Vodacom Tanzania Public Limited Company

Annual Integrated Report

for the year ended 31 March 2021

Overview

Vodacom Tanzania's Annual Report 2021

This is Vodacom Tanzania's fifth annual report, and the fourth 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 2020 to 31 March 2021. Our reporting process has been guided by the principles and requirements contained in the International Financial Reporting Standards (IFRS), the recently revised IIRC International <IR> Framework, the Dar es Salaam Stock Exchange PLC Rules 2016 and the Companies Act, 2002. Ernst & Young ('EY') assured our annual financial statements and has provided an unmodified opinion (pages 76 to 79).

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 19 August 2021.

Signed on the Board's behalf:

Justice (Rtd) Thomas B Mihayo
Chairman

19 August 2021

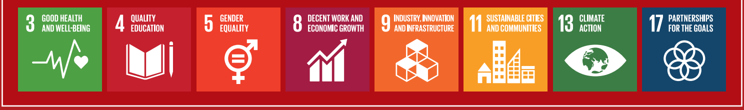
Hisham Hendi
Managing Director

19 August 2021

Delivering societal value through our core purpose

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

Vodacom Tanzania has identified and prioritized the following eight SGDs where we believe we can make the most meaningful impact:



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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 14.9 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.

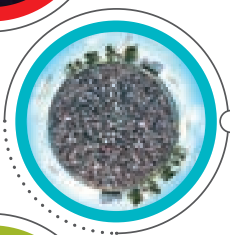
Our purpose

Why we exist

To provide affordable access to the internet.

We connect for a better future

Digital society
Connecting people and things to the internet



Inclusion for all
A digital future 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

1. Earn customer loyalty
2. Create the future
3. Experiment – learn fast
4. 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
14.9 million
Down 4.2%

Customer market share
30.2%[1]
Leading

M-Pesa customers
7.4 million
Up 10.6%

Service revenue
TZS966.0 billion
Down 5.7% (4th quarter up 6.3%)

Mobile data revenue
TZS186.9 billion
Up 3.3%

M-Pesa revenue
TZS356.8 billion
Down 0.4%

CAPEX
TZS122.4 billion
12.6% of revenue

For our shareholders

TZS427.5 billion

paid in annual and special dividends to equity shareholders (2020: TZS54.5 billion).

A total of

TZS549.3 billion

paid in dividends since listing four years ago.

1. Tanzania Communication Regulatory Authority (TCRA), March 2021 Report.

For our customers

Enabled communications to more than
14.9 million
customers.

Expanded our population coverage:

4G coverage:	3G coverage:	2G coverage:
42% (Up 9pp)	63% (Up 4pp)	93% (Up 3pp)
of population	of population	of population

Extended our network: adding
499 – 4G sites
143 – 3G sites
131 – 2G sites

Enhanced financial inclusion – more than
7.4 million
M-Pesa customers.

- **Provided Songesha overdrafts** to almost half of our M-Pesa customers.

Rated first in customer Net Promoter Score (NPSP) with a
17.0-point lead.

For our employees

TZS61.6 billion
spent on employees, including training and skills development.

Provided self-development online training to over
400 employees.

- **Conducted six health training engagements,** three on COVID-19 and three on general wellbeing to all staff, and delivered COVID-19 personal hygiene and sanitation packs to their homes.
- **Allowed all non-front-line employees** to work from home as a protection measure against COVID-19.
- **Provided staff with free access** to a personal health consultant paid for by the company.

In our community

TZS429.7 billion
cash contributions to public finances in taxes, levies, spectrum and regulatory fees.

260 sites
built in last nine years in support of Government's rural coverage programme.

TZS425.6 billion
spent on over 400 local suppliers and partner companies in Tanzania.

More than
TZS0.5 billion
on social investment expenditure, with over 1.4 million[1] direct and indirect beneficiaries across Tanzania.

Indirect employment provided to over
149 000[2]
Tanzanians.

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

Responding to COVID-19

Delivering on our Social Contract

Vodacom Tanzania's Purpose is to "Connect for a better future". As a technology company, we use our technology and communications services to connect people and enable businesses to operate efficiently and effectively in an increasingly digital world. By enabling the sharing of information between individuals, communities, and businesses, we facilitate greater social inclusion and contribute to improving quality of life.

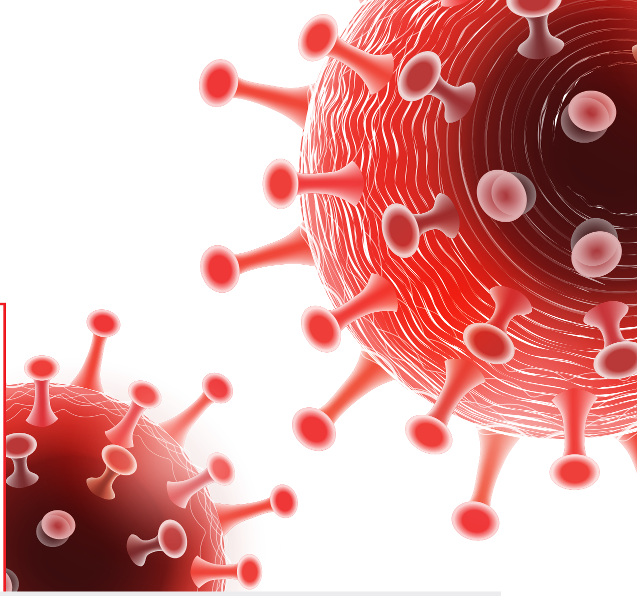
In delivering on our Purpose, Vodacom Tanzania has committed itself to a Social Contract, guided by three core principles:

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

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

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

Our commitment to delivering on our Purpose and Social Contract is reflected in our response to COVID-19. After the first COVID-19 case was reported in the country in March 2020, we implemented and continued with various measures to protect the safety of our employees and contractors, and to keep individuals, communities, businesses, and Government connected.



We **invested in maintaining** the resilience and quality of our network to enable seamless communication.

We **enhanced the strength** of our M-Pesa and financial services platforms to promote and enable contactless payments.

We **zero-rated** official Government websites with COVID-19 information, and we activated an awareness campaign in collaboration with the Ministry of Health.

We **supported the Government** directly by providing capacity and support services for critical Government functions, including:

- Providing free fixed internet connectivity to a special Government task force, free data access to the National Institute of Medical Research, and unlimited data to all healthcare workers in dedicated COVID-19 centres.
- Providing routers and data simcards to the Ministry of Health to enable free internet access and accelerate communication and activities.
- Donating in-kind, a total of US$1 million (equivalent of TZS2.3 billion) through the Vodacom Tanzania Foundation to support Government's efforts in combatting the pandemic.

We **facilitated work and life** from home, and helped small and micro businesses with data allocations, modem devices, and training on work-from-home tools.

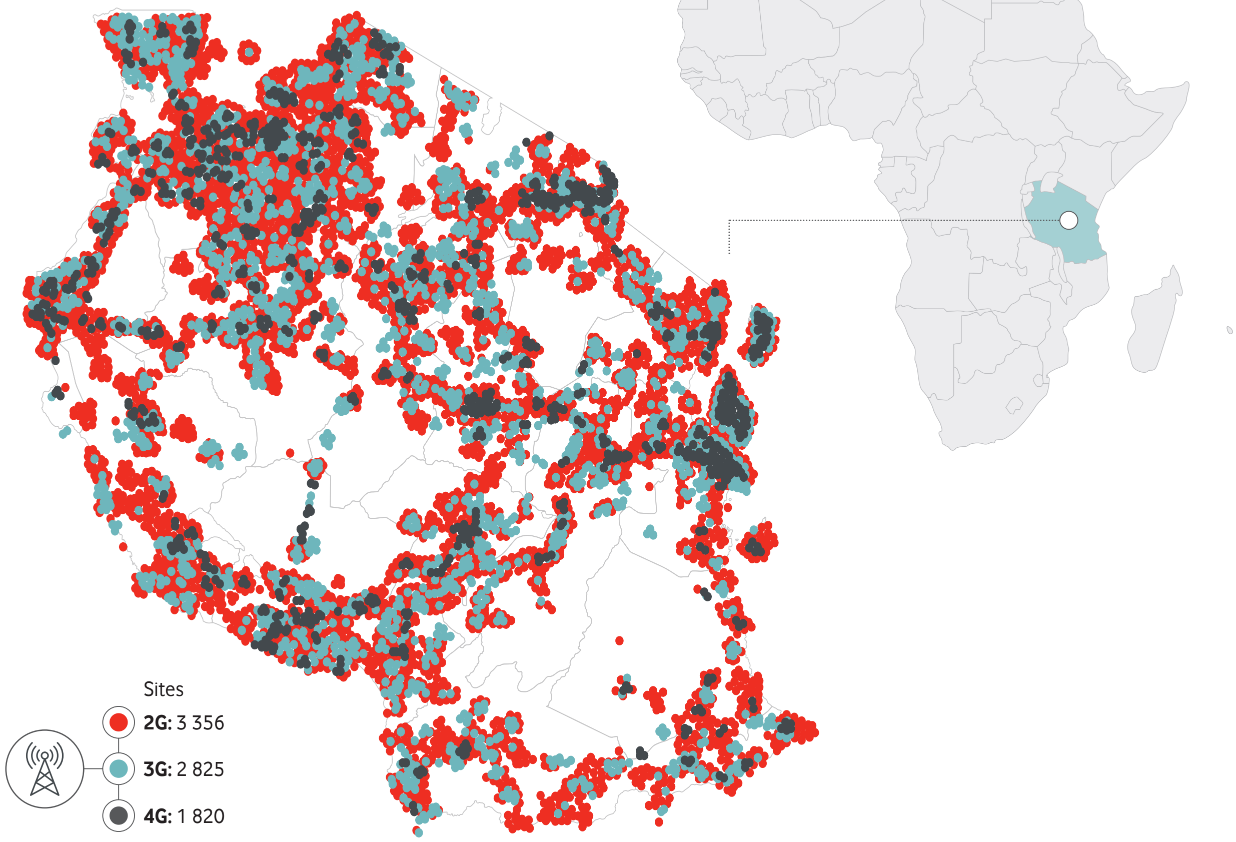
We **provided free access** to educational materials for students during schools' closures, including platforms such as 'Instant Schools' and 'Shule Direct'. We also zero rated educational websites to support study from home initiative.

We **educated citizens** about COVID-19, transmitting educative SMSs to over 14.9 million customers on preventive health measures, zero-rated links to webpages with COVID-19 content, as well as providing access to a free hotline "Afya Call Center" by dialling #199.

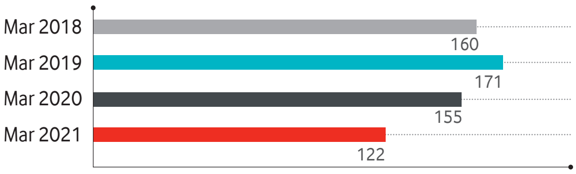
These initiatives are underpinned with continued robust measures to ensure employee and contractor safety, ensuring that together we use digital technology to flatten the COVID-19 curve and connect for a better future.

Vodacom Tanzania

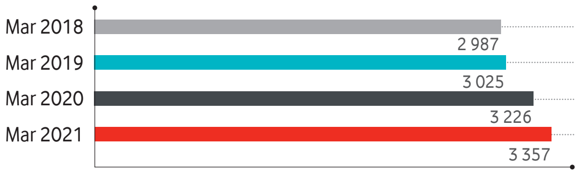
at a glance



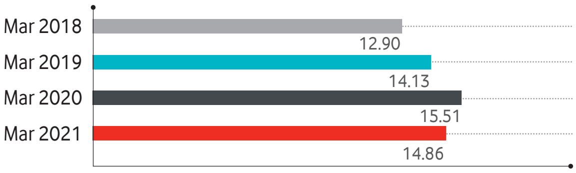
4 years CAPEX (TZS Billions)



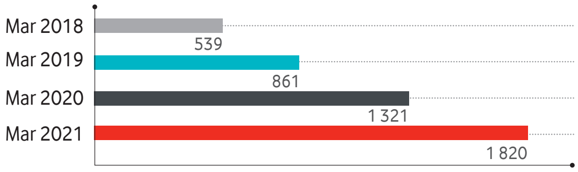
Total number of sites



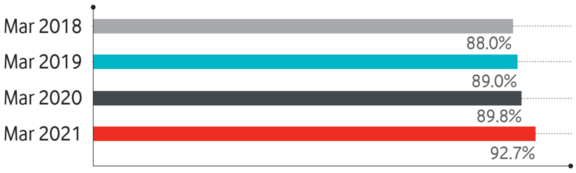
90 days Customers (Million)



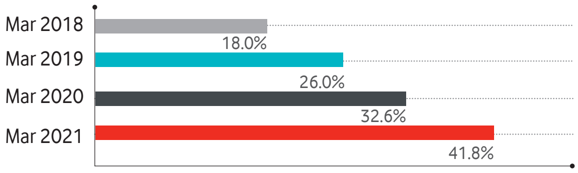
Total number of 4G sites



Population coverage

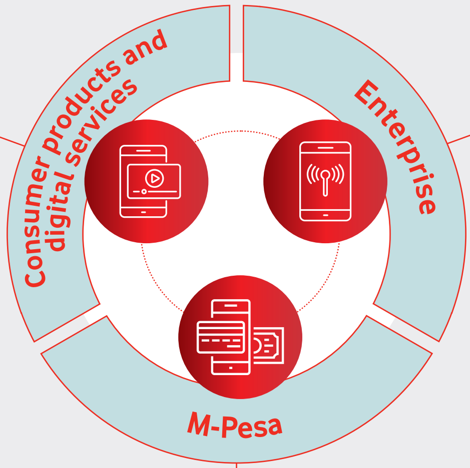


4G Population coverage



Our products and services

We have over 14.9 million active individual customers using our various products and services



Consumer products and digital services

Voice
- Mobile

Data
- Mobile broadband
- Mobile internet
- Fibre
- Fixed

Messaging
- SMS and social media applications

Value added services
- Video on demand
- Music streaming
- Music
- Sports
- Gaming
- News
- Advanced credit service

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

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'

