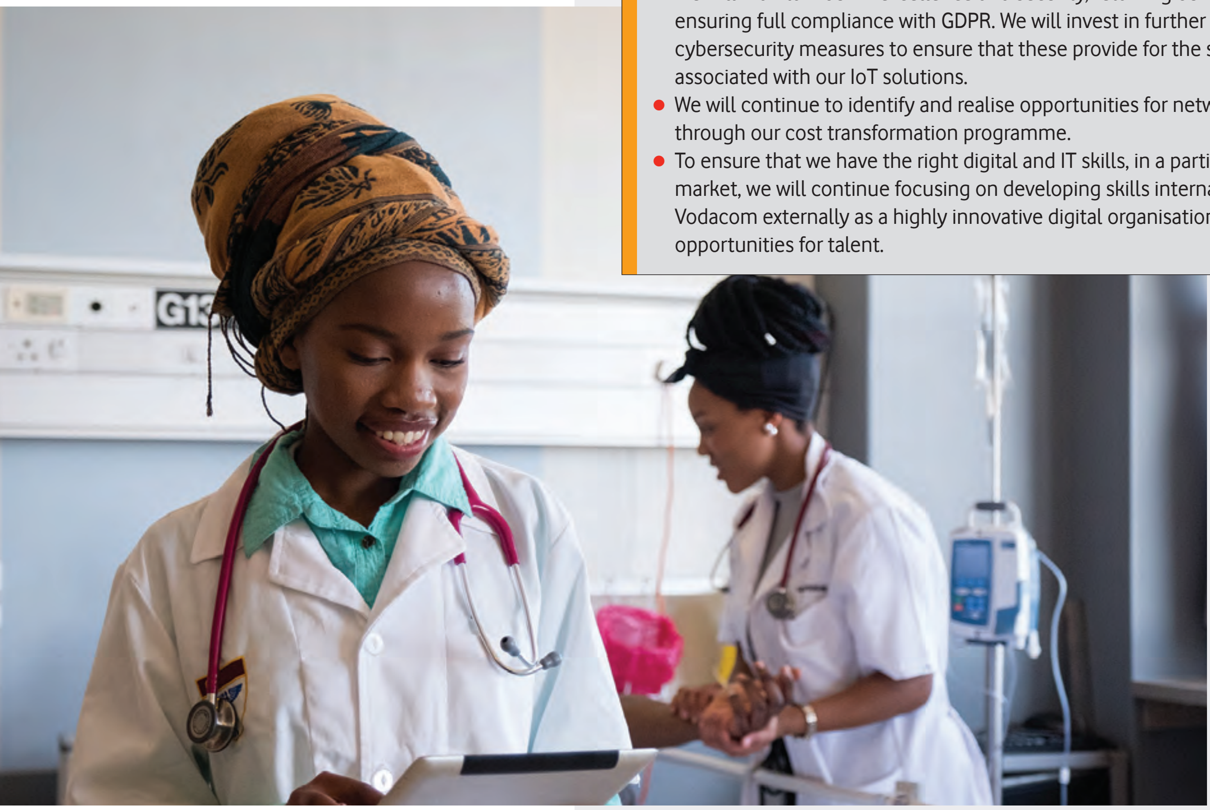
During the year, we reported pleasing performance trends in the development, uptake, and monetisation of various digital service offerings to our customers. Overall digital revenue grew 46.6% year-on-year, reflecting the expansion of our portfolio, and further enhancements in customer experience on our digital platforms. Value added services' subscription revenue was up 41.1%, aided by new offerings in our digital portfolio accompanied by targeted marketing, while airtime Advance Credit Service (ACS) revenue increased 55.6%, attributed to platform enhancement, improved customer re-profiling criteria, and debt collections efficiency.

- We achieved double-digit growth in digital service users for a second consecutive year, off the back of our various service offerings music and games.
- We concluded partnership agreements with Tik-Tok, Amazon, and Google, complementing our existing agreements with Meta, Instagram, WhatsApp, and YouTube.
- Our work on enhancing the features and general user-experience of My Vodacom App, accompanied by a focused marketing campaign, has resulted both in a five-fold increase in monthly active users, as well as very favourable customer ratings in both the iOS and Android app stores. Some of the recent app updates includes: VodaNjiwa – a feature that gives customers freedom to send a personalized message and a special gift of a bundle or cash through M-Pesa; Usage history – a feature that gives visibility to customers and aids in management for voice, messages and data usage; Fraud reporting that empowers users to report fraudulent activities; Gamification with features like shake and win, 'tusua mapene' and refer and win.
- The planned launch this year of our digital health-service and video play offerings have both been delayed due to unforeseen challenges; we anticipate more product launches in these areas during the coming financial year 2023.

Monetise data and digital opportunities continued

The third year of our Vodacom Digital Accelerator programme, run in partnership with Smart Lab, an experienced player in the start-up domain, has continued to deliver significant benefits. In addition to the valuable support and mentorship provided to the 15 shortlisted (and four finalists) tech start-ups – in fintech, education, health, insurance, and e-commerce – the initiative has positively increased Vodacom's brand equity in the strategically significant digital start-up community and has enabled us to have a useful equity stake in the final selected start-ups, some of whom have already developed a global reputation. The very positive feedback of the first round has prompted us to launch a second cohort.

The launch and uptake of some of our digital service offerings continues to be affected both by various regulatory requirements and the low level of smartphone penetration in the country, with an additional challenge being the shortage of big data and digital skills in the country. We continue to work on addressing each of these challenges.



Our strategic outlook

We are looking to drive significant further uptake of data, through various specific commitments in each of the focus areas, aimed at vigorously defending our mobile business.

Enhance network and IT capabilities to support commercial execution

- We will maintain our high levels of investment in expanding the coverage and upgrading the capacity of our network to realise our growth ambitions, accommodate anticipated traffic growth, and address existing bottlenecks, as well as to comply with regulated coverage and quality-of-service obligations. We will further expand our broadband network coverage, with a priority focus on accelerating 4G sites and population coverage to further consolidate our network leadership position. Conducive business environment is a critical driver of sustainable investment.
- In meeting regulatory commitments, and delivering on our social contract and core purpose, we will continue to extend our rural coverage to enable voice and high-speed data services to the currently underserved communities.
- We will continue to drive network transformation by implementing the Vodafone Technology 2025 strategy, achieving operational and cost efficiencies with radio network (RAN), core, and transport network transformation, as well as implementing security and resilience enhancements to protect the network against vulnerabilities. We will expand metro fibre, deploying SDN-ready transport equipment, and modernising the network to ensure 5G readiness in identified priority areas.
- To deliver our strategic growth ambitions in Enterprise, we will be making further investments in our IoT platform, with the aim of providing a new generation of segment-specific IoT solutions.
- We will continue to pursue opportunities for spectrum acquisition to support future technologies that are more efficient than 2G in carrying data and voice.
- We will maintain our IT excellence and security, retaining our ISO 27001 certification and ensuring full compliance with GDPR. We will invest in further improving our network and cybersecurity measures to ensure that these provide for the specific implications associated with our IoT solutions.
- We will continue to identify and realise opportunities for network and IT cost efficiencies through our cost transformation programme.
- To ensure that we have the right digital and IT skills, in a particularly competitive skills market, we will continue focusing on developing skills internally, while positioning Vodacom externally as a highly innovative digital organisation that offers attractive opportunities for talent.

Accelerating data monetisation through segmented offers

- We will continue to use our sophisticated CVM platform and personalised offers through our 'Just 4 You' platform to drive our targeted segmentation strategy. This will be supported by our continued investment in big data and machine learning systems to improve the hyper-personalization of data offers with the aim of increasing market share and data uptake.
- We will continue engaging with the government and regulators to highlight the critical importance of appropriate data pricing as a means of enabling investment in the infrastructure and product and service innovation needed to help Tanzania to bridge the digital divide.
- Through our marketing campaigns, segmented propositions, and quality service, we will seek to maintain strong brand differentiation and foster an emotional connection with customers across our various engagement platforms. This includes a particular focus on gaining further market share in the coastal area, through our Dar Acceleration Initiative. We want to be in customers' hearts.
- We will continue to drive digitisation in our sales and distribution processes, to secure efficiencies and strengthen performance, building on the valuable progress of our agile squad in creating a distribution management system that provides real time visibility of our sales force.
- We will further enhance our Tuzo loyalty programme across both M-Pesa and GSM, bringing in exciting new features and reward offerings.

Promoting smartphone adoption and optimising the customer experience

- Increasing the penetration of smartphone devices, particularly 4G devices, remains a key strategic objective. We will seek to deliver on this objective through compelling pricing and payment options, and our targeted consumer campaigns and marketing incentives. We are partnering with local and international device providers to identify opportunities to boost device affordability, including through significant investment in subsidising 4G smartphones.
- We will continue focusing on enhancing the customer experience across all our customer support channels, ensuring that we build a strong foundation for a digital future while maintaining our customer support through legacy channels such as SMS and USSD.
- We will ensure our customers enjoy competitively priced offers, without diluting market value.

Delivering digital services and supporting innovation

- Through innovation, we will continue improving existing digital services while deploying new services in providing our customers with tailored digital solutions to the address challenges facing education, entertainment, agriculture, health, transport and cybersecurity, hence creating more reasons to consume data.
- With the aim of increasing consumers' reasons to consume data, we will be looking to become the preferred digital entertainment provider in Tanzania by providing digital content offerings in areas such as music, videos, and gaming, supported by our strategic partnerships with leading digital platforms, digital advertising, and enhanced reporting and analytics.
- In driving increase in digital service consumption from existing customers and encouraging service adoption by new customers, we will focus in enhancing quality and relevance of our content across our services in collaboration with our strategic partners both global and local.
- Following the successful roll out of the first cohort of the Vodacom Digital Accelerator programme and supported by our ambition to change people's lives through technology, we will be launching a second cohort, leveraging our skills and resources to help lead Tanzania into the digital age, and positively change lives through technology, by helping tech start-ups grow into profitable businesses, while we continue working with the government on addressing unemployment and readiness on the coming fourth industrial revolution, to aid bridging the digital gap for a sustainable digital economy.

Accelerate customer growth through M-Pesa

Our mobile financial service offering, M-Pesa, continues to be a leading example of a 'shared value' initiative, promoting financial inclusion and stimulating economic activity across Tanzania, while providing a key source of revenue growth and strengthened brand for the company.

We currently have more than 6.8 million 30-day active M-Pesa customers, served by our distribution network of 120 000 agents, with over TZS5 trillion of transaction value going through M-Pesa monthly. M-Pesa continues to lead the mobile financial service sector in the country, with a market share of 39.6%[1].

Our 2022 performance

✔ We made pleasing progress this year in delivering on our strategic objective of promoting and embedding greater diversification in the M-Pesa eco-system, providing enhanced digital solutions to different sets out of customers. This included new products and services launched, as well as product upgrades. To mention a few – agents' term loans, enhanced agents' overdraft facilities, merchant acceleration, expanded digital insurance, as well as piloting digital loans for SMEs. Through these various initiatives, we have continued to make a meaningful contribution to promoting financial inclusion in Tanzania.

✘ M-Pesa business momentum was however stalled by the impact of the Government levy on mobile money transfer and withdrawals transactions which took effect from mid July 2021, resulting in a substantial drop in both volume and value of transactions, significantly impacting the strong double-digit growth we had experienced prior to the levies. The impact of the levy was evident from the immediate performance deterioration post levies.

- The demand for M-Pesa services was strong in the first quarter before levy, with a yearly increase of 22.1% in average monthly transactions' value processed which reversed to a 13.9% year-on-year decline in the second quarter of the year.
- M-Pesa customers increased 9.4% year-on year to reach 7.8 million customers in the first quarter before the introduction of mobile money levies. However, subsequent to the implementation of levies, in the second quarter, 1.3 million M-Pesa customers stopped using M-Pesa services, leading to a 13.2% year-on year decline, and a contraction in the M-Pesa customer base from 7.8 million to 6.5 million.
- Despite the strong commercial execution coupled with Government's efforts to reduce the levy by 30% in September 2021, the M-Pesa base has only recovered to 6.8 million customers at the end of March 2022.

✘ This underscores significant impact the levy on mobile money transfer and withdrawal transactions had on M-Pesa performance.

- In this context, M-Pesa revenue was down 7.6% year-on-year to TZS329.6 billion. Adjusted for the estimated impact of the levy on mobile money transfer and withdrawal transactions, underlying M-Pesa revenue growth was 17.7%*, reflecting effective execution of our activities in expanding the M-Pesa ecosystem with new non-traditional services, our strong focus on customer acquisition in both consumer and business segments, and our segmented offers through our CVM platform.

✘ Impacted by the levy, M-Pesa revenue contribution to service revenue, declined 2.5pp to 34.5%, with M-Pesa customers making up 44.5% of our active customer base, a 5.3pp decline in penetration (2021: 49.8%).

✔ We achieved pleasing growth in our 'Lipa kwa simu' merchant solution, an end-to-end payment solution for our customers and businesses, closing the year with over 40 000 active merchants. This year the platform effected TZS1.7 trillion in transactions' value, an increase of over 25% on value processed in 2021.

✔ Despite the levy impact on the overall M-Pesa business, we reported a strong resilience in new non-traditional services, with a 26.1% growth in revenue from our lending services, driven by product adoption and attachment attained through commercial execution, including product enhancements and improved customer experience. Our pioneer 'Songesha' overdraft service to customers, and agents – an extension added last year, continued to perform well, with more than 3.8 million customers, up 7.8% year-on-year, benefitting from the overdrafts issued during the year. The total value of overdraft issued grew 35.4%, with a significant 124.1% growth recorded in agents' Songesha. On average, overdrafts worth over TZS230 000 per beneficiary per month were issued to over 60 000 agents to facilitate seamless completion of their customers' transactions, and on that way, supporting expansion of their businesses, providing unmatched experience to customers, and on a bigger scale, driving financial inclusion agenda. This progress in Songesha, contributed to 22.7% growth in its revenue and increased its contribution to total M-Pesa revenue by 1.8pp.

For more details on financial inclusion refer to **page 47**

✔ Our IMT services also continued to play an important role in generating revenue and supporting financial inclusion. During the year, receipts from more than 200 destinations and remittances to 4 destinations within the East Africa region, reached TZS850 billion, an increase of more than 40% year-on-year. This growth reflects our extensive commercial execution and the further expansion into the broader Tanzanian diaspora. Of the total IMT value, remittances grew 36.0% year-on-year.

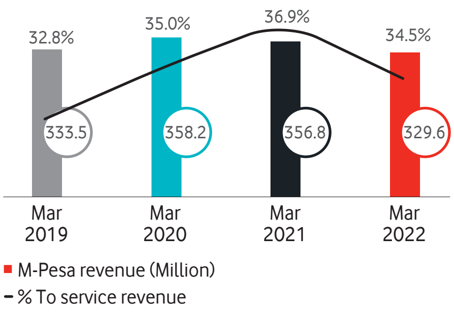
✔ Our M-Pesa virtual cards aimed at easing customer's online payments continued to perform well with more than 221 000 active virtual cards, with payments worth over TZS25 billion processed during the year.

✔ Value created ✘ Value eroded = Value sustained

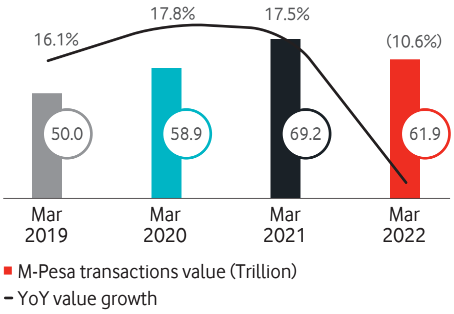
1. Tanzania Communication Regulatory Authority's quarterly communications statistics as at March 2022.

- Following the relaunch of our significantly enhanced M-Pesa app during the financial year, we have seen pleasing 64.4% growth in number of active users accessing the app. Among the latest additions to our app, include:
  - A 'Super app journey' in which M-Pesa customers are able to access various online merchants' websites – 'mini apps', from within the M-Pesa app. Currently we have six active mini apps.
  - Name confirmation before committing LUKU purchase – the electricity token purchase.
  - Access and transactions authentication using fingerprint instead of typing-in a PIN, and the ability to pay up to five recipients, with same or different amounts in a single transaction, relieving the payer from inconvenience of multiple transaction processing.
- Our nation-wide distribution network of M-Pesa agents was impacted by the levy on mobile money and withdrawal transactions, due to reduction in volume and value of transactions leading to a drop in agents' commissions, and in turn a decline in number of active agents, down by 3 000 to around 120 000 agents across the country.
- We ran various successful M-Pesa marketing campaigns over the year to further strengthen brand awareness and increase subscriber numbers including festive campaign dubbed 'Show Love, Tule Shangwe' and its follow up phase 'Shangwe Lipo PalePale' post the festive season. The commercial campaigns played an important role in stabilising the M-Pesa business from the disruptions brought by the levy on mobile money and withdrawal transactions.
- On customer experience front, we executed several upgrades to address customer convenience and simplicity, including but not limited to M-Pesa app upgrades and launch of 'SautiPass', a convenient option for M-Pesa PIN changing or unlocking a locked M-Pesa account.
- We also continued to execute on initiatives supporting our business partners including a refreshed Songesha overdraft to agents, which also addresses customers' improved experience discussed above. During the year, we launched a new support-service to our agents, the 'Agents Term Loan', in which we provide financial support to our agents through short term loans depending on the agent's profile payable within 30 days, aimed at supporting their business growth and stability. Close to 50 000 agents across the country benefitted from term loans issued during the year.

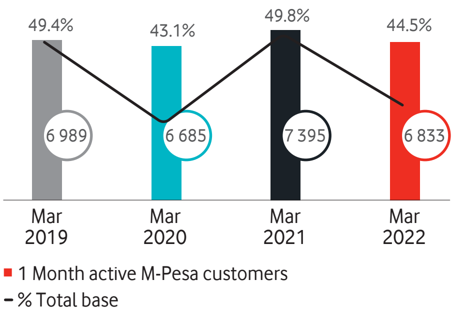
M-Pesa revenue (TZS Billions)



M-Pesa transactions value (TZS Trillions)



1 Month active M-Pesa customers (Thousands)



Our strategic outlook

Despite the increasingly competitive market, pricing pressure and the levy, our M-Pesa platform continues to provide valuable growth opportunities. We aim to move our M-Pesa platform beyond person-to-person money transfers to include enterprise, financial services, and mobile commerce, harnessing the opportunities associated with emerging technologies such as machine learning, artificial intelligence and blockchain settlement solutions.

Looking forward, we will expand and escalate the M-Pesa growth building on success of the existing traditional and non-traditional services in our current M-Pesa product portfolio, while accelerating development of new innovative products and services that promote financial inclusion.

We are targeting sustained M-Pesa revenue growth and a strengthened M-Pesa ecosystem through the following priority focus areas:

- We will continue to grow our active M-Pesa customer base penetration, driving significant adoption in our GSM base, with M-Pesa serving as the main charging and payment platform for Vodacom services.
- We will further enhance the features and increase the penetration of the M-Pesa app, towards an ambition to become Tanzania's true super app – a one stop shop. Integrating M-Pesa with several local and global payment platforms, enabling access to digital payments for most online merchants' platforms.
- We will aggressively build product awareness and uptake through extensive marketing, guaranteed better customer experience, loyalty campaigns and strong after-sales support service. We will further accelerate M-Pesa for businesses.
- Supported by M-Pesa Africa, we will continue expanding our financial services eco-system, accelerating our existing services and offering new products and services – such as loans, overdraft facilities, savings and wealth management, and insurance, including specific market sectors such as health and agriculture. We will continue managing and developing new partnerships to ensure the most effective development, roll-out and maintenance of our services.
- We are targeting a further market share growth in IMT service, further extending the geographic reach and nature of our remittance service offerings.
- We will continue to invest in upgrades on our world-class infrastructure to support our long-term strategy, and we will strengthen our distribution network by expanding the number of active M-Pesa agents through targeted recruitment in underserved areas, providing compelling incentives to drive agent productivity, and digitalising the agent onboarding process.

Continued enhancement of our enterprise offering

We are the leading provider of communications and data services to the large enterprise market in the country, serving multiple industry segments through tailored solutions that meet specific customer needs.

Our enterprise business provides significant opportunities for further revenue and customer growth – building on our technical expertise, service levels and reputation – while also delivering strong social value in critical areas such as health, education and sustainable agriculture.

Our 2022 performance

We have seen some encouraging performance this year, off the back of a particularly challenging prior year when many of our enterprise customers were significantly impacted by the COVID-19 pandemic.

- ✓ Despite the challenging macro-environment, we achieved another year of good revenue growth in both mobile and fixed-line data, driven by new corporate accounts and service offerings.
- ✓ We saw good traction in our fixed-line business, with 20% new sites added, and an average of 100 new customers added each month, despite the challenges posed by global supply chains disruptions caused by the COVID-19 pandemic.
- ✓ We delivered strong revenue growth of over 25% year-on-year in our IoT business and see exciting further potential for significant growth in this area. The pandemic has highlighted some of the benefits of machine-to-machine connectivity, with the increased digitisation of power and water utility meters, for example, reducing the need for in-person interaction and significantly improving the payment rates.
- ✓ We made further progress this year in rolling out our 'M- Kulima' platform that looks to digitise the agriculture value chain by offering a complete digital solution in farmer profiling, communication, transactions, inputs, loans, digital extension services, insurance, and education. We ended the year with more than 140 000 small-scale farmers registered on the platform, in close to 300 agricultural marketing cooperative unions (AMCOS) mostly focused in cotton production. Apart from agricultural related benefits, the initiative provides additional benefits on speed of payments and security to the parties involved.
- ✗ The implementation of levy on mobile money transfer and withdrawal transactions in July 2021 had a significant negative impact on M-Pesa business. Despite the 30% reduction in levy starting September 2021, transactions volumes did not recover to the levels before levies were implemented, impacting our ability to realise the anticipated double-digit revenue growth targeted for the year.
- ✓ Off the back of a tough prior year impacted by the COVID-19 pandemic, we made good progress this year in retaining and growing our customer base on voice and mobile data by 7.2% and 16.7% respectively, contributing to a double digit growth on mobile customer revenue.
- ✓ Recognising the strong competition for digital talent, we have maintained our focus this year on developing the right capabilities and culture needed to be an effective enterprise-led player, both through our internal skills development initiatives and in identifying opportunities to recruit relevant skills in areas such as IoT, big data, analytics, and customer value management.

✓ Value created ✗ Value eroded = Value sustained

Our strategic outlook

We believe that Vodacom Business has the potential to be a key driver of future growth. Our strategy is to move from traditional product offerings that are increasingly commoditised, to providing problem-solving digitally based solutions. We have prioritised the following strategic focus areas over the short-term:

- We will **lead and innovate in Vodacom Business**
  - We will continue to realise valuable growth opportunities that deliver positive social impact by commercialising our digital offerings in agriculture (M-Kulima), education (VodaShule), and health.
  - We will continue scaling IoT through offering relevant solutions, harnessing Vodafone's recognised leadership in this area to further grow the IoT market in Tanzania, helping to deliver on Government's priority to digitise the SME sector. We will invest in upgrading our IoT platform, increase market awareness of IoT use-cases, and upskill our sales team.
  - In driving our ambition on M-Pesa being the main financial ecosystem for Tanzanian business, we will further expand our various mobile financial service offerings, establish additional strategic partnerships with relevant financial institutions, and create a cashless ecosystem with M-Pesa serving as the charging platform for all Vodacom services. This will be supported by targeted marketing campaigns to deepen awareness of M-Pesa as a solution for financial services and not simply a payment platform. Our ambition is to scale business electronic payments space and build and grow community platforms providing solutions to societal needs like solutions for farmers and schools.
  - We will maintain our focus on enhancing the customer experience by optimising our enterprise CVM capabilities, using machine learning and analytics to develop appropriate segmented offers, and ensuring leadership in sales execution and customer experience.
- We will **accelerate our fixed-line services**
  - We will continue to drive scale and market share in our fixed-line and fixed wireless services by expanding our fixed service network, simplifying our customer on-boarding processes, and leveraging off our Pan-African presence and international partnerships with leading digital solutions providers. This will include a particular emphasis on driving uptake in the SME sector.
- We will **focus on extracting wholesale business value**
  - We will drive asset utilisation efficiencies through provision of wholesale hosting services on assets with excess capacity – for example in fibre and data centres, in order to realise the full potential of these assets.
- **Upskilling our employees with sector specific requirements**
  - Underpinning these growth objectives is our commitment to deepening the digital and sector-specific skills within our team, ensuring that we have the necessary specialists to develop and deliver specific digital solutions in each of our targeted focus areas, supported by an agile, solutions-centric culture.

Maintain brand leadership, and retain and increase market share

Our ability to meet our strategic objectives and deliver long-term growth depends ultimately on the quality of our relationships with our key stakeholders – our customers, government, regulators, investors, suppliers, the media, and the public. We have structured processes in place to engage with each of our key stakeholder groups to ensure that we fully appreciate and appropriately address their priority interests, with the aim of maintaining our existing strong brand and reputation (see table on pages 24 to 25).

Our 2022 performance

- (=) We have maintained overall market share leadership this year with 30.2%[1] of customer market share. Our customer market share leadership reflects our strong execution across the business in acquiring new customers, and the success of our activities to retain existing customers, despite the significant challenges associated with the relatively new biometric registration requirements and recently, the negative effect of introduction of the levy on mobile money transfer and withdrawals transactions.
- (✗) During the year we barred 568 000 customers who did not comply with the biometric registration regulations' requirements, which to an extent, impacted our customer base.
- (✗) We also maintained leadership in mobile financial services sub-sector, with M-Pesa customer market share of 39.6%[1]. However, year-on-year, the M-Pesa customer base has declined 0.6 million customers to 6.8 million, impacted by the levy on mobile money transfer and withdrawals transactions.
- (✗) After a strong progress, at the end of the first quarter, M-Pesa customer base reached 7.8 million customers, up 5.4% on previous year's closing base. Immediately after implementation of the levy, over 1.3 million customers stopped using M-Pesa services, leading to base decline to 6.5 million customers at the end of the second quarter. Subsequently, the base recovered to close at 6.8 million customers at the year end, attributed to strong commercial execution.
- (✓) We have performed strongly on the consumer appreciation KPIs, a reflection of the strength of our brand, sustained by excellence in strategy execution across the organisation.
  - We maintained our leading position in headline customer Net Promoter Score (NPS), ending the year with an 18-points lead over our closest competitor, a pleasing result given the particularly competitive market environment. We also led in NPS for Combined network performance with a 14-points lead gap and overall customer care NPS with a 15-points lead gap.
  - We won several customer appreciation awards including: **Consumer Choice Awards 2021** for the 'Most Reliable and Quality Network Telecom Service Provider of the Year 2021', and for the 'Most preferred Telecom Company for Customer Service Experience in Tanzania'. **Tanzania Digital Awards 2021** for 'Telecommunication Company of the Year', 'Best Mobile Money App' (M-Pesa app), 'Innovative Telecommunication Company of the Year' and 'Telecommunication Company with the Best Customer Care', and **Tanzania ICT Awards 2021** – 'The best mobile network'.

Transforming the customer experience

- (✓) We have deepened our use of machine learning, CVM technologies, and customer-centric go-to- market processes, to further enhance our product offerings and customer engagements by introducing differentiated, highly personalised offerings.
- (✓) Personalisation was also a focus in how we support our customers by providing highly personalised support to our top business customers, who have access to a dedicated named agent to ensure a strengthened personal relationship with faster turnaround times.
- (✓) Through active listening, we continued to eradicate customer pain points, digitized and automated processes; and simplified customer journeys. As a result, we have seen a 16% year-on-year reduction in the number of calls to the call centre, a 5pp First Contact Resolution (FCR) improvement and a significant improvement in customer satisfaction score (up 24pp tNPS). Over 70% of our queries are now resolved within 6hrs.

(✓) Value created (✗) Value eroded (=) Value sustained

1. Tanzania Communication Regulatory Authority's quarterly communication statistics as at March 2022.

- We continued to give customers control of their financial transactions by extending the self-reversal of erroneous M-Pesa transactions to other networks; this has improved the customer experience, as well as reduced demands on call-centre agents.
- We proactively notify customers of service affecting issues through our segmented messaging on the IVR should they call the call centre and SMS keeping them informed and updated.
- We continued to provide customers with data management tips through our customer education platform – 'Ni Rahisi Tu', to curb the misperception of disappearing MBs bought, as well as empowering them to manage spend and usage.
- Since November 2021, at selected Vodacom shop branches nationwide, we have been offering our customers after-sales service and maintenance for smart phones. As part of a new partnership agreement with Carlcare, selected Vodacom shops now act as service points for selected brands where customers can drop off their devices that need to be repaired, swapped, or have software upgrades.

Scaling digital care

- We have continued to develop and enhance our digi-care channels, combining the best of digital technology and personal interaction to provide additional touchpoints for our customers improving ease of access.
- This year, we continued to deepen our customer engagement with our digital channels through various enhancement initiatives:
  - We enhanced our TOBi chatbot functionalities to intuitively understand more customer keywords and simplified the menus and interfaces to improve the interaction experience. Using machine learning, TOBi interacts with customers to address some of the most common account and service-related queries, as well as ensuring appropriate channelling of customer queries to the right agent when necessary.
  - We introduced TOBi chatbot functionality to our Instagram and Twitter direct messaging channels, building on the existing channels- WhatsApp, Facebook, MyVodacom App and the website. Following its addition in 2020, WhatsApp remains the most popular customer care channel, handling 68% of the digital volume.
  - We continue to improve productivity of the support agents bringing down the average response times and faster resolution times.
- Using Robotic Process Automation (RPA), we have continued to reduce staff time spent on repetitive tasks, significantly improving customer turn-around time, freeing up agents for higher quality customer engagements, and delivering valuable cost savings. We have fully automated 45 processes this year, exceeding our target for the year.
- In May 2021 we successfully launched 'SautiPass', the voice biometrics tool for customer verification activities; although the initial uptake was slow, we have so far enrolled 150 000 customers and we are confident that as we market its benefits and build customer trust, we will see a significant increase in uptake.

Creating expert agents

- We have continued to deepen the skills of our call centre agents, enabling them to provide quality advice to customers as part of our drive to cement an 'ask once' culture and improve first call resolution rates.
- This year we launched the 'SUPA Agent' programme aimed at distinguishing those agents who attain specific quality criteria, and we have seen strong uptake of this initiative amongst our network of front liners across the country.
- With the provision of digital financial services being a key growth area, we have appointed dedicated trained agents to provide customer support in this area. This is in addition to the dedicated desk that supports more complex data issues.

Our strategic outlook

We have prioritised several key focus areas with the aim of maintaining Vodacom's strong brand presence, enhancing customer service, and furthering strengthen our competitive position.

- We will **transform the customer experience** by:
  - Continuing to introduce differentiated, highly personalised offerings, using machine learning, our CVM technologies, and customer-centric go-to-market processes to enhance our product offerings and customer engagements.
  - Identifying and realising opportunities to use digital technologies and artificial intelligence to automate and radically simplify elements of our customer interaction, delivering greater efficiencies and enhanced experience.
- We will **scale digital care** by:
  - Increasing adoption of our digital channels by making our chatbots more engaging and intuitive through additional functionality and integration, to allow for greater resolution using AI and automation capabilities.
  - Expanding and replicating self-care functionality where possible and appropriate across all channels, further empowering customers to self-care at a channel of choice.
  - Ongoing educational and promotional campaigns to encourage adoption of digital over more traditional channels. Stimulating a digital first culture.
  - Expanding the RPA agile squad to increase the number of automated processes across the organisation, to capitalize on the benefits of automating high volume-repetitive tasks.
- As we continue to expand our product portfolio, we will continue to invest in strengthening our agents' skills to support these more sophisticated products in the digital, financial, insurance and fixed space, ensuring our customers are always attended to by an expert agent. We will also leverage on support tools such as 'TOBi Assist' to further empower the agents.