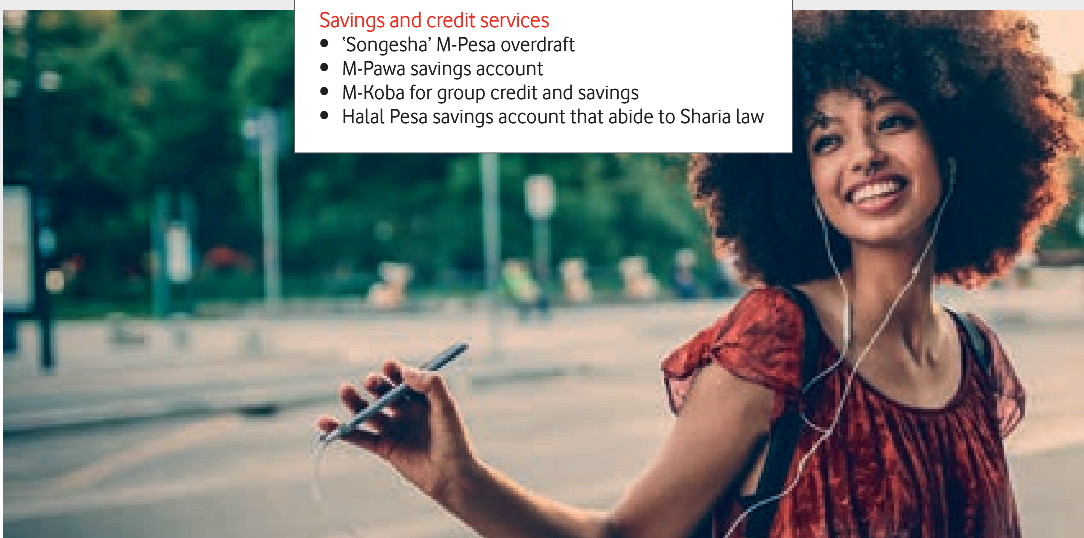
M-Pesa

Deposits and withdrawal
Through over 123 000 agents and bank transfers

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

Electronic payments
- Virtual M-Pesa MasterCard
- Lipa kwa Simu merchant payments
- Consumer to Business ('C2B')
- Business to Consumer ('B2C')
- Business to Business ('B2B')

Savings and credit services
- 'Songesha' M-Pesa overdraft
- M-Pawa savings account
- M-Koba for group credit and savings
- Halal Pesa savings account that abide to Sharia law



Chairman's review

This is my first year both as a member and as Chairman of the Board of directors of Vodacom Tanzania PLC (the Company). It is therefore my pleasure and privilege to present the Company's fourth annual integrated report since listing its shares on the Dar es Salaam Stock Exchange in August 2017. The Company remains as the first and only listed telco in Tanzania.

Although I have only been on the Vodacom Tanzania PLC Board since 1 November 2020, I have had a longstanding engagement with the Company, as one of the early subscribers to Vodacom when it first commenced its activities more than 20 years ago. In that capacity I have experienced, first-hand, the nature and quality of its customer service activities, its network, and its various digital products and services. Since joining the Board, I have been impressed with the meticulous way the Company deals with newcomers. Through its rigorous induction process for all new members in the Board and Chairpersons thereto, I have gained valuable insights into the company and its strategic pillars, the quality of its corporate governance practices and management systems, and the strength of its organisational culture.

The Company's response to the COVID-19 pandemic has provided a further valuable perspective on the company culture and leadership, and it has highlighted the resilience and agility of its business model during this particularly difficult year. The pandemic has caused profound social and economic disruption, brought incredible hardship to families and communities, and challenged many of the ways in which companies have traditionally done business. In my capacity as Chairman of the Board of Directors of the Tanzania Tourist Board,

Justice (Rtd) Thomas B Mihayo

I have seen the impact of the pandemic on our country's tourism sector, a key engine of economic growth for the country. Given the socio-economic context in Tanzania, where a significant portion of the population are fully reliant on money coming in each day, the impact of a shutdown in terms of lives lost would have been too severe and unbearable. Navigating this challenge effectively requires a strong coordinated effort between government, business, and civil society. It was therefore thumbs up to the Government when it chose not to shut down the country.

Vodacom's response to the pandemic, and the comparative strength of its financial performance in the context of significant pricing and regulatory pressures, is testament to its carefully considered and well executed strategy. In delivering on its strategy, the Company has implemented numerous measures to ensure the safety and wellbeing of its employees and contractors, and to keep individuals, communities, businesses, and governments connected by maintaining the quality and stability of its network. In line with its purpose it has been proactive in supporting government and communities by providing critical capacity and support services, driving its initiatives on inclusive finance, small-scale agriculture and connected education, and taking steps to offset some of the impacts of the pandemic on its more vulnerable enterprise clients.

For the potential societal contribution of business to be fully realised in Tanzania, it is important that we align with government and regulators on purposeful outcomes and foster a relationship of mutual trust and respect. To accelerate these outcomes, we need to find ways to strengthen the dialogue and address potential misalignment between government, regulators and business. The complexities of managing this relationship have been evident in discussions relating to the current very low data prices in the country. Unsustainably low data prices hinder much needed investment in the network infrastructure and stifle innovation essential for longer-term economic growth and development.

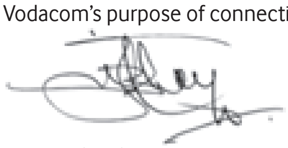
On pricing and other policy issues we have seen some pleasing progress this year in the Company's discussions with government and the two main regulators – the Tanzania Communications Regulatory Authority (TCRA) for GSM services, and the Bank of Tanzania for financial services – as we seek to find solutions that are in our collective long-term interest. Promoting digital inclusion and ensuring reliable widespread connectivity are prime examples of purposeful outcomes, which if accelerated would be to the benefit of all stakeholders. To fully realise the developmental benefits of enhanced digitisation requires a regulatory and fiscal framework that provides certainty, incentives long-term risk taking, stimulates innovation, and responds to social and environmental challenges.

Underpinning our commitment to the country, is our strong culture of compliance, our focus on delivering meaningfully and at scale on our purpose, while also promoting transparency and accountability. It requires that as a Company we acknowledge our broader societal responsibility beyond a focus on short-term profit maximisation, and that we recognise that our capacity to create long-term value depends, ultimately, on the viability of the communities and economies within which we operate, the quality of our relationships with our stakeholders, and on the responsible management of the resources that we depend on.

Our approach to delivering on these commitments is reviewed throughout this report. I encourage each of you, as a stakeholder of Vodacom Tanzania PLC, to review this account of our performance and strategy, and to give us your honest feedback, both on our performance and our disclosure.

My role as Chairman is to ensure that the Board provides an effective stewardship function, overseeing the Company's performance and strategic direction, and holding the executive team to account on its fiduciary, ethical and social responsibilities. In fulfilling this function, we are fortunate to have a Board that has strong diversity in skills, experience, and perspective. I wish to thank all my colleagues on the Board for their active support since I assumed the role as Chairman. On behalf of the Board, I would like to thank Hisham Hendi who under his leadership, Vodacom continued to lead the industry in implementing a digital strategy that has accelerated the country's financial inclusion through innovative mobile financial services, and for being a driving force in successful investment in universal access for millions of Tanzanians who had previously been unconnected. I wish Hisham and his family every success in their new ventures.

We are looking forward to working with our new managing director, Sitholizwe Mdlalose. He brings valuable leadership experience with exceptional track record of growing businesses and delivering strategic transformation. His appointment reflects the ambition of the Board of Vodacom Tanzania to grow our position in this important sector and to continue to deliver Vodacom's purpose of connecting for a better future.



Justice (Rtd) Thomas B Mihayo
Chairman

19 August 2021

Managing director's review

The harsh social consequences of the COVID-19 pandemic reinforced the importance of Vodacom Tanzania's purpose-led approach, as we quickly stepped up to the plate in support of society through a range of initiatives.

In addition to prioritising the resilience of our networks and facilitating cashless payments, we accelerated support to Government including a pledge of TZS2.3 billion in support of efforts to source crucial medical equipment and supplies and zero-rated numerous essential service and education websites.

From a financial perspective, revenue and profitability were adversely impacted by the barring of services to 2.9 million SIM cards late in the previous financial year and an associated step up in competitive intensity. In addition, subdued economic activity due to the health crisis dampened customer spend. While these factors contributed to a 5.7% decline in service revenue, there was a notable improvement in service revenue growth in second half of the year, largely supported by growth in data and M-Pesa revenue. Importantly, we maintained our leadership position in customer market share at 30.2% and solidified our headline net promoter score lead with a 17-point gap to the next best competitor, despite efforts by certain operators to drive unsustainable short-term customer growth.

Effective from 1 April 2020, our mobile money business operated as a separate legal entity named M- Pesa Limited, wholly owned by Vodacom Tanzania PLC, in compliance with the National Payment System Act. While M-Pesa Limited as a standalone business is profitable, the GSM business made a loss for the year. This impacted the basis on which taxation was calculated in the current year, resulting in a materially higher tax charge compared with the prior year.

We were pleased to be able to reward our shareholders with a special dividend of TZS178.57 per share, a total of TZS400 billion, that was paid on 13 November 2020. Looking ahead, we are encouraged by early signs of industry reform that could bring back growth to the industry and accelerate investment. As we navigate through this period of reform, we remain focused on delivering great value and an exceptional experience to our customers. Our sustainable cost management programme and proactive measures to drive digital and financial growth are expected to improve the profitability of the Group in the new financial year. While we continue to make good progress on SIM card registration, we remain cautious around the impact of COVID-19 and uncertainty about the pace of economic recovery that may weigh on disposable income as a result of reduced economic activities.

Delivering on our strategic ambitions

Our performance in the year reflects the effective execution of our strategy, across each of our key strategic focus areas, despite pandemic related challenges.

Monetise data and digital opportunities

We delivered pleasing results in our drive to accelerate digital inclusion and provide greater value to customers. Mobile data traffic increased 47.2%, with significant growth in 4G traffic, reflecting our ongoing network investment, smartphone penetration strategy, delivering value to our customers through segmented offers, and optimising our data-user experience. Our smartphone users reached 3.7 million, an increase

Hisham Hendi

TZS178.57
per share
Special dividend

TZS186.9
billion
Mobile data revenue
up 3.3%

of 7.0%. This good growth was a result of our smartphone adoption campaigns and compelling value propositions for customers, supported by our innovative device financing schemes, which provide favourable payment terms.

Mobile data revenue was up 3.3% to TZS186.9 billion despite service barring to 600 000 data customers in the last quarter of previous financial year. While we reported a significant increase in data traffic, average price per megabyte reflected intense market competition and presents risk to industry returns.

We invested TZS122.4 billion (12.6% of revenue) in expanding our network coverage, upgrading network capacity, and enhancing our IT infrastructure. We added 499 4G sites and 143 3G sites across the country, expanding our 4G reach to 42% of the country's population, up from 33% last year; and leading the industry. In line with our commitment to promote digital inclusion, and in support of the Government's rural coverage programme, we added 131 new 2G sites, bringing our 2G coverage to 93% of Tanzania's population.

Since appointing a Digital Director and creating a new digital services department, we have progressed well in accelerating our digital service offerings. Digital revenue growth was double digit in the year, as we expanded of our portfolio of products and enhanced customer experience. We made valuable progress with our Vodacom Digital Accelerator initiative, developed in partnership with Smart Lab to help local tech start-ups grow into profitable businesses. We invested over TZS350 million in the programme, using our resources to support and mentor the 15 shortlisted companies – across fintech, education, health, e-commerce and the environment – to convert their ideas into viable businesses. This initiative is enabling innovative young Tanzanians to create jobs and solve societal problems, while also positively impacting Vodacom's brand equity in the digital start-up community.

Accelerate customer growth through M-Pesa

M-Pesa continues to be a key enabler of financial inclusion by empowering customers to transact easily and effect contactless payments. A broader range of products supported accelerated platform growth and customer adoption of digital channels. As at 31 March 2021, we served 7.4 million M-Pesa customers, representing 49.8% of our customer base. Through M-Pesa, we processed TZS69 trillion of transaction value during the year, an

increase of 18%. In particular, our lending product, Songesha, continued to perform well with healthy growth recorded in the year. Our international money transfer business also continues to play an important role in supporting financial inclusion with growth in receipts more than doubling to over TZS500 billion and remittances exceeding TZS70 billion, an increase of over 35%. Our partnership with more than 900 companies continued to facilitate fast, convenient and secured payment through an expanded M-Pesa ecosystem, with over TZS4.0 trillion in transaction value processed between businesses and their customers.

Continued enhancement of our enterprise offering

In our enterprise segment, our strategy to grow IoT services, digital agriculture and education products added impetus to our enterprise offering. We actively pursue partnerships that will accelerate and enhance the breadth of these offerings, and we successfully partnered with Mezzanine on rolling our digital agriculture and educational products. As at 31 March 2021, we had more than 100 000 small-scale farmers registered with our 'M- Kulima' agricultural product, and we have seen pleasing growth in the registration of new schools and students on our 'connected education' and 'VodaShule' platforms.

People: Best talent, best practice

To facilitate our transition to a future-fit tech company, we placed a strong focus this year on embedding the Spirit of Vodacom, undertaking a range of employee engagements to strengthen our purpose and deepen a culture that fosters innovation, teamwork, and agile learning, and that increases both individual and team autonomy. It was encouraging to see that Vodacom Tanzania PLC scored highest in terms of the Team Spirit Index and engagement scores across the Vodacom Group, reflecting positively on the culture change work we have been doing.

Promoting localisation and ensuring employee diversity is an important part of delivering on our purpose. We appointed three new directors this year, all of whom are Tanzanians, increasing the local representation of our executive committee members to 72.7%, up from 30.8% four years ago. We have also made further progress this year towards our 2023 targets on gender representation and inclusion: at year end, 36.4% of EXCO member were female, from 30.8% in prior year.

Our strategic outlook and commitment to purpose

The COVID-19 pandemic highlighted the importance of telecommunication and financial services, with our customers having accelerated their adoption of digital services. Our commitment to connect for a better future twinned with our investment into people, networks and platforms should facilitate this shift towards digital enablement. Nevertheless, industry reform remains an important aspect that will support future investments in the country.

Demand for data and M-Pesa services remains strong, underpinning our strategy for financial and digital inclusion. We continue to invest and expand in the ecosystems of these platforms and expect this will remain a strong driver for growth in the future. We have also taken significant steps to ensure that we build a diverse revenue stream through our revamped digital services aiming at providing customers with more services through digital platforms.

Our 'fit for growth' initiatives are well embedded in our business and to a large extent structural and focused on the digital transformation of our business which leaves us with the opportunity to still employ short-term cost control measures to improve the resilience of our business, where required.

Enterprise remains an important focus in the year ahead. Through Vodacom Business, our strategy is to move from the traditional, increasingly commoditised product offerings, to providing problem-solving digitally based solutions. We will defend and grow market share in our core enterprise services, expand our fixed-line LTE network, and accelerate delivery in cloud and hosting, M-Pesa, and IoT solutions, realising exciting opportunities through our digital service offerings in agriculture, education, and manufacturing.

All these various growth initiatives will be supported by our activities to maintain our strong brand, develop strong relationships with all our stakeholders, secure operational efficiencies, and instil an organisational culture that embeds the Vodacom purpose and Spirit across the organisation. We will maintain a particular focus on deepening our dialogue with regulators to ensure a market and pricing structure that encourages the long-term investment in infrastructure needed to ensure quality of service and to fully deliver the profound developmental benefits offered by enhanced digital connectivity.

The uncertain global and regional economic outlook remains a concern. This uncertainty further highlights our responsibilities as a business, and the critical role business can play in supporting government and society in promoting inclusive economic development by harnessing the power of digital technologies to empower a more connected society. We believe this responsibility, and our investment into economic growth can be accelerated through industry reforms, particularly around data pricing.

As the effects of the COVID-19 pandemic continue to unfold, and while the economic outlook remains uncertain, we expect an improvement in economic trends into the forthcoming financial year. This view is informed by global research providers and financial institutions such as World Bank. Concurrent with our preliminary consolidated financial results for the year end 31 March 2021, reported on 17 May 2021, we guided that economic improvement together with the relative demand resilience for our services provided the basis for our medium term targets as follows:

- Mid to high-single digit service revenue growth; and
- 13.0% – 14.5% capital expenditure as a % of revenue.

Subsequent to reporting our preliminary consolidated financial results, the President approved the Finance Act on 30 June 2021, which included amendments to the National Payment System Act - introducing levies on mobile money transfer transactions. The subsequent introduction of new mobile money levies in July has negatively impacted business performance. The new levies represent up to 4.4% of the transaction value, which is a material increase to end-user charges. Specifically, the run-rate of our M-Pesa revenue and profitability was materially impacted following the implementation of the levies. This adverse trend is expected to continue, albeit at a moderated rate following an anticipated 30% reduction on the levies in early September as the revised levies still represent material increase to end-user charges. We continue to engage with the relevant Government institutions to assess the impact of the levies on the industry and the wider economy.

We also continue to assess the medium term impact of these levies, and we will provide an update on medium term targets with our interim consolidated financial results for the six months ended 30 September 2021 on 12 November 2021.

Acknowledgements

In closing, I wish to thank my colleagues on the Board, the executive team, and the staff from across the company for their support, advice, and commitment in what has been a particularly challenging year for all of us. While I am pleased about the opportunity that awaits in Spain, it wouldn't have been possible without the opportunity in Tanzania over the past five years. My experience in Tanzania has made this move possible and I am truly humbled. I leave Tanzania as an ambassador of the country.

Finally, I wish my successor, Sitholizwe Mdlalose, the very best as he takes on this challenging but rewarding position. I am confident that, under his stewardship and direction, Vodacom Tanzania is well placed to deliver on its Social Contract and purpose – leading Tanzania into the digital age and connecting everyone for a better future.

Hisham Hendi
Managing Director

19 August 2021

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 run a strong customer care and brand programme.

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

Our value chain activities

Spectrum, network and IT infrastructure

Most of our communication services depend 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 three years, we have invested over TZS448.5 billion in expanding and upgrading our mobile network. We have the largest nationwide data network in the country, with 4G coverage across the regions, and we continuously strive to enhance customer experience in our network.

Procurement activities

We manage a significant supplier landscape with total procurement spend in 2021 of TZS532.1 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, 23.3% of purchases (TZS123.8 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, more than 80% of total procurement spend (amounting to TZS425 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 streams including IoT and financial and digital services. We place a strong emphasis on protecting customer privacy, and on mitigating the risk of data theft or loss. We are implementing the 'agile' methodology across various departments to ensure we respond faster in a constantly changing environment. Our products and services are evolving into new streams including IoT and financial and digital services. We are harnessing the power of machine learning and customer value management (CVM) platforms to deliver personalised offers to our customers popularly known as "Just 4 You" offers.

Connecting
for a better
future

Customer service

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

Sales and distribution

We use various sales and distribution channels including wholesale distributors, retailers, franchise stores, direct sales partners, street vendors and informal resellers. We have the largest retail footprint in Tanzania, with over 450 nationwide retail points, more than 25 000 freelance distributors and 123 000 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 working to lead 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 proves 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 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.

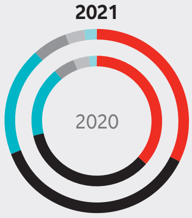
Our revenues

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 and merchants. The balance of our revenue is generated from various other products and services that we sell across both our consumer and enterprise customer bases. We focus investment across our key strategic drivers – data, M-Pesa, and enterprise – which are expected to yield strong growth, combatting the decline of our more mature and traditional revenue streams, such as mobile voice.

Key revenue differentiators

- Globally recognized 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 products.
- Revenue diversification with growing share of new revenue streams (M-Pesa, Data and Digital).
- 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 Group and Vodafone to drive global best practice.
- Our best-in-class customer service support systems.

Group service revenue composition

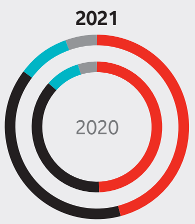


	2021	2020
Voice	**32.2%**	36.4%
M-Pesa	**36.9%**	35.0%
Data	**19.3%**	17.6%
Incoming	**6.0%**	5.2%
Messaging	**3.3%**	4.1%
Others	**2.2%**	1.7%

Our costs

We have a good track record of optimising expenses and converting revenue into cash flow, and have achieved significant results by instilling an improved culture of cost containment across the business through our 'Fit-for-growth' programme. 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 albeit difficulties in business performance due to COVID-19 pandemic. We continue to allocate investments to directly support commercial strategies including projects that enhance our customers' experience.

Key cost differentiators
Leveraging global best practice on cost optimisation through our 'Fit-for-growth' programme.
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

	2021	2020
Direct expenses	**45.9%**	49.7%
Other operating expenses	**39.4%**	37.1%
Staff expenses	**9.3%**	8.6%
Publicity expenses	**5.4%**	4.6%

Our investment case

Despite continuing price pressure on data, and a very challenging regulatory environment, we see valuable opportunity for sustained revenue growth over the medium and long-term, by protecting and growing our traditional services of voice, data and messaging, by increasing M-Pesa's adoption and further enhancing its ecosystem, and by building on our existing well-established differentiators. We have identified the following drivers supporting our investment case:

- Tanzania has a young, growing population with significant scope for further digital adoption, in both telecommunications and mobile financial services.
- Tanzania has a relatively strong and stable GDP growth, which creates demand for efficient supporting infrastructures including digital, data and financial services.
- We are the leading mobile operator in Tanzania, with over 90% voice population coverage, recognised as the most preferred service provider and with the largest mobile money network.
- With the best data network across the country, we are best placed to benefit from growing smartphone penetration and increasing mobile data uptake.
- Our opportunities to further expand M-Pesa's service ecosystem place Vodacom Tanzania at an advantageous position to continue our leadership in the provision of mobile financial services.
- Our investments in artificial intelligence, machine learning, big data and customer value management systems positions us at the lead in provision of customized 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.
- Importantly, investing in business supporting infrastructures enables us to provide services which are central to delivering our purpose.

How we sustain value

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

Capital	Key inputs (2021)	Our activities to sustain value
People, culture and governance (human and intellectual capital)	569 employees (2020: 551) 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.	• Competitive remuneration and personal development opportunities. • TZS0.7 billion invested in employee training and leadership development, including upskilling employees for digital transformation (2020: TZS1.0 billion). • Implemented agile business processes across business units. • Regular engagement with employees to ensure consistent delivery on targets. • Continued commitment to building our reputation as a quality employer. • Sustained focus on employee safety and health.
Quality relationships with key stakeholders (social and relationship capital)	14.9 million customers (↓ 4.2%) Constructive engagement with regulators. Investor confidence. Positive supplier relationship. Trusted brand and reputation	• Continued investment in ensuring network and IT quality, strong positive customer experience, and segmented products and services. • Engaged actively with regulators, pursuing full compliance. • Consistent active participation in government's rural coverage agenda. • Regular investor communication. • Delivering societal value through connectivity and digital services in areas such as inclusive finance, education, health and agriculture. • Credible governance processes.
Network and IT infrastructure (manufactured capital)	3 357 base stations (↑ 4.1%) 1 878 km of self-provided fibre (↑ 9.5%) TZS122.4 billion investment in network (12.6% of revenue)	• 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 cyber security.
Financial capital	TZS1 724 billion market capitalisation (↓ 9.4%) TZ22.8 billion free cash flow (↓ 63.1%) TZ17.6 billion treasury bills interest earned (Down ↓ 43.4% as a result of paying total of TZS 427.5 billion for annual and special dividends).	• 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 the VPC. • Leading in application of AI and CVM to increase revenues and optimise costs. • Driving the 'fit for growth' programme.
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). 16.9 GWh electricity (↑ 5.6%) 25 270 kl of water (↓ 43.0%) 1 653 litres of fuel (↑ 44.6%) 30 104 tons of refrigerants and fire suppressants used (GHG contributor) (↑ 49.0%) Reducing plastic wastes and paper usage.	• Strong focus on energy efficiency across our network. • Recycling handsets and network equipment. • Identify opportunities to use IoT to promote resource efficiency, for example through smart metering and vehicle tracking. • Use of small-sized SIM cards, and encouraging electronic recharges.

Value created

Value eroded

Value sustained

Results of our activities (2021)

Maintained employee motivation, skills and diversity through:
- TZS61.6 billion in wages and benefits.
- 41.2% female representation in senior management.

Evidence of staff satisfaction:
- Top Employer award for five years running.
- Stable voluntary staff turnover at 6.7% same to FY2020.
- Strong 86% engagement index score in people survey.

Health and safety performance
- No work-related fatalities for nine consecutive years.
- Zero lost-time injury frequency rate.
- Proactive COVID-19 response.

Trade-offs

Investing in attracting, retaining and developing the best talent is one of the most significant costs to our business, impacting short-term financial capital, but generating longer-term returns in all capital stocks. Our commitment to driving a digital company, and effectively harnessing the role of Artificial Intelligence (AI), may result in pressure on some existing traditional job functions, but raising opportunities in new roles. Balancing efficiency gains (improved financial capital) against the human and social costs of job cuts is a persistent potential trade-off.

- **Dividends paid- TZS27.5 billion for FY20 and TZS400 billion special dividend).**

Positive customer relations
- Leader in customer net promoter score (NPS) with 17.0-point gap over nearest competitor.
- Regained some customers following required regulatory barring.

Generally positive government relations, aided for example by:
- TZS1.3 trillion total cash contribution to public finances over last three years.
- Enabled financial inclusion to more than 7.4 million M-Pesa customers.
- 260 Universal Communications Access Fund (UCSAF) sites built in past nine years.
- Rapid response to biometric registration requirements.
- Proactive COVID-19 response measures.

Maintaining quality relationships across all stakeholders may require trade-offs in certain relationships as we balance competing stakeholders' interests. Investing in biometric-based SIM Card registration devices required significant short- and medium-term financial capital inputs, but enables us to meet regulatory requirements, maintain customers, and generate positive returns over the longer-term.

Positive results in most areas
- TZS122 billion invested in CAPEX to address network and IT plans.
- 499 new 2G sites.
- 143 new 3G sites.
- 131 new 4G sites.
- Continued smarter personalised offerings following AI deployment.
- Network resilience supporting 47.2% growth in MBs carried in the network.
- Rated first for network quality NPS.

Investing in building and maintaining our infrastructure requires significant financial capital, and appropriate levels of human and intellectual capital, as well as certain natural capital inputs and outcomes. An extensive network is a key basis for bridging the digital divide and sharing the substantial social benefits of digital connectivity. As a purpose-led organisation we have committed to reducing the environmental impacts associated with our network infrastructure and services. An important trade-off is balancing the customer and regulatory calls to reduce prices and enhance quality, with the need to generate the financial capital needed for network investment.

- TZS27.5 billion annual dividend paid for FY2020.
- TZS400 billion special dividend paid.
- 1.1% savings in total costs excl. depreciation and amortization.
- 3.3% growth in data revenue.
- Service revenue down 5.7% to TZS966.0 billion (customer barring impact, competitive pricing pressure and COVID-19).
- EBITDA down 13.3% to TZS316.1 billion.
- TZS79.4 billion cash generated from operations.

There is an important trade-off between the short-term interests of certain investors and other interest groups that seek to maximise short-term gains in financial capital, with our longer-term growth objectives that require investment of financial capital. Finding the right balance in these trade-offs between the short-term and long-term – and in different associated stakeholder interests – is a key focus in our strategic decision-making.

- 0.005 tonnes CO_2 emissions from electricity usage.
- 1559.1 tonnes of total GWP refrigerants and fire suppressants replenished.
- Proportionate increase in energy consumption relatively to increase in network elements.
- Prevented over 22 tons of plastic wastes, and over 140 tons of paper usage.

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

Our operating context

As a telecom and digital services company in an emerging market in East Africa, we face a dynamic business environment that presents both demanding challenges, as well as valuable commercial opportunities.

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

Business disruption from the COVID-19 pandemic

The COVID-19 pandemic has caused significant social and economic turmoil, both locally and globally. Certain sectors of the economy have been shut down for an extended period, supply chains have been disrupted, and many people have suffered economic and emotional hardship. In Tanzania, while the government has prioritised the need to keep the economy open to sustain livelihoods, certain sectors – such as tourism and hospitality in particular – 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 COVID-19.

Our response

Together with the broader Vodacom Group, we have implemented numerous measures to protect the wellbeing of our employees and contractors, to keep individuals, communities, businesses, and government connected, and to use digital technologies to mitigate the impacts of the pandemic.

→ We have taken robust measures to ensure employee wellbeing and maintain business viability. All our office-based staff have been encouraged to work from home since late March 2020, and have been supported through various initiatives, including our Employee Assistance Programme that provides counselling services to help cope with personal and work-related matters.