Delivering on these focus areas will be underpinned by our sustained focus on delivering on our purpose and social contract, publicly communicating our performance as a purpose-led organisation that is making a positive societal contribution.

Actively managing cost and process efficiency

Our goal continues to be the most efficient infrastructure-based operator in Tanzania. We have a strong track record of driving operational efficiencies and limiting cost growth in the company, through our cost transformation initiatives that instils a cost saving culture across the business, as well as leveraging on Vodacom and Vodafone groups global best practice in driving cost containment.

Our 2022 performance

- ✓ This year we realised more than TZS40 billion savings in direct and operational expenses realised through our cost transformation initiatives, contributing to a total of TZS167.8 billion costs savings realised over the past five years.
- ✓ Our total expenses grew 1.4% to TZS670.4 billion, with direct expenses declining 2.1% and operating expenses growing 4.5%. The savings realised from our cost transformation initiatives, were offset by investment in direct expenses to protect our customer market share from aggressive competition, and once off operating expenses – tax settlement in relation to excise duty assessment relating to prior years, as well as increased network costs from network expansion and contractual price adjustments. Excluding these one offs, operating expenses would have also declined by 0.5%.

✓ Value created ✗ Value eroded = Value sustained

Administrative efficiency

We achieved valuable operational savings through further streamlining of certain administrative functions and by implementing a future-fit leaner, more efficient organisational structure, with right skill set.

Publicity cost optimisation

We have continued to achieve savings driven by 'smart spending' supported by our shift from traditional to digital marketing, with a significant increased presence in our social media and other digital marketing platforms.

Network-related cost optimisation

We have continued to realise savings and reduce network costs by through sharing of network infrastructure with other operators, consolidating tower leases, and converting short-term leases to yield cost benefits. We have also maintained a strong drive on revising the terms and scope of service contracts to maximise efficiencies.

Internal digitisation and automation

We delivered further improvements in the cost effectiveness of our sales and billing channels by increasing the levels of digital and other automated processes.

Global purchasing power

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

Our strategic outlook

We will continue to identify opportunities for improved efficiencies in each of the above areas, as well as securing further savings through various new initiatives including:

- **Cost efficiency**
  Through our cost transformation initiatives, we will continue to drive improvements in our return on capital employed, by driving a cost saving culture in the organisation, through our robust governance process in approving and reviewing investments, costs and products decisions.
- **Creating an agile organisation that drives simpler, faster execution**
  To promote a more agile, future-proof way of working, we will continue streamlining our organisational structure and decision-making processes, with a particular focus on the end-to-end automation of tasks and processes to improve the quality of engagement and boost revenue generation across all our business units.
- **Enhancing business support**
  We will focus on supporting the business to mitigate risks, deliver on our purpose and maximize returns in all relevant avenues including:
  – Proactive involvement in engagements with stakeholders including the government, regulators and investors.
  – Enhancing value and delivering our purpose through supply chain management.
  – Enhanced business partnering to maximize returns on spend.
  – Live the purpose through transparency, compliance and enhanced-timeous business reporting.

People: Best talent, best practice

Delivering on our core purpose and strategic objectives requires having access to diverse talent and future ready skills, built on a culture of agility, innovation, customer-service and delivering an employee experience that unlocks personal growth and drives business performance, as well as creating an inclusive and growth environment where everyone has the opportunity to thrive.

We have consistently demonstrated our ability to attract, develop and retain the best talent. We pride ourselves on being consistently rated an employer of choice.

Our 2022 performance

Purpose and spirit

- ✓ Since the launch of the Spirit of Vodacom in December 2019, developed in alignment with the Vodafone Group, we have focused on embedding the culture and ensuring its relevance within a more flexible work environment. Over the last two years, we have run various employee engagements aimed at deepening the Spirit culture that fosters innovation, teamwork and agile learning whilst increasing individual and team autonomy to encourage greater self-determination at a more decentralised level. These are all key employee attributes aimed at accelerating our transformation from a Telco to a Tech Company.
- ✓ It was encouraging this year to see that Vodacom Tanzania once again scored highest across the global Vodafone Group in terms of the Team Spirt Index and engagement scores affirming the impact of our efforts in instilling the Vodacom culture and Spirit behaviours (earn customer loyalty, create the future, experiment, learn fast and get it done together) amongst employees.
- ✓ We continue to promote localisation and gender diversity, including developing the skills of identified high-potential Tanzanians through their participation in leadership development programmes and senior executive placements across the Vodacom and Vodafone groups.
- = For the fifth consecutive year, Vodacom Tanzania was certified as a Top Employer Tanzania 2022 and a Top Employer Africa 2022.

Enhancing the employee experience

- ✓ We are constantly striving to enhance employee experience, ensuring that Vodacom Tanzania is a company that supports its employees while also challenging them to grow. We have numerous initiatives in place to meet employees' financial, mental, physical and emotional needs ensuring their wellbeing, and fostering enhanced productivity and strengthened commitment to the company. In addition to legally required policies, we have gone a step further to put in place policies and procedures that address issues such as parental leave, mental health and wellbeing, diversity and inclusiveness, whistleblowing rights and more.
- ✓ On gender diversity, we have a Global Target goal to be recognized as the world's best employer for women by 2025. We continue to support women at every stage of their professional lives, both in the workplace and beyond. We have put various strategies and programmes in place to ensure that we meet this objective – including parental leave and combatting domestic violence and sexual harassment. In our training activities, we have invested in various training programs geared towards women development, playing a pivotal role in increasing diversity at the leadership level.
- = As part of our drive to become a digitally led company, we have been accelerating the automation and digitalization of the various employee engagement activities. We have fully digitised the employee on-boarding experience, enabled employee self-service through our online exit clearance process, and driven increased uptake of our employee-focused mobile app. We have developed best-in-class digital solutions that allow effective and secure communication, collaboration, and innovation across our dispersed workforce.

✓ Value created ✗ Value eroded = Value sustained

- We continued to execute our employee wellbeing programme, to support employee personal health and promote job satisfaction. We also continued with employee counselling services available on a 24-hour basis as part of our Employee Assistance Programme (EAP).
- We further enhanced the employee value proposition, including securing staff discounts on relevant products and services to support their remote working activities.

Talent and skills

- This year, we appointed two new Exco members, both, local and promoted from within, including our first female Finance Director. Currently, all but two of our thirteen executives are Tanzanians, resulting in an 84.6% level of local representation of Exco members, up from 30.8% five years ago.
- We continued building the skills and capabilities of our team to develop the identified future ready skills we need, to meet our ambition of being a future fit digital company, including areas such as IoT, digital product development, financial services, cybersecurity, big data and analytics, public cloud skills, CVM, and pricing. This year, more than 500 employees have engaged in various internal and external development trainings.
- Since becoming the first of the International Business operations in the Vodacom Group to adopt Agile structures, principles, and tools in 2019, all of our employees have been trained in Agile processes through the Vodafone University online portal. We have successfully launched 6 Agile squads and we have realised material benefits by driving enhanced engagement across business units, achieving improvements in productivity and efficiency, and encouraging greater alignment and accountability on mutually agreed performance indicators.
- In addition to our internal skills development initiatives, we have identified and are attracting talent from outside our traditional business areas, including areas such as data science, machine learning, fintech and software science. Our Discover Graduate Programme offers graduates a full rounded experience of our business including mentorship, coaching and on-the-job training.
- Leadership development and senior management succession planning remains a key priority. Over the past three years more than 250 managers have received various leadership and management refresher training.
- We will continue to drive leadership development, fostering the capabilities for middle and executive management to support our ways of working as an agile and innovative digital organisation.
- In seeking to attract and retain the best talent in a highly competitive market, we benefit from being part of the Vodafone and Vodacom groups. This enables us to provide employees with access to attractive global career development opportunities, including regional and international assignments, short-term rotational secondments, structured mentoring programmes, and ongoing education and leadership development opportunities. Currently, 6 Tanzanian Vodacom employees are working on various assignments within the Vodacom group family.
- Given the high levels of gender disparity in STEM careers globally – and the critical role that STEM-related careers play in terms of driving innovation, social wellbeing, and inclusive growth – we are committed to playing our part in driving a concerted collaborative effort with government, the private sector and academia to encourage young girls to take up STEM subjects. Through our #Codelikeagirl programme, we are seeking to secure a future without a gender gap to help drive diversity and innovation in the country. To date over 1,000 girls between 14-18 years have participated in the programme, helping them to develop coding skills, valuable life skills, and encouraging them to consider the uptake of ICT and STEM subjects. A great achievement that we continue to forge ahead.

Health and safety

- A milestone achievement this year was celebrating our tenth consecutive year of zero work-related fatalities, reflecting the success of our activities in embedding a strong safety culture.
- We have placed a continued emphasis this year on protecting employee health, safety, and wellbeing through a range of initiatives, both at the traditional workplace and in the remote work environment.

We have revised our Safety and Environmental Policy.

Implemented measures to boost compliance with the Vodacom Absolute Rules.

Run various awareness sessions on issues such as mental health, financial & investment management, nutrition and healthy life-style measures.

Run various awareness sessions on issues such as mental health, nutrition, and healthy life-style measures.

Use of enhanced digital solutions helping us to effectively monitor high-risk activities, such as working at heights, electrical works, and occupational road risks.

Organisation

- With the experience gained from the pandemic, we are promoting a flexible way of working, a hybrid between remote working and working from the office for staff previously stationed in offices.
- Over the last few years we have made various changes to our organisational structure. This year we continued fine-tuning our structures, seeking to enhance delivery of our strategy, drive performance efficiencies, and adapt the workplace to a changing workforce environment.
- We have adopted agile squads to deepen the technological and sector specific skills within our organisation, to ensure we have the necessary specialists to develop and deliver specific solutions in our targeted focus areas.

People: Best talent, best practice continued

The COVID-19 status

Our People team has continued to play a role in managing and mitigating the risks and impact of the COVID-19 pandemic which continued to recur in its variants throughout the year. It is critical that we adhere to national, global and Vodafone Group guidance on combatting the pandemic.

Currently we run a rotational system, with 60% of staff working from office and 40% from home. We have continued to offer employees various forms of support, including supporting employees emotionally and mentally through our Employee Assistance Programme that provides counselling services to help cope with personal and work-related matters. Adherence to all COVID-19 safety rules in our offices, warehouses, shops, and data centres remains critical.

We have also encouraged employees to get vaccinated, on a voluntary basis. It is pleasing to report that we have had no COVID-related fatalities in our workforce and no recorded instances of severe cases.

Our strategic outlook

To ensure we have the right skills, capabilities, and culture to achieve the Group's vision of being a leading digital company, we have retained the following strategic focus areas:

Purpose and spirit

- We will continue to instill further the Vodacom Purpose and Spirit across the organisation.
- We will continue to promote gender diversity, including developing the skills of identified high-potential Tanzanians through their participation in leadership development programmes and senior executive placements across the Vodacom and Vodafone groups. We are working towards a Global Target goal to be recognized as the world's best employer for women by 2025.

Employee experience

- In striving to deliver an employee experience that unlocks personal growth and drives business performance, we will continue to implement Agile ways of working, drive radical simplification of working processes, and increase the uptake of our digital collaboration tools and best-in-class solutions to enhance communication and collaboration through our workforce.
- We will maintain our employee wellbeing programme, supporting staff through the provision of digital wellbeing tools and embedding wellbeing into every aspect of our work.

Health and safety

- We will maintain our focus on ensuring zero occupational injuries or fatalities by driving a culture of visible felt leadership, undertaking site inspections focusing on high-risk functions and suppliers, providing online health and safety training for suppliers and employees, and recognizing and rewarding exemplary safe performance.

Talent and skills

- Internally, we will continue building the skills and capabilities of our team to develop the identified skills for the future, including such areas as IoT, digital product development, financial services, cybersecurity, big data and analytics, public cloud skills, CVM, and pricing.
- An important focus will be to continue encouraging employees to develop #1MoreSkill aimed at achieving skills transformation across the identified core specialties.
- We will continue to drive leadership development, fostering the capabilities for middle and executive management to support our ways of working as an agile, innovative digital organisation.
- We will maintain a strong focus on our talent acquisition strategy, with particular emphasis on agile and M-Pesa skills, and on attracting high potential youth.

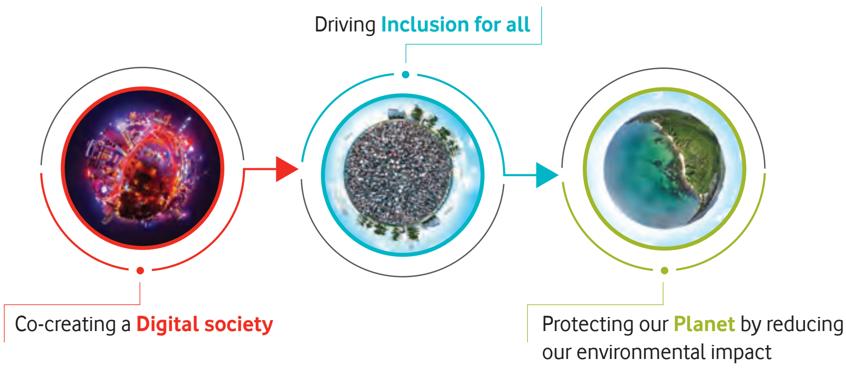
Our workforce performance indicators	Unit	March 2022	March 2021	March 2020	March 2019	March 2018	March 2017
Number of full-time employee	Number	**560**	569	551	548	537	525
Female in EXCO	%	**38.5**	36.4	30.8	36.4	30.8	30.8
Female (HoD and EXCO level)	%	**40.0**	41.2	41.2	41.2	42.9	38.8
Female employees	%	**37.3**	35.7	37.0	36.5	39.5	39.8
Local (Tanzanians) % in EXCO	%	**84.6**	72.7	69.2	54.5	30.8	30.8
Total training spend	(TZS bn)	**0.2**	0.7	1.0	0.7	0.8	0.4
Employee turnover	%	**10.5**	6.7	6.7	8.9	9.3	19.0

Delivering on our purpose and social contract

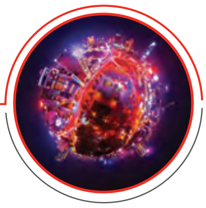
Vodacom Tanzania’s purpose is to ’connect for a better future’. We strive to improve the lives of Tanzanians by connecting people and things to the internet, driving inclusion for all, and reducing our environmental impact.

We believe that improved voice and data connectivity, and enhanced access to more inclusive digital services, is a powerful tool for accelerating socioeconomic transformation and contributing meaningfully towards national and global development objectives.

As part of Vodafone and the Vodacom Groups, we have committed to delivering on three broad focus areas aimed at contributing meaningfully to the United Nations Sustainable Development Goals (UN SDGs):



Through our activities in these three areas, we are making a positive contribution on the prioritised eight SDGs: shown in black squares.



Digital society

Bridging the digital divide is critical to transforming Tanzania from an agricultural economy to a knowledge-based, semi-industrialised middle-income economy. Through promoting digital inclusion, the mobile telecoms sector is already contributing significantly 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 continuing in our activities to bridge the digital divide through our sustained investment in extending networks to rural areas, our various initiatives to enable access to affordable smartphones, and by providing low-cost price packages and tailored digital solutions to address social and environmental challenges.

Connectivity for all

- ✓ This year, we invested TZS174.0 billion in expanding the coverage and improving the quality of our network. We added 20 new sites in rural Tanzania and upgraded over 185 sites to 3G and 4G. Among the new rural sites, 14 sites were partly funded by the government through the Universal Communications Service Access Fund (UCSAF). At year-end, we had 1 680 rural sites[1] , including 283[2] sites built in collaboration with UCSAF over the past ten years of our partnership. As a result of our continued investment in network coverage and capacity, 66.7%[3] of the population is now covered by broadband.

- ✓ We continued driving smartphone penetration to enable more people to access data and digital services, ending the year with 4.2 million smartphone users, a 12.1% increase over prior year. Smartphone users' penetration to our data customer base reached 54.2%, 13.5pp higher than previous year. Our progress in driving increased smartphone penetration was further boosted by the government's decision to exempt Value Added Tax (VAT) on imported smartphones which improved device affordability, despite constrains from the disrupted global supply chain and logistics due to effects of the COVID-19 pandemic, causing delays in delivery of some of the contracted device supplies. We are continuing to work with government and our partners to identify opportunities to stimulate demand and assist with smartphones affordability.

- ✓ We continued promoting digital inclusion through service affordability using our affordably priced packages offered under our 'Just 4 You' umbrella, powered by our CVM and machine learning platforms. More than 7 million customers, monthly, uses our Just 4 You offers, reflecting the success of our recent strong regional focus.

- ✓ We also continued to facilitate service accessibility through our airtime credit advance service platform. This service enables customers to access telecommunications services including data, by loaning airtime or bundles for repayment in their next recharge. Over 8.8 million customers benefitted from TZS68.6 billion airtime advance issued, an increase of 58.3% over last year's value.

Financial inclusion

= We continue to make significant strides in promoting financial inclusion through innovative products in M-Pesa. M-Pesa provides the largest reach of any mobile financial services provider in Tanzania, with 6.8 million monthly active customers who processed over one billion transactions, worth TZS61.8 trillion for the year. Despite business impact from the implementation of levy on mobile money transfer and withdrawal transactions, we continued, and we are committed to support the country in the financial inclusion agenda. M-Pesa service provides various financial services options to both banked and unbanked communities, enabling formalised financial dealings, especially for the unbanked population.

- Through the M-Pesa wallet, M-Pawa and Halal Pesa services customers have a ready access to the savings account service. Total deposits in M-Pawa and Halal Pesa for the year were close to TZS170 billion.
- Our M-Koba savings product, operated in partnership with the Tanzania Commercial Bank (TCB)[4] , has been designed primarily for use in communal savings and credits associations. During the year more than TZS50 billion deposits were made into M-Koba portfolio.
- We have enabled M-Pesa customers to access M-Pawa loans, as well as overdrafts through our Songesha facility, which currently has more than 3.8 million customers benefitting from overdraft facilities.
- We have extended our financing service to our agents, with over 70 000 agents benefitting from TZS210.7 billion overdraft and term loans issued to finance their businesses, to ensure service availability to the ultimate customers.

Digital platforms

- ✓ Our M-Kulima agricultural platform, developed and rolled-out in partnership with Mezzanine, now links more than 140 000 smallholder farmers to the agriculture value chain, providing access to information, services, and markets via SMS and App, and enabling faster and safer payments through M-Pesa. Our current base includes farmers in 15 regions across Tanzania, covering a range of crops, including maize, beans, sunflower, tobacco, lentils, coffee, green gram, grapes, and dairy. We are continuing to expand our registered farmers' base across the approved crop lines.

- ✓ Our IoT solutions include several platforms that promote efficiency and simplify users' experience. These include services such as connected smart power and water utility meters – that have reduced the need for in-person interaction and significantly improved our customers' billing efficiency and collections' rate – as well as asset management solutions that improve asset utilisation efficiency, and provide maintenance alert and security enhancement through location identification.

1. Definition of a rural site is based on Vodacom's internal criteria and not necessarily a geographically rural area. The number of 'rural sites' may also change between comparative years following internal reviews and reclassification.
2. It should be noted that not all the sites built in collaboration with UCSAF are rural sites, the basic criteria for funding is facilitating services to the underserved areas, which are commercially unattractive – which could geographically be in urban areas.
3. Measured at 1 Mbps.
4. Renamed from Tanzania Postal Bank (TPB).

Inclusion for all

We are working to alleviate poverty and inequality in Tanzania through numerous initiatives, including our programmes on democratising education and health, and supporting technology start-ups. The impact of our initiatives in these areas are in addition to the significant benefits achieved through our activities in promoting inclusive finance and agriculture addressed under our Digital Society initiatives.

Democratising education

- By providing a reliable and high-quality data network across the country, we are enabling Vodacom customers to access quality educational resources through the internet. Through our Corporate Social Responsibility program, we have provided access to educational materials for free, including through our Instant Schools platform, benefitting more than 185 000 beneficiaries, with a total 'equivalent' spend of TZS758.8 million during the year.

Democratising health

- We are pleased with the progress made in our M-Mama program which has assisted over 12 000 expectant mothers and newly born infants, in the Lake region areas of Mwanza and Shinyanga since initiation in 2013. The program is run in partnership with the Vodafone Foundation and the Tanzania government in an effort to reduce maternal deaths through provision of emergency transportation for pregnant women to healthcare centres in rural areas. In April 2022, we extended the reach of our M-Mama program to 14 regions, covering over half of the population.

- In supporting efforts towards reducing infant mortality and disaster resilience, medical equipment to support neonatal intensive care unit and maternity units worth TZS58.5 million were set up in Mkomaindo hospital in Masasi, Mtwara, serving close to 100 pre-mature infants.

More details on health and education programs are reported in CSR report in **pages 56 to 57**

Supporting technology start-ups

- Through our Digital Accelerator Programme launched in 2020 in partnership with Smart Lab, an experienced player in the start-up domain, this year we continued mentoring the 15 shortlisted companies – in fintech, education, health, the environment, and e-commerce – in particular, the top four finalists, helping young Tanzanians to transform their potentially game-changing product ideas into successful businesses that helps creating jobs and solve societal challenges. The success of the first round of this initiative has encouraged us to launch a second cohort this year.

Supporting Girls' Tech-literacy

- This year we continued with our #Codelikeagirl programme, aiming at providing and expanding technological skillset to 14-18 years' old girls, in creation of digital solutions for sustainable social and economic development. It is also a way of encouraging the girls to consider the uptake of ICT and STEM subjects. The participants to this programme are identified through local secondary schools. In this year, a total of 306 girls attended the usual one-week training covering basic knowledge of computer languages and programme development including 'HTML' and 'CSS', a computer language for web pages structuring. Since initiation, over 1 000 young girls have attended the programme, and they are part of our young talent pool for technology and are continuously engaged with after the workshops.

Planet

We are minimising the environmental impact of our business activities by investing in climate-smart, energy-efficient networks and solutions, reducing waste across our value chain, enhancing climate resilience through support towards forests preservation, and ensuring compliance with environment impact assessment requirements.

Climate change, energy, and water efficiency

- We continued to drive energy and water efficiency initiatives, and reduce our carbon footprint, by modernizing our data centres, a result from modernization project undertaken replacing old generators, and substituting mobile switching servers with more efficient cloud servers. This year, energy consumption was down 3.3% to 16.4GWh, fuel usage increased by 5.8% to 1.7 million litres, and water usage increased 6.4% to 26.9 kilolitres. The decrease in energy usage is reflective of the savings realised from network operational initiatives, while fuel usage increase was mainly due to usage of generators depending on grid power stability and availability. On the other hand, water usage increase during the year, was due to more employees working from office as the effects of COVID-19 declined compared to prior year.

Waste reduction

- Our longstanding focus on encouraging customers to switch from using scratch cards to adopting electronic recharges – such as M-Pesa, ATM machines, and Vodafasta – has contributed to reducing an estimated 134 tons in paper-waste this year, resulting in a cumulative estimated reduction of 736 tons of paper in the past five years.
- Similarly, the switch to smaller-sized simcards with biodegradable material, has reduced plastic usage and plastic waste by an estimated 15 tons this year, resulting in a total estimated reduction of 122 tons in plastic waste over the past five years.

Biodiversity and climate resilience

- This year, we continued with our Kijanisha Dodoma 'greening' project spending TZS104.5 million, aimed at increasing awareness and mobilising communities on climate change and biodiversity issues as well as maintaining the previous years' planted trees. Communities benefited not only from the trees planted, but also through capacity building programs to over 800 community members, comprising of youth and women enterprising groups on usage of sustainable energy technologies for productive economic activities. The project now boosts over 96 000 surviving trees in the capital of Dodoma.

Sustainability KPIs	Unit	March 2022	March 2021	March 2020	March 2019	March 2018
Number of full-time employees	Number	**560**	569	551	548	537
Number of full-time female employees	Number	**209**	203	204	200	212
Female in EXCO	%	**38.5**	36.4	30.8	36.4	30.8
Female (HoD and EXCO level)	%	**40.0**	41.2	41.2	41.2	42.9
Female employees	%	**37.3**	35.7	37.0	36.5	39.5
Total spend on employees	(TZS bn)	**63.8**	61.6	57.7	59.4	55.3
Total training spend	(TZS bn)	**0.2**	0.7	1.0	0.7	0.8
Work related fatalities	Number	**Zero**	Zero	Zero	Zero	Zero
Product and Service Responsibility (Customer NPS)	Position	**1st**	1st	1st	1st	1st
Employees Engagement Index score	%	**85**	86	86	85	85
Customer base (90 days)	Number ('000)	**15 368**	14 861	15 513	14 133	12 899
M-Pesa users (monthly base)	Number ('000)	**6 833**	7 395	6 685	6 989	6 369
Data users (monthly base)	Number ('000)	**7 603**	7 695	7 687	7 892	7 345
CAPEX investment	(TZS bn)	**173.9**	122.4	154.6	171.4	159.7
Total tax and levies paid to government	(TZS bn)	**516.9**	429.7	434.8	391.5	379.1
Airtime advance to customers	(TZS bn)	**68.6**	43.3	38.2	34.6	53.1
Total value transacted in M-Pesa	(TZS tn)	**61.9**	69.2	58.9	50.0	43.1
Beneficiaries of Songesha overdraft	Number ('000)	**3 776**	3 541	2 001		
Rural sites (UCSAF)	Number	**283**	260	217	199	188
% Customers in rural sites	%	**57**	56	53	53	47
Paper usage saved by focusing on electronic recharges	Tons	**134**	140	175	155	132
Plastic usage saved by using small size simcards	Tons	**15**	22	30	31	25

Our financial performance

Consolidated	2022	2022 Underlying*	2021	Year-on-year % Change	Year-on-year % Change underlying*
Service revenue (TZS m)	**956 515**	**1 060 359**	966 014	(1.0)	9.8
of which					
Mobile voice revenue (TZS m)[1]	**286 985**		302 037	(5.0)	
M-Pesa revenue (TZS m)	**329 557**		356 801	(7.6)	
Mobile data revenue (TZS m)[2]	**203 985**		171 585	18.9	
Digital & VAS revenue[3]	**36 294**		24 749	46.6	
Mobile incoming revenue (TZs m)	**48 105**		58 141	(17.3)	
Messaging revenue (TZS m)	**28 861**		31 877	(9.5)	
Revenue (TZS m)	**971 025**	**1 074 870**	974 391	(0.3)	10.3
EBITDA (TZS m)	**300 341**	**359 432**	316 134	(5.0)	13.7
EBITDA margin (%)	**30.9**	**33.4**	32.4	(1.5)pp	+1.0pp
EBIT (TZs m)	**64 434**	**123 525**	52 095	30.1	149.5
Capital expenditure (TZS m)[4]	**173 955**	**173 955**	122 447	42.1	42.1
Capital intensity (%)	**17.9**	**16.2**	12.6	+5.3pp	+3.6pp
Customer market share[5] (%)	**1st**		1st		
Active customers[6] (thousand)	**15 368**		14 861	3.4	
30 days' active M-Pesa customers[7] (thousand)	**6 833**		7 395	(7.6)	
Active data customers[8] (thousand)	**7 603**		7 695	(1.2)	
MoU per month[9]	**232**		194	19.6	
ARPU[10] (shillings per month)	**5 132**	**5 705**	5 259	(2.4)	8.5
Number of employees	**560**		569	(1.6)	
Number of sites					
4G	**1 963**		1 820	7.9	
3G	**2 868**		2 825	1.5	
2G	**3 388**		3 356	1.0	
Weighted NPS[11] (position relative to competitors)	**1 963**		1st		

* All amounts/figures in this annual report marked with a '*', represent underlying growth which is performance adjusted by an estimated impact of the levy on mobile money transfer and withdrawal transactions.

Notes:
1. Previously, 'Mobile Voice revenue' reported included revenue from Airtime Advance Credit Service revenue (2021: TZS9.5 billion) which is now reported under 'Digital and VAS' revenue. There was no impact on overall service revenue as a result of this reclassification.
2. Previously, 'Mobile Data revenue' reported included revenue from data usage and revenue from the Value Added Services (VAS) (2021:TZS15.3 billion) which has been reported separately starting financial year 2022. There was no impact on overall service revenue as a result of this reclassification.
3. Include Airtime Advance Credit Service revenue previously reported under 'Mobile voice revenue' and Value added services (VAS) revenue previously reported under 'Mobile data revenue'. The two services have now been combined to formulate Digital and VAS revenue. There was no impact on overall service revenue as a result of this reclassification.
4. Capital expenditure as a percentage of revenue.
5. Tanzania Communication Regulatory Authority's quarterly communication statistics as at March 2022.
6. 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.
7. 30 days' active M-Pesa customers are the number of unique customers who have generated billable transactions during the past 30 days.
8. 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 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.
9. 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.
10. ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period.
11. 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 declined 1.0% to TZS956.5 billion impacted by the direct and indirect effects of levy on mobile money transfer and withdrawal transactions, and competitive pressures. These pressures were also evident in mobile customer ARPU, which declined 3.5% (up 7.9%*). Accounting for the TZS103.8 billion estimated impact from the levy on mobile money transfer and withdrawal transactions, underlying service revenue was up 9.8%*. The underlying performance reflected sustained demand for our financial, digital and data services. During the year, our customer base increased 3.4% to 15.4 million, reflecting our commercial execution success in active days' management and increased products uptake.

Voice revenue decreased 5.0% to TZS287.0 billion, with the contribution to service revenue decreasing by 1.3pp to 30.0%, primarily due to competitive pricing pressure and service barring of 568 000 SIM cards in the second half of the financial year. Aggressive competitive pricing pressure led to a 15.1% decline in average price per minute, while minutes of usage grew by 10.0%.

M-Pesa revenue declined 7.6% to TZS329.6 billion. Adjusted for the estimated impact of the levy on mobile money transfer and withdrawal transactions, underlying M-Pesa revenue growth was 17.7%*, underpinned by ecosystem expansion and service adoption. Our lending product 'Songesha' continued to perform well in facilitating seamless completion of transactions. Songesha revenue grew 22.7%, increasing its contribution to M-Pesa revenue by 1.8pp from the previous year. Despite the challenges associated with the levy on mobile money transfer and withdrawal transactions, we are pleased that during the year, we continued supporting our customers and agents in addressing their short-term financial requirements through our financial service portfolio of Songesha, M-Pawa and Agents' term-loans. Loans and overdraft worth TZS562.4 billion were disbursed to agents and customers, representing growth of close to 40% year-on-year, delivering on our promise to support financial inclusion.

Our 'Lipa kwa simu' merchant solution, which provides customers with the ability to make seamless point-of-sale payments continued to accelerate, with over 1 million customers transacting through this platform. During the year, transactions worth over TZS1.7 trillion were processed through our merchant platform, an increase of over 25%. This demonstrates our commercial success in driving adoption and expansion of our M-Pesa product portfolio, and more importantly, providing our customers with technological solutions to facilitate easy completion of transactions. Our international money transfer business also continued to play an important role in supporting financial inclusion with more than 40% growth in transaction values to over TZS850 billion. During the year, our M-Pesa platform processed transactions with a total value of more than TZS60 trillion, a decline of over 11% compared to previous year, underscoring the significant impact from the levy on mobile money transfer and withdrawal transactions despite the 30% reduction in September 2021. Transaction value for the most common peer-to-peer service, declined by close to 40% post levy on mobile money transfer and withdrawal transactions implementation, impacting our momentum in driving financial inclusion through M-Pesa. Positively, revenue from non-traditional M-Pesa services proved more resilient to levy on mobile money transfer and withdrawal transactions impact, with lending services growing 26.1% year-on-year driven by product adoption and attachment.