→ As an essential service provider, we have maintained certain critical roles to work from offices or designated working spaces, where we provided the necessary personal protective equipment (PPE) and enhanced the sanitation and access protocols.

→ To ensure continued connectivity across Tanzania during the crisis, we have continued to invest in maintaining the resilience and quality of our network.

→ We assisted government by providing capacity and support services for critical Government functions, including by: providing free fixed internet connectivity to a Government task force and unlimited data to all healthcare workers in dedicated COVID-19 centres; free-rating various government and health sites; and donating in-kind, a total of US$1 million (TZS2.3 billion) through the Vodacom Tanzania Foundation to support Government's efforts in combatting the pandemic.

→ We have implemented various initiatives to offset some of the impacts including: helping small and micro businesses with data allocations, modem devices, and training on work-from-home tools; providing free access to educational materials for students during schools' closures; and negotiating favourable terms to assist some enterprises particularly impacted by the economic disruption.

Sustained pressure on consumer spending amid significant economic uncertainty

The COVID-19 pandemic contributed to a slowdown in GDP growth in the country, placing further pressure on consumer spending, with many consumption-led sectors in the country struggling to achieve revenue growth for a third consecutive year. One year into the pandemic, significant uncertainty surrounds global and regional prospects, with the outlook depending on such issues as the speed and efficacy of the vaccine roll-out, the effectiveness of government policy responses, and the evolution of global financial conditions. The IMF's World Economic Outlook, released in April 2021, projects the global economy to grow by 6% in 2021 and by 3.4% in sub-Saharan Africa, but cautions that this remains highly uncertain and very divergent across countries and sectors.

In Tanzania, we anticipate policy measures aimed at stimulating economic recovery, boosting job creation and foreign exchange earnings, and increasing the tax base, with a likely emphasis on promoting domestic agri-value chains, the commercialisation of smallholder farmers, and the promotion of small to medium scale mining. The success of any stimulus policy could be undermined by continuing regulatory uncertainty and the introduction of stringent fiscal measures that squeeze company profitability and hinder private sector investment.

Our response

→ In the context of this global and regional uncertainty, we anticipate that consumer spend in Tanzania is likely to remain under pressure for the immediate future, sustaining the price-based competitive environment. This potentially constrained consumer spending, coupled with heightened competition, underscores the imperative of providing highly personalised segmented offers that are 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 which is constraining long-term investment.

→ In response to the tough socio-economic conditions, we will be placing an accelerated emphasis on our social contract initiatives, democratising data access and driving digital inclusion through enhanced rural coverage, low-cost smart devices, and affordable digital services. By focusing on our social contract and core purpose, we will continue to make a meaningful contribution to the UN SDGs and help to enhance the underlying social and environmental conditions that are critical to economic development and business success.

Unsustainably low data prices

Tanzania is one of the most competitive telecommunications markets in Africa, with eight mobile network operators (MNOs), each seeking competitive differentiation and some, driving very aggressive pricing leading to one of the lowest effective voice and data prices in Africa. Coupled with the onerous customer registration requirements, this has placed pressure on already tight operating margins. We believe that the current pricing context is unsustainable and ultimately counter-productive, as it undermines our collective ability to make the necessary investment in network, products, and services for the benefits of Tanzanian consumers and businesses.

Our response

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

→ To compete effectively and deliver a differentiated customer experience, 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. We have demonstrated competitive performance in all these areas, as evidenced for example by our sustained leadership in headline NPS, customer service NPS as well as Network performance NPS.

→ 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.

A tough regulatory and policy environment

Given the important role the telecoms industry plays in a country's socio-economic development; mobile network operators are typically subject to a high level of regulatory scrutiny in all countries. In Tanzania, there have been some significant regulatory and policy developments from our two main regulators – the Tanzania Communications Regulatory Authority (TCRA) for GSM services, and the Bank of Tanzania for financial services – with material implications for our activities. Recent developments, include:

- **Customer 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. As of 31 March 2021, a total of 1.1 million SIM cards generating TZS2.9 billion revenue per month remain non biometrically registered. We continue to engage with NIDA to ensure these customers are issued with NIN, and with TCRA with the aim of extending the deadline for registration to accommodate these customers who are yet to receive the NIN.
- **Data Price reform:** On 4 March 2021, the TCRA issued new rules and directive that introduced a retail price floor and ceiling for data services with effect from 2 April 2021. The data price floor and ceiling was set at TZS2.03 per Mb and TZS9.35 per Mb respectively, including tax. The bundle rules also required mobile network operators to offer a maximum of 50 local bundles.
On 2 April 2021, Vodacom Tanzania Plc together with the country's other mobile network operators implemented the directive from TCRA. Subsequent to the implementation, the TCRA directed the mobile network operators to revert to the previous bundle tariffs. We continue to engagement with TCRA, Ministry of Communication and Technology and other relevant Government institutions on industry reforms. We believe that, industry reform will foster capital investment in the country that will accelerate digital and financial inclusion.
- **Quality of Service (QoS):** Following the quality-of-service assessment conducted by TCRA for the period of September to December 2020, all operators were fined a total of TZS38 billion for failure to meet various KPIs. Vodacom Tanzania PLC was fined TZS7.8 billion for failure to meet three out of 102 KPIs that were assessed. In lieu of paying this fine, Vodacom Tanzania PLC entered into a binding commitment with TCRA to invest the equivalent value into its network to improve quality of service.

Our response

→ We have placed a strengthened focus on ensuring robust governance processes and instilling a culture of compliance. As part of this drive, in late last financial year, we established a dedicated 'Risk and Compliance' directorate and appointed a Risk and Compliance Director.

→ We engage continuously with the TCRA and other relevant authorities, to ensure compliance with customer registration requirements, and we have worked together with the industry representative body to launch country-wide awareness campaigns to drive biometric registration. We have invested significantly in compliance awareness training in distribution channels and in the provision of necessary customer registration equipment. Through these activities we have made encouraging progress in registering over 92% of our customers.

→ We continuously monitor changes to regulations and licencing requirements, and ensure that our business units are sensitized, 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.

Opportunities for digital inclusion and data growth

Tanzania still has comparatively low levels of smartphone and internet penetration. Only an estimated 24.0% of market customers in the country have access to a smartphone[1], while data user penetration is estimated at 49.0% of population (55% of market telecommunication customers)[2] and 4G penetration at 9.6%[3] of market customers. On the other hand, there are only 2.8 million active television decoders[4], indicating an opportunity for digital-visual services. Given Tanzania's population of 57.6 million[5], we believe that there are exciting opportunities for significant further growth in data usage and revenue generation in the medium term.

By promoting digital inclusion, the mobile industry has already made a substantial contribution to the country's developmental goals, by facilitating access to critical services, driving productivity gains across key business sectors, and facilitating inclusive economic opportunities and good governance. Vodacom has the potential to play a significant further role in stimulating inclusive economic development through its core voice and data services. For these opportunities to be fully realised, however, it is essential that the market pricing of data allows for the necessary investment in network infrastructure and digital products and services, and that the mobile sector has sufficient access to adequate spectrum. We are confident that these issues will continue to be addressed, and that Vodacom Tanzania is particularly well placed to realise the significant opportunities in promoting digital inclusion across the country.

Our response

→ To realise the exciting opportunities for digital growth in Tanzania's transforming economy, we have overtly positioned Vodacom to be a leading digital company, empowering a connected society.

→ Digital transformation offers significant opportunities for us to continue extending 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.

→ 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.

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

1 Estimated from Facebook's 19 April 2021 Insights report.
2 Tanzania Communication Regulatory Authority's quarterly communications statistics as at March 2021.
3 Estimated from Facebook's 19 April 2021 Insights report.
4 Tanzania Communication Regulatory Authority's quarterly communications statistics as at March 2021.
5 National Bureau of Statistics Tanzania.

Developing our key relationships

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

Customers

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

Means of engagement

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

Stakeholder's priority interests

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

Government and regulators

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

Means of engagement

- Participation in public forums.
- Participation on draft regulations and bills.
- Engagement through industry bodies.
- Publication of policy engagement papers.
- Partnering on key programmes in Inclusive Education, Inclusive Growth in Agriculture, inclusive climate action and Financial inclusion.

Stakeholder's priority interests

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

Investors and shareholders

Provide the financial capital needed to sustain and grow.

Means of engagement

- Investor interactions, including conferences and meetings.
- Investors' days.
- Annual and interim consolidated results announcements.
- Quarterly trading updates.

Stakeholder's priority interests

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

Employees

Their skills and involvement determine our ability to realise our vision.

Means of engagement

- Internal website, Workplace.
- Newsletters, internal magazine and electronic communication.
- Employee hotline.
- Leadership road shows.

Stakeholder's priority interests

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

Suppliers

Affect our ability to provide products and services.

Means of engagement

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

Stakeholder's priority interests

- Timely payment and fair terms.
- Transparent and fair tender processes.
- Relevant health and safety standards.

Communities

Strengthen the socioeconomic context.

Means of engagement

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

Stakeholder's priority interests

- Access to mobile voice and data services, as well as services such as finance, health and education.
- Free-to-use social media, education and job sites.
- Responsible expansion of infrastructure.

Business partners

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

Means of engagement

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

Stakeholder's priority interests

- Fair treatment.
- Top management involvement with customers.
- Making it simpler and quicker to deal with us.

Media

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

Means of engagement

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

Stakeholder's priority interests

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

Our material risks

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

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.

Following the establishment of a dedicated Risk and Compliance directorate, and the appointment of a Director of Risk and Compliance towards the end of financial year 2020, this year, we successfully separated and realigned Risk and Compliance as a stand-alone function, ensuring consistent support to the business plans and priorities.

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. Cyber threats
2. Adverse regulatory pressures
3. Non-compliance with laws and regulations
4. Market disruptions
5. Financial and economic conditions
6. Litigation
7. Taxation
8. M-Pesa system failure, fraud and money laundering
9. Fraud and corruption
10. Access to Spectrum

Figure 1:

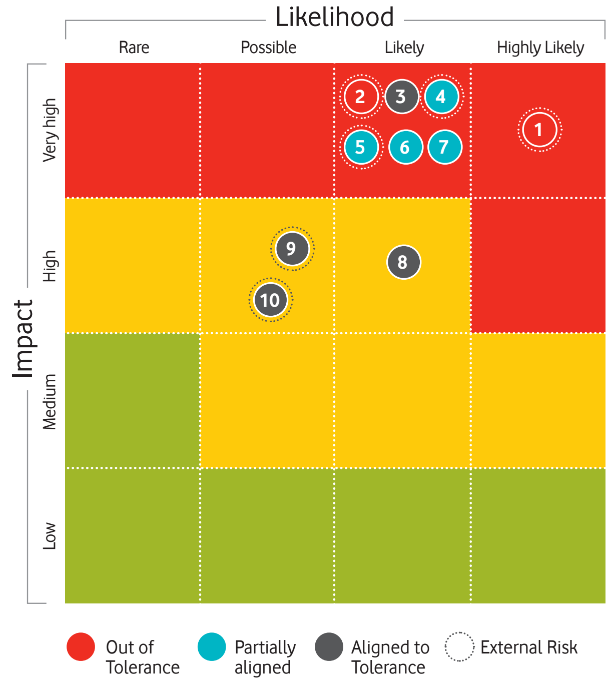
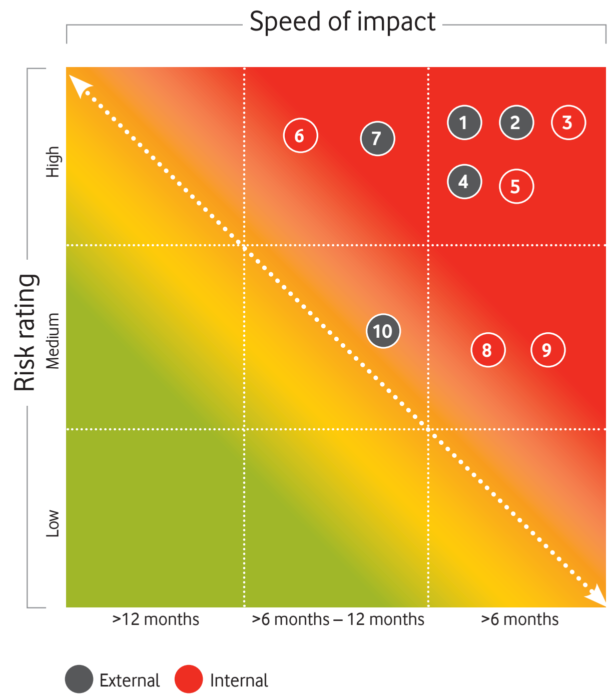


Figure 2:



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

1 Cyber threats (2020: 1)

Risk trend: = **Speed of impact:** <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.
- Cyber security policies and processes implemented, and cyber security culture promoted.
- Cyber-privilege User Access Management, through Cyber-ark.
- Local cyber security 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.
- Anonymization and pseudonymization of data projects are implemented.
- End-point detection and response in place.

2 Adverse regulatory pressures (2020: 2)

Risk trend: = **Speed of impact:** <6 months

Context
- Stringent regulatory requirements set by the regulator or legislation could have an impact on 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.

3 Non-compliance with laws and regulations (2020: 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 sensitized, including through training programs such as the "Doing What is Right" Programme on legislative and regulatory requirements.
- Annual self-assessment of the Compliance Matrix.

4 Market disruption (2020: 6)

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, as well as the quality of customer services.

5 Financial and economic conditions (2020: n/a)

Risk trend: = | **Speed of impact:** <6 months

Context

The challenging macro-economic environment in Tanzania could result into currency devaluation and an unstable economy, placing pressure on consumer spending and potentially prompting price wars between local MNOs, negatively impacting revenue.

Mitigating actions

- Risk-averse interest rate, foreign exchange and counterparty risk practices in place, aligned with Vodacom Group and the 'fit for growth' cost containment programme.
- 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.

6 Taxation (2020: n/a)

Risk trend: = | **Speed of impact:** 6 – 12 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 issue.

7 Litigation (2020: 5)

Risk trend: = | Speed of impact: 6 – 12 months

Context

The Group is currently involved in various legal proceedings where an adverse outcome could lead to financial loss, negative publicity and/or reputational damage.

Mitigating actions

- Proactive and regular engagement with the TCRA.
- Close monitoring of the progress of cases in arbitration/court, managed by our external legal counsel.