Mobile data revenue increased 18.9% to TZS204.0 billion primarily due to the 20.3% growth in data ARPU driven by the increased demand for data services. Data traffic increased 20.8%, supported by additional smartphones on the network. Smartphone users increased 12.1% to 4.1 million representing 54.2% penetration on our data customer base, up 13.5pp from the previous year, with data usage per customer increasing 22.3% to reach an average of 1.7 gigabytes per customer per month. Data customer growth was impacted by the service barring to over 200 000 data users in the second half of the financial year, contributing to a 1.2% decline to 7.6 million customers. Data services remain a key lever of growth and central to our commitment of connecting for a better future. We undertook actions to drive data adoption and usage including roll out of 143 4G sites, in addition to capacity enhancement for over 530 sites across the country, aimed at improving customer experience.

Digital & VAS revenue comprising of airtime advance credit service and value added services (VAS) grew 46.6% to TZS36.3 billion, mainly driven by the 48.4% ARPU growth. The growth demonstrates a success of our commercial execution on expanding our digital and VAS product portfolio aimed at driving customer acquisition and adoption of our services, as demand continue to accelerate.

Mobile incoming revenue decreased 17.3% to TZS48.1 billion driven by a 41.9% decline in the average incoming price per minute due to the Mobile Termination Rate (MTR) drop from TZS5.2 to TZS2.6 in January 2021 and a further drop to TZS2.0 in January 2022 as per TCRA's glide path. The MTR decline was partly offset by 42.4% higher incoming minutes, as competitors upped competitive intensity and offered more value in their off-net minutes.

Messaging revenue declined 9.5% to TZS28.9 billion driven by the decline in number of messages transmitted.

Total expenses[1]

Total expenses increased 1.4% (up 8.2%*) to TZS670.4 billion. Our cost transformation initiatives were a success, delivering a cost saving of more than TZS40 billion. Despite the 0.8% decline in direct expenses in line with the decline in revenue, the competitive pressure led to higher commission to the distribution channels as well as interconnect cost. The savings realised from our cost transformation initiatives were offset by cost pressures in staff expenses and other operating expenditure. Staff expenses increased 3.6%. Excluding the impact of a one off adjustment in the previous year, staff expenses declined 2.8% due to realised savings from business restructuring. Other operating expenses increased 7.5% driven by a tax settlement in relation to excise duty assessments relating to previous years, higher legal fees related to tax cases mediation, as well as increased network costs mainly from contractual price adjustments and network expansion. Excluding the one off costs, other operating expenses grew only by 2.1%, reflecting the strong cost containment measures executed in the year.

EBITDA

EBITDA declined 5.0% to TZS300.3 billion. Adjusting for the TZS59.1 billion estimated impact of the levy on mobile money transfer and withdrawal transactions, underlying EBITDA grew 13.7%* with 1.0pp margin expansions to 33.4%*. The underlying performance reflected strong growth in service revenue and diligent cost containment.

Capital expenditure

We invested TZS173.9 billion in capital expenditure, equivalent to 17.9% of our revenue, to improve the quality of our network, coverage expansion and enhancing our IT infrastructure. The incremental 143 4G sites added in the year to improve capacity and expand our 4G coverage supported 59.0% growth in 4G data traffic and a clear lead on network quality Net Promoter Score – a gap of 14 points against the second competitor.

1. Excluding depreciation, amortisation and impairment losses.

Summarised consolidated statement of profit or loss and other comprehensive income

TZS m	2022 Audited	2021 Audited
Revenue	**971 025**	974 391
Direct expenses	**(299 185)**	(301 533)
Staff expenses	**(63 823)**	(61 579)
Publicity expenses	**(30 184)**	(35 775)
Other operating expenses	**(279 473)**	(260 064)
Depreciation and amortisation	**(236 201)**	(264 039)
Impairment charges	**2 275**	(1 887)
Operating profit	**64 434**	49 514
Finance income	**25 837**	38 418
Finance costs	**(85 544)**	(85 232)
Net (loss)/ gain on foreign currency translation	**(1 548)**	3 627
Profit before tax	**3 179**	6 327
Income tax expense	**(23 442)**	(36 433)
Profit for the year	**(20 263)**	(30 106)
Other comprehensive income	**–**	–
Total comprehensive income for the year, net of tax[1]	**(20 263)**	(30 106)
Basic and diluted earnings per share (TZS)	**(9.05)**	(13.44)

1. All attributable to the owners of the parent since there is no non-controlling interest in the Group's subsidiaries.

Revenue declined 0.3% to TZS971.0 billion mainly due to a 1.0% decline in service revenue driven by the direct and indirect effects of levy on mobile money transfer and withdrawal transactions, coupled with competitive pricing pressures especially on voice, and lower incoming revenue, primarily an impact of 23.1% lower MTR as per TCRA glide path. These impact led to 3.5% decline in mobile customer ARPU, (up 7.9%*). Excluding TZS103.8 billion estimated impact from the levy on mobile money transfer and withdrawal transactions, underlying revenue was up 10.3%*.

Total expenses increased 1.4% (up 8.2%*) to TZS670.4 billion. The growth is mainly an impact of a once off staff expense savings realised in the prior year coupled with current year expense increases in commission and interconnect expense driven by competitive market pressures, as well as increases in other network expenses due to once off costs in the current year, contractual price adjustments and network expansion. Our cost transformation initiatives were a success, delivering savings of more than TZS40 billion which was however offset by cost pressures in other expense lines. Excluding the impact of a once off adjustment in the previous year, staff expenses declined 2.8% (against the reported 3.6% increase), the decline driven by savings realised from business restructuring. Other operating expenses increased 7.5% driven by a tax settlement in relation to excise duty assessments relating to previous years, higher legal fees related to tax cases mediation, as well as increased network costs mainly from contractual price adjustments and network expansion. Excluding the once off costs, other operating expenses grew 2.1% only, reflecting the strong expenses containment measures executed in the year.

Depreciation and amortisation cost declined 10.5% being a net impact of annual review of assets' useful life in line with the company policy, offsetting increase due to investments in assets.

Impairment charges 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 yearly saving is primarily due to a net recovery in airtime credit advance debts.

Finance income decreased 32.7%, a result of decreased investment in government treasury bills post the payment of a special dividend in the second half of the previous financial year, and lower interest rates received on cash balances.

The net loss on foreign currency translation is due to the change in exchange rates resulting in TZS1.5 billion net loss from cash held in foreign currency, which was a gain in prior year.

The tax expense of TZS23.4 billion was 35.7% lower than the prior year. The lower tax expense reflects a decline in profit before tax of our subsidiary M-Pesa Limited, impacted by the levy on mobile money transfer and withdrawal transactions.

Summarised consolidated statement of financial position

TZS m	2022 Audited	2021 Audited
ASSETS		
Non-current assets	**1 191 715**	1 219 874
Property and equipment	**1 014 626**	1 041 226
Intangible assets	**76 681**	70 593
Capacity prepayments	**44 582**	46 559
Goodwill	**1 639**	1 639
Income tax receivables	**41 011**	39 772
Trade and other receivables	**11 388**	18 696
Deferred tax asset	**1 788**	1 389
Current assets	**846 914**	836 067
Capacity prepayments	**15 864**	13 188
Inventory	**2 597**	4 179
Trade and other receivables	**112 570**	125 534
Income tax receivable	**22 836**	4 726
Mobile financial deposit	**436 086**	444 183
Cash and cash equivalents	**256 961**	244 257
TOTAL ASSETS	**2 038 629**	2 055 941
Equity	**777 324**	797 587
Share capital	**112 000**	112 000
Share premium	**442 435**	442 435
Capital contribution	**27 698**	27 698
Retained earnings	**195 191**	215 454
Non-current liabilities	**451 764**	466 184
Lease liabilities	**446 044**	461 627
Government grants	**143**	235
Trade and other payables	**378**	163
Provision	**5 199**	4 159
Current liabilities	**809 541**	792 170
Lease liabilities	**60 472**	73 052
Trade and other payables	**300 006**	253 153
Mobile financial payable	**436 086**	444 183
Government grants	**1 218**	1 383
Provisions	**11 759**	20 399
Total liabilities	**1 261 305**	1 258 354
TOTAL EQUITY AND LIABILITIES	**2 038 629**	2 055 941

The decrease is mainly driven by the depreciation charge, partially offset by the investment during the year.

The increase is mainly driven by the investment, partly offset by amortization during the year

The decrease is mainly driven by the amortization of prepaid right of way for the fibre infrastructure, partially offset by additional investment as well as reallocation from long term capacity prepayment during the year.

The increase is mainly driven by the deposit on objected tax assessments partly offset by transfer pricing expenses for prior year.

The decrease is mainly driven the recognition of expense relating to excise duty on inbound and international interconnection.

The increase is mainly driven by additional prepayments during the year, partly offset by reallocation to short term capacity prepayments.

The decrease is mainly explained by sales of devices, partly offset by shipments received during the year.

The decrease is mainly driven by improved collection from trade dealers and partners as well as improved advance credit collections.

The increase is mainly related to the recognition of tax refund following conclusion of the mediation process on CIT assessment for 2015-2020 partly offset by expense on transfer pricing assessment in relation to prior years.

The decrease mainly due to the impact of government levy on mobile financial transactions.

The increase is mainly driven by net cash receipt from operations.

The decrease is due to the losses generated during the year mainly due to the impact of M-Pesa levy.

The decrease is mainly due to transfer to Short-term lease liabilities partly offset by additional lease contracts and annual price escalation.

The increase is mainly due to the interest charge for the year as well as additional contracts during the year.

The decrease is mainly driven by payment made for the lease contracts partly offset by new additions, annual rental escalation and interest charge for the year.

The decrease is mainly driven by settlement of marketing tax following the completion of reconciliation with the municipal councils partly offset by additional cost for the year.

The increase is mainly driven by increase in the capital expenditure towards the end of the year in line with the accelerated capex program.

The decrease mainly due to the impact of government levy on M-Pesa transactions.

Summarised consolidated statement of cash flows

TZS m	2022 Audited	2021 Audited
Cash flows generated from operations	**316 748**	427 135
Income tax paid	**(43 191)**	(67 642)
Interest paid on tax liabilities	**(5 753)**	–
Net cash flows generated from operating activities	**267 804**	359 493
Cash flows utilised in investing activities	–	–
Additions to property and equipment, and intangible assets	**(142 153)**	(112 850)
Payment for investment in subsidiary	–	–
Proceeds from disposal of property and equipment	**6**	17
Proceeds from transfer of assets to subsidiary (M-Pesa Limited)	–	–
Government grant received	**4 991**	400
Short term investments retired	–	164 643
Finance income received	**7 219**	17 625
Increase/(decrease) in cash held in restricted deposits	**8 097**	(106 627)
Interest received from M-Pesa deposits	**18 618**	20 793
Net cash flows utilised in investing activities	**(103 222)**	(15 999)
	–	–
Cash flows utilised in financing activities	–	–
Dividend paid	**(209)**	(427 093)
Interest paid on lease liabilities	**(60 871)**	(64 040)
Payment of lease liabilities – principal	**(69 183)**	(61 395)
Interest paid to M-Pesa customers	**(20 043)**	(24 165)
Net cash flows utilised in financing activities	**(150 306)**	(576 693)
Net increase/(decrease) in cash and cash equivalents	**14 276**	(233 199)
Cash and cash equivalents at the beginning of the year	**244 257**	473 828
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	**(1 572)**	3 628
Cash and cash equivalents at the end of the year	**256 961**	244 257

The decrease mainly driven by payment to suppliers partly offset by improved collection from the dealers and advance credit customers.

The decrease mainly driven by low profit generated by M-Pesa business due to the impact of levy on mobile financial transactions.

This is related to the prior year tax liabilities settled during the year.

The increase is mainly driven by increased capital investment in line with accelerated capex program.

The increase follows the receipt of grant after the completion and acceptance of UCSAF projects during the year.

The company had no investment in treasury bills during the year after the previous investments matured last year.

The decrease reflects lower investments in treasury bills explained above.

The decrease is mainly driven by lower M-Pesa deposits from customers. An impact of levy on mobile money transactions.

The decrease reflects a reduction in M-Pesa customers deposits as a results of levy on mobile money transactions.

The decrease is due to no dividend declared for the year in line with our dividend policy.

The increase is mainly driven by increases in the lease contracts during the year.

The decrease reflects a reduction in M-Pesa customers deposits impacted by the levy on mobile financial transactions.

Corporate Social Responsibility Report (CSR)

Guided by the UN Sustainable Development Goals, Tanzania's Vision 2025 and its national Five-Year Development Plan, the vision of our Corporate Social Responsibility function is to positively impact the lives of underserved members of the Tanzanian community by leveraging Vodacom's technological capabilities and partnerships to deliver pioneering projects in maternal health, education, and environmental protection.

Since 2004, Vodacom Tanzania through our Corporate Affairs directorate[1], has directly invested more than TZS16.9 billion towards positively impacting millions of lives across Tanzania through our various corporate social responsibility programs. This investment excludes the value in cash and in-kind injected in various programs by our partner, the Vodafone Foundation – 'Our parent foundation'.

Our 2022 performance

Health – SDG 3
(Good Health and Wellbeing)

Our M-Mama programme conducted in collaboration with our parent – Vodafone Foundation, provides emergency transportation for pregnant women. The objective is to support prevention and reduction of maternal deaths and child mortality. Since initiation in 2013, the programme has benefitted more than 12 000 beneficiaries including women and new-borns in the Lake region areas of Mwanza and Shinyanga. In this programme, we use the M-Pesa service to pay the registered 'community' taxi services which are used as ambulances. During the period, 20% of the emergencies were completed by government ambulances with the balance 80% undertaken by the community taxis, a reflection of criticality of this programme. We have also trained more than 300 health workers and 200 drivers involved in the programme as part of the programme, which is an added benefit to the community. In April 2022, in a ceremony graced by Her excellency Samia Suluhu Hassan, President of the United Republic of Tanzania, we officially launched the program country-wide, partnering with the government in efforts to reduce maternal death in 14 regions, covering about 50% of the population. Our parent foundation – Vodafone Foundation has committed to inject US$9.3 million in the next phase of the programme covering six years.

In supporting child's health, we also donated medical equipment worth TZS58.4 million to support neonatal intensive care unit and maternity units in Mkomaindo hospital in Masasi, Mtwara, serving pre-mature babies. The equipment granted include delivery beds, Vacuum extractors, Oxygen concentrator, portable Ultrasound, petal doppler machine, delivery sets, penguin suckers, speculums, blood pressure testing machine, warmer bed for maternity unit, incubator, phototherapy lamps and pulse oximeter.

We supported the Ministry responsible for Health (MoH) on digital health initiatives hosted on the ministry's mHealth technical platform through USSD short code *152*05# and the SMS short code 15205 including their extensions. The mHealth platform has enrolled over 3 million registrants from all mobile network operators since launch in 2012, out of which about 1.5 million are Vodacom customers, who have enjoyed more than 100 million free lifesaving health messages. We also provide MoH with free, zero-rated USSD sessions, which enables the health care workers and community members to access the mHealth services such as the Electronic Integrated Disease Surveillance and Response System (e-IDSR) and platform for suggestions and feedback to the MoH.

We provided a free-hotline access to the MoH's 'Afya Call Centre' accessible by dialing number 199. It provides access to numerous health service information both communicable and non-communicable diseases including COVID-19 and HIV. On average, more than 100 000 free minutes are made to this free hotline monthly.

We also supported the MoH in capacity building and policy reforms arena. During the year we spend TZS38.3 million financing policies' review and advocacy workshops aiming at incorporating the premature treatment agenda at national level plans. The objective was to petition to the government of Tanzania, through MoH, to amend the laws, regulations and policies relating to parental leave for parents with premature babies, incorporation of the preterm costs in the health insurances packages, and the addition of preterm awareness packages in the current Tanzania Education curriculum.

1. The Corporate Social Responsibility programs were previously handled by the 'Vodacom Foundation', which has been dissolved and its roles are now direct handled by the corporate affairs department.

Education – SDG 4
(Quality Education)

Total spend of more than
TZS758.8 million
during the year.

We continued to provide support to numerous educational initiatives across the country, in partnership with our parent foundation – Vodafone Foundation, Ministry of Education and Vocational Training and the Ministry of Science and Technology, as well as with various non-governmental organisations including the African Child Projects.

Our Instant Schools programme, which targets underserved rural communities in various regions across Tanzania, provides free access to educational material to more than 185 000 registered beneficiaries through our E-Fahamu online portal-based service. Accessible to our customers through smartphone or computers, this service provides interactive global learning materials free of charge to more than 81,000 primary and secondary school students. This service is augmented by our Smart Schools programme that provides free computers, routers, and free internet connection to more than 500 primary and secondary schools in societies in the country that may otherwise have remained unconnected.

Also in collaboration with our human resources department, this year, through our #Codelikeagirl programme, we supported 306 girls between 14-18 years, helping them to develop coding skills and valuable life skills, and encouraging them to consider the uptake of ICT and STEM subjects.

More details on the programme are available in **page 48**

Environmental protection – SDG 13
(Climate Action)

Total spend of more than
TZS104.5 million
during the year.

Since 2020, through the then Vodacom Foundation, in partnership with the World Wide Fund for Nature (WWF) and the Dodoma City Council, we have been jointly implementing the Kijanisha Dodoma programme and Kijani Zaidi programmes, an ambitious tree-planting and educational initiative to green up the Tanzania's capital city.
We currently have 96 000 surviving trees under this project, having spent more than TZS410.5 million on this project since its launch.

Our environmental related programmes benefit the communities, not only from the trees planted, but also through capacity building programs to over 800 community members, comprising of youth and women enterprising groups on raising awareness to combat impacts of climate change including usage of sustainable energy technologies for productive economic activities.

We have also continued to work in partnership with Mezzanine through our Vodacom Business Unit on our M-Kulima digital agricultural platform that currently links more than 140 000 smallholder farmers to the agriculture value chain, enabling access to information, services, and markets via SMS and App, and that enables faster and safer payments through M-Pesa. We are targeting to have 1 million farmers on the platform by 2025, helping them to improve productivity, income and resilience.

Our strategic focus

In the next three years, we will focus on the following areas to positively impact the society as are return to the community.

- **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 continue to drive public-private partnership on reducing the infant mortality rate. We remain committed to reaching all regions of Tanzania with our M-mama program in partnership with Our Parent foundation – Vodafone Foundation, and the Government of Tanzania through its Ministries responsible for Health, Local government and Information and Technology.
- **Rural Coverage:** continue supporting connectivity to the underserved communities. We believe rural connectivity is crucial in bridging the digital divide by providing access to affordable communications, which is in line with our purpose, to promote inclusion for all.
- **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. Our ambition is to reach 1 500 schools and impact more than one million students by 2025.
- **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.
- **Disaster relief management:** We will drive 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.
- **Smart agriculture and tree planting:** facilitating access to clean energy, and supporting workshops on the climate change agenda.

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.

Our Board

Chairman

Thomas B Mihayo (75)

Appointed in November 2020

- Legal expertise.
- Arbitrator.
- Government relations.

Executive directors

Sitholizwe Mdlalose (42)

Managing Director Vodacom Tanzania PLC

Appointed in November 2021

- Astute business leader.
- 19 years of finance, management, and consulting experience, of which 13 have been in telecommunications across both emerging and developed markets.
- Strong execution of innovative products and offerings.

Hilda Bujiku (43)

Finance Director Vodacom Tanzania PLC

Appointed January 2022

- Strong financial expertise.
- Experience in other emerging markets.

Independent non-executive directors

Winifred Ouko (52)

Appointed in November 2017

- Financial and strategic planning expertise.
- Diverse international operational and strategy execution experience.

Thembeka Semane (46)

Appointed in November 2017

- Corporate governance expertise.
- Operational and strategy execution experience.
- Financial expertise.

Margaret Ikongo (65)

Appointed in November 2017

- Financial expertise.
- Government relations.
- Corporate governance expertise.

Non-executive directors

Diego Gutierrez (46)

Appointed in March 2018

- Commercial strategist.
- Extensive telecoms technology knowledge and emerging market experience.
- Strategic leadership expertise.

Sudhersan Ramasamy (36)

Appointed January 2022

- Financial planning and strategy formulation.
- 12 years experience across the Vodafone Group.

Matimba Mbungela (50)

Appointed in August 2017

- Extensive talent management knowledge and experience.
- Expertise in human resources best practice.
- International operational experience.

Nkateko Nyoka (59)

Appointed in April 2020

- Law and Public Policy experience.
- Corporate Governance expertise.
- Leadership and Stakeholder Management.

Dejan Kastelic (44)

Appointed August 2020

- Extensive telecommunications and ICT sector experience.
- Diverse international and emerging market experience.
- Operational and strategy execution expertise.

Raisibe Morathi (52)

Appointed in November 2020

- Diverse international financial experience.
- Strategic leadership expertise.
- M&A skills.

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

Executive Committee

Sitholizwe Mdlalose (42)

Managing Director

Joined Vodacom in 2013, Vodafone in 2007

Hilda Bujiku (43)

Finance Director

Joined Vodacom in 2012

Linda Riwa (35)

Consumer Business Unit Director

Joined Vodacom in 2017

Epimack Mbeteni (44)

M-Commerce Director

Joined Vodacom in 2014

Arjun Dhillon (42)

Enterprise Business Unit Director

Joined Vodacom in 2017, Safaricom in 2015

Andrew Lupembe (49)

Network Director

Joined Vodacom in 2007

Olaf Mumburi (46)

Legal and Regulatory Director

Joined Vodacom in 2008

Rosalynn Gloria Mworia (42)

Corporate Affairs Director

Joined Vodacom in 2008

Harriet Atweza Lwakatare (44)

Customer Service Director

Joined Vodacom in 2012

Vivienne Penessis (47)

Human Resources Director

Joined Vodacom in 2018

Nguvu Kamando (47)

Digital Director

Joined Vodacom in 2002

Tax Agapinus (57)

Risk and Compliance Director

Joined Vodacom in 2020

Athumani Mlinga (54)

Billing and IT Director

Appointed April 2021

Corporate governance report

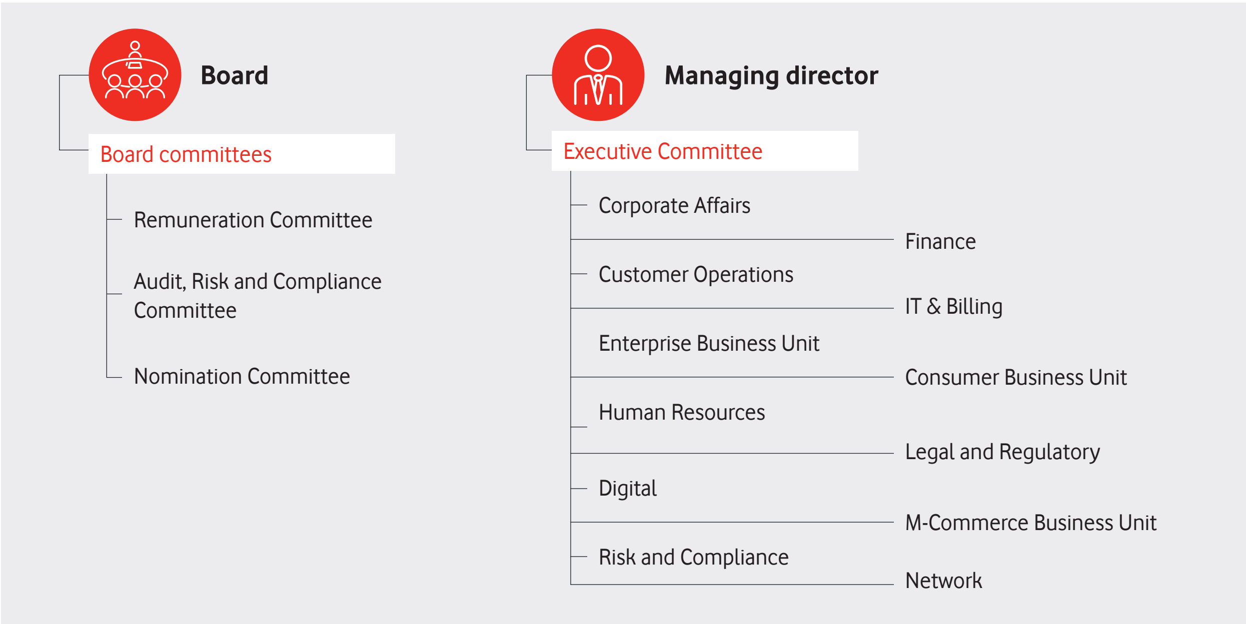
Statement of compliance

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 2022



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 shareholder), 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. Justice (rtd) Thomas B Mihayo was appointed as Chairman of the Vodacom Tanzania Board with effect from 1 November 2020. His re-election as Chairman will be considered by the Board on the anniversary of his appointment.

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

Vodacom Tanzania PLC

Board meetings

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

Name of directors	6 May 2021 Special	31 May 2021	15 Jul 2021 Special	19 Aug 2021	2 Nov 2021 Special	11 Nov 2021	20 Jan 2022 Special	15 Mar 2022
Justice (Rtd) Thomas B Mihayo (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓
Ms Margaret Ikongo	X	✓	✓	✓	✓	✓	✓	✓
Ms Thembeka Semane	✓	✓	✓	✓	✓	✓	✓	✓
Ms Winifred Ouko	✓	✓	✓	✓	✓	X	✓	✓
Mr Dejan Kastelic	✓	✓	✓	✓	✓	✓	✓	✓
Mr Diego Gutierrez	✓	✓	✓	✓	✓	✓	X	✓
Mr Hisham Hendi	✓	✓	✓	✓	R	R	R	R
Mr Jacques Marais	✓	✓	✓	✓	✓	✓	R	R
Mr Kenneth Gomado	✓	✓	✓	✓	✓	✓	✓	R
Mr Matimba Mbungela	✓	✓	✓	X	✓	✓	✓	✓
Mr Nkateko Nyoka	✓	✓	✓	✓	✓	✓	✓	✓
Ms Raisibe Morathi	✓	✓	✓	✓	✓	X	✓	✓
Mr Sitholizwe Mdlalose	–	–	–	–	✓	✓	✓	✓
Ms Hilda Bujiku	–	–	–	–	–	–	✓	✓
Mr Sudhersan Ramasamy	–	–	–	–	–	–	–	✓

Notes:

1 Hisham Hendi resigned on 1 November 2021.
2 Jacques Marais resigned on 1 January 2022.
3 Kenneth Gomado resigned on 21 January 2022.
4 Sitholizwe Mdlalose's appointment became effective on 1 November 2021.
5 Hilda Bujiku's appointment became effective on 1 January 2022.
6 Sudhersan Ramasamy's appointment became effective on 21 January 2022.

Audit, Risk & Compliance Committee meetings

The following table records the attendance of members at the ARC Committee meetings for the year.

Name of members	6 May 2021 Special	31 May 2021	15 Jul 2021 Special	19 Aug 2021	2 Nov 2021 Special	11 Nov 2021	20 Jan 2022 Special	15 Mar 2022
Ms Margaret Ikongo (Chairperson)	X	✓	✓	✓	✓	✓	✓	✓
Ms Thembeka Semane	✓	✓	✓	✓	✓	X	✓	✓
Ms Winifred Ouko	✓	✓	✓	✓	✓	✓	✓	✓

Remuneration Committee meetings

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

Name of members	31 May 2021	19 Aug 2021	10 Nov 2021	14 Mar 2022
Ms Winifred Ouko (Chairperson)	✓	✓	✓	✓
Mr Diego Gutierrez	✓	✓	X	✓
Mr Matimba Mbungela	✓	✓	✓	✓

Nomination Committee meetings

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

Name of members	18 Aug 2021	14 Mar 2022
Judge (Rtd) Thomas B Mihayo (Chairman)	✓	✓
Ms Margaret Ikongo	✓	✓
Ms Winifred Ouko	✓	✓
Mr Matimba Mbungela	✓	✓

M-Pesa Limited

Board meetings

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

Name of directors	28 May 2021	18 Aug 2021	10 Nov 2021	14 Mar 2022
Mr Sitoyo Lopokoiyit (Chairman)	X	✓	✓	✓
Mr Christopher Williamson	✓	✓	✓	✓
Mr Jacques Marais	✓	✓	✓	R
Mr Olaf Mumburi	✓	✓	✓	✓
Mr Epimack Mbeteni	✓	✓	✓	✓

Note:
Jacques Marais resigned on 1 January 2022.

Audit, Risk & Compliance Committee meetings

The following table records the attendance of members at the ARC Committee meetings for the year.

Name of members	28 May 2021	18 Aug 2021	10 Nov 2021	14 Mar 2022
Mr Christopher Williamson (Chairman)	✓	✓	✓	✓
Mr Jacques Marais	✓	✓	✓	R
Mr Olaf Mumburi	✓	✓	✓	✓

Note:
Jacques Marais resigned on 1 January 2022.

Remuneration report 2022

Letter from the Interim Chairperson of the Remuneration Committee

Margaret Ikongo

Dear Shareholders and other interested parties

It is my pleasure to present Vodacom Tanzania's 2022 remuneration report on behalf of the Board. This report provides a summary of our remuneration philosophy and policy for executive and non-executive directors and briefly describes how the policy has been implemented over the year.

The role of the Remuneration Committee is to assist and advise the Board on matters relating to the remuneration of executive directors. We are responsible for ensuring that the remuneration philosophy and policy supports the Company's commitment to providing fair and responsible remuneration that will attract, retain, and motivate executives of the highest calibre, tasked with maximising long-term shareholder value by delivering on the Company's strategic objectives. We continuously review our remuneration policies and practices to ensure full compliance with legislation and guidelines issued by the Capital Markets and Securities Authority ('CMSA'), and address shareholders' interests.

Reflecting on our activities over the past year, there are three issues I wish to highlight.

- It is pleasing to see the progress we have made in delivering on our commitment to strengthen the representation of women within our leadership team. We are proud that following the recent appointment of our new Finance Director, Ms Hilda Bujiku, we have increased the female representation at Executive level to 38.5%. Our Executive Succession Plan also focuses on women, with 67% of our Executive committee roles having female successors.
- We received the Top Employer certification in Tanzania for the fifth consecutive year, reaffirming our role as part of a global community of forward-thinking organisations that strive for the best people practices, and confirming our commitment to optimising our business performance
- The strength of our talent development initiatives is reflected in the fact that we currently have four Tanzanians based in Vodacom, South Africa, and five who have recently joined Safaricom Ethiopia as we establish our footprint in the market. This is a clear testament to our investment in the future skills of our employees.

The committee has considered the disclosure requirements of the Capital Markets and Securities Act, 1994 and is satisfied that the following report 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 this year, and look forward to working with them in the year ahead.

Mkambungu

Margaret Ikongo
Interim Chairperson of the Remuneration Committee
12 July 2022

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.

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 presented in this annual report are based on awards to qualifying directors 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.

The disclosure of executive and non-executive directors' remuneration is summarised in the table below, and also reported in Note 34 (Related parties) of the consolidated annual financial statements on page 132.

	Board	ARCC	Remco	Nomco	Total
Directors					
TB Mihayo	150 000				**150 000**
M Ikongo	30 000	15 000			**45 000**
W Ouko	30 000	8 000	12 000	3 000	**53 000**
T Semane	30 000	8 000			**38 000**
D Gutierrez[1]	30 000		4 000		**34 000**
M Mbungela[1]	30 000		4 000	3 000	**37 000**
N Nyoka[1]	30 000				**30 000**
D Kastelic[1]	30 000				**30 000**
S Ramasamy[1]	30 000				**30 000**
R Morathi[1]	30 000				**30 000**
S Mdlalose					**0**
H Bujiku					**0**
					477 000

1. Fees paid to Vodacom Group Ltd and not the individual director.

These amounts represent gross remuneration in US$, 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 or any EGM as may be required.


NBAA
The National Board of
Accountants and Auditors
Tanzania
This Award is given to
Vodacom Tanzania Plc
as 1st Winner
in the
Trading and Distribution Category
for the Best Presented Financial
Statements Award
for the year 2020
Awarded on 3rd December, 2021

Consolidated annual financial statements

Contents

Report of the directors
for the year ended 31 March 2022

Introduction
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 2022. The Governing Board's Report has been prepared in accordance with the Tanzania Financial Reporting Standards (TFRS) No. 1, The Report by Those Charged with Governance.

Vodacom Tanzania PLC Profile
Vodacom Tanzania is a 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 15.4 million customers.

Vodacom Tanzania was listed on the Dar es Salaam Stock Exchange on 15 August 2017. The Group is controlled by Vodacom Group Limited, incorporated and domiciled in the Republic of South Africa which effectively owns and controls 75.00% (2021:75.00%) of the Company's issued shares. The Group's ultimate parent is Vodafone Group Plc, incorporated and domiciled in the United Kingdom.

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

The group also offers comprehensive portfolio of access technologies and data solutions to help organizations of all sizes achieve the agility they need to compete successfully in a connected world.

Core purpose
The 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.

Objectives and strategies
The group has adopted the following strategies to fulfill our purpose:

1. Monetize data and digital opportunities
2. Accelerate customer growth through M-Pesa
3. Continued enhancement of our enterprise offering
4. Maintain brand leadership, and retain and increase market share
5. Actively managing cost and process efficiency
6. People: Best talent, best practice

The group's performance in the year reflects the effective execution of our strategy, across each of our key strategic focus areas above.

The group continues to ensure that through the growth strategic outlook, Vodacom Tanzania drives significant further uptake and monetization of data, and includes specific commitments relating to network expansion and smart device penetration, developing personalised data-centric offers, and maintaining a strong focus on enhancing the customer experience.

Report of the directors continued

Operating and financial review

Performance highlights

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

Revenue

Service revenue declined by 1% to TZS956.5 billion impacted by the direct and indirect effects of levy on mobile money transfer and withdrawal transactions, and competitive pressures. These pressures were also evident in mobile customer ARPU, which declined 3.5%. The estimated impact of the levy on service revenue was TZS 103.8 billion, if it was not for this impact, the underlying service revenue was up 9.8%. The underlying performance reflected sustained demand for our financial, digital and data services. During the year, our customer base increased 3.4% to 15.4 million customers, reflecting our commercial execution success in active days' management and increased products uptake.

Voice revenue decreased 5.0% to TZS287.0 billion, with the contribution to service revenue decreasing by 1.3pp to 30.0%, primarily due to competitive pricing pressure and service barring of 568 000 SIM cards in the second half of the financial year. Aggressive competitive pricing pressure led to a 15.1% decline in average price per minute, while minutes of usage grew by 10.0%.

M-Pesa revenue declined 7.6% to TZS329.6 billion. Adjusted for the estimated impact of the levy on mobile money transfer and withdrawal transactions, underlying M-Pesa revenue growth was 17.7%, underpinned by ecosystem expansion and service adoption. Our lending product 'Songesha' continued to perform well in facilitating seamless completion of transactions. Songesha revenue grew 22.7%, increasing its contribution to M-Pesa revenue by 1.8pp from the previous year. Despite the challenges associated with the levy on mobile money transfer and withdrawal transactions, we are pleased that during the year, we continued supporting our customers and agents in addressing their short-term financial requirements through our financial service portfolio of Songesha, M-Pawa and Agents' term-loans. Loans and overdraft worth TZS562.4 billion were disbursed to agents and customers, representing growth of close to 40% year-on-year, delivering on our promise to support financial inclusion. Our "Lipa kwa M-Pesa" merchant solution, which provides customers with the ability to make seamless point of sale payments continued to accelerate, with over 1 million customers transacting through this platform.

During the year, transactions worth over TZS1.7 trillion were processed through our merchant platform, an increase of over 25%. This demonstrates our commercial success in driving adoption and expansion of our M-Pesa product portfolio, and more importantly, providing our customers with technological solutions to facilitate easy completion of transactions. Our international money transfer business also continued to play an important role in supporting financial inclusion with more than 40% growth in transaction values to over TZS850 billion. During the year, our M-Pesa platform processed transactions with a total value of more than TZS60 trillion, a decline of over 11% compared to previous year, underscoring the significant impact from the levy on mobile money transfer and withdrawal transactions despite the 30% reduction in September 2021. Transaction value for the most common peer-to-peer service, declined by close to 40% post levy on mobile money transfer and withdrawal transactions implementation, impacting our momentum in driving financial inclusion through M-Pesa. Positively, revenue from non-traditional M-Pesa services proved more resilient to levy on mobile money transfer and withdrawal transactions impact, with lending services growing 26.1% year-on-year driven by product adoption and attachment.

Mobile data: revenue increased 18.9% to TZS204.0 billion primarily due to the 20.3% growth in data ARPU driven by the increased demand for data services. Data traffic increased 20.8%, supported by additional smartphones on the network. Smartphone users increased 12.1% to 4.1 million representing 54.2% penetration on our data customer base, up 13.5pp from the previous year, with data usage per customer increasing 22.3% to reach an average of 1.7 gigabytes per customer per month. Data customer growth was impacted by the service barring to over 200 000 data users in the second half of the financial year, contributing to a 1.2% decline to 7.6 million customers. Data services remain a key lever of growth and central to our commitment of connecting for a better future. We undertook actions to drive data adoption and usage including roll out of 143 4G sites, in addition to capacity enhancement for over 530 sites across the country, aimed at improving customer experience.

Digital & VAS: revenue comprising of airtime advance credit service and value added services (VAS) grew 46.6% to TZS36.3 billion, mainly driven by the 48.4% ARPU growth. The growth demonstrates a success of our commercial execution on expanding our digital and VAS product portfolio aimed at driving customer acquisition and adoption of our services, as demand continue to accelerate.

Mobile incoming revenue decreased 17.3% to TZS48.1 billion driven by a 41.9% decline in the average incoming price per minute due to the Mobile Termination Rate (MTR) drop from TZS5.2 to TZS2.6 in January 2021 and a further drop to TZS2.0 in January 2022 as per TCRA's glide path. The MTR decline was partly offset by 42.4% higher incoming minutes, as competitors upped competitive intensity and offered more value in their off-net minutes.

Messaging revenue declined 9.5% to TZS28.9 billion driven by the decline in number of messages transmitted.

Revenue continued

Total expenses

Total expenses increased 1.4% to TZS670.4 billion. Our cost transformation initiatives were a success, delivering a cost saving of more than TZS40 billion. Despite the 0.8% decline in direct expenses in line with the decline in revenue, the competitive pressure led to higher commission to the distribution channels as well as interconnect cost. The savings realised from our cost transformation initiatives were offset by cost pressures in our staff expenses and other operating expenditure. Staff expenses increased by 3.6% excluding the impact of a one off adjustment in the previous year staff expenses declined 2.8% due to realised savings from business restructuring. Other operating expenses increased 7.5% driven by a tax settlement in relation to excise duty assessments relating to previous years, higher legal fees related to tax cases mediation, as well as increased network costs mainly from contractual price adjustments and network expansion. Excluding the once off costs, other operating expenses grew only by 2.1%, reflecting the strong cost containment measures executed in the year.

EBITDA

EBITDA declined 5.0% to TZS300.3 billion, adjusting for the TZS59.1 billion estimated impact of the levy on mobile money transfer and withdrawal transactions, underlying EBITDA grew 13.7% with 1.0pp margin expansions to 33.4%. The underlying performance reflected strong growth in service revenue and diligent cost containment.

Operating profit

Operating profit grew 30.1% to TZS64.4 billion supported by the decline in depreciation following a review of the useful lives of our assets. The review of useful lives of our assets was in line with our accounting policy to evaluate technology relevance and existing assets' conditions.

Capital expenditure

We invested TZS173.9 billion in capital expenditure, equivalent to 17.9% of our revenue, to improve the quality of our network, coverage expansion and enhancing our IT infrastructure. The incremental 143 4G sites added in the year to improve capacity and expand our 4G coverage supported 59.0% growth in 4G data traffic and a clear lead on network quality Net Promoter Score – a gap of 14 points against the second competitor.

Tax expense of TZS23.4 billion (2021: TZS36.4 billion). The lower tax expense reflected a decline in the profit before tax of the subsidiary entity M-Pesa Limited, which was impacted by the levy on mobile money transfer and withdrawal transactions.

Cash and cash equivalents: Increase 5.2% to TZS256.96 billion is mainly driven by net cash receipt from operations resulting from improved collection from trade partners.

Retained earnings: The decrease 9.4% to TZS195 191 is mainly driven by the losses incurred during the year underpinned by the impact of the levy on mobile money transfer and withdrawal transactions.

Lease liabilities: Decrease 5.3% to TZS506.5 billion is mainly driven by payment made for the lease contracts partly offset by new additions in line with the network expansion, annual contractual price adjustments and the interest charge for the year.

Our business environment

Our operating context

As a telecoms and digital services company in an emerging market, we face a dynamic operating context that presents both demanding challenges, as well as potentially rewarding commercial opportunities for innovation and growth.

We have identified five broad trends in the external operating environment that have a material impact on our business. These are the same broadly similar trends identified in recent previous years. By ensuring effective execution of our strategic commitments, we believe that we are well positioned to manage the risks and realise the opportunities associated with each of these trends.

A challenging regulatory and policy environment

Given the significant potential contribution of the telecoms sector in a country's socio-economic development, mobile network operators are subject to a high level of regulatory scrutiny in almost all markets globally. There have been some significant recent regulatory and policy developments from the government through its departments, particularly our two main regulators – the Tanzania Communications Regulatory Authority (TCRA) for GSM services, and the Bank of Tanzania (BoT) covering our digital financial services. These regulatory developments have impacted for our activities. The most significant recent developments are listed below.

Report of the directors continued

Revenue continued

Levies on mobile money transfers and withdrawals and airtime:

On 30 June 2021, the President approved the Finance Act, which included the amendments to the National Payment System Act (NPS Act) and the Electronic & Postal and Communication Act (EPOCA) which introduced levies on mobile money transfer transactions and airtime. For mobile money transfer and withdrawal transactions, a transaction value dependent levy of between TZS10 and TZS10 000 was implemented from 15 July 2021. Subsequent to the implementation and following our continuous engagements with the relevant Government stakeholders, the regulations were amended effective from 03 September 2021, reducing the levy by 30%. Despite this reduction, transaction volume and values are still at the lower levels compared to the transactions before the levies were implemented, as the levies still represent a material increase to end-user charges. During the year, we collected mobile money transactions' levy totaling TZS118.8 billion for the government.

Additionally, and in accordance with the Electronic and Postal Communications (Airtime Levy) Regulations 2021, airtime based levies of between TZS5 and TZS223 were implemented on 20 October 2021. During the year, we collected airtime levies totaling TZS2.1 billion for the government.

Vodacom Tanzania Plc and the other mobile operators continue to engage with the relevant Government institutions on the further reduction of levy, so as not to continue to interrupt the significant strides made in the last decade in reducing barriers to financial inclusion.

SIM Card biometric 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. On 7 February 2020, the new Electronic & Postal Communications (SIM Card Registration) Regulations 2020 were published. The Regulations provide for a biometric registration of SIM cards using the National ID, as the sole means of registering SIM cards in the United Republic of Tanzania. By end of 2021 TCRA directed that all non-biometrically registered sim cards to be barred which made Vodacom to have barred 568 000 sim cards throughout the exercise.

On 1 July 2020, the TCRA issued a public release that required customers who biometrically registered more than one SIM card per service provider to verify their SIM cards ownership through their mobile phones. Furthermore, the TCRA and mobile network operators have implemented an approval process that allows customers to request for additional SIM cards by visiting service providers' retail outlets or an automated process through Unstructured Supplementary Service Data (USSD). Customers are allowed to have more than one SIM card if they follow the correct approval process. We continue to drive awareness on the SIM card verification process.

Changes to the Zanzibar Finance Act 2021:

On 6 August 2021, the Zanzibar Finance Act was passed, effectively amending the Zanzibar Companies Act and providing that all companies incorporated in mainland Tanzania and operating in Zanzibar be separately incorporated in Zanzibar as subsidiary entities with separate accounts; this presents a substantial and additional administrative burden. We continue to engage with the Revolutionary Government of Zanzibar on this matter.

Tanzania Instant Payments System (TIPS):

The Government through Bank of Tanzania (BoT), has proposed introduction of a National Switch for payment transactions across different digital financial services providers, with the stated aim of improving the BoT's visibility of transactions and reducing consumer's transaction cost. Implementation of the switch may have significant implications for our existing M-Pesa business and agents' model. The switch is scheduled to be live by end of June 2022.
We continue engaging with the BoT in order to have a clearer understanding of the business implications to our business.

Our response

a. As part of our commitment to ensuring robust governance processes and instilling a strong culture of compliance across the Company, in the financial year 2020, we established a dedicated 'Risk and Compliance' directorate and appointed a Risk and Compliance Director at Exco level. The directorate is charged with the role of monitoring and managing all major risks against the business.

b. We continuously monitor changes to regulations and licencing requirements, and ensure that our business units are sensitized, including training programs such as the 'Doing What is Right' programme on legislative and regulatory requirements, supported by an annual self-assessment.

c. We are maintaining relations with government and relevant regulatory bodies and tax authorities, informed by a shared understanding of the need for inclusive economic development and the important contribution of a profitable business sector.

d. We engage continuously with the TCRA and other regulatory authorities to ensure compliance with customer registration requirements, and we have worked with the industry representative body (TAMNOA) to launch country-wide awareness campaigns to drive biometric registration. We continue to invest in compliance awareness training in distribution channels and in the provision of necessary customer registration equipment.

Potential global economic impact on consumer spending

The Tanzanian economy continues to recover from the COVID-19 pandemic, which has had a particularly significant impact on the country's tourism sector, an important driver of economy. Gross Domestic Product (GDP)[1], grew by 4.9% in the quarter ending December 2021, after growing 5.2% in the quarter to September 2021, compared to 4.8% and 4.4% growths in the corresponding periods in the year 2020. The IMF's World Economic Outlook, released in April 2022, projects a 3.8% GDP growth for Sub Saharan Africa in 2022, down from their 4.5% projection for 2021 following impact of the Russia-Ukraine war.

In Tanzania, the projected real GDP growth rate for 2022 is more positive at 4.8%, due to improved performance of the tourism sector and the reopening of trade corridors, however inflation is projected at 6.3%, up 2.1pp from 4.2% for the year 2021.

Downside risks to the outlook for Tanzania include continuing regulatory and policy bottlenecks that constrain private sector activity, as well as the profound uncertainties associated with the conflict between Russia and Ukraine. This conflict has already impacted global food and energy prices, and it is instilling further inflationary pressure on the global economy. In Tanzania, fuel prices have increased by more than 40% and 25% for diesel and petrol respectively, between January and May 2022[2], which potentially may put pressure on disposable incomes due to increase in transportation costs.

Our response

a. Given continuing global and regional uncertainty in the macro-economic outlook, we anticipate that consumer spend in Tanzania will remain under pressure for the immediate future, further amplifying an already intense price-based competitive environment. Constrained consumer spending, and heightened price-based competition, highlights the strategic imperative of providing highly personalised offers relevant to our customers' lifestyle and spend, supported by an effective cost containment programme. At the same time, we need to address the sustained downward pressure on data prices (see below) which is critical factor for our long-term investment decisions.

b. To mitigate some of the underlying structural challenges, and to deliver on our core purpose of 'connecting for a better future', we are driving an increased focus on our social contract initiatives, democratising data access and promoting digital inclusion through enhanced rural coverage, and affordable smart devices and digital services. In our enterprise business we are exploring further commercial opportunities to deliver strong social value in critical areas such as health, education, environment and sustainable agriculture. By focusing on our social contract and core purpose, the Company will continue to make a meaningful contribution to the UN SDGs and help to enhance the underlying social and environmental conditions critical to economic development and business success.

Low data prices constraining long-term investment

Tanzania is one of the most competitive telecommunications markets in Africa, with eight mobile network operators (MNOs), each seeking competitive differentiation and driving some very aggressive pricing leading to one of the lowest effective voice and data prices in Africa. Coupled with the recent implementation of levy on mobile money transfer and withdrawal transactions and the impact of the recent customer registration requirements, this places a sustained pressure on already tight operating margins.

The low data prices constrain our ability to drive our ambitious revenue growth, and thus in turn undermine our capacity to make some of the necessary long-term investments needed to drive a faster 'digital dividend' in the country.

Our response

a. To continue investing on our network and supporting infrastructure to deliver the best network experience.

b. To compete effectively and deliver a differentiated customer experience, we maintain a strong focus on the strength and reach of our network, the quality of our customer care, the pricing and nature of our services and devices, and our strong brand reputation. These are all areas in which we have demonstrated competitive performance, as evidenced for example by our sustained leadership in customer service and overall network Net Promoter Scores (NPS)[3].

c. To continue engaging with the government through the regulator and other relevant stakeholders regarding the importance of having correct data prices for industry sustainability.

d. The strengthened competitive environment, sometimes from unexpected sources, highlights the importance of remaining agile, and of identifying and realising opportunities for innovation. We continuously monitor existing and new competitors, and are exploring opportunities for innovative partnerships, including as part of a potential consolidation within the sector.

1. Source: National Bureau of Statistics.
2. Source: EWURA Cap prices for petroleum products – January and May 2022 notices.
3. Our Net Promoter Score study is commissioned and conducted by an independent external market research company.

Report of the directors continued

Exciting commercial opportunities in bridging the digital divide

With a young and growing population, and comparatively low levels of smartphone and internet penetration, Tanzania offers exciting opportunities for significant growth in data usage and revenue generation over the short to medium term. Tanzania's internet penetration stands at an estimated 50.0%[4] of the population, up 1.0pp year-on-year. Roughly, 25.7%[5] of market customers in the country have access to a smartphone, while data users' penetration is estimated at 55.2% and 4G penetration at 15.9% of market customers.

By helping to bridge the digital divide and promote digital inclusion, the telecommunications sector has already made a substantial contribution to Tanzania's developmental goals, facilitating access to essential services, enabling inclusive economic opportunities, and driving productivity gains across key business sectors. Vodacom has the potential to play a significant further role in stimulating inclusive economic development through its core data and voice services, overlaid with the IoT solutions, including specifically driving digitization opportunities in finance, education, agriculture, e-commerce, transportation, logistics and health. For these opportunities to be fully realised, it is essential that the pricing of data supports the necessary investment case, and that the mobile sector has sufficient access to adequate spectrum. We are grateful for considerable efforts undertaken by the government to support smart devices accessibility through Value Added Tax (VAT) exemption on smartphones, tablets and modems. However, we have to further address the affordability challenge for the smart devices and access to digital skills, and levels of consumer awareness particular in the rural areas.

We remain confident that these issues will be addressed in time. Vodacom is very well placed to realise the exciting commercial opportunities in promoting digital inclusion across the country.

Our response

a. To realise the significant commercial opportunities for digital growth in Tanzania, we have positioned Vodacom to be a leading digital company that empowers a connected society by helping to close the digital divide in Africa's key economic sectors.

b. Digital transformation offers significant opportunities for us to extend revenue streams beyond traditional connectivity. Seizing these opportunities requires us to rethink the networks and technology of the future, foster a company culture that attracts and develops the best digital talent, and redefine our approaches to customer engagement.

c. Economic digitisation provides us with opportunity to offer industry specific services that delivers digital solutions including IoT services that addresses our customers' current and future challenges.

d. Digitisation also presents profound opportunities to drive positive societal change through our innovative digital products and services in fields such as education, healthcare, agriculture, and financial services.

Some continuing disruption from the COVID-19 pandemic

Although its impacts have more recently begun to lessen, the COVID-19 pandemic has continued to cause social and economic turmoil, both locally and globally, reducing levels of economic activity, disrupting supply chains and traditional working patterns, and causing many people to suffer health, economic and emotional hardship. Although the government in Tanzania has prioritised the need to keep the economy open to sustain livelihoods, certain sectors – such as tourism and hospitality – have been profoundly disrupted, with ramifications felt across the economy.

The increase in remote working has highlighted the valuable role of the telecoms industry in enabling connectivity. The sector's activities in facilitating electronic communications, particularly through social media channels, has assisted in spreading information and education about the pandemic.

Our response

Together with the broader Vodacom Group, we have been implementing numerous measures since the start of the pandemic to keep individuals, communities, businesses, and government connected, to protect the well-being of our employees and contractors, and where possible to use digital technologies to mitigate the pandemic's impacts.

a. To ensure employee well-being while maintaining business operations, we are encouraging a hybrid of remote and office working while adhering to all healthy precautions. Since late March 2020 when our employees started working from home, we provided them with support through various initiatives, including our Employee Assistance Programme that provides counselling services to help coping with personal and work-related matters.

b. To ensure continued connectivity across Tanzania, we have continued to invest in maintaining the resilience and quality of our network. Through this connectivity, we have facilitated a hybrid working life from home and office, which is becoming a new norm, post the heightened COVID-19 pandemic period.

c. We have harnessed the strength of our M-Pesa platform and particularly the financial services to promote contactless payments for our customers.

d. We still provide access to a "free" hotline to access "Afya Call Center" for COVID-19 consultation by dialing #199.

4. Tanzania Communication Regulatory Authority's quarterly communications statistics as at December 2021
5. Smartphone and 4G users' penetration rates have been estimated using extrapolation on reported statistics in Facebook Insights report for 9 May 2022.

Relationships with Stakeholders

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' priority interests relating to our business activities.

Stakeholder value	Means of engagement	Priority interests
Customers: Provide the basis for revenue growth by purchasing our products and services	• Call centres, retail outlets and online. • My Vodacom app, USSD, self-help channels. • Weighted net promoter score ('NPS') feedback interviews and focus groups. • Social media interaction. • Vodacom Tanzania website.	• Better value offerings. • Faster data networks and wider coverage. • Making it simpler and quicker to deal with us. • Simplicity in accessing our services. • Converged solutions for business customers. • Privacy of information. • Feedback on service-related issues.
Government and regulators: Provide access to spectrum and operating licences, the basis for creating value.	• Participation in public forums. • Engagement on draft regulations and bills. • Engagement through industry bodies. • Publication of policy engagement papers. • Partnering on key programmes e.g Inclusive education, Inclusive health, Inclusive growth in agriculture, and Inclusive climate action.	• Ensuring spectrum is managed as a strategic resource. • Regulatory compliance on issues such as customer registration, mobile termination rates, service quality, price, security, and safety, health and environmental performance. • Promoting opportunities for economic development. • Contribution to the tax base. • Industry development.
Investors and shareholders: Provide the financial capital needed to sustain and grow.	• Investor interactions, including conferences, meetings, and roadshows. • Investors' days. • Annual and interim consolidated results. • Quarterly trading updates.	• 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.
Employees: Provide the skills and inputs needed to realise our vision.	• Internal website, 'Workplace' • Newsletters, internal magazine, and electronic communication. • Employee hotline. • Leadership road shows.	• Opportunities for personal development. • Competitive remuneration. • Knowledge sharing across the Group. • Building the coaching capability of leaders. • Better understanding of reward structures. • Health and safety.
Suppliers: Affect our ability to provide products and services.	• Supplier forums. • Ongoing site visits. • Audits. • Procurement processes (including tendering).	• Timely payment and fair terms. • Transparent and fair tender processes. • Relevant health and safety standards, and ESG expectations.
Communities: Provide a social licence to operate and strengthen the socioeconomic context.	• Public participation where new base stations are required. • Vodacom Tanzania Corporate Social Responsibility in partnership with communities.	• Access to our communication services, as well as services such as finance, health, and education. • Free-to-use social media, health, education, and job sites. • Responsible expansion of infrastructure. • Sustainable business.
Business partners: Custodians of our brand, and key to delivering the best customer experience.	• Store, franchise and retail visits. • One-on-one business meetings. • Training sessions on new products and services.	• Fair treatment. • Top management involvement with customers. • Making it simpler and quicker to deal with us.
Media: Have a potentially significant influence on other stakeholders' perceptions.	• Face-to-face and telephonic engagement. • Interviews with key executives. • Media releases. • Roundtables. • Product launches.	• Being informed of key activities and offerings. • Transparency on our performance. • Evidence of responsible business performance.

Report of the directors continued

Resources

The group invests in resources and relationships impacting on value as detailed below:

People, culture and governance. Human and intellectual capital

Critical inputs (2022)	Our activities to sustain value	Results of our activities (2022)
• 564 employees (2021: 569) • Experienced executive team • An agile, performance-based, purpose-led culture • A strong Board and robust governance systems • Service providers delivering efficiently and effectively on agreed terms. • Focus on employees, contractors and suppliers' safety.	• Competitive remuneration and personal development opportunities. • Investment in employee training and leadership development, including upskilling employees for digital transformation. • Agile business processes being implemented across our business units. • Various initiatives to build and maintain our existing reputation as a quality employer. • Regular engagement with employees to foster strong culture and ensure consistent delivery on targets. • Sustained focus on employee safety and health.	Maintained employee motivation, skills, and diversity through: • TZS63.8 billion in wages and benefit. • 40.0% female representation in senior management. Sustained evidence of staff satisfaction: • Top Employer award for six consecutive years. • Strong 85% engagement index score in people survey, the highest score across Vodafone markets. Health and safety performance: • Celebrated a landmark 10th fatality free year. • Zero lost-time injury frequency rate. • Proactive COVID-19 response.

Trade-offs: Investing in attracting, retaining, and developing talent in the very competitive digital space is one of the most significant costs to our business. While this impacts short-term financial capital, it is an essential investment in 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 (depleting human and social capital), but also raises opportunities in new roles. Balancing efficiency gains (improved financial capital) against the human and social costs of job cuts (human and social capital) is a persistent potential trade-off.

Quality relationships with key stakeholders: Social and relationship capital

Critical inputs (2022)	Our activities to sustain value	Outcomes (2022)
• 15.4 million customers, 3.4% increase from prior year. • Constructive engagement with regulators, informed by mutual trust • Sustained levels of investor confidence • Positive supplier relationships • Trusted brand and reputation	• Continued investment in ensuring network and IT quality, strong positive customer experience, and segmented products and services. • Regular engagement with regulators, pursuing maximum compliance. • Continuing to participate actively in government's rural coverage agenda. • Continuous communication with our investors. • Delivering societal value through connectivity and digital services in areas such as inclusive finance, education, health and agriculture. • Credible governance processes.	Positive customer relations • Leader in customer net promoter score (NPS) with 18-points gap over nearest competitor. • Regained some customers following required regulatory barring. • Further progress in developing smarter personalized offerings following the AI deployment. Continuing investor support, aided by: • TZS549.3 billion paid in dividends over the past five years. Generally positive government relations, supported for example by: • TZS1.4 trillion total cash contribution to public finances over last three years. • Enabling financial inclusion to more than 6.8 million M-Pesa customers. • Built 283 Universal Communications Access Fund sites in the past ten years.

Trade-offs: 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.

Network and IT infrastructure: Manufactured capital

Critical inputs (2022)	Our activities to sustain value	Outcomes (2022)
• 3 389 base stations (1.0%) increase • 2 055 km of self-provided fibre (9.4%) increase • TZS174.0 investment in network (42%) increase	• Maintaining our network and IT leadership through targeted investment. • Upgrading and modernising our network and IT systems. • Further enhancing our IT and related systems and processes to support machine learning analytics and cybersecurity.	Positive results in most areas: • TZS173.9 billion CAPEX investment to address network and IT plans – 32 new 2G sites – 43 new 3G sites – 143 new 4G sites • Network resilience supporting 20.8% growth in total data traffic, and 59.0 increase in 4G traffic carried in the network. • A 14 points clear lead on network quality NPS against the second competitor.

Trade-offs: 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.

Financial capital

Critical inputs (2022)	Our activities to sustain value	Outcomes (2022)
• TZS1 724 billion market capitalisation, same to FY2021 • TZ13.0 billion free cash flow, a 42.3% decrease.	• 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 AI and CVM to increase revenues and optimise costs. • Driving strong cost containment initiatives.	• 30.1% increase in operating profit to TZS64.4 billion. • TZS56.2 billion cash generated from operations. • Our cost transformation program delivered over TZS40 billion savings. • Mobile customer revenue for our GSM business grew 4.9%. • Service revenue down 1.0% to TZS956.5 billion (impacted by levy and competitive pricing pressures). • EBITDA decrease 5.0% to TZS300.3 billion.

Trade-offs: 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 between the short-term and long-term – and in different stakeholder interests – is a key focus in our strategic decision-making.

Natural resources: Natural capital

Critical inputs (2022)	Our activities to sustain value	Outcomes (2022)
• Radio spectrum: 700, 900, 1 800, 2 100, 2 600 MHz bands for Mobile and 3 500 MHz band for Fixed 4G • 16.4 GWh electricity (3.3%) decrease • 1 748 litres of fuel (5.8%) increase • 26 887 kl of water (6.4%) increase • 31 649 tons of refrigerants and fire suppressants used (GHG contributor) (5.1%) increase. • Plastics, paper and related inputs	Our activities to sustain value • Strong focus on energy efficiency across our network. • Recycling handsets and network equipment. • Identifying opportunities to use IoT to promote resource efficiency, for example through smart metering and vehicle tracking. • De-materialising by using smaller SIM cards and encouraging electronic recharges.	• 1 054 tonnes of total GWP refrigerants and fire suppressants replenished (32.4%) decrease. • Prevented over 15 tons of plastic wastes, and over 134 tons of paper usage. • Proportionate increase in energy consumption relative to increase in network elements.

Trade-offs: Using and impacting natural resources – which sometimes negatively affects human and social capital – is a key trade-off for generating value across other capitals. As 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.

Report of the directors continued

Dividends

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 arise 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. The Board of Directors has not recommended a dividend for the financial year ended 31 March 2022.

Declaration of dividend – payable from income reserves

At the Annual General Meeting held on Friday 15 October 2021, the shareholders of Vodacom Tanzania Public Limited Company ('the Company') approved not to declare dividend in relation to the financial year ended 31 March 2021 (2020: TZS12.26 per share), in the context of COVID-19 impacts and material uncertainties, as well as challenging business conditions, that resulted in a net loss after tax for the year ended 31 March 2021.

The decision was in line with our dividend policy which requires at least 50% of net profit after tax to be paid as dividend to shareholders. For the year ended 31 March 2021, the company made TZS30.1 billion loss after tax.

Following the TZS20.3 billion reported net loss after tax for the current financial year, the Board of directors has decided not to recommend dividend in relation to the financial year ended 31 March 2022.

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 TZS 37 373 million as at 31 March 2022 (2021: TZS 43 897million).

Capital structure and shareholding

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

	2022 %	2021 %
Vodacom Group Limited	**75.00**	75.00
General public	**25.00**	25.00
	100.00	100.00

As at 31 March 2022, the Group's authorised share capital was TZS 200 000 million comprising of 4 000 million ordinary shares with a par value of TZS 50 while the issued share capital was TZS 112 000 million comprising of 2 240 000 300 ordinary shares with a par value of TZS 50. There were no changes in the authorised and issued share capital during the year.