8 M-Pesa system failure, fraud and money laundering (2020: 4)

Risk trend: = | Speed of impact: <6 months

Context

Adverse financial regulation changes, failure of systems (including network failure) and processes could negatively impact operations, reputation and revenue of our M-Pesa business.

Mitigating actions

- Established a risk management and governance framework for M-Pesa limited and introduced new risk management controls.
- Detective and preventive processes in place, such as the maker-checker and fraud alert processes.
- The Anti-Money Laundering team performs 'Know Your Customer' compliance reviews to check compliance of the newly registered agents and customers.
- Monitor agent activities to identify suspicious transactions.
- Check processed M-Pesa transactions against the approved transactions, to detect invalid and/or fictitious transactions.
- M-Pesa funds risk spread across seven banks in Tanzania, including international banks.
- Established a mechanism for exchanging fraud information with other MNOs for counter measures.

9 Fraud and corruption (2020: 10)

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 (2020: n/a)

Risk trend: = | Speed of impact: 6 – 12 months

Context

Delays in obtaining additional spectrum, and/or unavailability of spectrum, would impede cost-effective expansion of Vodacom's 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 mgHz spectrum for deployment of 4G services.

Delivering on our strategy

01 Monetise data and digital opportunities

Given Tanzania's current low levels of smartphone penetration, its young and urbanising population, and rapidly growing demand for digital and internet-based services, we see significant growth opportunities.

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

Our 2021 performance

In the context of a particularly competitive market and the significant impact of the biometric registration requirements that saw 600 000 data customers barred from service, we achieved 0.1% growth in data customers. Following the significant impact of the biometric registration at the beginning of the financial year, we placed a renewed focus on building our sales force, and incentivising the team to build back the customer base. We ended the year with 7.7 million data customers, representing 51.8% of our total customer base.

Data traffic grew 47.2% year-on-year, off the back of significant growth in 4G traffic, reflecting the strong demand for mobile data services and supporting the investment case for increasing access to affordable smartphones and data services, and for further enhancing customers' data experience.

Despite the increase in data traffic, this has not delivered comparative revenue growth. Mobile data revenue was only up 3.3% to TZS186.9 billion, with Tanzania's continued very low data pricing reflecting another year of intensive market competition, with competitors offering significant price discounts. Data ARPU growth continues to be driven primarily by increased data usage per customer.

The continued growth in data has assisted in partially offsetting the further decline in mobile voice revenue, which was down 16.5%.

Our efforts to grow data revenue and data customers are driven by four priority focus areas: investing in network and IT systems; monetizing data through segmented offers; increasing smartphone penetration; and providing reasons to consume through compelling digital service offerings.

Achieved Not achieved Unchanged from 2020

Network and IT

This year, we invested TZS122.4 billion (12.6% of revenue) in network and IT infrastructure, expanding our network coverage, upgrading network capacity to ensure a superior data customer experience, and modernizing the network to secure operational efficiencies, enhance security and resilience, and ensure 5G readiness.

We expanded our coverage across the country, adding 499 new 4G sites, bringing the total to 1 820 4G sites and increasing our reach to 42% of the country's population, up from 33% last year. We added 143 new 3G sites, reaching a total of 2 825 3G sites, enabling us to provide 3G data services to around 63% of the population. We added 131 new 2G sites, including 43 sites as part of the government's rural coverage programme, bringing our 2G coverage to 93% of Tanzania's population.

We invested in end-to-end capacity upgrades to accommodate the anticipated growth in network traffic, addressing any existing areas of network congestion, and enhance the overall customer experience.

We performed well against our network KPIs around network availability, dropped calls' rate, and accessibility for the year, attaining decent download and upload speeds. At year end we were rated first in terms of overall network NPS in the country, with 7 points lead over our nearest competitor reflecting the quality and extent of our investment in ensuring a more resilient network.

We have continued to modernise our radio network (RAN), by deploying new sites or changing existing base stations to single radio access network (SRAN), and we have assessed the potential deployment of a new future proof IoT platform.

To minimise network environmental impacts, we have supported our primary network provider, Helios, in their activities to increase renewable energy use and reduce greenhouse gas emissions. We are identifying opportunities to enhance energy efficiency in our data centres.

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 continued to enhance our cyber security measures, allowing customers to enjoy our services securely, reliably and without incident. Vodacom Tanzania was among the best markets in Vodafone in implementation and effectiveness of Cyber security baseline controls (CSB).

Since our adoption last year of the Program Increment (PI) Planning IT tool, we have seen further valuable reduction in product time to market, aided by the establishment of internal Agile teams.

As part of our 'fit for growth' cost containment programme, we have enhanced network and IT efficiencies, including by consolidating network towers through our co-build and sharing strategy, delivering some of our key IT products internally, and streamlining processes through increased digitisation and robotic process automation (RPA).

Monetising data through segmented offers and customer retention

Our customer value management (CVM) team has continued to deploy segmented offers across the regions, using machine learning technologies as an important competitive differentiator to drive bundle uptake and ensure customer retention. We have used our advanced CVM platform to support our regional biometric registration campaigns, contributing to customer base and revenue protection. More than 4.0 million customers currently utilise our 'Just 4 You' offers, monthly. We have enhanced our 'Just 4 You' offerings, increasing regional focus in what we call "J4U" towns.

We continued to drive various propositions to suit diverse customers' interests, particularly in the youth segment. Our various social bundles – launched in partnership with Facebook, Instagram, and YouTube – have seen significant uptake, helping to drive youth attachment and revenue, and grow market share. Our unique product offering that enables customers to build their own customised bundles "JIMIXIE", has also made a material contribution to growth in data revenue and customer numbers.

In response to the significant price pressure from competitors, we have run various successful campaigns marketing the benefits of our world class network, addressing data cost perceptions, and providing compelling incentives to stimulate data use. These have been valuable in protecting customer base and revenue, contributing to impressive customer and revenue growth particularly in the Dar es Salaam region, which has the highest ARPU.

Our 'Tuzo' loyalty programme, the only fully functioning loyalty programme in the Tanzanian telco sector, has been instrumental in improving customer retention, with up to 2.4 million customers engaging monthly.

Promoting smartphone adoption and optimising our data-user experience

Despite losing 400 000 smartphone customers at the beginning of the year due to the biometric registration requirements, we saw valuable growth of 7.0 % in active smartphone users, ending the year with 3.7 million users, a 24.7% penetration of our customer base, up 2.6 pp year-on-year.

This pleasing performance reflects the strength of our targeted smartphone campaigns, the value of our incentives for shop owners, and the compelling value propositions for customers, supported by our innovative device financing schemes providing favourable payment terms. We are confident that we have identified and addressed some of the key pain-points that have previously constrained smartphone penetration and anticipate strong future growth.

Accelerating digital service offerings

In 2020 we appointed a Digital Director and created a new department tasked with enhancing the delivery of digital services. Since formalising this position, we have progressed in accelerating our digital service offerings:

Digital service users grew double digit year-on-year, aided by exciting partnership agreements with services such as Instagram, WhatsApp, Facebook and YouTube.

Digital subscription revenue grew through the expansion of our digital portfolio and targeted marketing with customized offerings.

Advance Credit Service (ACS) revenue coming from an average of over 2.4 million monthly beneficiaries, increased close to 50% due to platform enhancement, improved re-profiling criteria, additional features and enhancements in the user experience.

Overall digital revenue increased double digit following improved focus and expansion of our portfolio, revamping the customer experience, and enhancing product continuity on our digital platforms.

We have seen an encouraging uptake of the My Vodacom App and received positive sentiments, following a revamp aimed at enhancing the user experience and improving access to our digital services.

In partnership with Smart Lab, an experienced player in the start-up domain, we made valuable progress with the Vodacom Digital Accelerator programme, which seeks to lead Tanzania into the digital age, and positively change lives through technology, by helping tech start-ups grow into profitable businesses. We invested over TZS350 million in the first year of the programme, and have been using our resources to support and mentor the 15 shortlisted companies – in fintech, education, health, the environment and e-commerce – to convert their ideas into viable businesses. In addition to empowering young Tanzanians with innovative solutions to create jobs and solve societal problems, this initiative has positively increased Vodacom's brand equity in the digital start-up community, and will enable us to have an equity stake in the final three selected start-ups.

The pace and scale of the launch and uptake of our digital service offerings continues to be affected by 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 have a sustained focus on addressing each of these challenges.

As a result of the impact of the COVID pandemic, we chose to delay the launch of some our new product offerings; we anticipate that these will be launched in the coming financial year.

Our strategic outlook

Through our growth strategy we aim to drive 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.

Network and IT

- We will continue to invest in expanding our network coverage and upgrading our end-to-end network capacity, to accommodate anticipated traffic growth, high network utilisation and existing capacity bottlenecks, and to comply with regulated coverage and quality of service obligations. We will be expanding our broadband network coverage, with a priority focus on accelerating 4G sites and population coverage to consolidate our network leadership position. As part of our regulatory and societal commitments we will continue to extend our rural coverage, to enable not only voice service but also high speed data service.
- In line with the Vodafone Technology 2025 strategy, we will be driving network transformation, achieving operational and cost efficiencies with radio network (RAN), core, and transport network transformation, and implementing security and resilience enhancements to ensure network protection against vulnerabilities. We will be modernising our network to ensure 5G readiness, expanding our metro fibre, and deploying SDN-ready transport equipment.
- To deliver our strategic growth ambitions in Enterprise, we will be investing in upgrading our IoT platform, enabling us to provide a new generation of segment-specific IoT solutions.
- We will continue to identify opportunities to acquire spectrum 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 cyber security measures to ensure that these provide for the specific implications associated with our IoT solutions.
- As part of our 'fit for growth' cost containment programme, we will continue to identify and realise opportunities for network and IT cost efficiencies.
- To ensure that we have access to the right digital and IT skills, we will maintain a strong focus on developing skills internally and on positioning Vodacom externally as a highly innovative digital organisation.

Accelerating data monetisation

- We will continue to drive our targeted segmentation strategy, using our sophisticated CVM platform and personalised offers through our 'Just 4 You' platform, powered by our investment in big data systems to improve hyper personalization on data offers to further increase market share and data uptake, and offset the current very low data pricing.
- Through our active marketing campaigns, quality service and segmented propositions, we will ensure strong brand differentiation and an emotional connection with customers across our various engagement platforms. This includes a strong focus on gaining market share in the Dar es Salaam and across the coastal area, through our Dar acceleration initiative.

Promoting smartphone adoption, optimising the customer experience and retention

- We will be maintaining a strong focus on increasing the penetration of smartphone devices, particularly 4G devices, 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 maintain our focus on enhancing the customer experience across all 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 (see page 39).
- We will further enhance our Tuzo loyalty programme across both M-Pesa and GSM, bringing in exciting new features and reward offerings to drive customer attachment to our network.

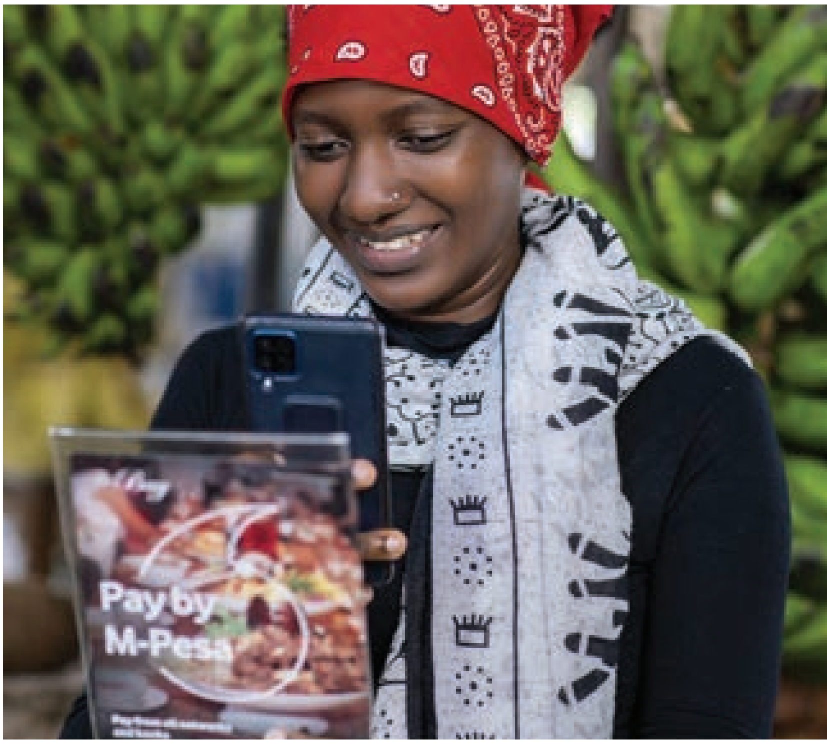
Delivering digital services and supporting innovation

- We will strengthen our digital engagements and reasons to consume, looking to become the preferred digital entertainment provider in the country through our various digital content offerings in areas such as music, videos, sports, and gaming, supported by our strategic partnerships with leading digital platforms, digital advertising, and enhanced insights.
- We will continue to drive the Vodacom Digital Accelerator programme, working with the 15 short-listed start-ups, helping them to re-define their products and services under the guidance of industry mentors. We will be entering into a formal partnership agreement with the final three winners, working with them to realise their digital innovations' ambitions.
- In delivering an end-to-end digital experience, we will be providing tailored digital solutions to address challenges facing the FMCG, transportation, agriculture, health, and security industries.

02 Accelerate customer growth through M-Pesa

Our mobile financial service, M-Pesa, continues to be a remarkable success story, promoting financial inclusion and stimulating economic activity across Tanzania, while serving as an important revenue and reputation driver for the Company.

We currently have more than 7.4 million 30-day active M-Pesa customers, served by our strong distribution network of over 123 000 agents, with over TZS5 trillion of transaction value going through M-Pesa monthly. M-Pesa continues to lead the mobile financial service industry in Tanzania, with a market share of 41.7%1 up from 37.2% in March 2020.



Our 2021 performance

Despite tough regulatory and competitive pressure and customer barring impacts, M-Pesa revenue declined modestly 0.4% year-on-year to TZS356.8 billion, with the number of customers using the service up 10.6%. Revenue and customer growth was driven by our activities in expanding the M-Pesa ecosystem with new financial services, our new customers acquisition in both consumer and business segments, and our segmented offers and cross selling with GSM service through our CVM platform.