The Group's top ten shareholders up to 31 March 2022 are listed below:

	2022		2021	
Shareholder	**No. of shares**	**%**	**No. of Shares**	**%**
Vodacom Group Limited	**1 680 000 200**	**75.0**	1 680 000 200	75.0
BNYMSANV Re: BNYMLB Re: Government Employees Pension Fund	**164 503 540**	**7.3**	164 503 540	7.3
Public Service Social Security Fund	**84 117 720**	**3.8**	84 117 720	3.8
National Social Security Fund	**55 999 990**	**2.5**	55 999 990	2.5
SC (T) Nominee Re: Standard Chartered Bank Uganda Re: National Social Security Fund	**27 816 870**	**1.2**	27 816 870	1.2
National Health Insurance Fund	**23 475 000**	**1.0**	23 475 000	1.0
JPMCB-LB Designated First Rand Bank Ltd	**20 928 873**	**0.9**		–
JPMCB-LB Oasis Crescent Equity Fund	**16 602 210**	**0.7**	16 602 210	0.7
Workers Compensation Fund.	**14 882 350**	**0.7**	14 882 350	0.7
Umoja Unit Trust Scheme	**10 345 530**	**0.5**	10 345 530	0.5
SCBT NOMINEE Re: SSB+T AC Re:FBL as a Trustee for Investec Africa Fund-RNKP		**–**	10 272 615	0.5
Total	**2 098 672 283**	**93.7**	2 088 016 025	93.2

The total number of shareholders by 31 March 2022 stood at 36 427 (2021: 36 293 shareholders).

Capital expenditure and commitments

During the year, the Group invested TZS 173 955 million (2021: TZS 122 449 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 15 and 17 to the consolidated and separate financial statements.

Information about the Group's commitments is presented in Note 31 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.

We remain committed to connect Tanzanians for a better future. Our purpose is premised on three pillars that include digital society, inclusion for all and planet. We believe that accelerating data adoption, smartphones penetration, digital and financial services is key to enabling this purpose-led approach. And, by combining our integrated approach with our Social Contract with stakeholders, we will support economic progress in Tanzania, providing us with compelling growth opportunities.

We implement our strategy through a multi-product approach, called the System of Advantage, which leverages our capabilities and delivers diversified, differentiated offerings to our customers. Our System of Advantage extends our personalised connectivity offering into digital and financial services, to deliver a great customer experience. Demand for data services remain strong, underpinning our strategy for digital inclusion. We are currently providing data services to 7.6 million customers, out of which 4.1 million customers are using smartphones. This provides us with an opportunity to accelerate smartphone penetration.

Our diversified M-Pesa product portfolio, with innovative products such as 'Songesha' and 'Lipa kwa M-Pesa' proved to be a success. Our ambition is to expand and escalate the M-Pesa growth, including transforming the M-Pesa App to become a one stop shop – super App. We remain committed to expanding the M-Pesa ecosystem so that we continue to democratise financial services. Moreover, we will continue to leverage our relationship with Vodacom Group and M-Pesa Africa as we expand and escalate the M-Pesa growth. Looking ahead, while we are encouraged by the improving business environment, the macro backdrop is dependent on the global repercussions of the Russia–Ukraine war. Furthermore, industry reform still remains an important aspect that will support future investments in the country. Nevertheless, we aspire to grow our business over the medium term and continue to connect Tanzania for a better future. Our medium term targets are: Low to mid-single digit and 13.0% – 16.0% capital expenditure as a % of revenue.

These medium term targets assume a stable currency, regulatory and macroeconomic environment. These targets are on average, over the next three years, excluding spectrum purchases, exceptional items and any merger and acquisition activity.

Subsidiaries and other controlled entities

The consolidated financial statements include the Company's wholly owned subsidiaries, that is, Vodacom Trust Limited which is a company limited by guarantee and having share capital; M-Pesa Limited and Shared Networks Tanzania Limited ('SNT'), 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').

Vodacom Trust Limited

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 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 Tanzania ('BRELA'). The change of name was necessary to enable compliance with the National Payment System Act, 2015.

The entity's directors resolved to wind up the entity and the liquidator was appointed by the directors on 19 May 2020 winding up process were initiated thereafter.

As at year end, the process to liquidate the company had not been finalised.

Shared Network Tanzania Limited (SNT)

On 19 July 2016, the Company acquired 100% of SNT's issued share capital. SNT was a multi-operator core network wholesaler which held a license for usage of spectrum in the 900MHz band in rural Tanzania. During 2019, the Group obtained approval from Tanzania Communications Regulatory Authority ('TCRA') to reassign the spectrum that was held by SNT to the Company. During the year ended 31 March 2021, the directors resolved to wind up of the entity after transferring its assets and liabilities to the Company. The net assets transfer was completed and a liquidator was appointed thereon.

As at year end, the process to liquidate the entity had not been finalised.

Report of the directors continued

Subsidiaries and other controlled entities continued

Vodacom Tanzania 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 the Registrar of Companies (BRELA) to the Registrar of Non-Government Organizations (NGOs). Consequently, BRELA issued a public notice stating that from 1 September 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 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.

Vodacom Tanzania Foundation, which was a company limited by guarantee, was affected by this change in law as it was incorporated as a company limited by guarantee with no profit objective. Consequently, the entity was struck-off the BRELA register and another entity, Vodacom Tanzania Foundation was registered with the registrar of NGOs under the-then Ministry of Health Community, Development, Gender, Elderly and Children in accordance with the Non-Governmental Organization act of 2002 (revised 2005) and the Non-Governmental Organizations Amendments) regulations of 2018 (together the "NGO Act and regulations") of Tanzania. The founding members resolved to wind up the foundation and appointed the liquidator to oversee the process.

As at year end, the process to liquidate the foundation had not been finalised.

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. The entity started operating independent of the Company on 1 April 2020 with its own organization structure, staff and accounting records. The entity is consolidated in the Group's consolidated financial statements.

Registered Trustees of M-Pesa Trust Funds

The Registered Trustees of M-Pesa Trust Funds 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 include: overseeing and managing effectively the trust accounts; ensuring safety of the beneficiaries of the funds in the trust accounts by setting up appropriate safeguard and remedy measures; ensuring the separation and not commingle the trust account funds with any other funds or use it for any other operations.

Vodacom Tanzania Foundation

The Vodacom Tanzania Foundation manages the Group's corporate social investments. Guided by the UN Sustainable Development Goals 2030, Tanzania's Vision 2025 and subsequent the National 5-Years Development Plan, its vision is to positively impact the lives of underserved members of the Tanzania community by leveraging Vodacom's technological capabilities and its partnerships to deliver pioneering projects in education, health and environmental protection as key long-term investment pillars for social impact intervention, while engaging in maternal health, reduction on infant mortality and disaster management to facilitate sustainable cities. Since 2004, the Foundation in collaboration with its parent unit 'Vodafone Foundation', has invested over TZS16.9 billion (2021:TZS16.2 billion) and impacted millions of lives across Tanzania. Vodafone foundation contribution has been mostly focused on maternal health.

Following the decision to liquidate the entity in the prior period, it's principle activities are instead being run by the parent company during the year.

Borrowings

The Group did not have any borrowings as at 31 March 2022 (2021: None).

Political and charitable donations

The Group did not make any political donations during the year (2021: 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% (2021: 75.00%) 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 34 to the consolidated and separate financial statements.

Country of incorporation

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 2021	Date of appointment	Date of resignation	In office at the reporting date
Directors				
Justice (Rtd) Thomas Mihayo	✓	–	–	✓
Margaret Ikongo	✓	–	–	✓
Thembeka Semane*	✓	–	–	✓
Winifred Ouko^	✓	–	–	✓
Matimba Mbungela*	✓	–	–	✓
Diego Gutierrez^^	✓	–	–	✓
Kenneth Gomado^^^	✓	–	21 Jan 2022	X
Nkateko Nyoka*	✓	–	–	✓
Dejan Kastelic**	✓	–	–	✓
Sudhersan Ramasamy***	X	21 Jan 2022	–	✓
Raisibe Morathi*	✓	–	–	✓
Executive				
Hisham Hendi^^^^	✓	–	1 Nov 2021	X
Jacques Marais*	✓	–	1 Jan 2022	X
Sitholizwe Mdlalose****	X	1 Nov 2021	–	✓
Hilda Bujiku	X	1 Jan 2022	–	✓
Company Secretary				
Caroline Mduma	✓	–	–	✓

* South African ** Slovenian *** Indian **** British
^ 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 realizing 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.

Report of the directors continued

Corporate governance continued

The Remuneration Committee, which comprises non-executive directors, reports to the Board and met four times during the year.

Remuneration Committee continued

Name	Nationality	Qualification
Ms. Winifred Ouko (Chairperson)	Kenyan	a. Master of Business Administration, Cornell University, United States of America. b. Member of the Institute of Certified Public Accountants of Kenya.
Mr. Diego Gutierrez	Bolivian	a. Major in Business Administration and Marketing, Gabriela Mistral University, Santiago, Chile. b. Master in Business Administration, Harvard Institute for International Development (HIID), Catholic University, Lapaz, Bolivia.
Mr. Matimba Mbungela	South African	a. Bachelor of Administration, University of Venda, South Africa b. Post Graduate Diploma in Human Resources, University of Cape Town, South Africa. c. Masters of Business Administration, University of Kwa-Zulu, South Africa.

Outlined below is the attendance of committee members during the meetings held in the year:

Name	Position	31 May 2021	19 Aug 2021	10 Nov 2021	14 Mar 2022	Attendance %
Ms. Winifred Ouko	Chairperson	✓	✓	✓	✓	100%
Mr. Diego Gutierrez	Director	✓	✓	✓	✓	100%
Mr. Matimba Mbungela	Director	✓	✓	X	✓	75%

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.

Nomination Committee, which comprises non-executive directors, reports to the Board and met two times during the year.

Nomination Committee Members

Name	Position	Nationality	Qualification
Justice (Rtd) Thomas B Mihayo	Chairman	Tanzanian	a. Degree in Law (LL.B), University of Dar es salaam, Tanzania. b. Arbitrator and Legal Consultant.
Ms. Winifred Ouko	Director	Kenyan	a. Master of Business Administration, Cornell University, United States of America. b. Member of the Institute of Certified Public Accountants of Kenya.
Mr. Matimba Mbungela	Director	South African	a. Bachelor of Administration, University of Venda, South Africa b. Post Graduate Diploma in Human Resources, University of Cape Town, South Africa. c. Masters of Business Administration, University of Kwa-Zulu, South Africa.

Corporate governance continued

Nomination Committee Members continued

Outlined below is the attendance of committee members during the meetings held in the year:

Name	Position	18 August 2021	14 March 2022	Attendance %
Justice (Rtd) Thomas B Mihayo	Chairman	✓	✓	100%
Ms. Winifred Ouko	Director	✓	✓	100%
Mr. Matimba Mbungela	Director	✓	✓	100%

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.

The Audit, Risk and Compliance Committee, which comprises independent non-executive directors, reports to the Board and met eight times during the year.

Audit, Risk and Compliance Committee Members

Name	Nationality	Qualification
Ms. Margaret Ikongo	Tanzanian	a. Master of Business Administration, Open University, Tanzania b. International Certificate in Risk Management, Institute of Risk Management, United Kingdom. c. International Diploma in Risk Management and Graduate Member of the Institute of Risk Management United Kingdom. d. Associate Member of Chartered Insurance Institute, United Kingdom.
Ms. Thembeka Semane	South African	a. Post Graduate Diploma in Business Administration, University of Pretoria's Gordon Institute of Business Science, South Africa. b. Certified Associate of the Institute of Bankers in South Africa.
Ms. Winifred Ouko	Kenyan	a. Master of Business Administration, Cornell University, United States of America. b. Member of the Institute of Certified Public Accountants of Kenya.

Outlined below is the attendance of committee members during the meetings held in the year:

Name	Position	6 May 2021	31 May 2021	15 Jul 2021	19 Aug 2021	2 Nov 2021	11 Nov 2021	20 Jan 2022	15 Mar 2022	Attendance %
Ms. Margaret Ikongo	Chairperson	X	✓	✓	✓	✓	✓	✓	✓	88%
Ms. Thembeka Semane	Director	✓	✓	✓	✓	✓	X	✓	✓	88%
Ms. Winifred Ouko	Director	✓	✓	✓	✓	✓	✓	✓	✓	100%

Report of the directors continued

Environmental, Social and Governance:

Our 2022 performance:

Health – SDG 3 (Good health and well-being)

Our M-Mama programme conducted in collaboration with our parent – Vodafone Foundation, provides emergency transportation for pregnant women. The objective is to support prevention and reduction of maternal deaths and child mortality. Since initiation in 2013, the programme has benefited more than 12 000 beneficiaries including women and newborns in the Lake region areas of Mwanza and Shinyanga. In this programme, we use the M-Pesa service to pay the registered "community" taxi services which are used as ambulances. During the period 20% of the emergencies were completed by government ambulances with the balance 80% undertaken by the community taxis, a reflection of criticality of this programme. We have also trained more than 300 health workers and 200 drivers involved in the programme as part of the programme, which is an added benefit to the community. In April 2022, we officially launched the program country-wide, partnering with the government in efforts to reduce maternal death in 14 regions, covering about 50% of the population. Our parent foundation – Vodafone foundation has committed to inject US$9.3 million in the next phase of the programme covering six years.

In supporting delivery of child's health, we also donated medical equipment worth TZS58.4 million to support neonatal intensive care unit and maternity units in Mkomaindo hospital in Masasi, Mtwara, serving pre-mature babies. The equipment granted include delivery beds, Vacuum extractors, Oxygen concentrator, portable Ultrasound, petal doppler machine, delivery sets, penguin suckers, speculums, blood pressure testing machine, warmer bed for maternity unit, incubator, phototherapy lamps and pulse oximeter.

We supported the Ministry responsible for Health (MoH) on digital health initiatives hosted on the ministry's mHealth technical platform through USSD short code *152*05# and the SMS short code 15205 including their extensions. The mHealth platform has enrolled over 3 000 000 registrants from all mobile network operators since launch in 2012, out of which about 1 500 000 are Vodacom customers, who have enjoyed more than 100 million free lifesaving health messages. We also provide MoH with free-zero rated USSD sessions, which enables the health care workers and community members to access the mHealth services such as the Electronic Integrated Disease Surveillance and Response System (e-IDSR) and platform for suggestions and feedback to the MoH.

We provided a free-hotline access to the MoH's "Afya Call Centre" accessible by dialing number 199. It provides access to numerous health service information both communicable and non-communicable diseases including COVID-19 and HiV. On average, more than 100 000 free minutes are made to this free hotline monthly.

We also supported the MoH in capacity building and policy reforms arena. During the year we spent TZS38.3 million financing policies' review and advocacy workshops aiming at incorporating the premature treatment agenda at national level plans. The objective was to petition to the government of Tanzania, through MoH, to amend the laws, regulations and policies relating to parental leave for parents with premature babies, incorporation of the preterm costs in the health insurances packages, and the addition of preterm awareness packages in the current Tanzania Education curriculum.

Education – SDG 4 (Quality Education)

We continued to provide support to numerous educational initiatives across the country, in partnership with our parent foundation – Vodafone foundation, Ministry of Education and Vocational Training and the Ministry of Science and Technology, as well as with various non-governmental organisations including the African Child Projects.

Our Instant Schools programme, which targets underserved rural communities in various regions across Tanzania, provides free access to educational material to more than 185 000 registered beneficiaries through our E-Fahamu online portal-based service. Accessible to our customers through smartphone or computers, this service provides interactive global learning materials free of charge to more than 81 000 primary and secondary school students. This service is augmented by our Smart Schools programme that provides free computers, routers, and free internet connection to more than 500 primary and secondary schools in societies in the country that may otherwise have remained unconnected.

Also in collaboration with our human resources department, this year, through our #Codelikeagirl programme, we supported 306 girls between 14 – 18 years, helping them to develop coding skills and valuable life skills, and encouraging them to consider the uptake of ICT and STEM subjects.

Environmental protection – SDG 13 (Climate action)

Since 2020, through the then Vodacom Foundation, in partnership with the World Wide Fund for Nature (WWF) and the Dodoma City Council, we have been jointly implementing the Kijanisha Dodoma programme and Kijani Zaidi programmes, an ambitious tree-planting and educational initiative to green Tanzania's capital city. We currently have 96 000 surviving trees under this project, having spent more than TZS410.5 million on this project since its launch.

Our environmental related programmes benefit the communities, not only from the trees planted, but also through capacity building programs to over 800 community members, comprising of youth and women enterprising groups on raising awareness to combat impacts of climate change including usage of sustainable energy technologies for productive economic activities.

We have also continued to work in partnership with Mezzanine through our Vodacom Business Unit on our M-Kulima digital agricultural platform that currently links more than 140 000 smallholder farmers to the agriculture value chain, enabling access to information, services, and markets via SMS and App, and that enables faster and safer payments through M-Pesa. We are targeting to have 1 million farmers on the platform by 2025, helping them to improve productivity, income and resilience.

The Corporate Social Responsibility programs were previously handled by the "Vodacom Foundation", which has been dissolved and its roles are now direct handled by the corporate affairs department.

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 or loss and financial position 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 for the year 2013 is 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,which will also result in additional penalties levied by the TRA in this regard.

- **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 the taxation context, 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 2018 to 2020 tax years which resulted in certain disputed items in terms of the methodology and other Transfer Pricing aspects used to support the taxation arm's length principle.

Report of the directors continued

Contingent liabilities continued

Litigation and other claims contingencies

The Group is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the possible/probable 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.

Regulatory matters

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. On 7 February 2020, the new Electronic & Postal Communications (SIM Card Registration) Regulations 2020 were published. The Regulations provide for a biometric registration of SIM cards using the National ID, as the sole means of registering SIM cards in the United Republic of Tanzania. During the year, as directed by the TCRA, we barred 568 000 non-biometrically registered customers.

On 1 July 2020, the TCRA issued a public release that required customers who biometrically registered more than one SIM card per service provider to verify their SIM cards ownership through their mobile phones. Furthermore, the TCRA and mobile network operators have implemented an approval process that allows customers to request for additional SIM cards by visiting service providers' retail outlets or an automated process through Unstructured Supplementary Service Data (USSD). Customers are allowed to have more than one SIM card if they follow the correct approval process. We continue to drive awareness on the SIM card verification process.

Other matters

Levies on mobile money transfers and withdrawals and airtime

On 30 June 2021, the President approved the Finance Act, which included the amendments to the National Payment System Act (NPS Act) and the Electronic & Postal and Communication Act (EPOCA) which introduced levies on mobile money transfer transactions and airtime. For mobile money transfer and withdrawal transactions, a transaction value dependent levy of between TZS10 and TZS10 000 was implemented from 15 July 2021. Subsequent to the implementation and following our continuous engagements with the relevant Government stakeholders, the regulations were amended effective from 03 September 2021 reducing the levy by 30%. Despite this reduction, transaction volume and values are still at the lower levels compared to the transactions before the levies were implemented, as the levies still represent a material increase to end-user charges. During the year, we collected levies totaling TZS 118.8 billion, out of which TZS 106.1 billion was paid to the government during the year and TZS 12.7 billion collected for the month of March 2022 was paid in April 2022 as per regulation requirements.

Additionally, and in accordance with the Electronic and Postal Communications (Airtime Levy) Regulations 2021, airtime based levies of between TZS 5 and TZS 223 were implemented on 20 October 2021. During the year, we collected airtime levies totaling TZS 2.1 billion, out of which TZS 1.7 billion was paid during the year and TZS 0.4 billion collected for the month of March 2022 was paid in April 2022 as per regulation requirements.

Vodacom Tanzania Plc and the other mobile operators continue to engage with the relevant Government institutions on the further reduction of levy, so as not to continue to interrupt the significant strides made in the last decade in reducing barriers to financial inclusion.

Impact of global incidents

COVID-19

The Group continues to monitor the impact of the Covid-19 pandemic. To date, there was no significant impact on our operations, neither do we expect a significant impact over the short- to medium term.

Ukraine-Russian war

Whilst the Group does not have operations in either Russia or the Ukraine, a review was undertaken by management to assess any consequences on the financial statements arising from the conflict or from the resulting sanctions imposed on Russia and Belarus. It was concluded that there are no material impacts on the consolidated financial statements for the year ended 31 March 2022.

Events after the reporting period

The events after the reporting period are disclosed in Note 41 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

Group's External Auditor

Ernst & Young(EY)

Tanhouse Tower (4th floor), 34/1 Ursino South,
New Bagamoyo Road, P.O.Box 2475, Dar es Saalaam, Tanzania,
Office: +255 22 292 7868 Fax +255 22 292 7872, Cell: 255 654 818 513, Website:http://www.ey.com
Firms' registration Number: 151. TIN number: 100-149-222

Ernst & Young the auditor for the financial year 2022, 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 2023 will be put to the Annual General Meeting. Partner's PF Number 151.

Consolidated and separate financial statements

The consolidated and separate financial statements for the year ended 31 March 2022 were approved and authorised for issue by the Board on 15 June 2022

By order of the board

Justice (Rtd) Thomas B Mihayo
Chairman

Sitholizwe Mdlalose
Managing Director

Statement of directors' responsibilities

for the year ended 31 March 2022

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 2022 were approved and authorised for issue by the Board of Directors on 15 June 2022.

Justice (Rtd) Thomas B Mihayo
Chairman

Sitholizwe Mdlalose
Managing Director

Declaration by the head of finance

for the year ended 31 March 2022

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 above.

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 2022 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.

NBAA Membership No: ACPA 4168
Head of Finance Operations

Date: 15 June 2022

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Independent auditor's report

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 91 to 149, which comprise the consolidated and separate statements of financial position as at 31 March 2022, 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 2022, 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.

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.

Key audit matter	How our audit addressed the key audit matter
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 32 to the consolidated and separate financial statements, the Group had open tax assessments as at year-end. The open tax assessments were significant to our audit because the amounts involved are significant to the consolidated and separate financial statements. Furthermore, determination of the related provisions and contingent liabilities requires management and the directors to make significant judgements and estimates in relation to interpretation and application of tax laws and regulations. We also considered that the disclosures on uncertain tax positions in Note 32 are significant to the understanding of the Group's and the Company's tax positions.	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 recognized 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.

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Independent auditor's report continued

To the shareholders of Vodacom Tanzania Public Limited Company

Report on the audit of the consolidated and separate financial statements continued

Other information

The directors are responsible for the other information. Other information consists of the information included in the Corporate Information (Page 158), Directors' Report (Page 68 – 86), Statement of Directors' Responsibilities (Page 87) and the Declaration by the Head of Finance (Page 87), 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.

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

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Independent auditor's report continued

To the shareholders of Vodacom Tanzania Public Limited Company

Report on the audit of the consolidated and separate financial statements continued

Auditor's responsibilities for the audit of the consolidated and separate financial statements 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 Dr. Neema Kiure.

Dr Neema Kiure
Partner (PF 151)
For and on behalf of Ernst & Young
Certified Public Accountants
Dar es Salaam, Tanzania

Date: 29/06/2022

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

for the year ended 31 March 2022

TZS m	Notes	Group 2022	Group 2021	Company 2022	Company 2021
Revenue	6	**971 025**	974 391	**654 768**	625 747
Direct expenses	7	**(299 185)**	(301 533)	**(166 771)**	(165 053)
Staff expenses	8	**(63 823)**	(61 579)	**(42 046)**	(43 678)
Publicity expenses		**(30 184)**	(35 775)	**(17 738)**	(22 658)
Other operating expenses	9(a)	**(279 473)**	(260 064)	**(244 423)**	(222 738)
Depreciation and amortisation[6]	9(b)	**(236 201)**	(264 039)	**(229 496)**	(251 348)
Net credit gain/ (losses) on financial assets[7]	9(c)	**2 275**	(1 887)	**2 281**	(3 004)
Operating profit/(loss)		**64 434**	49 514	**(43 425)**	(82 732)
Finance income	10	**25 837**	38 418	**2 729**	16 363
Finance costs	11	**(85 544)**	(85 232)	**(66 952)**	(64 465)
Net (loss)/ gain on foreign currency translations	12	**(1 548)**	3 627	**(1 554)**	3 636
Profit/(loss) before tax		**3 179**	6 327	**(109 202)**	(127 198)
Income tax (expense)/credit	13(a)	**(23 442)**	(36 433)	**8 826**	702
Loss for the year		**(20 263)**	(30 106)	**(100 376)**	(126 496)
Other comprehensive income		**–**	–	**–**	–
Total comprehensive loss for the year, net of tax		**(20 263)**	(30 106)	**(100 376)**	(126 496)

		TZS	TZS
Basic and diluted loss per share	16	**(9.05)**	(13.44)

6. The reduction in depreciation is partly due to the impact of asset life review of TZS 18.5 billion (2021: TZS 8.0 billion)
7. The overall decrease has been driven by collection of previously impaired financial assets as well as improvement in collections from advance credit customers. In prior year, this was named impairment charges.

Consolidated and separate statements of financial position

as at 31 March 2022

TZS m	Notes	Group 2022	Group 2021	Company 2022	Company 2021
ASSETS					
Non-current assets		**1 191 715**	1 219 874	**1 157 539**	1 185 217
Property and equipment	15	**1 014 626**	1 041 226	**1 006 885**	1 030 942
Intangible assets	17	**76 681**	70 593	**53 173**	48 748
Capacity prepayments	18	**44 582**	46 559	**44 582**	46 559
Goodwill	14	**1 639**	1 639	**–**	–
Income tax receivables[8]	13(d)	**41 011**	39 772	**41 011**	39 772
Trade and other receivables[9]	19	**11 388**	18 696	**11 388**	18 696
Investment in subsidiary		**–**	–	**500**	500
Deferred tax asset	13(e)	**1 788**	1 389	**–**	–
Current assets		**846 914**	836 067	**210 639**	293 735
Capacity prepayments	18	**15 864**	13 188	**15 864**	13 188
Inventory	20	**2 597**	4 179	**2 597**	4 179
Trade and other receivables	19	**112 570**	125 534	**112 241**	128 240
Income tax receivable	13(d)	**22 836**	4 726	**20 843**	8 205
Mobile financial deposit[10]		**436 086**	444 183	**–**	–
Cash and cash equivalents	22	**256 961**	244 257	**59 094**	139 923
Total assets		**2 038 629**	2 055 941	**1 368 178**	1 478 952

8. These are deposits with TRA in respect to objected assessments for corporate tax as well as tax refundable from revised assessments.
9. Trade and other receivables as at 31 March 2022 include contract assets amounting to TZS 3 146 million of which TZS 938 million is non-current and TZS 2 208 million is current (March 2021: current TZS 1 996 million and non – current TZS 788 million).
10. Mobile financial deposits relate to restricted bank balances for M-Pesa customer deposits. In prior year mobile financial deposits were named financial assets. This is necessary to ensure consistency reporting with the parent company.

Consolidated and separate statements of financial position continued

TZS m	Notes	Group 2022	Group 2021	Company 2022	Company 2021
EQUITY AND LIABILITIES					
Equity		**777 324**	797 587	**582 653**	683 029
Share capital	23	**112 000**	112 000	**112 000**	112 000
Share premium	23	**442 435**	442 435	**442 435**	442 435
Capital contribution	24	**27 698**	27 698	**27 698**	27 698
Retained earnings		**195 191**	215 454	**520**	100 896
Non-current liabilities		**451 764**	466 184	**451 764**	466 184
Lease liabilities	25	**446 044**	461 627	**446 044**	461 627
Government grants	26	**143**	235	**143**	235
Trade and other payables	28	**378**	163	**378**	163
Provisions	29	**5 199**	4 159	**5 199**	3 619
Current liabilities		**809 541**	792 170	**333 761**	329 739
Lease liabilities	26	**60 472**	73 052	**60 472**	73 052
Trade and other payables	28	**300 006**	253 153	**260 312**	234 905
Mobile financial payables[11]	28	**436 086**	444 183	**–**	–
Government grants	26	**1 218**	1 383	**1 218**	1 383
Provisions	29	**11 759**	20 399	**11 759**	20 399
Total liabilities		**1 261 305**	1 258 354	**785 525**	795 923
Total equity and liabilities		**2 038 629**	2 055 941	**1 368 178**	1 478 952

11. Mobile financial payables relate to amounts due to M-Pesa customers including interest payable. In prior year these balances were included under Trade and other payables and Interest due to customers. This split does not have an impact on the overall liabilities.

The consolidated and separate financial statements on pages 91 to 149 were approved and authorized for issue by the Board of Directors on 15 June 2022 and were signed on its behalf by:

Justice (Rtd) Thomas B Mihayo
Chairman

Sitholizwe Mdlalose
Managing Director

Consolidated and separate statements of changes in equity

for the year ended 31 March 2022

Group

TZS m	Share capital (Note 24)	Share premium (Note 24)	Capital contribution (Note 25)	Retained earnings	Total
At 1 April 2021	**112 000**	**442 435**	**27 698**	**215 454**	**797 587**
Total comprehensive loss for the year	**–**	**–**	**–**	**(20 263)**	**(20 263)**
Transactions with owners:					
Dividends declared	–	–	–	–	–
At 31 March 2022	**112 000**	**442 435**	**27 698**	**195 191**	**777 324**
At 31 March 2020	112 000	442 435	27 698	673 019	1 255 152
Total comprehensive loss for the year	–	–	–	(30 106)	(30 106)
Transactions with owners:					
Dividend declared	–	–	–	(427 459)	(427 459)
At 31 March 2021	112 000	442 435	27 698	215 454	797 587

Company

TZS m	Share capital (Note 24)	Share premium (Note 24)	Capital contribution (Note 25)	Retained earnings	Total
At 1 April 2021	**112 000**	**442 435**	**27 698**	**100 896**	**683 029**
Total comprehensive loss for the year	**–**	**–**	**–**	**(100 376)**	**(100 376)**
Transactions with owners:					
Dividends declared	–	–	–	–	–
At 31 March 2022	**112 000**	**442 435**	**27 698**	**520**	**582 653**
At 31 March 2020	112 000	442 435	27 698	654 851	1 236 984
Total comprehensive loss for the year	–	–	–	(126 496)	(126 496)
Transactions with owners:					
Dividend declared	–	–	–	(427 459)	(427 459)
At 31 March 2021	112 000	442 435	27 698	100 896	683 029

Consolidated and separate statements of cash flows

for the year ended 31 March 2022

		Group		Company	
TZS m	Notes	2022	2021	2022	2021
Cash flows generated from operating activities					
Cash flows generated from operations	38(a)	**316 748**	427 135	**190 418**	162 933
Income tax paid	13(d)	**(43 191)**	(67 642)	**(5 051)**	(30 545)
Interest paid on tax liabilities		**(5 753)**	–	**(5 753)**	–
Net cash flows generated from operating activities		**267 804**	359 493	**179 614**	132 388
Cash flows utilised in investing activities					
Additions to property and equipment, and intangible assets	38(b)	**(142 153)**	(112 850)	**(142 153)**	(118 531)
Payment for investment in subsidiary		**–**	–	**–**	(500)
Proceeds from disposal of property and equipment		**6**	17	**6**	17
Proceeds from transfer of assets to subsidiary (M-Pesa Limited)		**–**	–	**5 825**	24 851
Government grant received	26	**4 991**	400	**4 991**	400
Short term investments retired	21	**–**	164 643	**–**	164 643
Finance income received		**7 219**	17 625	**2 729**	14 664
Increase/(decrease) in cash held in restricted deposits		**8 097**	(106 627)	**–**	–
Interest received from M-Pesa deposits	10	**18 618**	20 793	**–**	–
Net cash flows utilised in investing activities		**(103 222)**	(15 999)	**(128 602)**	85 544
Cash flows utilised in financing activities					
Dividend paid	16	**(209)**	(427 093)	**(209)**	(427 093)
Interest paid on lease liabilities	25	**(60 871)**	(64 040)	**(60 871)**	(64 040)
Payment of lease liabilities – principal	25	**(69 183)**	(61 395)	**(69 183)**	(61 395)
Interest paid to M-Pesa customers		**(20 043)**	(24 165)	**–**	–
Net cash flows utilised in financing activities		**(150 306)**	(576 693)	**(130 263)**	(552 528)
Net increase/(decrease) in cash and cash equivalents		**14 276**	(233 199)	**(79 251)**	(334 596)
Cash and cash equivalents at the beginning of the year	22	**244 257**	473 828	**139 923**	470 891
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	12	**(1 572)**	3 628	**(1 578)**	3 628
Cash and cash equivalents at the end of the year	22	**256 961**	244 257	**59 094**	139 923

Notes to the annual financial statements

for the year ended 31 March 2022

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 158.

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 2022. 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.

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.

Notes to the annual financial statements continued

3. Significant accounting policies continued

b) Consolidation continued

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. Investments in subsidiaries are measured at cost in separate financial statements.

Where control is lost, any interest retained by the Group is remeasured to fair value. The profit or loss on disposal is calculated as the difference between the aggregate of the fair value of the consideration received and the fair value of any retained interest.

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

The consolidated financial statements include the Company's fully owned subsidiaries which are Shared Networks Tanzania Limited, 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 Trust Funds, 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 are 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.

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.

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.

3. Significant accounting policies continued

d) Revenue recognition continued

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 fulfillment 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).

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.

Notes to the annual financial statements continued

3. **Significant accounting policies** continued

f) 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.

g) Intangible assets

The following are the main categories of intangible assets:

Goodwill

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.

3. Significant accounting policies continued

h) 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.

As a large owner of infrastructure and consumer of energy, the Group has exposure to the changes in the climate related risks such as energy cost increases, asset damage and service disruption. The long range plans used in the Group's impairment testing include forecast energy costs and other costs that are embedded in the planning process to deliver the Group's carbon reduction targets.

The long range plans also include capex in relation to the Group's extensive and ongoing network maintenance program, and support the Group's use of durable and energy efficient infrastructure. Furthermore, the Group already has in place and will continue to develop strong reactive controls to manage the unpredictable impacts of future climate-related risks. Climate change, therefore, is not expected to have a material impact on the outcome of the Group's impairment testing and the Group will continue to refine its approach to modelling climate-related risks and opportunities in the value in use calculations.

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.

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.

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. Net realisable value is determined using expected future selling prices of inventory items less the estimated costs of completion and the estimated costs necessary to make the sale. If the selling price of the inventory will be below cost, it is then reduced to the net realisable value. Inventory write down is part of direct expenses.

Notes to the annual financial statements continued

3. Significant accounting policies continued

j) Leases

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 incremental borrowing rate. 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; and
- Tease 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.

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.

3. Significant accounting policies continued

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.

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.

Notes to the annual financial statements continued

3. Significant accounting policies continued

n) Tax continued

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.

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

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 installments 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.

3. Significant accounting policies continued

o) Financial instruments continued

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.

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.

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.

p) 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.

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.

q) 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.

Notes to the annual financial statements continued

3. Significant accounting policies continued

r) 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

A number of amendments have been issued by the IASB, effective for periods commencing on or after 1 January 2022. These pronouncements are not expected to have a material impact on the consolidated and separate income statement, consolidated and separate statement of financial position, or consolidated and separate cash flow statement.

New accounting pronouncements adopted on 1 April 2021

The following new accounting pronouncements, none of which were considered by the Group as significant on adoption, were adopted by the Group to comply with amendments to IFRS:

- Amendments to IFRS 16 relating to COVID-19 Related rental concessions.
- Amendment to IFRS 16 relating to Covid-19 Related rent concessions beyond 30 June 2021.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2.

None of the above standards had a material impact to the group.

New accounting pronouncements to be adopted on or after 1 April 2022

- Amendments to IFRS 3 relating to the reference to the Conceptual Framework;
- Amendments to IAS 16 relating to proceeds before intended use;
- Amendments to IAS 37 relating to costs of fulfilling a contract;
- Amendments to IFRS 1 relating to a subsidiary as a first-time adopter;
- Amendments to IFRS 9 relating to fees in the '10 per cent' test for derecognition of financial liabilities; and
- Annual Improvements to IFRS Standards 2018 – 2020.

The Group's financial reporting will be presented in accordance with the above new pronouncements, issued by the IASB, from 1 April 2022 or later where relevant, as the pronouncements become effective.

New accounting pronouncements to be adopted on or after 1 April 2023

- Amendments to IAS 1 relating to the classification of liabilities as current or non-current;
- IFRS 17 Insurance Contracts
- Amendments to IAS 8 relating to definition of accounting estimates;
- Amendments to IAS 1 and IFRS Practice Statement 2 relating to disclosure of accounting policies; and
- Amendments to IAS 12 relating to deferred tax associated with assets and liabilities arising from a single transaction.

The Group continues to assess the impact of these new accounting pronouncements; the changes are not expected to have a material impact on the consolidated and separate income statement, consolidated and separate statement of financial position or consolidated and separate cash flow statement.

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. The Group does not have intangible assets with infinite useful lives.

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 14 for more information on the impairment assessment for goodwill. Other non-financial assets are disclosed in Notes 15 and 17.

Notes to the annual financial statements continued

5. Critical accounting judgements and estimates continued

c) Revenue recognition and presentation

Revenue recognition under IFRS 15 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) Taxation

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.

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 in-house 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 32 for further disclosures on tax matters.

5. Critical accounting judgements and estimates continued

e) 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.

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.

Notes to the annual financial statements continued

5. Critical accounting judgements and estimates continued

e) Leases – IFRS 16 continued

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).

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.

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 26 for further disclosures on leases.

f) 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".

g) 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 29 and 32 for further disclosures on provisions and contingent liabilities.

h) 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 15 for further disclosures on goodwill.

5. Critical accounting judgements and estimates continued

i) 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 2022, the Group's intangible assets with finite useful lives amounted to TZS 76 681 million (2021: TZS 70 593 million) and represented 3.76% (2021: 3.43%) 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:

	2022 Years	2021 Years
Licences	**3 – 25**	3 – 25
Computer software	**3 – 6**	3 – 6

Refer to Note 17 for further disclosures on intangible assets.

j) 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 re-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:

	2022 Years	2021 Years
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 15 for further disclosures on property and equipment.

Notes to the annual financial statements continued

5. Critical accounting judgements and estimates continued

k) 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 forecasted 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 35.

6. Revenue

	Group		Company	
TZS m	**2022**	**2021**	**2022**	**2021**
Major products/service lines				
Customer service revenue	**882 384**	883 798	**561 338**	530 361
Mobile interconnect	**48 105**	58 141	**48 105**	58 141
Fixed service revenue	**15 328**	14 318	**15 328**	14 318
Other service revenue	**10 698**	9 757	**15 487**	14 550
Service revenue	**956 515**	966 014	**640 258**	617 370
Equipment revenue	**13 060**	7 177	**13 060**	7 177
Other non-service revenue	**922**	686	**922**	686
Revenue from contracts with customers	**970 497**	973 877	**654 240**	625 233
Interest income recognised as revenue	**528**	514	**528**	514
	971 025	974 391	**654 768**	625 747

Total future revenue from contracts with customers with performance obligations not satisfied at 31 March 2022 is TZS 3 258 million of which TZS 2 319 million is expected to be recognised within the next year, with the remaining TZS 939 million to be recognised in the following 12 months ((2021: TZS 2 810 million) of which TZS 2 090 million is expected to be recognised within the next year, with the remaining TZS 720 million to be recognised in the following 12 months).

Customer service revenue comprises of mobile contract revenue and mobile prepaid revenue.

Equipment revenue and other non-service revenue are recognised at a point in time while the service revenue is recognised over time.

Revenue is further disaggregated per revenue stream as follows:

	Group		Company	
TZS m	**2022**	**2021**	**2022**	**2021**
Mobile voice revenue	**286 985**	302 037	**287 191**	302 435
M-Pesa revenue	**329 557**	356 801	**–**	212
Mobile data revenue	**203 985**	171 585	**204 301**	172 314
Digital & VAS revenue[12]	**36 294**	24 749	**36 219**	24 749
Mobile incoming revenue	**48 105**	58 141	**48 105**	58 141
Messaging revenue	**28 861**	31 877	**36 925**	33 902
Other service revenue	**22 728**	20 824	**27 517**	25 617
Service revenue	**956 515**	966 014	**640 258**	617 370
Non-service revenue	**14 510**	8 377	**14 510**	8 377
	971 025	974 391	**654 768**	625 747

12. During the year, further disaggregation to revenue was done and Digital & VAS revenue line was introduced. Previously, this line used to be aggregated in mobile voice and mobile data. The disaggregation is necessary to enhance consistency with other reports. There is no impact on the overall total revenue.

7. Direct expenses

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
Interconnect costs	**(34 531)**	(34 445)	**(34 531)**	(34 445)
Business managed services costs	**(294)**	(87)	**(294)**	(87)
Mobile prepaid airtime commission costs	**(57 776)**	(57 226)	**(62 574)**	(71 921)
M-Pesa Commission costs	**(126 627)**	(141 220)	**–**	–
Regulatory fees	**(42 380)**	(43 748)	**(35 411)**	(36 344)
Mobile other costs	**(13 106)**	(11 729)	**(10 808)**	(10 420)
Acquisition costs	**(21 210)**	(8 125)	**(19 892)**	(6 883)
Retention costs	**(5 816)**	(4 176)	**(5 816)**	(4 176)
Stock obsolescence release/(charge) (Note 21)	**2 555**	(777)	**2 555**	(777)
	(299 185)	(301 533)	**(166 771)**	(165 053)

8. Staff expenses

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
Wages and salaries, including other termination benefits	**(49 361)**	(47 355)	**(30 253)**	(31 191)
Share based compensation (Note 8.1)	**(437)**	(702)	**(437)**	(702)
Pension costs – defined contribution plans	**(4 245)**	(4 204)	**(3 653)**	(3 687)
Restructuring costs[13]	**312**	(2 582)	**312**	(2 582)
Skills and Development Levy	**(1 648)**	(1 759)	**(1 413)**	(1 533)
Bonus expense	**(8 444)**	(4 977)	**(6 602)**	(3 983)
	(63 823)	(61 579)	**(42 046)**	(43 678)

13. This relates to the residual amount of provision following the settlement of compensation to the retrenched staff.

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 shares without adjusting for expected dividends and non-market performance conditions.

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

Notes to the annual financial statements continued

9. Other operating expenses

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
(a) Other operating expenses and income				
Network operating expenses	**(167 341)**	(166 580)	**(160 067)**	(158 617)
Amortisation of Government grants (Note 26)	**1 716**	2 003	**1 716**	2 003
Office administration expenses	**(70 359)**	(53 414)	**(45 723)**	(27 363)
Other recoveries and expenses	**(13 170)**	(10 625)	**(10 089)**	(8 531)
Amortisation of capacity prepayments (Note 18)	**(14 345)**	(13 526)	**(14 345)**	(13 526)
Auditors' remuneration	**(574)**	(685)	**(455)**	(543)
Audit fees	**(568)**	(640)	**(449)**	(498)
Other charges	**(6)**	(45)	**(6)**	(45)
Gain on disposal of property and equipment and intangible assets	**6**	1	**6**	1
Loss on de-recognised lease liabilities and right of use assets	**(24)**	–	**(24)**	–
Capacity leases and Right of way expenses	**(9 616)**	(12 621)	**(9 616)**	(12 621)
Foreign exchange losses	**(5 046)**	(3 987)	**(5 106)**	(2 911)
Donation to Charitable activities	**(720)**	(630)	**(720)**	(630)
	(279 473)	(260 064)	**(244 423)**	(222 738)
(b) Depreciation and amortisation				
Depreciation (Note 15)	**(220 894)**	(245 695)	**(217 433)**	(237 660)
Amortisation (Note 17)	**(15 307)**	(18 344)	**(12 063)**	(13 688)
	(236 201)	(264 039)	**(229 496)**	(251 348)
(c) Net credit gain/(losses) on financial assets				
Expected credit losses (Note 20)	**2 275**	(1 887)	**2 281**	(1 885)
Expected credit losses on loan due from SNT	**–**	–	**–**	(1 119)
	2 275	(1 887)	**2 281**	(3 004)

10. Finance income

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
Interest income from cash and investments in government treasury bills	**7 219**	15 356	**2 729**	14 094
	7 219	15 356	**2 729**	14 094
Interest income from M-Pesa cash balances	**18 618**	20 793	**–**	–
Interest on taxation income	**–**	2 269	**–**	2 269
	25 837	38 418	**2 729**	16 363

11. Finance costs

Finance costs include interest on the lease liabilities recognised. The recognized finance costs, which are all recognised using the effective interest method, are detailed below:

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
Finance charge on lease liabilities (Note 26)	**(60 872)**	(64 040)	**(60 872)**	(64 040)
Interest on bank overdrafts	**–**	(4)	**–**	(4)
Interest on taxation expense	**(5 753)**	–	**(5 753)**	–
Interest expense on site restoration obligation (Note 29)	**(327)**	(421)	**(327)**	(421)
	(66 952)	(64 465)	**(66 952)**	(64 465)
Interest expense: M-Pesa customers	**(18 592)**	(20 767)	**–**	–
	(85 544)	(85 232)	**(66 952)**	(64 465)

12. Net (loss)/gain on foreign currency translation

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
SNT loan receivable	–	–	–	9
Lease liabilities (Note 25)	**24**	(1)	**24**	(1)
Cash and cash equivalents	**(1 572)**	3 628	**(1 578)**	3 628
	(1 548)	3 627	**(1 554)**	3 636

13. Income tax

a) Income tax (expense)/credit

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
Current income tax expense:	**(23 841)**	(51 622)	**8 826**	(7 518)
– In respect of the current year	**(32 901)**	(44 104)	**–**	–
– In respect of prior years	**9 060**	(7 518)	**8 826**	(7 518)
Deferred tax credit on origination and reversal of temporary differences	**399**	15 189	**–**	8 220
– In respect of the current year	**(1 280)**	6 969	**–**	–
– In respect of the prior year	**1 679**	8 220	**–**	8 220
Total income tax (expense)/credit	**(23 442)**	(36 433)	**8 826**	702

b) Components of deferred tax credited to profit or loss

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
Property and equipment capital allowances	**854**	(20 906)	**–**	(15 031)
Unrealised foreign exchange losses	**–**	(6 155)	**–**	(6 155)
Provisions and deferred income	**(1 253)**	11 872	**–**	12 966
	(399)	(15 189)	**–**	(8 220)

c) Factors affecting the tax expense for the year

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
Expected income tax expense on profit before tax at the Tanzania statutory tax rate	**954**	1 898	**(32 761)**	(38 159)
Adjusted for:				
– Non-deductible expenditure[14]	**6 823**	7 446	**6 777**	5 748
– Non-taxable gaming cost/(income)	**398**	(2 368)	**398**	(2 368)
– Deferred Tax Asset not recognised for tax losses and net deductible timing differences (Note 13g).	**25 585**	20 979	**25 585**	26 560
– Deferred tax credit not recognised – subsidiary	**421**	961	**–**	–
– Prior year tax, Prior year tax adjustments and Penalties	**(10 739)**	7 517	**(8 825)**	7 517
	23 442	36 433	**(8 826)**	(702)

14. Non deductible expenditure includes charitable donations, dispute losses, fines and penalties.

The Tanzania statutory tax rate is 30% (2021: 30%). The Group's effective tax rate is 737.40% (2021: 575.83%). The Company's effective tax rate is negative 8.08% (2021: 0.55%).

The effective tax rate of 737.40% in the current year is significantly higher than the statutory rate of 30.0% partly due to the unrecognised deferred tax asset from the Company and the subsidiary entities.

Notes to the annual financial statements continued

13. Income tax continued

d) Income tax receivable

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
Opening balance	**44 498**	28 478	**47 977**	24 950
Current income (tax expense)/credit	**(23 841)**	(51 622)	**8 826**	(7 518)
Total tax paid	**43 191**	67 642	**5 051**	30 545
Additional tax deposits	**4 580**	21 016	**4 580**	21 016
Current income tax paid	**38 611**	46 626	**471**	9 529
Withholding tax deducted at source	**2 536**	5 931	**471**	4 895
Tax paid	**36 075**	40 695	**–**	4 634
Closing balance	**63 847**	44 498	**61 854**	47 977
Maturity analysis				
Non-current:	**41 011**	39 772	**41 011**	39 772
Pending tax matters	**41 011**	39 772	**41 011**	39 772
Current:	22 836	4 726	**20 843**	8 205
Current tax receivable	**22 836**	4 726	**20 843**	8 205
	63 847	44 498	**61 854**	47 977

The additional tax deposits relate to deposit payments made to the revenue authority to allow filing of objections to disputed income tax assessments. The deposits are expected to be recovered on resolution of the disputed income tax assessments through cash refund and/or offset with undisputed tax liabilities.

The tax credit for the Company relates to the refund accrued to the Company in respect of prior year Income taxes following revised assessments of prior year taxes with Tanzania Revenue Authority (TRA).

e) Components of the recognised deferred tax assets

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
Capital allowances	**558**	(295)	**–**	–
General provisions	**(2 346)**	(1 094)	**–**	–
Net deferred tax asset	**(1 788)**	(1 389)	**–**	–

f) Reconciliation of the recognised net deferred tax asset balance

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
At the beginning of the year	**(1 389)**	13 800	**–**	8 220
Credit to profit or loss	**(399)**	(15 189)	**–**	(8 220)
At the end of the year	**(1 788)**	(1 389)	**–**	–

g) Components of deferred tax assets not recognised

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
Capital allowances	**10 448**	(3 563)	**10 448**	2 018
Unrealized Foreign exchange Losses	**1 675**	(6 064)	**1 675**	(6 064)
Provisions and deferred income	**(3 679)**	13 234	**(3 679)**	13 234
Tax losses	**17 141**	17 372	**17 141**	17 372
	25 585	20 979	**25 585**	26 560

14. Goodwill

On 19 July 2016, the Company acquired 100% of Shared Networks Tanzania (SNT). SNT held a license to use spectrum in the 900MHz band in rural Tanzania. A cash payment of TZS 24 246 million was made following the acquisition and the goodwill generated on acquisition is as show below:

Consideration transferred	Group 2022 TZS m
Net consideration	**24 246**

Assets acquired, and liabilities assumed at the date of acquisition

	Group TZS m
Fair value of net assets acquired	**22 258**
Goodwill arising on acquisition	
Cash consideration	**24 246**
Less: Fair value of identifiable assets acquired	**(22 258)**
Goodwill arising on acquisition	**1 988**

TZS m	Group 2022	2021
At 1 April	**1 639**	1 639
Impairment charge for the year	**–**	–
At 31 March	**1 639**	1 639

The movement in the impairment of goodwill was as follows:

TZS m	Group 2022	2021
At 1 April	**349**	349
Impairment charge for the year	**–**	–
At 31 March	**349**	349

The goodwill impairment testing is done as at year-end indicated no impairment charge (2021: TZS Nil). In conducting the impairment assessment of the goodwill, an election was made to compare the carrying amount of the Cash Generating Unit (CGU) to which the goodwill is allocated and fair value less costs of disposal as the recoverable amount. As at year end, there were no indicators for goodwill impairment.

Notes to the annual financial statements continued

15. Property and equipment

Group

TZS m	Leasehold land & buildings	Network infrastructure & equipment	Other assets	Total
Net book value as at 1st April 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)
Additions	–	161 945	947	162 892
Disposals – cost[15]	–	(11 713)	(16)	(11 729)
Accumulated depreciation on disposed assets[10]	–	11 697	16	11 713
Depreciation charge for the year	(1 533)	(241 780)	(2 382)	(245 695)
Transfer to intangible assets – costs	–	(62)	–	(62)
Transfer to intangible assets – accumulated amortisation	–	43	–	43
Increase in provision for site restoration obligation	–	119	–	119
Net book value as at 31st March 2021	26 338	1 010 463	4 425	1 041 226
Cost	37 874	2 201 470	11 628	2 250 972
Accumulated depreciation	(11 536)	(1 191 007)	(7 203)	(1 209 746)
Additions	–	193 420	218	193 638
Disposals – cost	–	(16 091)	(4 081)	(20 172)
Accumulated depreciation on disposed assets	–	16 034	4 081	20 115
Depreciation charge for the year	(1 518)	(217 774)	(1 602)	(220 894)
Increase in provision for site restoration obligation	–	713	–	713
Net book value as at 31 March 2022	**24 820**	**986 765**	**3 041**	**1 014 626**
Cost	**37 874**	**2 379 512**	**7 765**	**2 425 151**
Accumulated depreciation	**(13 054)**	**(1 392 747)**	**(4 724)**	**(1 410 525)**

15. The change in presentation is necessary in order to align prior year cost and accumulated depreciation. The overall presentation has no impact on prior year report Net book values (NBV).

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 TZS 31 063 million (2021: TZS 10 935 million). The cost of these assets was not depreciated during the year (2021: Nil).

During the year, the reassessment of useful lives of network assets was undertaken in accordance with Group's accounting policies with the net impact of a decrease in depreciation charge for the current year of TZS 18.5 billion(2021: TZS 8.0 billion). The future periods are expected to be impacted in a similar manner until when the useful lives are otherwise re-assessed and revised.

15. Property and equipment continued

Company

TZS m	Leasehold land & buildings	Network infrastructure & equipment	Other assets	Total
Net book value as at 1 April 2020	27 871	1 083 221	5 861	1 116 953
Cost	37 874	2 034 469	10 697	2 083 040
Accumulated depreciation	(10 003)	(951 248)	(4 836)	(966 087)
Additions	–	167 628	947	168 575
Disposals – cost	–	(698)	–	(698)
Accumulated depreciation on disposed assets	–	682	–	682
Depreciation charge for the year	(1 533)	(233 745)	(2 382)	(237 660)
Transfer to intangible assets – costs	–	(62)	–	(62)
Transfer to intangible assets – accumulated amortisation	–	43	–	43
Increase in provision for site restoration obligation	–	119	–	119
Transfer to subsidiary (M-pesa Limited) – cost[16]	–	(38 992)	–	(38 992)
Transfer to subsidiary (M-pesa Limited) – accumulated depreciation[16]	–	21 982	–	21 982
Net book value as at 31 March 2021	26 338	1 000 178	4 426	1 030 942
Cost	37 874	2 162 464	11 644	2 211 982
Accumulated depreciation	(11 536)	(1 162 286)	(7 218)	(1 181 040)
Additions	–	193 420	218	193 638
Disposals – cost	–	(16 091)	(4 081)	(20 172)
Accumulated depreciation on disposed assets	–	16 034	4 081	20 115
Depreciation charge for the year	(1 518)	(214 313)	(1 602)	(217 433)
Increase in provision for site restoration obligation	–	713	–	713
Transfer to subsidiary (M-Pesa Limited)	–	(918)	–	(918)
Net book value as at 31 March 2022	**24 820**	**979 023**	**3 042**	**1 006 885**
Cost	**37 874**	**2 339 588**	**7 781**	**2 385 243**
Accumulated depreciation	**(13 054)**	**(1 360 565)**	**(4 739)**	**(1 378 358)**

16. The prior year amounts were enlarged to reflect cost and accumulated depreciation of assets disposed. This change does not have an impact on reported NBV.

Included in the net book value balance of network infrastructure and equipment is the cost of assets under construction of TZS 31 063 million (2021: TZS 10 935 million). The cost of these assets was not depreciated during the year (2021: Nil).

During the year, the reassessment of useful lives of network assets was undertaken in accordance with Company's accounting policies with the net impact of a decrease in depreciation charge for the current year of TZS 18.5 billion (2021: TZS 8.0 billion). The future periods are expected to be impacted in a similar manner until when the useful lives are otherwise re-assessed and revised.

In Prior year, due to split between M-Pesa and the Company, all assets that were transferred to M-Pesa were already in use and hence transferred net of their accumulated depreciation. In the current year, assets have been transferred at cost because they have not been used by the "Company" and therefore no depreciation has been charged in the Company books before the transfer.

Notes to the annual financial statements continued

15. Property and equipment continued

No property and equipment were pledged as collateral against borrowings at year-end (2021: None)

Land occupancy rights and buildings (carrying value)

	Group		Company	
TZS m	2022	2021	2022	2021
Plot No. 49 – 53, Block M, Mbezi Juu, Dar es Salaam, Tanzania, Certificate of Title No. 49468 (acquired in May 2007)	**7 460**	7 721	**7 460**	7 721
Plot No. 43, Kwale Road, Dar es Salaam, Tanzania, Certificate of Title No. 186031/10 (acquired in May 2001)	**2 161**	2 198	**2 161**	2 198
Plots No. 1 & 2, Block B, NCC Link Area, Dodoma Municipality (acquired in July 2005)	**1 045**	1 082	**1 045**	1 082
Plot No. 1999, Block M, Forest Area, Mbeya Municipality (acquired in April 2000)	**658**	659	**658**	659
Nyegezi Hill, Mwanza (acquired in October 2009)	**627**	697	**627**	697
Moshono Hill, Arusha (acquired in July 2009)	**646**	679	**646**	679
	12 597	13 036	**12 597**	13 036

The above land occupancy rights and buildings excludes leased components which are disclosed in property and equipment schedules for both Group and Company.

Right-of-use assets

The Group's and Company's property and equipment include the following right of use (ROU) assets recognised.

Group

TZS m	Leasehold land & buildings	Network infrastructure & equipment	Other assets	Total
As at 01 April 2020	14 378	485 487	5 751	505 616
Reclassification between categories – cost	2 961	(2 149)	(812)	–
Reclassifications between categories – depreciation	(2 042)	3 991	(1 949)	–
Additions	–	50 072	779	50 851
Depreciation	(4 716)	(79 473)	(2 123)	(86 312)
As at 31 March 2021	10 581	457 928	1 646	470 155
Additions	–	41 077	–	41 077
De-recognised right of use assets	–	(58)	–	(58)
Depreciation	(1 078)	(84 383)	(1 336)	(86 797)
As at 31 March 2022	**9 503**	**414 564**	**310**	**424 377**

Company

TZS m	Leasehold land & buildings	Network infrastructure & equipment	Other assets	Total
Right-of-use assets	14 378	484 429	5 751	504 558
Reclassifications between categories – cost	2 961	(2 149)	(812)	–
Reclassifications between categories – depreciation	(2 042)	3 991	(1 949)	–
Additions	–	50 072	779	50 851
Depreciation	(4 716)	(78 415)	(2 123)	(85 254)
As at 31 March 2021	10 581	457 928	1 646	470 155
Additions	–	41 077	–	41 077
De-recognised right of use assets	–	(58)	–	(58)
Depreciation	(1 078)	(84 383)	(1 336)	(86 797)
As at 31 March 2022	**9 503**	**414 564**	**310**	**424 377**

16. Basic and diluted loss per share

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
Basic and diluted loss per share (TZS)	**(9.05)**	(13.44)	**(44.81)**	(56.47)
Loss attributable to the shareholders (TZS m)	**(20 263)**	(30 106)	**(100 376)**	(126 496)
Weighted average number of Equity shares outstanding (Millions)	**2 240**	2 240	**2 240**	2 240
Dividend declared during the year (TZS m)	–	427 459	–	427 459
Dividend per share (TZS) – declared during the year	–	190.83	–	190.83
Normal dividend declared during the year (TZS m)	–	27 462	–	27 462
Normal dividend per share (TZS) – declared during the year	–	12.26	–	12.26
Special dividend declared during the year (TZS m)	–	399 997	–	399 997
Special dividend per share (TZS) – declared during the year	–	178.57	–	178.57

Out of dividend declared, TZS 209 million was paid during the year (2021: TZS 427 093 million).

17. Intangible assets

Group

TZS m	Licences	Computer software	Total
Net book value as at 1 April 2020	43 797	34 713	78 510
Cost	53 138	74 961	128 099
Accumulated amortisation	(9 341)	(40 248)	(49 589)
Additions	3	10 405	10 408
Amortisation	(3 626)	(14 718)	(18 344)
Transfer from PPE – costs	–	62	62
Transfer from PPE – accumulated amortisation	–	(43)	(43)
Net book value as at 31 March 2021	40 174	30 419	70 593
Cost	53 141	85 428	138 569
Accumulated amortisation	(12 967)	(55 009)	(67 976)
Additions	–	21 395	21 395
Amortisation	(3 626)	(11 681)	(15 307)
Net book value as at 31 March 2022	**36 548**	**40 133**	**76 681**
Cost	**53 141**	**106 823**	**159 964**
Accumulated amortisation	**(16 593)**	**(66 690)**	**(83 283)**

Notes to the annual financial statements continued

17. Intangible assets continued

Company

TZS m	Licences	Computer software	Total
Net book value as at 1 April 2020	25 140	34 714	59 854
Cost	29 388	74 961	104 349
Accumulated amortisation	(4 248)	(40 247)	(44 495)
Additions	3	10 403	10 406
Amortisation	(2 222)	(11 466)	(13 688)
Transfer to subsidiary (M-pesa Limited) – cost[17]	–	(13 928)	(13 928)
Transfer to subsidiary (M-pesa Limited) – accumulated amortisation[17]	–	6 085	6 085
Transfer from PPE – costs	–	62	62
Transfer from PPE – accumulated amortisation	–	(43)	(43)
Net book value as at 31 March 2021	22 921	25 827	48 748
Cost	29 391	71 498	100 889
Accumulated amortisation	(6 470)	(45 671)	(52 141)
Additions	–	21 395	21 395
Amortisation	(2 222)	(9 841)	(12 063)
Transfer to subsidiary (M-pesa Limited)	–	(4 907)	(4 907)
Net book value as at 31 March 2022	**20 699**	**32 474**	**53 173**
Cost	**29 391**	**87 986**	**117 377**
Accumulated amortisation	**(8 692)**	**(55 512)**	**(64 204)**

17. The prior year amounts were enlarged to reflect cost and accumulated depreciation of assets disposed. This change does not have an impact on reported Net Book Values (NBV).

In prior year, due to split between M-Pesa and the Company, all assets that were transferred to M-Pesa were already in use and hence transferred net of their accumulated depreciation. In the current year, assets have been transferred at cost because they have not been used by the "Company" and therefore no depreciation has been charged in the Company books before the transfer.

18. Capacity prepayments

The Company entered into long term (10 year) agreements with the Tanzania Telecommunication Company Limited ('TTCL') and the National Information and Communication Technology Backbone ('NICTBB') for the provision of 1 Synchronous Transport Module ('STM') level-16 fibre optic capacity between various points of presence on. Over the years, the capacity increased to 2xSTM level-16 and 3xSTM level-4.

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	2022	2021	2022	2021
At 1 April	**59 747**	68 545	**59 747**	68 545
Additions	**15 044**	4 728	**15 044**	4 728
Amortisation for the year [Note 9(a)]	**(14 345)**	(13 526)	**(14 345)**	(13 526)
At 31 March	**60 446**	59 747	**60 446**	59 747
Non-current	**44 582**	46 559	**44 582**	46 559
Current	**15 864**	13 188	**15 864**	13 188
	60 446	59 747	**60 446**	59 747

19. Trade and other receivables

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
(a) Non-current				
Contract assets	**1 076**	809	**1 076**	809
Expected credit losses	**(32)**	(21)	**(32)**	(21)
Contract assets (net)	**1 044**	788	**1 044**	788
Deposits in relation to indirect taxes	**10 344**	17 908	**10 344**	17 908
	11 388	18 696	**11 388**	18 696
(b) Current				
Trade receivables (gross)	**93 802**	118 812	**90 836**	112 928
Expected credit losses	**(38 276)**	(42 285)	**(38 197)**	(42 212)
Trade receivables (net)	**55 526**	76 527	**52 639**	70 716
Prepayments	**33 013**	26 561	**31 766**	22 841
Intergroup receivables (Note 34)	**7 317**	5 279	**15 104**	22 075
Contract assets	**2 286**	2 057	**2 286**	2 057
Expected credit losses	**(79)**	(61)	**(79)**	(61)
Contract assets (net)	**2 207**	1 996	**2 207**	1 996
Other receivables	**14 507**	15 171	**10 525**	10 612
	112 570	125 534	**112 241**	128 240

Other receivables mainly relate to prefunding for customs clearance, deposit for International money transfer clearing account and other advances.