M-Pesa revenues now account for 36.9% of service revenue, up from 35.0% in 2020, with M-Pesa customers making up 49.8% of our active customer base. This is an important milestone in diversification of our revenue sources, in the process of maximizing shareholders' wealth.

We continued to feel the impact of the biometric registration process, with more than 800 000 active M-Pesa customers being barred towards the end of last financial year. Although we managed to recover and grow the base during the year, some customers were lost, and the registration process has substantially slowed down M-Pesa growth potential.

M-Pesa revenue growth was also negatively impacted by the COVID-19 pandemic, particularly in the first half of the year, with the significant downturn in tourism and hospitality industry, the closing of schools, slowdown in NGOs activities, and stoppage of sporting activities across the world, and the overall slowdown in economic activity all affecting some key revenue drivers. We managed to mitigate the impact through growth in our lending products, our International Money Transfer (IMT) services, and our merchant solutions.

We saw particularly pleasing growth in our lending products, with total lending disbursements in our "Songesha" overdraft service launched in July 2019 increasing over five folds. The product has progressed well, with over 3.5 million customers accessing the overdrafts during the year. We also saw pleasing uptake of our new product, offering overdraft targeted specifically at our agents.

We continued to achieve excellent growth from our IMT services, with receipts from more than 190 destinations more than doubling to reach over TZS500 billion during the year, boosted by an extensive marketing campaign and the further expansion of our IMT corridors into the broader diaspora. Remittances were in excess of TZS70 billion, an increase of more than 35% year on year.

1. Tanzania Communication Regulatory Authority's quarterly communications statistics as at March 2021.

Achieved Not achieved Unchanged from 2020

We have enhanced various service elements to improve customer experience and make M-Pesa service more safe, user friendly and ease to transact with. Among the developments includes a 'DigiCare' service – self-reversal, which enables customer to reverse erroneous transactions, option available in both USSD and M-Pesa app.

Our MasterCard product, launched in 2019, continues to perform strongly, with over 220 000 active virtual cards and more than TZS15.5 billion in payments processed over the year.

We have further strengthened our M-Pesa agents' distribution network, to reach over 123 000 agents country-wide.

We ran various successful M-Pesa marketing campaign over the year, included a high-profile "Shangwe Shangwena" campaign over the festive season with substantial prizes that contributed to further building brand awareness and boosting subscriber numbers.

Our strategic outlook

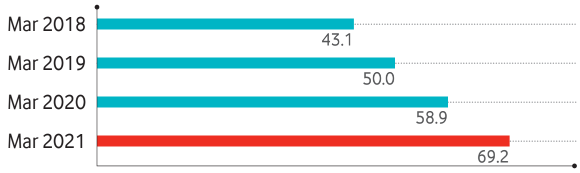
Despite the increasingly competitive market and strong pricing pressure our M-Pesa platform continues to provide valuable growth opportunities, particularly as we move the platform beyond person-to-person money transfers to enhance enterprise, financial services, and mobile commerce, harnessing the opportunities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

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

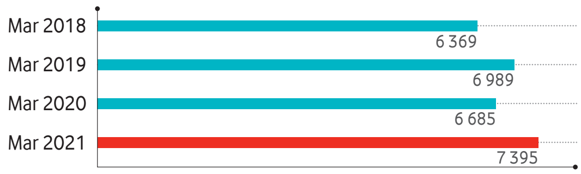
- We will continue to grow our active M-Pesa customer base penetration. We will be driving significant uptake in our GSM base, with M-Pesa serving as the charging and payment platform for all Vodacom services. We will further enhance the features and increase the penetration of the M-Pesa app, integrate M-Pesa more closely with global payment platforms, and build product awareness and uptake through by extensive marketing and loyalty campaigns and strong after-sales support structures.
- We will further grow 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 solutions for specific market sectors such as health and agriculture. We are developing new partnerships to ensure the most effective development and roll-out out of these services.
- We will continue to grow our market share in our IMT service, 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.

M-Pesa revenue (TZS Billions)

M-Pesa transactions value (TZS Trillions)



1 Month active M-Pesa customers (Thousands)



03 Continued enhancement of our enterprise offering

Vodacom Tanzania is the leading provider of communications services to the large enterprise market in the country, serving multiple industry segments through tailored solutions that meet specific customer needs.

Despite the recent challenges associated with the COVID-19 pandemic, we are confident there remains significant potential for further revenue and customer growth within our enterprise business, building on our strong reputation and expertise.

Our 2021 performance

This has been a challenging year, with many of our enterprise customers significantly impacted by the COVID-19 pandemic, and with COVID-related restrictions impeding our ability to deliver on those activities requiring in-person engagement.

Given this tough environment, it was pleasing to see a fifth consecutive year of solid revenue growth in mobile and fixed-line data. This was aided both by securing new corporate accounts, due largely to our more reliable network performance, as well as by the increase in connections associated with the shift to remote working, both of which helped to offset the downscaling of capacity and the associated renegotiation of contracts for the traditional office environment.

We delivered another year of pleasing revenue growth in our IoT business. 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 see exciting further potential for growth in IoT, and will be further upgrading the system on our IoT platform to realise these opportunities.

We made further progress this year in rolling our digital agriculture and education products developed in partnership with Mezzanine, although there were some COVID-related delays, particularly in the first half of the year.

- At year-end, we had over 100 000 small-scale farmers in over 350 agricultural marketing cooperative unions (AMCOS) registered with our 'M- Kulima' agricultural product, spanning across nine agricultural products including the dairy sub-sector.
- With schools closed during the first four months of our financial year, we shifted the focus of our 'connected education' and 'VodaShule' platforms to provide for home-based schooling, with some inevitable delays in roll-out. Following the reopening of schools, we have seen pleasing growth in the registration of new schools and students.

We saw a disappointing decline this year in M-Pesa business revenue as a direct result of the pandemic. Many customers in the hospitality and tourism sector have either cancelled or suspended contracts, which resulted in a reduction in M-Pesa related payments and salary disbursements. Similarly, the halting of sports events nationally and globally impacted digital gaming and sports betting revenue.

The economic downturn and travel restrictions associated with the pandemic contributed to a decline in revenue from mobile voice and bulk SMS (as companies cut down on advertising costs), as well as a reduction in roaming and interconnect revenue.

Our services in the small and medium-sized enterprise (SME) segment were also impacted by the pandemic, particularly those dependent on the tourism sector.

On the customer registration, we are pleased that we managed to biometrically register almost all of our enterprise customers and secured an equally high legal approval of our lines in accordance with SIM declaration requirements.

We have maintained our focus 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 big data, analytics, and customer value management. As a small team, we have not yet adopted the Agile processes, but are working closely with our various partners – such as Mezzanine and IoT.nxt – to leverage off their processes.

Our strategic outlook

Despite some of the challenges this year, we believe that our Enterprise Business Unit 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 plan to realise this potential by defending and growing market share in our core enterprise services, and by accelerating delivery in cloud and hosting, M-Pesa, and IoT Solutions.

- We will drive scale and market share in our fixed-line services by expanding our fixed line LTE network to cover the top five cities, simplifying our customer on-boarding processes, and leveraging off our Pan-African presence and international partnerships with leading digital solutions providers.
- To achieve our ambition of M-Pesa being the main financial ecosystem for Tanzanian business, we will continue to drive account penetration in the enterprise market by expanding our various mobile financial service offerings, making M-Pesa serving the charging platform for all Vodacom services, creating a cashless ecosystem, improving the customer on-boarding experience, and establishing strategic partnerships with relevant financial institutions. This will be supported by targeted marketing campaigns to deepen awareness of M-Pesa as a financial services provider and not simply a payment platform.
- We will scale up and commercialise our IoT solutions, harnessing Vodafone's recognised leadership in this area to lead growth in the IoT market in Tanzania; in so doing, this will help to deliver on Government's priority to digitise the SME sector. We will increase market awareness of IoT use-cases, upskill our sales team, and invest in upgrading our IoT platform.
- We will continue to realise growth opportunities by commercialising our digital service offerings in agriculture, education, and manufacturing. Through our 'M- Kulima' platform, we are digitising the agriculture value chain by offering a complete solution in farmer profiling, communication, transactions, inputs, loans, off-taking, digital extension services, insurance, and education. We will similarly expand our 'connected education' and 'VodaShule' platforms, digitising the education ecosystem through digital books, live boards, classrooms, and school management solutions. In manufacturing, we will be working with various players across the FMCG sector to digitise the value chain through cashless sales solutions, sales and stock control, and asset management, embedded with our IoT offerings.
- We will maintain a strong focus on enhancing the customer experience by enhancing our enterprise CVM capabilities and by using machine learning and analytics to develop appropriate segmented offers and ensure leadership in sales execution and customer experience.
- 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.

04 Maintain brand leadership, and retain and increase market share

Our ability to create and sustain value depends ultimately on the quality of our relationships with our key stakeholders – our customers, government, regulators, investors, suppliers, the media and the general public.

To maintain our brand and reputation, and to ensure that we fully appreciate and appropriately address the priority interests of our stakeholders, we have structured processes in place to engage with each of our key stakeholder groups (see table on pages 24 to 25).

Our 2021 performance

Impacted by service barring to 2.9 million biometrically unregistered customers late last year, our customer base this year declined by 4.2% to 14.8 million customers. However, we are pleased that we maintained our market share leadership with 30.2[1] customer market share. Our customer market share leadership reflects our strong commercial execution in acquiring new customers, and our activities to retain our existing customer base despite the significant challenges associated with the biometric registration requirements.

Since the introduction of the biometric registration requirements, a total of 2.9 million customers have been barred due to a failure to complete biometric registration. Of these, we managed to reconnect 794 000 customers, with 1.1 million still remaining non-registered in accordance with the guidelines, mainly due to lack of National Identification Number (NINs).

1. Tanzania Communication Regulatory Authority's quarterly communications statistics as at March 2021.

We sustained our leading position in customer net promoter score (NPS), ending the year with a 17 points lead over our closest competitor, a pleasing result given the particularly competitive market environment. Our continued lead is testament to the quality of our network, the relevance of our GSM and M-Pesa products, the impact of our 'value for money' promotions, and the strength of our customer service activities.

We deepened our customer engagement through WhatsApp customer service channel, which was added last year to our existing family of digital care channels (DigiCare). Along with Facebook, Twitter and Instagram, customers can now receive instant support via SMS and Live Chats. Our WhatsApp customer care channel was once again the most popular, contributing 54.7% of our digital volume.

During the year, we introduced a new Self-Care option enabling customers to retrieve an accidentally deleted electricity token, and we continue to see an uptake of self-reversal of erroneous M-Pesa transactions, which has improved customer experience as well as freeing up call centre agents' time.

We continued to roll-out our live chatbot support channel via Facebook messenger, myVodacom App and Vodacom website, complementing the existing FAQ section on the website and interactive voice recording (IVR) responses to various customer queries; where needed, this is escalated to a live agent.

Recognising that many customers do not yet have smartphones, we introduced an SMS channel for instant support; we are looking to extending our existing chatbot functionality to our SMS and WhatsApp channels.

Using robotic process automation (RPA) we have reduced staff time spent on repetitive tasks; this has significantly improved turn-around time, and freed up agents for higher quality customer engagements.

We made very good progress in piloting the use of voice biometrics for customer verification activities and will be launching in the coming year.

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.

We have managed to maintain our "Overall Customer Care" NPS leadership, closing with a healthy 8 points gap to the nearest competitor. We have leadership scores across the key indicators, a proof of our excellency in customer service.

Our strategic outlook

We have various plans in place to maintain Vodacom's strong brand presence, enhancement of customer service, and further strengthen our competitive position.

- We will maintain our 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.
- 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 enhancing the customer experience.
- We will scale digital care by:
  - Increasing adoption of our chatbots and making them more engaging, using AI capabilities to improve customer insights, and extending the chatbot functionality to additional journeys and touch points such as SMS and WhatsApp.
  - Where possible and appropriate, increasing and replicating self-care functionality across all channels, and empowering customers to increase self-care adoption through our ongoing educational and marketing campaigns.
  - Automating high volume repetitive and basic transactions, through the RPA Agile team.
- We will create expert agents by strengthening their skills to manage more sophisticated digital products and ensure greater levels of sophistication, particularly for our High Value and Corporate customer.

1. Tanzania Communication Regulatory Authority's quarterly communication statistics as at March 2021.

05 Actively managing cost and process efficiency

We aspire 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 'fit for growth' programme, a Vodafone Group-wide initiative that drives cost containment.

Through our 'fit for growth' programme, we have realised more than TZS126.6 billion in operational cost savings over the past four years.

Our 2021 performance

Through our 'fit for growth' programme, we have realised more than TZS126.6 billion in operational cost savings over the past four years.

Unfortunately, we continued to feel the impact this year of a very challenging business environment, with cost increase in publicity resulting from more than 100% increase in municipal fees' rate on external signage as per the Local Government Finances 2020 Act, payroll expenses increase driven by a once off restructuring cost as well as increase in other operating expenses, mainly network costs resulting from higher number of network elements and inflationary adjustment applied under service contracts. Overall, our expenses[1] decreased 1.1% to TZS660.8 billion.

Network-related cost optimisation
We delivered further savings this year and contained network costs through contracts renegotiations, sharing network infrastructure with other operators, consolidating tower leases, and converting short-term leases to yield cost benefits. We have maintained our drive to revise the terms and scope of service contracts.

Internal digitisation and automation
We continued to deliver further improvements in the efficiency and cost effectiveness through our agile processes, including self-developing and managing of our online platform and other automated processes, resulting in efficiency and cost saving.

1. Total expenses excluding depreciation and amortisation.

Our strategic outlook

We will continue to drive efficiencies through the above activities, as well as securing further savings through various new initiatives including:

- **Cost efficiency**
  We will continue focusing in our costs efficiencies as part of our 'fit for growth' initiative to drive improvements in our return on investment including increasing airtime recharges through M-Pesa to reduce commission costs.
- **Creating an agile organisation that drives simpler, faster execution**
  We will be further streamlining our organisational structure and decision-making processes, with the goal of promoting a more agile, future-proof way of working. We will place a particular focus on the end-to-end automation of tasks and processes to improve the quality of engagement and focus on revenue generation across all our business units.
- **Optimising the customer experience**
  We will continue to focus on developing digital platforms and enhancement of digi-care channels, to blend the best of technology and human interaction in a personal, instant, and easy way, driving improvements in call centre volumes, handling times and first call resolution.

Administrative efficiency
We achieved valuable operational savings through further streamlining of certain administrative functions and by implementing a leaner, more efficient organisational structure.

Publicity cost optimisation
We have continued to achieve savings from optimising our marketing costs driven by shift from traditional to digital marketing, with a significant increase in our social media and other digital marketing platforms.

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.

06 People: Best talent, best practice

Our ability to deliver on our strategic vision and purpose requires having access to diverse talent and critical skills, built on a culture of agility, innovation, and customer-service, and delivering an employee experience that unlocks personal growth and drives business performance.

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

Our 2021 performance

Purpose and spirit

Following the launch last year of our Spirit culture in alignment with the Vodafone Group, we have focused this year on embedding the Vodacom Spirit and ensuring its relevance in a more flexible work environment. We have undertaken a range of employee engagements aimed at deepening a company culture that will ensure that we are future ready, accelerating our transformation from a Telco to a Tech Company. Through numerous different engagements – including virtual Spirit Cafes and townhall meetings – we have been encouraging employee behaviour that fosters innovation, teamwork and agile learning, and that increases both individual and team autonomy to encourage greater self-determination at a more decentralised level.

In this year's annual employee survey, in which we assessed the impact of our efforts in instilling the Vodacom culture and Spirit behaviours, it was encouraging to see that Vodacom Tanzania scored highest in terms of the Team Spirt Index and engagement scores across the Vodacom group.

Ensuring employee diversity is an important part of delivering on our purpose and spirit. We have made further progress this year towards our 2023 targets on gender representation and inclusion: at year-end 42% of F band members and 36% of E band are female, and during the year 348 girls aged between 14 and 18 completed our #Codelikeagirl digital skillstraining programme.

There were no work-related fatalities for the ninth consecutive year. We continued to drive a safety culture of visible leadership, with 100% completion of Exco-level safety site visits. We implemented enhanced digital solutions to monitor high risk activities, such as working at heights, electrical works, and occupational road risks. These internal controls have yielded positive results in minimising the number of high potential incidents. The overall number of incidents is low, with road-related accidents continuing to be the primary cause of safety incidents.

Vodacom Tanzania was certified as Top Employer Tanzania 2021 and Top Employer Africa 2021 for the fourth consecutive year.

Achieved Not achieved Unchanged from 2020

Talent and skills

Having identified the skills needed to be a future fit digital company, we have scaled up our skills transformation activities, investing in upskilling and reskilling employees across core specialities – including big data and analytics, IoT, digital services, agile, cyber security, pricing, and customer value management – and encouraging employees to develop #1MoreSkill. This year more than 400 employees have engaged in various training courses.

Since becoming the first of the International operations in the Vodacom Group to adopt Agile structures, principles, and tools in 2019, all employees have been trained in Agile processes through "Vodafone University" online portal, and have launched 6 Agile squads. We have already seen the benefits in terms of driving enhanced engagement across business units, realising material efficiency and productivity gains, and encouraging greater alignment and accountability on mutually agreed outcomes and performance indicators.

In addition to developing skills internally, we have identified and attracted talent from outside our traditional business areas to ensure that we have the right capabilities for our new business activities, including in areas such as data science, machine learning and agile processes. This year, using an online approach due to the pandemic, we recruited 16 new graduates from an initial 1 600 applicants.

As part of our leadership development and senior management succession planning, this year we placed one candidate into the Vodacom Advanced Executive Leadership Programme (VAEP). In the past three years, we have provided additional leadership and management training to over 200 managers in our various leadership programmes and some of them have already been promoted to the next level or have had their roles enriched.

We appointed three new EXCO members this year, all of whom are Tanzanians, resulting in a 72.7% level of local representation of EXCO members, up from 30.8% four years ago. We currently have only three expatriates across the company (0.5% of our workforce), down from 21 in 2016. Two of the three new EXCO appointments were internal, and one was external.

Our ability to attract the best talent benefits from being part of the Vodafone and Vodacom groups, enabling us to provide employees with access to attractive global career development opportunities; these include regional and international assignments, short-term rotational secondments, structured mentoring programmes and ongoing education and leadership development opportunities.

Employee experience

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 onboarding 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.

We continued to execute our employee wellbeing programme, with a particular focus this year on addressing employee wellbeing challenges associated with the pandemic. We saw an increase this year in the utilization of the counselling services, available on a 24-hour basis on our Employee Assistance Programme (EAP) – as well as high participation rates in our mental health survey and virtual sessions on COVID-related topics. In our drive to ensure employee's physical and mental wellbeing, this year we conducted three virtual trainings on COVID-19 and other three trainings on mental health, Parenting style and healthy life style. This year, we introduced a new paternal leave policy enabling new fathers to take up to four months leave.

We have further enhanced the employee value proposition, including securing staff discounts on relevant products and services to support their remote working activities.

In driving work environment safety, during the year a total of 57 Vodacom employees and 32 suppliers'/partners' employees were trained on health and safety.

Organisation

We have made further changes to the organisational structure to enhance delivery of our strategy and adapt the workplace to a changing workforce environment.

Following the successful restructuring of the legal compliance and corporate affairs divisions in the prior year, this year we refined the organisational operating model within the finance, customer service and M-Pesa divisions.

Given the impact of the COVID pandemic, we delayed some of the anticipated new recruitments

Mitigating COVID-19 risks

Our People team has played a strong role this year in implementing effective response measures to manage and mitigate the risks and impact of the COVID-19 pandemic, ensuring alignment with national, global and Vodafone Group requirements. With more than 80% of staff working from home, we have been proactive in offering various forms of support, including increasing awareness on relevant preventative measures, enhancing access to the necessary digital tools for effective communication, and supporting employees emotionally and mentally through our Employee Assistance Programme that provides counselling services to help cope with personal and work-related matters. A hygiene and sanitation pack was delivered to all employees' homes with clear guidance on preventative measures. For employees who continued to work from our office and retail shops, we provided the necessary personal protective equipment (PPE), and enhanced the sanitation and access protocols in all offices, warehouses, shops, and data centres. We conducted virtual engagements with all employees with input from a medical doctor and psychologist, assigned a designated doctor to allow easy access and consultation specifically on COVID-related issues, and identified all vulnerable employees and implemented necessary measures for their protection.

Our strategic outlook

We have prioritised the following strategic focus areas aimed at ensuring that we have the right skills, capabilities and culture to achieve the Group's vision of being a leading digital company:

Purpose and spirit

- To ensure that the Vodacom Purpose and Spirit is fully embedded across the organisation, we will continue to rollout our Purpose and Spirit employee interventions, ensuring their relevance to a more flexible work environment.
- We will prioritise the development of empathetic, people-driven leadership in leadership development programmes.
- We will continue to promote localisation and gender diversity, including by developing the skills and experience of identified high-potential Tanzanians through their participation in leadership development programmes and senior executive placements across the Vodacom and Vodafone groups; our target is to increase female representation to 45% in E band and 48% in F band by 2023, and to have 900 girls aged between 14 and 18 complete our #Codelikeagirl digital skills training programme.
- 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 be building the skills and capabilities of our team to develop the identified skills for the future, including in such areas as IoT, digital product development, financial services, cyber security, big data and analytics, public cloud skills, and actuarial (CVM and pricing).
- We will maintain a strong focus on leadership development, fostering the capabilities for middle and executive management to support our ways of working as an agile, innovative digital organisation.
- We will continue to drive our talent acquisition strategy, with a particular focus on agile and M-Pesa skills, and on attracting high potential youth.

Employee experience

- 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 be rolling out our employee wellbeing programme, supporting staff through the provision of digital wellbeing tools and embedding wellbeing into every aspect of our work.

Organisation

- We will complete our organisational restructuring, ensuring an effective and efficient fit-for-purpose operating model that delivers on our commitment to transforming from a telco to a tech company.

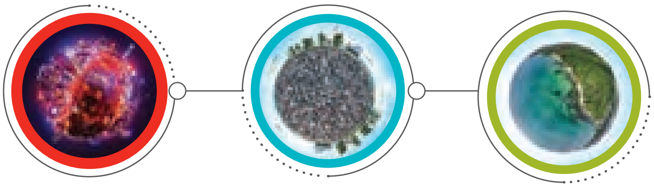
Our Workforce performance indicators	Unit	March 2021	March 2020	March 2019	March 2018	March 2017
Number of full-time employee	Number	**569**	551	548	537	525
Female in EXCO	%	**36.4**	30.8	36.4	30.8	30.8
Female (HoD and EXCO level)	%	**41.2**	41.2	41.2	42.9	38.8
Female employees	%	**35.7**	37.0	36.5	39.5	39.8
Local (Tanzanians) in EXCO	%	**72.7**	69.2	54.5	30.8	30.8
Total training spend	(TZS bn)	**0.7**	1.0	0.7	0.8	0.4
Employee turnover	%	**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 Group, we have committed to delivering on three broad focus areas aimed at promoting positive social change and contributing meaningfully to the United Nations Sustainable Development Goals (UN SDGs):

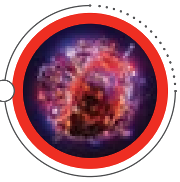


Co-creating a **Digital society**

Driving **Inclusion for all**

Protecting our **Planet** by reducing our environmental impact

Through our activities in these three areas, we are making a positive impact on the following eight UN Sustainable Development Goals (UN SDGs)



Digital society

Bridging the digital divide is critical to transforming Tanzania from an agricultural economy to a knowledge-based, semi-industrialised middle-income economy. By promoting digital inclusion, the mobile telecoms sector has already contributed 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 bridging the digital divide through our investment in extending networks to rural areas, enabling access to affordable smartphones, and providing low-cost price packages as well as digital solutions to both social and economic challenges.

Connectivity for all

Despite the challenging business environment impacting performance, largely due to the COVID-19 pandemic, we continued investing in our network and its supporting systems, spending TZS122.4 billion addressing coverage and the quality of our network, together with IT systems upgrades. Our investment focus is not only in urban areas, but also in the outskirts, aimed at supporting economic and social development by ensuring the availability of efficient and affordable communication. During the year, we added 90 new sites in rural Tanzania and upgraded over 330 sites to 3G and 4G. Among the new rural sites[1], 43 sites were partly funded by the government through the Universal Communications Service Access Fund (UCSAF). At year-end, we had 1 660 rural sites, including 260 sites built in collaboration with UCSAF over the past 9 years of our strong partnership. It is our commitment to continue investing in our network and contribute towards improved quality of life among Tanzanians, through enhanced access to communication service across the country and across all the population groups.

We have continued to drive smartphone usage to enable more people to access data and digital services, ending the year with a 2.6pp increase in smartphone users' penetration to 24.7%[2]. Our progress in driving increased penetration of smartphones among our customers has been constrained by the impact of COVID-19 pandemic on personal incomes due to subdued economic activities and disrupted global supply chain and logistics, causing delays in delivery of some of the contracted device supplies.

We have continued to provide affordable communication and connectivity to the Youth segment, especially those in higher learning institutions through our volume-enriched "University bundles", accessed by more than 200 000 customers monthly. These bundles are preferentially designed to provide service at a comparatively lower price per unit to the student community.

We have also continued to promote digital inclusion to all customers through our affordably priced packages under our 'Just 4 You' umbrella, powered by our CVM and machine learning platforms. During the year, we furthered these packages into a regional focus through 'J4U Regions'. More than four million customers with different spend levels use the 'Just 4 You' packages monthly. We have also continued to enable customers to access data by loaning airtime or bundles for repayment in their next recharge through our Vodacom Airtime Credit Advance platform.

Digital platforms

Our M-Kulima agricultural platform, developed and rolled-out in partnership with Mezzanine, now links more than 100 000 smallholder farmers to the agriculture value chain, enabling access to information, services and markets via SMS and App. These farmers are accessed through over 350 Agricultural Marketing Co-operative Society (AMCOS). Faster and safer payments to farmers are now made possible through M-Pesa, with over TZS3.5 billion disbursed during the year. Our current farmer's base include farmers involved with cotton, maize, beans, sunflower, tobacco, lentils, coffee, green gram, grapes, and dairy, located in 15 different regions of Tanzania. We will continue with efforts to expand our registered farmers' base across the approved crop lines.

Through our Connected Education platform, close to 700 secondary school students have access to educational content approved by the Tanzania Institute of Education, as well as online classes, examinations, markings and other class-related activities, with participating schools receiving tablets as part of the package. We are continuing to expand the eco-system of this product.

In IoT solutions space, we offer several digital platforms that promote business efficiency and simplify users' experience. We offer 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. We also offer asset management solutions that improve asset utilisation efficiency, and provide maintenance alert and security enhancement through location identification. In this space we offer car tracking and connected fridge/cabinet solutions.

Financial inclusion

Our M-Pesa financial services offering has grown to provide the largest reach of any mobile financial services provider in Tanzania, with 7.4m million monthly active customers, processing over one billion transactions, worth over TZS60 trillion annually, driving forward financial inclusion agenda. Through the M-Pesa wallet and our M-Pawa and Halal Pesa services, we provide customers with ready access to 'mobile' savings account. Our M-Koba savings product, launched in partnership with the Tanzania Postal Bank, has been designed primarily for use in savings and credits associations in smaller communities. We have enabled M-Pesa customers to access M-Pawa loans, as well as overdrafts through our new, but fast growing Songesha facility. During the year, more than 3.5 million customers, almost half of the M-Pesa customer base, benefitted from Songesha overdraft facilities.

1. Based on Vodacom's internal classification criteria.
2. Penetration to the 3 months average active customer base.

Inclusion for all

We have implemented numerous initiatives that have helped to alleviate poverty and inequality in Tanzania, including specifically through our programmes on democratising education and health, and supporting technology start-ups. These focus areas are in addition to the significant benefits in enhancing digital inclusion achieved through our inclusive finance activities in M-Pesa, reviewed on page 47.

Democratising education

We have enabled customers to access quality educational sources through the internet, including online libraries, by providing a reliable and high-quality data network. This has proved particularly valuable during the COVID-19 pandemic. Through the Vodacom Foundation, we enabled our customers to access educational materials for free, including through our Instant Schools platform which benefited over 101 000 beneficiaries this year, with a total spend of TZS443 million since it started in 2020.

Vodacom M-Pesa's VodaShule solution is helping to democratise education by simplifying school operations, payments and communication between parents, teachers, and other school stakeholders. The platform helps to address challenges such as inefficient operations, inadequate record management, inconsistent academic histories of students, and inefficient cash collection mechanisms, which can hinder productivity and academic performance. Currently 14 schools have subscribed to the service serving over 1 800 students.