Included in contract assets is capitalised commission costs amounting to TZS 105 million (2021: TZS 57 million) which is amortised on a straight line basis over the contract life.

Trade and other receivables mainly consist of amounts owed to us by customers and amounts that we pay to our suppliers in advance. Also, within this note are 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.

Out of the contract assets balance for prior year representing unsatisfied performance obligations, TZS 2 090 million has been recognised as revenue in the current year (2021: TZS 2 229 million).

The trade receivables and contract assets 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. For details on the Company's and Group's credit risk management processes and the carrying amounts of the Company's and Group's trade and other receivables as well as contract assets which are denominated in different currencies refer to Note 35.

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
At 1 April	**(42 285)**	(45 274)	**(42 212)**	(45 203)
Bad debts written off	**1 734**	4 876	**1 734**	4 876
Release/(charge) to profit or loss [Notes 9(c)]	**2 275**	(1 887)	**2 281**	(1 885)
At 31 March	**(38 276)**	(42 285)	**(38 197)**	(42 212)

Trade receivables are stated at cost which normally approximates fair value due to short term maturity. Generally, no interest is charged on trade receivables.

Below is the ECL movement for contract assets:

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
At 1 April	**(82)**	(399)	**(82)**	(399)
write offs	**20**	317	**20**	317
Release/(charge) to profit or loss	**(49)**	–	**(49)**	–
At 31 March	**(111)**	(82)	**(111)**	(82)

Notes to the annual financial statements continued

20. Inventory

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
Goods held for resale	**2 597**	4 179	**2 597**	4 179
	2 597	4 179	**2 597**	4 179

The inventory is stated net of the following provision for valuation allowance:

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
At 1 April	**(4 211)**	(3 434)	**(4 211)**	(3 434)
(Decrease)/increase in provision (Note 7)	**2 555**	(777)	**2 555**	(777)
At 31 March	**(1 656)**	(4 211)	**(1 656)**	(4 211)

The cost of inventories recognised as an expense(direct expenses) during the year ended 31 March 2022 was TZS22 623 million (2021: TZS 14 984 million). This relates to the release in provision during the year following the sale of stock items procured in prior years.

21. Short-term investments

In the prior year, the Group liquidated all its short term investments in treasury bills. Income earned from treasury bills investment in 2021 was TZS 3 251 million.

22. Cash and cash equivalents

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
Cash at bank and on hand	**256 914**	242 303	**59 047**	137 969
M-Pesa balances – International Money Transfer float	**47**	1 954	**47**	1 954
Bank and cash balances presented in the statement of financial position	**256 961**	244 257	**59 094**	139 923
Cash and cash equivalents presented in the statement of cash flows	**256 961**	244 257	**59 094**	139 923

The fair value of cash and cash equivalents approximates the carrying amount due to the short-term maturity.

23. Share capital and premium

The Group is controlled by its parent Vodacom Group Limited, which, as at 31 March 2022, owned 75% of the Company's issued shares with the remaining 25% of the issued shares held by the public.

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
Authorised ordinary shares – number	**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 – number	**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)	**448 000**	448 000	**448 000**	448 000
IPO cost (TZS m)[18]	**(5 565)**	(5 565)	**(5 565)**	(5 565)
Share premium (TZS m)	**442 435**	442 435	**442 435**	442 435

18. 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.

24. Capital contribution

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
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.

25. 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 are made on a monthly basis.
- 3,351 lease contracts for telecommunication towers with various vendors (2021: 3,286). These leases generally have terms of 5 to 12 years.
- 35 lease contracts for properties (2021: 35) and 21 lease contracts for motor vehicles (2021: 91) 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:

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
At 1 April	**534 679**	545 223	**534 679**	545 223
Additions for the year	**41 077**	50 850	**41 077**	50 850
Accretion of interest (Note 11)	**60 872**	64 040	**60 872**	64 040
Translation differences (Note 12)	**(24)**	1	**(24)**	1
De-recognised lease liabilities	**(34)**	–	**(34)**	–
Payments – principal	**(69 183)**	(61 395)	**(69 183)**	(61 395)
Payments – interest	**(60 871)**	(64 040)	**(60 871)**	(64 040)
At 31 March	**506 516**	534 679	**506 516**	534 679
The carrying amount is due as follows:				
Non-current	**446 044**	461 627	**446 044**	461 627
Current	**60 472**	73 052	**60 472**	73 052
	506 516	534 679	**506 516**	534 679

The following are the amounts recognised in profit or loss in respect to lease liabilities under IFRS 16:

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
Depreciation of right of use assets (Note 15)	**86 797**	86 312	**86 797**	85 254
Interest expense on lease liabilities	**60 872**	64 040	**60 872**	64 040
Expense relating to short-term leases	**448**	442	**448**	442
Expenses relating to low-value assets	**71**	71	**71**	71
	148 188	150 865	**148 188**	149 807

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.

Notes to the annual financial statements continued

25. Lease liabilities continued

The Group had the following cash outflows relating to lease liabilities:

	Group		Company	
TZS m	2022	2021	2022	2021
Payments relating to the recognised lease liabilities	**130 054**	125 435	**130 054**	125 435
Payments for short-term leases	**448**	442	**448**	442
Payments for low-value assets	**71**	71	**71**	71
	130 573	125 948	**130 573**	125 948

The Group also had non-cash additions to right-of-use assets and lease liabilities of TZS 41 077 million during the year (2021: TZS 50 850 million).

The Group has no future cash outflows relating to leases that have not yet commenced.

The maturity analysis of the minimum lease payments is presented under Note 35.3, 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, 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.

26. Government grants

This relates to grants received from Universal Communication 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 unamortized amounts:

	Group		Company	
TZS m	2022	2021	2022	2021
At 1 April	**1 618**	3 926	**1 618**	3 926
Received during the year	**4 991**	400	**4 991**	400
Amortised during the year (Note 9a)	**(1 716)**	(2 003)	**(1 716)**	(2 003)
Amounts matched with cost of funded assets	**(3 532)**	(705)	**(3 532)**	(705)
At 31 March	**1 361**	1 618	**1 361**	1 618
Non-current	**143**	235	**143**	235
Current	**1 218**	1 383	**1 218**	1 383
	1 361	1 618	**1 361**	1 618

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.

27. Borrowings

The Company had no borrowing at the end of the year(2021: Nil).

Bank overdrafts

The Group has an unsecured bank overdraft facility with Citibank Tanzania Limited of US$ 14.5million (2021: US$14.5 million) which attracts interest at six months US$ LIBOR + 3.75%. During the year the group did not utilise the overdraft facility (2021: Nil). In addition, the group has a standby letter of credit and guarantee facility of US$5.5 million.

28. Trade and other payables

	Group		Company	
TZS m	**2022**	**2021**	**2022**	**2021**
Non-current				
Deferred income	**378**	163	**378**	163
	378	**163**	**378**	**163**

	Group		Company	
TZS m	**2022**	**2021**	**2022**	**2021**
Current				
Trade payables	**21 192**	21 023	**21 156**	20 973
Capital expenditure creditors	**64 541**	33 604	**64 541**	33 604
Value Added Tax	**6 563**	18 997	**462**	11 178
Excise duty	**12 512**	12 829	**10 370**	9 047
Accruals	**128 630**	124 047	**121 697**	117 058
Deferred revenue	**22 904**	19 218	**22 834**	19 148
Other payables	**28 367**	13 338	**7 309**	3 665
Payables to related parties (Note 34)	**15 297**	10 097	**11 943**	20 232
Total trade and other payables	**300 006**	253 153	**260 312**	234 905
Mobile financial payables	**436 086**	444 183	**–**	–

Current trade and related payables are stated at cost which normally approximates fair value due to short-term maturity.

In prior year, mobile financial payables were part of trade and other payables and were described as deposits due to M-Pesa agents and customers. Also, included in Interest due to customers in prior year was withholding tax payables balance which has been disclosed in other payables in current year while the remaining interest balance has been disclosed in mobile financial payables. Further, in prior year audit fees payable was included under accruals, the number has now been disclosed under mobile financial payables as it is also restricted. The changes have been necessary to align with parent company presentation.

Notes to the annual financial statements continued

29. 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. Further, the Group provides for other expenses including asset retirement obligations, restructuring and others. Other provisions significantly relate to provision for marketing expenses. Movement in these provisions is explained in the table below:

	Group		Company	
TZS m	**2022**	**2021**	**2022**	**2021**
Opening balance	**24 558**	13 443	**24 558**	13 443
Site restoration obligation	**4 159**	3 619	**4 159**	3 619
Legal/regulatory	**2 353**	3 800	**2 353**	3 800
Restructuring	**2 582**	–	**2 582**	–
Other	**15 464**	6 025	**15 464**	6 025
Additions/charge to profit or loss				
Site restoration obligation – addition	**713**	119	**713**	118
Site restoration obligation – charge to profit or loss	**327**	421	**327**	422
Legal/regulatory	**630**	350	**630**	350
Restructuring	**–**	2 582	**–**	2 582
Others – charge to profit or loss	**3 209**	5 779	**3 209**	5 779
Others	**–**	4 290	**–**	4 290
	4 879	13 541	**4 879**	13 541
Released to profit or loss				
Legal/regulatory	**(1 251)**	(1 797)	**(1 251)**	(1 797)
Restructuring[19]	**(312)**	–	**(312)**	–
	(1 563)	(1 797)	**(1 563)**	(1 797)
Utilised against payments during the year				
Legal/regulatory	**(125)**	–	**(125)**	–
Restructuring	**(2 270)**	–	**(2 270)**	–
Other	**(2 354)**	(629)	**(2 354)**	(629)
	(4 749)	(629)	**(4 749)**	(629)
Transfers to accruals				
Others	**(6 167)**	–	**(6 167)**	–
	(6 167)	–	**(6 167)**	–
At 31 March[20]	**16 958**	24 558	**16 958**	24 558
Site restoration obligation	**5 199**	4 159	**5 199**	4 159
Legal/regulatory	**1 607**	2 353	**1 607**	2 353
Restructuring	**–**	2 582	**–**	2 582
Other	**10 152**	15 464	**10 152**	15 464
Closing balance	**16 958**	24 558	**16 958**	24 558

19. The Group restructured during the year ended 31 March 2021and the cost involved had been provided. The decrease during the year is mainly driven by payment to staff as part of restructuring process.
20. Provisions have been further split to reflect individual nature of provisions that the Group has. This split does not change overall balance of provisions.

29. Provisions continued

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
Comprising of:				
Non-current				
Site restoration obligation	**5 199**	4 159	**5 199**	4 159
Current				
Legal obligation	**1 606**	2 353	**1 606**	2 353
Marketing fees	**4 987**	11 174	**4 987**	11 174
Restructuring costs	**–**	2 582	**–**	2 582
Tax assessments and disputes	**5 166**	4 290	**5 166**	4 290
	11 759	20 399	**11 759**	20 399
Total provisions	**16 958**	24 558	**16 958**	24 558

According to the nature of the provisions, the timing of settlement is uncertain.

30. Interest in other entities (subsidiaries and other entities) – Company

The Company has interests in the following entities:

Vodacom Trust Limited

This entity is limited by guarantee with share capital. The principal activity of the entity was to act as bona fide trustee and/or any other like officers in order to protect and safeguard all monies gained from and/or relating to M-Pesa cellular phone money transfer service for the benefit of the users of the said service.

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 entity's directors resolved to wind up the entity and the liquidator was appointed by the directors on 19 May 2020. As at year end, the process to liquidate the Company had not been finalised and there were no operations during the year.

M-Pesa Limited

The Company owns 99.90% of M-Pesa Limited. M-Pesa Limited numbers are consolidated to form Group's financial statements.

Following the receipt of the EMI licence, the Company's principal activities are operating mobile financial services under the EMI regulations issued by BoT. The Company's activities are regulated under the National Payment Systems Act, 2015 and the related Payment Systems (Electronic Money) Regulations, 2015.

In 2021, M-Pesa Limited shareholders paid up the issued share capital of TZS 500 million in line with the capital requirements stipulated in the National Payments Systems Regulations.

Below is an extract from the separate financial statements of M-Pesa Limited:

TZS m	2022	2021
Statement of financial position		
Total assets	**218 768**	142 224
Net assets	**175 128**	93 613
Statement of profit or loss and other comprehensive income		
Total income	**336 505**	371 465
Total expenses	**(259 478)**	(288 330)

Notes to the annual financial statements continued

30. Interest in other entities (subsidiaries and other entities) – Company continued

The Registered Trustees of M-Pesa Trust Funds

The principal activity of the Trust is to hold and manage, in trust, funds in the Trust bank accounts for the benefit of the subscribers of the 'MPESA' mobile financial services. The numbers of the Trust are consolidated to form Group's financial statements.

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 in accordance with the requirements of the applicable laws and regulations of The United Republic of Tanzania and principles of best practice.

Below is an extract from the separate financial statements of The Registered Trustees of M-Pesa Trust Funds:

TZS m	2022	2021
Statement of financial position		
Total assets	**451 922**	447 972
Net assets	**–**	–
Statement of profit or loss and other comprehensive income		
Total income	**18 618**	20 793
Total expenses	**(18 618)**	(20 793)

Vodacom Tanzania 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 "then" 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 founding members resolved to wind up the foundation and appointed a liquidator to oversee the process. As at year end, the process to liquidate the foundation had not been finalised.

Shared Networks Tanzania Limited ('SNT')

On 19 July 2016, the Company acquired 100% of SNT's issued share capital. SNT numbers are consolidated and form part of Group's financial statements. SNT was a multi-operator core network wholesaler which held a license for usage of spectrum in the 900MHz band in rural Tanzania. During 2019, the Group obtained approval from Tanzania Communications Regulatory Authority ('TCRA') to reassign the spectrum that was held by SNT to the Company. During the year ended 31 March 2021, the directors resolved to wind up of the entity after transferring its assets and liabilities to the Company. The net assets transfer was completed and a liquidator was appointed thereon.

As at year end, the process to liquidated the entity has not been finalised.

Below is an extract from the SNT financial statements:

TZS m	2022	2021
Statement of financial position		
Total assets	**2 462**	2 462
Net liabilities	**(24 306)**	(24 306)
Statement of profit or loss and other comprehensive income		
Revenue	**–**	–
Total expenses	**–**	(2 157)

31. Commitments

TZS m	Group 2022	Group 2021	Company 2022	Company 2021
Lease commitments (Note 35.3)	**693 982**	773 505	**693 982**	773 505
Capital expenditure contracted for but not yet incurred (including property and equipment and intangible assets)	**35 580**	25 303	**35 580**	25 303
Other (including sports and marketing commitments)	**87 649**	124 754	**87 649**	124 754
	817 211	923 562	**817 211**	923 562

32. 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 or loss and financial position 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 for the year 2013 is 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,which will also result in additional penalties levied by the TRA in this regard.

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 the taxation context, 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 2018 to 2020 tax years which resulted in certain disputed items in terms of the methodology and other Transfer Pricing aspects used to support the taxation 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 possible/probable 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.

Refer to Note 29 for further disclosures.

Notes to the annual financial statements continued

33. Other matters

Regulatory matters

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. On 7 February 2020, the new Electronic & Postal Communications (SIM Card Registration) Regulations 2020 were published. The Regulations provide for a biometric registration of SIM cards using the National ID, as the sole means of registering SIM cards in the United Republic of Tanzania. During the year, as directed by the TCRA, we barred 568 000 non-biometrically registered customers.

On 1 July 2020, the TCRA issued a public release that required customers who biometrically registered more than one SIM card per service provider to verify their SIM cards ownership through their mobile phones. Furthermore, the TCRA and mobile network operators have implemented an approval process that allows customers to request for additional SIM cards by visiting service providers' retail outlets or an automated process through Unstructured Supplementary Service Data (USSD). Customers are allowed to have more than one SIM card if they follow the correct approval process. We continue to drive awareness on the SIM card verification process.

Other matters

Levies on mobile money transfers and withdrawals and airtime

On 30 June 2021, the President approved the Finance Act, which included the amendments to the National Payment System Act (NPS Act) and the Electronic & Postal and Communication Act (EPOCA) which introduced levies on mobile money transfer transactions and airtime. For mobile money transfer and withdrawal transactions, a transaction value dependent levy of between TZS10 and TZS10 000 was implemented from 15 July 2021. Subsequent to the implementation and following our continuous engagements with the relevant Government stakeholders, the regulations were amended effective from 03 September, reducing the levy by 30%. Despite this reduction, transaction volume and values are still at the lower levels compared to the transactions before the levies were implemented, as the levies still represent a material increase to end-user charges. During the year, we collected levies totaling TZS 118.8 billion, out of which TZS 106.1 billion was paid to the government during the year and TZS 12.7 billion collected for the month of March 2022 was paid in April 2022 as per regulation requirements.

Additionally, and in accordance with the Electronic and Postal Communications (Airtime Levy) Regulations 2021, airtime based levies of between TZS5 and TZS223 were implemented on 20 October 2021. During the year, we collected airtime levies totaling TZS 2.1 billion, out of which TZS 1.7 billion was paid during the year and TZS 0.4 billion collected for the month of March 2022 was paid in April 2022 as per regulation requirements.

Vodacom Tanzania Plc and the other mobile operators continue to engage with the relevant Government institutions on the further reduction of levy, so as not to continue to interrupt the significant strides made in the last decade in reducing barriers to financial inclusion.

Impact of global incidents

Covid-19

The Group continues to monitor the impact of the Covid-19 pandemic. To date, there was no significant impact on our operations, neither do we expect a significant impact over the short- to medium term.

Ukraine-Russian war

Whilst the group does not have operations in either Russia or the Ukraine, a review was undertaken by management to assess any consequences on the financial statements arising from the conflict or from the resulting sanctions imposed on Russia and Belarus. It was concluded that there are no material impacts on the consolidated and separate financial statements for the year ended 31 March 2022.

34. 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	2022	2021	2022	2021
Balances with related parties				
Trade and other receivables				
Vodafone Group Plc (Ultimate parent)	**5 249**	3 241	**5 249**	3 241
Vodacom Group Limited (Immediate parent)	**2 068**	2 038	**2 068**	2 038
M-Pesa Limited	**–**	–	**7 787**	15 666
Registered Trustees of M-Pesa	**–**	–	**1 061**	1 130
	7 317	5 279	**16 165**	22 075
Trade payables				
Vodafone Group Plc (Ultimate parent)	**(5 616)**	(3 059)	**(5 616)**	(3 059)
Vodacom Group Limited (Immediate parent)	**(8 330)**	(2 323)	**(6 198)**	(2 322)
M-Pesa Limited	**–**	–	**(129)**	(14 851)
M-Pesa Africa	**(1 351)**	(4 715)	**–**	–
	(15 297)	(10 097)	**(11 943)**	(20 232)

The amounts due from/(to) related parties are interest free. All the balances due from/(to) related parties are due on demand and are unsecured.

Transactions with related parties

	Group		Company	
TZS m	2022	2021	2022	2021
Vodafone Group Plc and its subsidiaries				
Revenue	**5 221**	2 811	**5 221**	2 811
Direct costs	**(1 234)**	(996)	**(1 234)**	(996)
Other operating expenses	**(4 541)**	(7 615)	**(4 541)**	(2 960)
	(554)	(5 800)	**(554)**	(1 145)
Vodacom Group Limited subsidiaries – Mozambique, DRC, Mauritius and Lesotho				
Revenue	**568**	1 189	**568**	1 189
Direct costs	**(189)**	(199)	**(189)**	(199)
Other operating expenses	**(2 239)**	(2 450)	**(2 239)**	(2 450)
	(1 860)	(1 460)	**(1 860)**	(1 460)
Vodacom Group Limited – South Africa				
Revenue	**4 924**	4 522	**4 924**	4 522
Direct costs	**(2 108)**	(1 708)	**(2 108)**	(1 708)
Other operating expenses	**(13 112)**	(11 504)	**(11 060)**	(11 504)
	(10 296)	(8 690)	**(8 244)**	(8 690)
Key management compensation				
Short-term employee benefits	**(8 958)**	(7 560)	**(8 185)**	(6 870)
Share based compensation[21]	**(437)**	(702)	**(437)**	(702)
Long-term employee benefits	**(654)**	(963)	**(603)**	(909)
	(10 049)	(9 225)	**(9 225)**	(8 481)
Non-executive directors				
Non-executive directors' fees	**(1 193)**	(1 236)	**(1 088)**	(1 122)
	(1 193)	(1 236)	**(1 088)**	(1 122)
Executive directors				
Short-term employee benefits	**(5 156)**	(3 115)	**(5 156)**	(3 115)
Long-term employee benefits	**(753)**	(607)	**(753)**	(607)
	(5 909)	(3 722)	**(5 909)**	(3 722)

21. In prior year, this balance was disclosed in short term employee benefits. The overall split does not have an impact on prior year financial statements.

Notes to the annual financial statements continued

35. Risk management policies and objectives

35.1 Financial instruments carrying amounts

The Group and Company hold the following financial instruments measured at amortised cost:

	Group		Company	
TZS m	2022	2021	2022	2021
Financial assets				
Trade receivables	**55 526**	76 527	**52 639**	70 716
Other receivables	**3 298**	3 922	**1 760**	1 819
Cash and Bank Balances (Note 22)	**256 914**	242 303	**59 047**	137 969
M-Pesa balances (Note 22)	**47**	1 954	**47**	1 954
Mobile financial deposits	**436 086**	444 183	**–**	–
Intergroup receivables	**7 317**	5 279	**15 104**	22 075
Total	**759 188**	774 168	**128 597**	234 533
Financial liabilities				
Trade payables	**(21 192)**	(21 023)	**(21 156)**	(20 973)
Accruals	**(128 630)**	(124 047)	**(121 697)**	(117 058)
Lease Liabilities	**(506 516)**	(534 679)	**(506 516)**	(534 679)
Intergroup payables (Note 34)	**(15 297)**	(10 097)	**(11 943)**	(20 232)
Capital expenditures creditors	**(64 541)**	(33 604)	**(64 541)**	(33 604)
Other payables	**(9 889)**	(7 443)	**(2 484)**	(78)
Mobile financial payables	**(436 086)**	(444 183)	**–**	–
Total	**(1 182 151)**	(1 175 076)	**(728 337)**	(726 624)

The Group did not have financial instruments measured at fair value.

During the year, disaggregation was done to other receivables and other payables to improve the disclosure. The overall change did not have an impact on prior year reported numbers in the statement of financial position. Both current year and prior year numbers include only financial instruments.

35. Risk management policies and objectives continued

35.2 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:

Group 2022

TZS m	Fixed interest rate	Variable interest rate	Non-interest bearing	Total
Financial assets				
Trade receivables	–	–	55 526	55 526
Other receivables	–	–	3 298	3 298
Cash and Bank Balances[22]	41 180	–	215 734	256 914
M-Pesa balances	–	–	47	47
Mobile financial deposits	436 086	–	–	436 086
Intergroup receivables	–	–	7 317	7 317
	477 266	–	281 922	759 188
Financial liabilities				
Trade payables	–	–	(21 192)	(21 192)
Lease liabilities	(506 516)	–	–	(506 516)
Other payables	–	–	(9 889)	(9 889)
Accruals	–	–	(128 630)	(128 630)
Capital expenditure creditors	–	–	(64 541)	(64 541)
Intergroup payables	–	–	(15 297)	(15 297)
Mobile financial payables	(436 086)	–	–	(436 086)
	(942 602)	–	(239 549)	(1 182 151)

Group 2021

TZS m	Fixed interest rate	Variable interest rate	Non-interest bearing	Total
Financial assets				
Trade receivables	–	–	76 527	76 527
Other receivables	–	–	3 922	3 922
Cash and Bank Balances[22]	101 970	–	140 333	242 303
M-Pesa balances	–	–	1 954	1 954
Mobile financial deposits	444 183	–	–	444 183
Intergroup receivables	–	–	5 279	5 279
	546 153	–	228 015	774 168
Financial liabilities				
Trade payables	–	–	(21 023)	(21 023)
Lease liabilities	(534 679)	–	–	(534 679)
Other payables	–	–	(7 443)	(7 443)
Accruals	–	–	(124 047)	(124 047)
Capital expenditure creditors	–	–	(33 604)	(33 604)
Intergroup payables	–	–	(10 097)	(10 097)
Mobile financial payables	(444 183)	–	–	(444 183)
	(978 862)	–	(196 214)	(1 175 076)

22. In prior year, entire cash and bank balance was disclosed as non-interest bearing financial assets. Split has been done in the current year to show a portion that is interest bearing. The split does not have impact on reported cash and bank balance.

Mobile financial payables include interest due to agents and customers. In prior year, interest balance was disclosed as interest due to customers.

Notes to the annual financial statements continued

35. Risk management policies and objectives continued

35.2 Interest rate profile continued

Company 2022

TZS m	Fixed Interest Rate	Variable Interest Rate	Non-interest bearing	Total
Financial assets				
Trade receivables	–	–	52 639	52 639
Other receivables	–	–	1 760	1 760
Cash and Bank Balances[22]	41 180	–	17 867	59 047
M-Pesa balances	–	–	47	47
Intergroup receivables	–	–	15 104	15 104
Total	41 180	–	87 417	128 597
Financial Liabilities				
Trade payables	–	–	(21 156)	(21 156)
Lease liabilities	(506 516)	–	–	(506 516)
Other payables	–	–	(2 484)	(2 484)
Accruals	–	–	(121 697)	(121 697)
Capital expenditure creditors	–	–	(64 541)	(64 541)
Intergroup payables	–	–	(11 943)	(11 943)
Total	(506 516)	–	(221 821)	(728 337)

Company 2021

TZS m	Fixed Interest Rate TZS m	Variable Interest Rate TZS m	Non-interest bearing TZS m	Total TZS m
Financial assets				
Trade receivables	–	–	70 716	70 716
Other receivables	–	–	1 819	1 819
Cash and Bank Balances[22]	101 970	–	35 999	137 969
M-Pesa balances	–	–	1 954	1 954
Intergroup receivables	–	–	22 075	22 075
Total	101 970	–	132 563	234 533
Financial Liabilities				
Trade payables	–	–	(20 973)	(20 973)
Lease liabilities	(534 679)	–	–	(534 679)
Other payables	–	–	(78)	(78)
Accruals	–	–	(117 058)	(117 058)
Capital expenditure creditors	–	–	(33 604)	(33 604)
Intergroup payables	–	–	(20 232)	(20 232)
Total	(534 679)	–	(191 945)	(726 624)

22. In prior year, entire cash and bank balance was disclosed as non-interest bearing financial assets. Split has been done in the current year to show a portion that is interest bearing. The split does not have impact on reported cash and bank balance.

35. Risk management policies and objectives continued

35.3 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 and retained earnings 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').

Notes to the annual financial statements continued

35. Risk management policies and objectives continued

35.3 Financial risk management continued

Group

TZS m	31 March 2022 US$	€	R
Financial assets			
Trade and other receivables	**5 700**	**935**	**–**
Cash and cash equivalents	**23 163**	**1 370**	**1 149**
	28 863	**2 305**	**1 149**
Financial liabilities			
Trade and other payables	**(8 190)**	**(29 492)**	**(1 622)**
	(8 190)	**(29 492)**	**(1 622)**
Net Gap	**20 673**	**(27 187)**	**(473)**

	31 March 2021 US$	€	R
Financial assets			
Trade and other receivables	12 256	636	–
Cash and cash equivalents	33 772	209	480
	46 028	845	480
Financial liabilities			
Trade and other payables	(13 342)	(13 720)	(1 565)
	(13 342)	(13 720)	(1 565)
Net Gap	32 686	(12 875)	(1 085)

Company

TZS m	31 March 2022 US$	€	R
Financial assets			
Trade and other receivables	**5 700**	**935**	**–**
Cash and cash equivalents	**23 163**	**1 370**	**1 149**
	28 863	**2 305**	**1 149**
Financial liabilities			
Trade and other payables	**(8 190)**	**(29 492)**	**(1 622)**
	(8 190)	**(29 492)**	**(1 622)**
Net Gap	**20 673**	**(27 187)**	**(473)**

	31 March 2021 US$	€	R
Financial assets			
Trade and other receivables	12 256	636	–
Cash and cash equivalents	33 772	209	480
	46 028	845	480
Financial liabilities			
Trade and other payables	(13 342)	(13 720)	(1 565)
	(13 342)	(13 720)	(1 565)
Net Gap	32 686	(12 875)	(1 085)

35. Risk management policies and objectives continued

35.3 Financial risk management continued

Foreign currency risk continued

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.

Group

TZS m	US$	€	R
2022			
% change	**3**	**9**	**4**
(Loss)/profit after tax and equity – (TZS m)	**(468)**	**1 628**	**12**
2021			
% change	6	5	8
(Loss)/profit after tax and equity – (TZS m)	(1 292)	466	64

Company

TZS m	US$	€	R
2022			
% change	**3**	**9**	**4**
(Loss)/profit after tax and equity – (TZS m)	**(468)**	**1 628**	**12**
2021			
% change	6	5	8
(Loss)/profit after tax and equity – (TZS m)	(1 292)	466	64

Interest rate risk

The Group's interest rate profile consists of 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	2022	2021	2022	2021
Mobile financial deposits	**436 086**	444 183	**–**	–
	436 086	444 183	**–**	–
Mobile financial payables	**(436 086)**	(444 183)	**–**	–
Lease liabilities	**(506 516)**	(534 679)	**(506 516)**	(534 679)
	(942 602)	(978 862)	**(506 516)**	(534 679)

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.

Notes to the annual financial statements continued

35. Risk management policies and objectives continued

35.3 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 24.2% (2021: 16.1 %) 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 (2021: 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 including ECL allowances as at year end.

Group:

The following table provides information about the exposure to credit risk and ECL allowances for super dealers as at 31 March 2022.

Age bracket	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m	Credit impaired
1 – 30 days	**100.00%**	**32**	**32**	**No**
31 – 60 days	**100.00%**	**45**	**45**	**No**
61 – 90 days	**100.00%**	**–**	**–**	**No**
91 – 120 days	**100.00%**	**–**	**–**	**Yes**
121 – 180 days	**100.00%**	**–**	**–**	**Yes**
> 180 days	**100.00%**	**30 271**	**30 271**	**Yes**
Total		**30 348**	**30 348**	

The following table provides information about the exposure to credit risk and ECLs for super dealers as at 31 March 2021.

Age bracket	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m	Credit impaired
1 – 30 days	100.00%	86	86	No
31 – 60 days	100.00%	134	134	No
61 – 90 days	100.00%	225	225	No
91 – 120 days	100.00%	106	106	Yes
121 – 180 days	100.00%	266	266	Yes
> 180 days	100.00%	29 380	29 380	Yes
Total		30 197	30 197	

35. Risk management policies and objectives continued

35.3 Financial risk management continued

Credit risk continued

The following table provides information about the exposure to credit risk and ECLs for prepaid airtime distributors as at 31 March 2022.

Age bracket	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m	Credit impaired
1 – 30 days	**1.25%**	**3 532**	**44**	**No**
31 – 60 days	**6.22%**	**(209)**	**(13)**	**No**
61 – 90 days	**15.67%**	**134**	**21**	**No**
91 – 120 days	**32.73%**	**(385)**	**(126)**	**Yes**
121 – 180 days	**54.14%**	**157**	**85**	**Yes**
> 180 days	**100.00%**	**442**	**442**	**Yes**
Total		**3 671**	**453**	

The following table provides information about the exposure to credit risk and ECLs for prepaid airtime distributors as at 31 March 2021.

Age bracket	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m	Credit impaired
1 – 30 days	1.33%	3 794	50	No
31 – 60 days	6.47%	(110)	(7)	No
61 – 90 days	15.58%	42	7	No
91 – 120 days	32.32%	49	16	Yes
121 – 180 days	53.17%	40	21	Yes
> 180 days	99.96%	781	781	Yes
Total		4 596	868	

The following table provides information about the exposure to credit risk and ECLs for postpaid customers as at 31 March 2022.

Age bracket	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m	Credit impaired
1 – 30 days	**3.58%**	**9 652**	**346**	**No**
31 – 60 days	**20.45%**	**19**	**4**	**No**
61 – 90 days	**37.70%**	**849**	**320**	**No**
91 – 120 days	**70.64%**	**576**	**407**	**Yes**
121 – 180 days	**98.91%**	**245**	**242**	**Yes**
> 180 days	**100.00%**	**319**	**319**	**Yes**
Total		**11 660**	**1 638**	

The following table provides information about the exposure to credit risk and ECLs for postpaid customers as at 31 March 2021.

Age bracket	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m	Credit impaired
1 – 30 days	3.23%	9 897	320	No
31 – 60 days	18.92%	469	89	No
61 – 90 days	34.61%	1 333	461	No
91 – 120 days	65.14%	718	468	Yes
121 – 180 days	92.72%	696	645	Yes
> 180 days	100.00%	1 056	1 056	Yes
Total		14 169	3 039	

Notes to the annual financial statements continued

35. Risk management policies and objectives continued

35.3 Financial risk management continued

Credit risk continued

The following table provides information about the exposure to credit risk and ECLs for interconnect customers as at 31 March 2022.

Age bracket	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m	Credit impaired
1 – 30 days	1.66%	1 246	21	No
31 – 60 days	10.86%	223	24	No
61 – 90 days	23.24%	–	–	No
91 – 120 days	36.72%	(29)	(11)	Yes
121 – 180 days	61.65%	(17)	(10)	Yes
> 180 days	70.72%	3	2	Yes
Total		**1 426**	**26**	

The following table provides information about the exposure to credit risk and ECLs for interconnect customers as at 31 March 2021.

Age bracket	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m	Credit impaired
1 – 30 days	3.82%	1 167	45	No
31 – 60 days	21.71%	1 067	232	No
61 – 90 days	46.68%	470	219	No
91 – 120 days	65.16%	244	159	Yes
121 – 180 days	91.43%	346	316	Yes
> 180 days	98.64%	(10)	(10)	Yes
Total		3 284	961	

The following table provides information about the exposure to credit risk and ECLs for advance credit customers as at 31 March 2022.

Age bracket	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m	Credit impaired
1 – 30 days	13.73%	1 662	228	No
31 – 60 days	100.00%	410	410	No
61 – 90 days	100.00%	275	275	No
91 – 120 days	100.00%	228	228	Yes
> 120 days	100.00%	1 944	1 944	Yes
Total		**4 519**	**3 085**	

The following table provides information about the exposure to credit risk and ECLs for advance credit customers as at 31 March 2021.

Age bracket	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m	Credit impaired
1 – 30 days	10.92%	1 164	127	No
31 – 60 days	37.31%	375	140	No
61 – 90 days	56.86%	240	136	No
91 – 120 days	81.23%	200	162	Yes
> 120 days	99.85%	3 241	3 236	Yes
Total		5 220	3 801	

35. Risk management policies and objectives continued

35.3 Financial risk management continued

Credit risk continued

The following table provides information about the exposure to credit risk and ECLs for other debtors as at 31 March 2022.

Age bracket	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m	Credit impaired
1 – 30 days	**10.64%**	**1 589**	**169**	**No**
31 – 60 days	**30.08%**	**123**	**37**	**No**
61 – 90 days	**49.51%**	**–**	**–**	**No**
91 – 120 days	**66.86%**	**1**	**1**	**Yes**
121 – 180 days	**82.74%**	**21**	**17**	**Yes**
> 180 days	**100.00%**	**2 502**	**2 502**	**Yes**
Total		**4 236**	**2 726**	

The following table provides information about the exposure to credit risk and ECLs for other debtors as at 31 March 2021.

Age bracket	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m	Credit impaired
1 – 30 days	13.27%	1 417	188	No
31 – 60 days	39.41%	2 888	1 138	No
61 – 90 days	64.27%	1	1	No
91 – 120 days	87.25%	(11)	(10)	Yes
121 – 180 days	100.00%	244	244	Yes
> 180 days	100.00%	1 858	1 858	Yes
Total		6 397	3 419	

Company

The following table provides information about the exposure to credit risk and ECLs for super dealers as at 31 March 2022.

Age bracket	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m	Credit impaired
1 – 30 days	**100.00%**	**32**	**32**	**No**
31 – 60 days	**100.00%**	**45**	**45**	**No**
61 – 90 days	**100.00%**	**–**	**–**	**No**
91 – 120 days	**100.00%**	**–**	**–**	**Yes**
121 – 180 days	**100.00%**	**–**	**–**	**Yes**
> 180 days	**100.00%**	**30 271**	**30 271**	**Yes**
Total		**30 348**	**30 348**	

The following table provides information about the exposure to credit risk and ECLs for super dealers as at 31 March 2021.

Age bracket	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m	Credit impaired
1 – 30 days	100.00%	86	86	No
31 – 60 days	100.00%	134	134	No
61 – 90 days	100.00%	225	225	No
91 – 120 days	100.00%	106	106	Yes
121 – 180 days	100.00%	266	266	Yes
> 180 days	100.00%	29 380	29 380	Yes
Total		30 197	30 197	

Notes to the annual financial statements continued

35. Risk management policies and objectives continued

35.3 Financial risk management continued

Credit risk continued

The following table provides information about the exposure to credit risk and ECLs for prepaid airtime distributors as at 31 March 2022.

Age bracket	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m	Credit impaired
1 – 30 days	**1.25%**	**3 532**	**44**	**No**
31 – 60 days	**6.22%**	**(209)**	**(13)**	**No**
61 – 90 days	**15.67%**	**134**	**21**	**No**
91 – 120 days	**32.73%**	**(385)**	**(126)**	**Yes**
121 – 180 days	**54.14%**	**157**	**85**	**Yes**
> 180 days	**100.00%**	**442**	**442**	**Yes**
Total		**3 671**	**453**	

The following table provides information about the exposure to credit risk and ECLs for prepaid airtime distributors as at 31 March 2021.

Age bracket	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m	Credit impaired
1 – 30 days	1.33%	3 794	50	No
31 – 60 days	6.47%	(110)	(7)	No
61 – 90 days	15.58%	42	7	No
91 – 120 days	32.32%	49	16	Yes
121 – 180 days	53.17%	40	21	Yes
> 180 days	99.96%	781	781	Yes
Total		4 596	868	

The following table provides information about the exposure to credit risk and ECLs for postpaid customers as at 31 March 2022.

Age bracket	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m	Credit impaired
1 – 30 days	**3.58%**	**9 652**	**346**	**No**
31 – 60 days	**20.45%**	**19**	**4**	**No**
61 – 90 days	**37.70%**	**849**	**320**	**No**
91 – 120 days	**70.64%**	**576**	**407**	**Yes**
121 – 180 days	**98.91%**	**245**	**242**	**Yes**
> 180 days	**100.00%**	**319**	**319**	**Yes**
Total		**11 660**	**1 638**	

The following table provides information about the exposure to credit risk and ECLs for postpaid customers as at 31 March 2021.

Age bracket	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m	Credit impaired
1 – 30 days	3.23%	9 897	320	No
31 – 60 days	18.92%	469	89	No
61 – 90 days	34.61%	1 333	461	No
91 – 120 days	65.14%	718	468	Yes
121 – 180 days	92.72%	696	645	Yes
> 180 days	100.00%	1 056	1 056	Yes
Total		14 169	3 039	

35. Risk management policies and objectives continued

35.3 Financial risk management continued

Credit risk continued

The following table provides information about the exposure to credit risk and ECLs for interconnect customers as at 31 March 2022.

Age bracket	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m	Credit impaired
1 – 30 days	1.66%	1 246	21	No
31 – 60 days	10.86%	223	24	No
61 – 90 days	23.24%	–	–	No
91 – 120 days	36.72%	(29)	(11)	Yes
121 – 180 days	61.65%	(17)	(10)	Yes
> 180 days	70.72%	3	2	Yes
Total		**1 426**	**26**	

The following table provides information about the exposure to credit risk and ECLs for interconnect customers as at 31 March 2021.

Age bracket	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m	Credit impaired
1 – 30 days	3.82%	1 167	45	No
31 – 60 days	21.71%	1 067	232	No
61 – 90 days	46.68%	470	219	No
91 – 120 days	65.16%	244	159	Yes
121 – 180 days	91.43%	346	316	Yes
> 180 days	98.64%	(10)	(10)	Yes
Total		3 284	961	

The following table provides information about the exposure to credit risk and ECLs for advance credit customers as at 31 March 2022.

Age bracket	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m	Credit impaired
1 – 30 days	13.73%	1 662	228	No
31 – 60 days	100.00%	410	410	No
61 – 90 days	100.00%	275	275	No
91 – 120 days	100.00%	228	228	Yes
> 120 days	100.00%	1 944	1 944	Yes
Total		**4 519**	**3 085**	

The following table provides information about the exposure to credit risk and ECLs for advance credit customers as at 31 March 2021.

Age bracket	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m	Credit impaired
1 – 30 days	10.92%	1 164	127	No
31 – 60 days	37.31%	375	140	No
61 – 90 days	56.86%	240	136	No
91 – 120 days	81.23%	200	162	Yes
> 120 days	99.85%	3 241	3 236	Yes
Total		5 220	3 801	

Notes to the annual financial statements continued

35. Risk management policies and objectives continued

35.3 Financial risk management continued

Credit risk continued

The following table provides information about the exposure to credit risk and ECLs for other debtors as at 31 March 2022.

Age bracket	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m	Credit impaired
1 – 30 days	10.64%	1 589	169	No
31 – 60 days	30.08%	123	37	No
61 – 90 days	49.51%	–	–	No
91 – 120 days	66.86%	1	1	Yes
121 – 180 days	82.74%	21	17	Yes
> 180 days	100.00%	2 423	2 423	Yes
Total		**4 157**	**2 647**	

The following table provides information about the exposure to credit risk and ECLs for other debtors as at 31 March 2021.

Age bracket	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m	Credit impaired
1 – 30 days	13.27%	1 417	188	No
31 – 60 days	39.41%	2 888	1 138	No
61 – 90 days	64.27%	1	1	No
91 – 120 days	87.25%	(11)	(10)	Yes
121 – 180 days	100.00%	244	244	Yes
> 180 days	100.00%	1 785	1 785	Yes
Total		6 324	3 346	

The following table provides information about the exposure to credit risk and ECLs for contract assets as at 31 March 2022 for both Group and Company.

Split	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m
Current	3.42%	2 319	79
Non-current	3.42%	939	32
Total		**3 258**	**111**

The following table provides information about the exposure to credit risk and ECLs for contract assets as at 31 March 2021 for both Group and Company.

Split	Weighted average loss rate %	Gross carrying amount TZS m	Loss allowance TZS m
Current	2.93%	2 090	61
Non-current	2.93%	720	21
Total		2 810	82

The change in credit risk disclosure during the year is necessary in order to provide more information and disclosures.

35. Risk management policies and objectives continued

35.3 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 (2021: 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.

Group

TZS m	<1 Year	2 – 5 Years	5+ years	Total
2022				
Financial liabilities				
Lease liabilities	**(124 754)**	**(424 103)**	**(145 125)**	**(693 982)**
Accruals	**(128 630)**	**–**	**–**	**(128 630)**
Intergroup payables	**(15 297)**	**–**	**–**	**(15 297)**
Capital expenditure creditors	**(64 541)**	**–**	**–**	**(64 541)**
Mobile financial payables	**(436 086)**	**–**	**–**	**(436 086)**
Other payables	**(9 889)**	**–**	**–**	**(9 889)**
Trade payables	**(21 192)**	**–**	**–**	**(21 192)**
	(800 389)	**(424 103)**	**(145 125)**	**(1 369 617)**
Financial assets				
Trade receivables	**55 526**	**–**	**–**	**55 526**
Other receivables	**3 298**	**–**	**–**	**3 298**
Cash and Bank Balances	**256 914**	**–**	**–**	**256 914**
M-Pesa balances	**47**	**–**	**–**	**47**
Mobile financial deposits	**436 086**	**–**	**–**	**436 086**
Intergroup receivables	**7 317**	**–**	**–**	**7 317**
	759 188	**–**	**–**	**759 188**
2021				
Financial liabilities				
Lease liabilities	(121 829)	(482 868)	(168 808)	(773 505)
Accruals	(124 047)	–	–	(124 047)
Intergroup payables	(10 097)	–	–	(10 097)
Capital expenditure creditors	(33 604)	–	–	(33 604)
Mobile financial payables	(444 183)	–	–	(444 183)
Other payables	(7 443)	–	–	(7 443)
Trade payables	(21 023)	–	–	(21 023)
	(762 226)	(482 868)	(168 808)	(1 413 902)
Financial assets				
Trade receivables	76 527	–	–	76 527
Other receivables	3 922	–	–	3 922
Cash and Bank Balances	242 303	–	–	242 303
M-Pesa balances	1 954	–	–	1 954
Mobile financial deposits	444 183	–	–	444 183
Intergroup receivables	5 279	–	–	5 279
	774 168	–	–	774 168

Notes to the annual financial statements continued

35. Risk management policies and objectives continued

35.3 Financial risk management continued

Liquidity management continued

Company

TZS m	<1 Year	2 – 5 Years	5+ years	Total
2022				
Financial liabilities				
Lease liabilities	**(124 754)**	**(424 103)**	**(145 125)**	**(693 982)**
Accruals	**(121 697)**	**–**	**–**	**(121 697)**
Intergroup payables	**(11 943)**	**–**	**–**	**(11 943)**
Capital expenditure creditors	**(64 541)**	**–**	**–**	**(64 541)**
Other payables	**(2 484)**	**–**	**–**	**(2 484)**
Trade payables	**(21 156)**	**–**	**–**	**(21 156)**
	(346 575)	**(424 103)**	**(145 125)**	**(915 803)**
Financial assets				
Trade receivables	**52 639**	**–**	**–**	**52 639**
Other receivables	**1 760**	**–**	**–**	**1 760**
Cash and Bank Balances	**59 047**	**–**	**–**	**59 047**
M-Pesa balances	**47**	**–**	**–**	**47**
Intergroup receivables	**15 104**	**–**	**–**	**15 104**
	128 597	**–**	**–**	**128 597**
2021				
Financial liabilities				
Lease liabilities	(121 829)	(482 868)	(168 808)	(773 505)
Accruals	(117 058)	–	–	(117 058)
Intergroup payables	(20 232)	–	–	(20 232)
Capital expenditure creditors	(33 604)	–	–	(33 604)
Other payables	(78)	–	–	(78)
Trade payables	(20 973)	–	–	(20 973)
	(313 774)	(482 868)	(168 808)	(965 450)
Financial assets				
Trade receivables	70 716	–	–	70 716
Other receivables	1 819	–	–	1 819
Cash and Bank Balances	137 969	–	–	137 969
M-Pesa balances	1 954	–	–	1 954
Intergroup receivables	22 075	–	–	22 075
	234 533	–	–	234 533

36. Capital management

The Group manages it's capital to ensure that entities within the Group will be able to continue as going concern while maximising return to shareholders. Capital is monitored on the basis of net debt to adjusted equity. Net debt comprises interest bearing borrowings, non-interest bearing borrowings, derivative financial instruments and cash and cash equivalents. The Group's strategy is to maintain a net debt to adjusted equity ratio of below 150%. These internal ratios establish levels of debt that Group should not exceed other than for relatively short periods of time and they are reviewed on a semi annual basis to ensure they are being met. The net debt to adjusted equity ratio at the reporting date are as follows;

	Group		Company	
TZS m	2022 TZS m	2021 TZS m	2022 TZS m	2021 TZS m
Cash and bank balances – (Note 23)	**256 961**	244 257	**59 094**	139 923
Borrowings	**–**	–	**–**	–
Equity	**(777 324)**	(797 587)	**(582 653)**	(683 029)
Net debt to equity ratio (%)	**(33.06)**	(30.62)	**(10.14)**	(20.49)

37. 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 2022, owns 75% (2021: 75%) of the Company's shares. The ultimate parent is Vodafone Group Plc., which is incorporated and domiciled in the United Kingdom.

38. Statement of cash flows notes

(a) Cash generated from operations

		Group		Company	
TZS m	Notes	2022	2021	2022	2021
Profit/(loss) before tax					
Adjusted for:		**3 179**	6 327	**(109 202)**	(127 198)
Finance income	10	**(25 837)**	(38 418)	**(2 729)**	(16 363)
Finance cost	11	**85 544**	85 232	**66 952**	64 465
Net gain on foreign currency translation	12	**1 548**	(3 627)	**1 554**	(3 636)
		64 434	49 514	**(43 425)**	(82 732)
Adjusted for:					
(Loss)/gain on disposals of property plant and equipment and de-recognised lease liabilities	9(a)	**18**	(1)	**18**	(1)
Depreciation and amortisation	9(b)	**236 201**	264 039	**229 496**	251 348
Net (release)/charge on financial assets[23]	9(c)	**(2 275)**	1 887	**(2 281)**	3 004
Amortisation of capacity prepayments	9(a)	**14 345**	13 526	**14 345**	13 526
(Decrease)/increase in provision for inventory	20	**(2 555)**	777	**(2 555)**	777
Amortisation of government grant	26	**(1 716)**	(2 003)	**(1 716)**	(2 003)
Government grants applied against funded assets	26	**(3 532)**	(705)	**(3 532)**	(705)
(Decrease)/increase in legal and marketing fees provision		**(5 657)**	10 575	**(5 657)**	10 575
Cash flows from operations before working capital changes		**299 263**	337 609	**184 693**	193 789
Payment for capacity contracts	18	**(15 044)**	(4 728)	**(15 044)**	(4 728)
(Decrease)/increase in inventory – gross		**4 137**	(2 952)	**4 137**	(2 952)
(Decrease)/increase in trade and other receivables		**17 556**	(29 776)	**20 596**	(25 460)
Increase/(decrease) in trade and other payables		**10 836**	126 982	**(3 964)**	2 284
Cash generated from operations		**316 748**	427 135	**190 418**	162 933

23. In prior year this amount was presented as cash-flow item before operating profit. In the current year it has been reallocated to cash flow item below operating profit. This change was necessary to align to parent entity presentation and has no impact on overall cash generated from operations. Also, narrations have been updated from prior year which read as impairment charges and in the current year it reads as net (release)/charge on financial assets.

(b) Additions to property and equipment, and intangible assets

		Group		Company	
TZS m	Notes	2022	2021	2022	2021
Additions to property and equipment	15	**193 638**	162 892	**193 638**	168 575
Less: Right of use assets additions	15	**(41 077)**	(50 851)	**(41 077)**	(50 851)
Additions to intangible assets	17	**21 395**	10 408	**21 395**	10 406
Property and equipment (Capex investment)		**173 956**	122 449	**173 956**	128 130
Changes in capital expenditure creditors		**(31 803)**	(9 599)	**(31 803)**	(9 599)
Property and equipment cash additions		**142 153**	112 850	**142 153**	118 531

Notes to the annual financial statements continued

39. 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.

40. Net current assets position

The Group had a net current assets position of TZS 37 373 million as at 31 March 2022 (2021: TZS 43 897 million). The Group will adapt 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.

41. Events after the reporting period

Managing Director stepping down

The Company announced on 10 May 2022 that Sitholizwe Mdlalose, the Company's Managing Director will be stepping down in June 2022. Mdlalose returns to Vodacom (Pty) Limited as the Managing Director following the resignation of the previous Managing Director. The Board will announce his successor in due course.

Mobile money levies updates

The Company is encouraged by the Government's proposal to reduce levies on mobile money transfers and withdrawal transactions as tabled by the Minister for Finance during the 2022 – 2023 budget speech in June 2022. If approved, the proposed 43% reduction will go a long way in mitigating transaction costs to our customers.

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 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 sixth annual general meeting of the Company for the year ended 31 March 2022 will be held virtually on Thursday 22 September 2022 at 10:00AM to conduct the following business:

1. Confirmation of minutes

To confirm minutes of the fifth annual general meeting held on 15 October 2021.

Ordinary resolution number 1

"RESOLVED THAT the minutes of the fifth annual general meeting held on 15 October 2021 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 2022.

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 2022, be and are hereby received and adopted."

Copies of the full audited consolidated annual financial statements for the year ended 31 March 2022 are obtainable from the Company's website **www.vodacom.co.tz/investors**

3. Election and re-election of a director

To elect and re-elect by way of separate resolutions::

3.1 Ms Kanini Mutooni as an independent non-executive director in accordance with the provisions of article 76 of the Company's articles of association. Her profile appears on page 154.

3.2 Mr Sudhersan Ramasamy and Mr Sitholizwe Mdlalose as non-executive directors, having been appointed since the last annual general meeting of the company is in accordance with article 86 of the Company's articles of association in respect of casual vacancy on the Board, obliged to retire at this annual general meeting. Their profiles appear on page 153.

3.3 Ms Hilda Bujiku as executive director, having been appointed since the last annual general meeting of the company is in accordance with article 86 of the Company's articles of association in respect of casual vacancy on the Board, obliged to retire at this annual general meeting. Her profile appears on page 153.

3.4 Ms Margaret Ikongo and Mr Nkateko Nyoka 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, Ms Margaret Ikongo and Mr Nkateko Nyoka are eligible for re-election as directors. Their profiles appear on page 153.

Ordinary resolution number 3

"RESOLVED THAT Ms Kanini Mutooni be and is hereby appointed as an independent non-executive director of the Company."

Ordinary resolution number 4

"RESOLVED THAT Mr Sudhersan Ramasamy be and is hereby elected as a non-executive director of the Company."

Ordinary resolution number 5

"RESOLVED THAT Mr Sitholizwe Mdlalose be and is hereby elected as a non-executive director of the Company."

Ordinary resolution number 6

"RESOLVED THAT Ms Hilda Bujiku be and is hereby elected as an executive director of the Company."

Ordinary resolution number 7

"RESOLVED THAT Ms Margaret Ikongo be and is hereby re-elected as an independent non-executive director of the Company."

Ordinary resolution number 8

"RESOLVED THAT Mr Nkateko Nyoka be and is hereby re-elected as a non-executive director of the Company."

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 9

"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, Mesdames Margaret Ikongo, Thembeka Semane and elect Ms Kanini Mutooni to continue to serve as members of the Audit, Risk and Compliance Committee and considered to be financial experts for this purpose. Their profiles appear on page 153 and 154.

Ordinary resolution number 10

"RESOLVED THAT Ms Margaret Ikongo 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 Thembeka Semane be and is hereby re-elected to continue to serve as a member of Audit Risk & Compliance Committee."

Ordinary resolution number 12

"RESOLVED THAT Ms Kanini Mutooni be and is hereby elected to serve as a member of Audit Risk & Compliance Committee."

6. Dividend

To approve no dividend payment for the financial year ended 31 March 2022.

Ordinary resolution number 13

"RESOLVED THAT no dividend payment for the year ended 31 March 2022 be and is hereby approved."

7. Approval of the directors' remuneration

To approve the non-executive directors' remuneration of US$477 000 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$477 000 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 Chairperson	15 000	**15 000**
ARCC Member	8 000	**8 000**
Remco Chairperson	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 or any EGM as may be required.

Profile of directors

Hilda Bujiku (43)

Finance Director

Bachelor of Commerce Degree in Accounting, University of Dar Es Salaam, Tanzania; Certified Public Accountant of Tanzania; Vodacom Advanced Executive Program Gordon Institute of Business Science, South Africa.

Hilda is the Finance Director of Vodacom Tanzania PLC since January 2022. She was previously the Deputy Finance Director of Vodacom Tanzania PLC since April 2021 and before that, the Managing Executive responsible for Financial Planning & Analysis, Investor Relations and Company Secretariat. She joined Vodacom Tanzania in 2012 and held various senior roles in the company. She acted as the Finance Director of Vodacom Tanzania for the period of 8 months in 2014 and later moved to Vodacom Lesotho as the Finance Director. She has more than 16 years of experience working in telecommunication companies.

Sitholizwe Mdlalose (42)

Non-Executive director

Bachelor of Accounting Science (BCompt), University of South Africa; Fellow of the Association of Chartered Certified Accountants. Senior Executive Programme Africa, Harvard Business School.

Sitholizwe is the Managing Director of Vodacom South Africa. He was previously a Managing Director of Vodacom Tanzania Plc from November 2021 – June 2022. Prior to that, he was a Finance Director of Vodacom South Africa, Chief Finance Officer of the Vodacom Group International Business and Managing Executive: Vodacom Group Internal Audit. Prior to joining Vodacom Group, Sitho worked with Vodafone Group for more than 6 years holding various positions in finance including that of Senior Finance Manager for the Vodafone Group AMAP region. He has more than 20 years of finance, management and consulting experience, of which 14 years have been in telecommunications across both emerging and developed markets. Sitholizwe was appointed to the Vodacom Tanzania Board in July 2022.

Sudhersan Ramasamy (35)

Non-executive director

Master's degree in Business Administration (Finance) from Indian Institute of Technology (IIT) Kharagpur, India, Bachelor's degree in Engineering (Mechanical Engineering) from College of Engineering Guindy, Anna University, India and Chartered Financial Analyst (CFA), Level I from CFA Institute, U.S.A.

Sudhersan is the Chief Finance Officer of Vodacom International Business. Sudhersan has worked within the Vodafone Group for more than 12 years. He was the Head of Financial Planning and Analysis for Vodacom South Africa where he led the budgeting and forecasting processes for Vodacom South Africa, including long-range planning and driving strategy formulation. Prior to that, he was the Country Manager responsible for performance management and governance of various markets in the Vodafone AMAP region. He has also held various finance and commercial business partnering roles in Vodafone India and Vodafone Qatar respectively. Ramasamy was appointed to the Vodacom Tanzania board in January 2022.

Nkateko Nyoka (59)

Non-executive director

Master of Law and Public Administration from Harvard University and 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. He was appointed to the Vodacom Tanzania board in April 2020.

Margaret Ikongo (65)

Independent Non-Executive Director

Chairperson of the Audit, Risk and Compliance Committee and a financial expert on 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 Actuarial and Risk Consulting, and Metrolife and Meticulus Insurance. Previously, Margaret sat on the Boards of NMB Plc and ARCC Insurance Tanzania as well as 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.

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

Profile of directors continued

Thembeka Semane (45)

Independent non-executive director
Member of Audit, Risk and Compliance Committee and a financial expert on this committee.

Master of Business Administration, Monash South Africa, 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. She 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. She has been recently appointed to the National Energy Regulator South Africa (NERSA) as well as the expert panel to review State Owned Enterprises for the North West Government and also MOGS (Pty) Ltd. She has previously served as a councillor at ICASA; Department of Human Settlements' EAAB, where she also served 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.

Kanini Mutooni (46)

Harvard Kennedy School of Government-Global Policy Executive Education Master's in Business Administration (MBA), Cass Business School, City University, London, Securities Institute Diploma (UK)-Chartered Institute of Securities and Investment Professionals, Investment Management Certificate (UK) ACCA, Chartered Association of Certified Accountants (UK), Bachelor of Commerce (Hons) Catholic university, Kenya.

Kanini is the former Board Chair of The Global Innovation Fund, a $250M investment vehicle supported by the UK, US, Canadian, Australian and Swedish Governments. Currently, she is the Managing Director of Draper Richards Kaplan Foundation responsible for the Africa portfolio. She also serves as a board director for Financial Sector Deepening Africa (FSDA); MCE Social Capital, the United Nations Capital Development Fund, Africa Enterprise Challenge Fund, Amref Health Innovation and CDC UK PLC. She previously worked at the board level in leadership positions at investment banks in London and the US, such as Bank of America-Merrill Lynch and Dresdner Kleinwort Benson.

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 Thursday 15 September 2022.

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. Shareholders who will be on the register on the record date will received SMS notification with meeting credentials. The annual general meeting will be streamed live via a link using a web enabled device with compatible web browser (smart phone/tablet/iPad). For more information, please visit the Company's website **https://vodacom.co.tz/investors.**

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 10:00am Monday 19 September 2022. 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 10:00am Monday 19 September 2022. 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
31 August 2022

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 Thursday 22 September 2022 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 15 October 2021			
2.	**Ordinary resolution number 2** Adoption of consolidated annual financial statements for the year ended 31 March 2022			
3.	**Ordinary resolution number 3** Election of Kanini Mutooni as an independent non-executive director			
4.	**Ordinary resolution number 4** Election of Sudhersan Ramasamy as a non-executive director			
5.	**Ordinary resolution number 5** Election of Sitholizwe Mdlalose as a non-executive director			
6.	**Ordinary resolution number 6** Election of Hilda Bujiku as an executive director			
7.	**Ordinary resolution number 7** Election of Margaret Ikongo as an independent non-executive director			
8.	**Ordinary resolution number 8** Election of Nkateko Nyoka as a non-executive director			
9.	**Ordinary resolution number 9** Appointment of Ernst & Young Inc. as auditors of the Company for the year ending March 2023			
10.	**Ordinary resolution number 10** Re-election of Margaret Ikongo as a member of Audit Risk & Compliance Committee			
11.	**Ordinary resolution number 11** Re-election of Thembeka Semane as a member of Audit Risk & Compliance Committee			
12.	**Ordinary resolution number 12** Election of Kanini Mutooni as a member of Audit, Risk & Compliance Committee			
13.	**Ordinary resolution number 13** Approval not to pay a dividend for the financial year ended 31 March 2022			
14.	**Ordinary resolution number 14** Approval of the non-executive directors' remuneration of US$ 477 000			

Signed this day of September 2022

Signature: Signature:

Completed forms of proxy must be lodged with the Vodacom Tanzania PLC Company Secretary office by no later than 10:00AM on Monday 19 September 2022.

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 10:00AM on Monday 19 September 2022.
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	1 680 000 200	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)	250 357 692	11.2%
Institutional Investors (Rest of the World)	50 062 653	2.2%
Others	95 076 215	4.3%
	2 240 000 300	**100.0%**

Institutional investors other than Vodacom Group	% institutional holding
Tanzania	**47.9%**
PIC	**35.4%**
Uganda	**6.0%**
Other International investors	**10.7%**
	100.0%

Corporate information

Vodacom Tanzania Public Limited Company

(Incorporated in the United Republic of Tanzania)
Registration number: 38501
(ISIN: TZ1996102715 Share Code: VODA)

Directors

TB Mihayo (Chairman)[1]
S Mdlalose (Managing Director)[2]
H Bujiku (Finance Director)[1]
D Kastelic[3]
D Gutierrez[4]
M Ikongo[1]
M Mbungela[5]
N Nyoka[5]
R Morathi[5]
S Ramasamy[6]
T Semane[5]
W Ouko[7]

1. Tanzanian 2. British 3. Slovenian 4. Bolivian
5. South African 6. Indian 7. Kenyan

Company secretary

Caroline Mduma
15th Floor, Vodacom Tower
Ursino Estate, Plot 23, Bagamoyo Road,
P.O. Box 2369, Dar es Salaam, Tanzania

Registered office and Place of business

15th Floor, Vodacom Tower,
Ursino Estate, Plot 23, 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

Standard Chartered Bank Tanzania

International House
Shaaban Robert St/Garden Avenue
P.O. Box 9011
Dar es Salaam, Tanzania

External legal counsel

IMMMA (Advocates)

Plot 357, IMMMA House
United Nations Road, Upanga
P.O. Box 72484
Dar es salaam, Tanzania

Lawhill

14112 Regent Estate Mikocheni
Historia Street, Plot 311 House No 96
P.O. Box 105646
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

Albert Maneno, Neema Munuo
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

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 announcement, 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 2022. 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 have 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, EBITDA 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 announcement, which sets out the consolidated results of the Group for the twelve months ended 31 March 2022, 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.

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