Democratising health

In response to the pandemic, we have supported Government directly through various initiatives, including:

- Donating US$1 million to support COVID-response measures, used for the provision of personal protective equipment for frontline workers.
- Providing free internet connectivity to a special Government task force, free data access to the National Institute of Medical Research, and unlimited data to all healthcare workers in dedicated COVID-19 centres.
- Providing routers and data sim-cards to the Ministry of Health to enable free internet access and accelerate communication activities.
- Zero-rating official Government websites with COVID-19 information.
- Participating in awareness campaign in collaboration with the Ministry of Health (MoH), educating citizens on COVID-19 through SMSs on preventive health measures as well as providing access to the Ministry of Health's call centre which provide free education and advice on COVID 19 through dialling to a hotline #199.

In addition to helping our customers in the health sector to strengthen the effectiveness of their activities and enhance efficiencies through access to our reliable, high-quality data network, we have supported numerous health initiatives through the Vodacom Foundation. In the past two years, we have spent over TZS126 million on health-related programs, with over 1.3 million beneficiaries. The health projects' details are available under the Vodacom Foundation report on page 56.

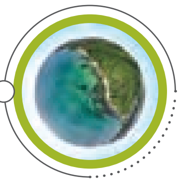
Supporting technology start-ups

Through our Digital Accelerator Programme launched last year we have supported and mentored 15 shortlisted companies – in fintech, education, health, the environment, and e-commerce – helping young Tanzanians to transform their potentially game-changing product ideas into successful businesses that will help create jobs and solve societal challenges. Top three ideas are in refining stage and meanwhile preparation for the second season due in September 2021 continues.

Supporting Girls' Tech-literacy

We continued with our #Codelikeagirl programme targeting 15 – 18 years' old girls aiming at providing and expanding their technological skillset in creation of digital solutions for sustainable social and economic development. This year 348 girls identified through local secondary schools, attended a one-week training course covering basic knowledge of computer languages and development programmes including 'HTML' and 'CSS', a computer language for web pages structuring. Attendees of the workshops forms a young talent pool for technology and are continuously engaged with after the workshops.

Achieved Not achieved Unchanged from 2020



Planet

We are committed to continuing to 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 tree-planting, and ensuring full compliance with all environment impact assessment requirements.

Energy and water efficiency

We have maintained our focus this year on enhancing energy and water efficiency. We are continuing with our data centres modernization, replacing mobile switching servers with more efficient cloud servers. We are hence still running some of the legacy infrastructure together with the new cloud infrastructure. This year, energy consumption was up 5.6% to 16.9GWh, fuel usage increased by 44.6% to 1.6 million litres, and water usage declined 43% to 25.3 kilolitres. The increase in energy usage reflects increase in network elements, while fuel increase is mainly driven by usage of generators depending on grid power stability and availability. Water usage was low this year, mainly due to our employees being working from home as a preventive measure against COVID-19 transmission.

Waste reduction

We have a longstanding focus on encouraging customers to switch from using scratch cards to adopting electronic recharges such as M-Pesa, ATM machines, and Vodafasta. This drive has contributed to eliminating an estimated 140 tons in paper usage this year, reducing paper-waste and protecting forests, the main source of raw materials. We have a cumulative estimated reduction of 602 tons of paper in the past four years.

Since 2016, Vodacom has been advocating use of smaller sized simcards with a biodegradable material. These efforts have reduced plastic usage and eventually plastic waste by estimated 22 tons this year, resulting in a total reduction estimated at 107 tons in plastic waste in the past four years.

Biodiversity and climate resilience

We continued with our trees planting projects in an effort to contribute towards environmental protection. This year, in collaboration with our partners, we maintained trees planted in the previous year in our 'Kijainisha Dodoma – Make Dodoma green' programme aimed at increasing awareness and mobilising communities on climate change and biodiversity. We also ran projects focused on protecting biodiversity of Pugu Kazimzumbwi forest and Vikindu natural reserves in Coastal region. Further details on these projects are available in the Vodacom Foundation report on page 57.

Communities benefited not only from environment protection through the trees planted and environmental education delivered through workshops and extension officers, but also through the employment provided to over 100 people during project implementation, the fruits harvested from trees planted in schools, and the training on eco-friendly technology in the extraction of grape juice and forestry harvests.

Sustainability KPIs	Unit	Mar 2021	Mar 2020	Mar 2019	Mar 2018	Mar 2017
Number of full-time employee	Number	**569**	551	548	537	525
Number of full-time female employee	Number	**203**	204	200	212	209
Female in EXCO	%	**36**	31	36	31	31
Female (HoD and EXCO level)	%	**41**	41	41	43	39
Female employees	%	**36**	37	36	39	40
Total spend on employees	(TZS bn)	**61.6**	57.7	59.4	55.3	55.5
Total training spend	(TZS bn)	**0.7**	1.0	0.7	0.8	0.4
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	%	**86**	86	85	85	82
Customer base (90 days)	Number (000)	**14 861**	15 513	14 133	12 899	12 653
M-Pesa users (30 days)	Number (000)	**7 395**	6 685	6 989	6 369	6 198
Data users (monthly base)	Number (000)	**7 695**	7 687	7 892	7 345	6 463
CAPEX investment	(TZS bn)	**122.4**	154.6	171.4	159.7	149.9
Total tax and levies paid to government	(TZS bn)	**429.7**	434.8	391.5	379.1	352.3
Airtime advance to customers	(TZS bn)	**43.3**	38.2	34.6	53.1	113.4
Total value transacted in M-Pesa	(TZS tn)	**69.2**	58.9	50.0	43.1	31.5
Beneficiaries of Songesha overdraft	Number (000)	**3 541**	2 001			
Rural sites (UCSAF)	Number	**260**	217	199	188	173
% Customers in rural sites[1]	%	**56**	53	53	47	51
Paper usage saved by focusing on electronic recharges	Tons	**140**	175	155	132	107
Plastic usage saved by using small size simcards	Tons	**22**	30	31	25	29

1. Based on Vodacom's internal classification criteria.

Our financial performance

Consolidated	2021	2020	Year-on-year % Change
Service revenue (TZS m)	**966 014**	1 024 916	(5.7)
of which			
Mobile voice revenue (TZS m)	**311 506**	373 005	(16.5)
M-Pesa revenue (TZS m)	**356 801**	358 243	(0.4)
Mobile data revenue (TZS m)	**186 865**	180 840	3.3
Mobile incoming revenue (TZS m)	**58 141**	53 204	9.3
Messaging revenue (TZS m)	**31 877**	42 413	(24.8)
Revenue (TZS m)	**974 391**	1 032 667	(5.6)
EBITDA (TZS m)	**316 134**	364 763	(13.3)
EBITDA margin (%)	**32.4**	35.3	(2.9)pp
Capital expenditure (TZS m)[1]	**(122 447)**	(154 586)	20.8
Capital intensity (%)	**12.6**	15.0	(2.4)pp
Customer market share[2] (%)	**1st**	1st	
Active customers[3] (thousand)	**14 861**	15 513	(4.2)
30 days' active M-Pesa customers[4] (thousand)	**7 395**	6 685	10.6
Active data customers[5] (thousand)	**7 695**	7 687	0.1
MoU per month[6]	**194**	155	25.2
ARPU[7] (shillings per month)	**5 259**	5 616	(6.4)
Number of employees	**569**	551	3.3
Number of sites			
4G	**1 820**	1 321	37.8
3G	**2 825**	2 682	5.3
2G	**3 356**	3 225	4.1
Weighted NPS[8] (position relative to competitors)	**1st**	1st	

Notes:
1. Capital expenditure as a percentage of revenue.
2. Tanzania Communication Regulatory Authority's quarterly communication statistics as at March 2021.
3. 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.
4. 30 days' active M-Pesa customers are the number of unique customers who have generated billable transactions during the past 30 days.
5. 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.
6. 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. Total minutes for financial 2020 were reinstated, hence a change in comparative year MoU.
7. ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period.
8. 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 5.7% to TZS966.0 billion impacted by competitive pricing pressure, subdued economic activities due to COVID-19 pandemic and service barring to 2.9 million SIM cards in the last quarter of the previous financial year. Our strong commercial execution led to a clear improvement in service revenue growth in the second half of the year. Service revenue grew 6.3% in the fourth quarter, supported by growth in M-Pesa and data revenues.

Voice revenue decreased 16.5% to TZS311.5 billion primarily due to competitive pricing pressure that was fuelled by the decline in mobile termination rate (MTR) – resulting in 21% decline in average price per minute. Voice revenue was also impacted by the subdued economic activities due to the COVID-19 pandemic as well as service barring to 2.9 million SIM cards in the last quarter of the previous financial year. Our focus on providing segmented offers using our CVM platform as well as active days' management initiatives moderated the voice revenue decline in the second half of the year to 13.2% from a decline of 19.4% reported in the first half of the year.

M-Pesa revenue declined 0.4% to TZS356.8 billion mainly contributed by slowdown in customers spend due to the COVID-19 pandemic, barring of 800 000 SIM cards in the last quarter of the previous financial year as well as the suspension of maintenance fee charging on dormant accounts in line with the Tanzania financial consumer protection regulations. Normalised for maintenance fee on dormant accounts, M-Pesa revenue grew 1.3% in the year and 11.3% in the fourth quarter, supported by increased service adoption and platform growth.

We added a total of 710 000 customers during the year to reach 7.4 million, representing 49.8% of our customer base. We continue to lead the industry with customer market share of 40.7%[1], up 1.4pp. Our lending product – Songesha continued to be a key differentiator and performed well in facilitating seamless completion of transactions to customers and agents. Songesha recorded pleasing platform and revenue growth in the year, while supporting financial inclusion. Our expanding international money transfer business continued to play an important role in supporting financial inclusion, with receipts increasing significantly to above TZS500 billion and remittances reached above TZS70 billion, an increase of more than 35%. Our partnership with more than 900 companies continued to facilitate fast, convenient and secured payment through M-Pesa platform, with over TZS4.0 trillion transactions value in B2C and C2B.

Mobile data revenue grew 3.3% to TZS186.9 billion despite the intense competitive pricing pressure that led to a 30% decline in average price per megabyte while usage per customer grew 47.0% to reach 1.4GB per month. Data revenue was also impacted by the service barring to 600 000 customers in the last quarter of the previous financial year. In the fourth quarter data revenue grew 18.7%. Data services remain a key lever of growth and central to our commitment of connecting for a better future. ARPU improvement in the second half of the year reflected our strong commercial execution in driving data adoption. We continue to drive the adoption of affordable smartphone devices by leveraging partnerships with global tech firms and innovative financing options. Our smartphone users increased 7.0% to 3.7 million, representing 24.7% of our customer base, up 2.6pp.

Mobile incoming revenue increased 9.3% to TZS58.1 billion driven by the significant increase in incoming traffic as operators continued to offer more value in their bundles fuelled by the decline in MTR. This was partially offset by the 50% reduction in mobile termination rate in January 2020 and a further 50% in January 2021, in line with the regulated mobile termination rates' glide path.

Messaging revenue declined 24.8% to TZS31.9 billion mainly impacted by the intense competitive pricing pressure coupled with low spend due to subdued economic activities driven by the COVID-19 pandemic as well as service barring to 2.9 million SIM cards in the last quarter of the previous year.

Total expenses

Despite realising 6.3% savings in direct expenses in line with lower revenue, competitive pressures impacted commissions and interconnect costs. Our cost containment through our 'fit for growth' programme was offset by the 17.0% increase in publicity expenses resulting from more than 100% increase in municipal fees' rate on external signage as per the Local Government Finances Act, 2020; 6.8% increase in payroll expenses driven by a once off restructuring cost as well as 4.9% increase in other operating expenses, mainly network costs resulting from higher number of network elements and inflationary adjustment applied under service contracts. Overall, our expenses decreased 1.1% to TZS660.8 billion.[2]

EBITDA

EBITDA decreased 13.3% to TZS316.1 billion as a result of decline in service revenue partially offset by the decline in expenses.

Capital expenditure

We invested TZS122.5 billion in capital expenditure, representing 12.6% of revenue. The capital expenditure was directed towards expanding our 4G network in order to maintain data availability and enhancing our IT infrastructure. We added 499 new 4G sites with fibre and high capacity microwave backhaul further enhancing customer data experience. Capital intensity has reduced by 2.4pp to 12.6% due to the challenging business environment. Looking ahead, our focus remains on supporting data growth and delivering exceptional experience to our customers. We see scope for capex intensity to revert to pre-COVID 19 levels if industry reforms provide better returns visibility.

1. Tanzania Communication Regulatory Authority's quarterly communication statistics as at March 2021.
2. Excluding depreciation and amortisation.

Summarised consolidated statement of profit or loss and other comprehensive income

TZS m	2021 Audited	2020 Audited
Revenue	**974 391**	1 032 667
Direct expenses	**(301 533)**	(321 693)
Staff expenses	**(61 579)**	(57 671)
Publicity expenses	**(35 775)**	(30 571)
Other operating expenses	**(260 064)**	(247 885)
Depreciation and amortisation	**(264 039)**	(268 762)
Impairment charges	**(1 887)**	(10 086)
Operating profit	**49 514**	95 999
Finance income	**38,418**	50 465
Finance costs	**(85 232)**	(86 470)
Net gain on foreign currency translation	**3 627**	356
Profit before tax	**6 327**	60 350
Income tax expense	**(36 433)**	(14 588)
(Loss)/Profit for the year	**(30 106)**	45 762
Other comprehensive income	**–**	–
Total comprehensive income for the year, net of tax[1]	**(30 106)**	45 762
Basic and diluted earnings per share (TZS)	**(13.44)**	20.43

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

Revenue declined 5.6% to TZS974.4 billion, primarily driven by 7.1% decline in mobile customer revenue resulting from a 4.2% decline in customers from service barring to 2.9 million SIM cards in the last quarter of the previous financial year as well as 6.4% decline in ARPU due to competitive pricing pressure and COVID-19 impact.

Total expenses increased slightly by 0.2% to TZS659.0 billion driven by the increase in commissions and interconnect costs due to competitive pricing pressures, increase in publicity expenses resulting from the over 100% increase in municipal fees rate on external signage as per the Local Government Finances Act, 2020; increase in payroll expenses due to a once off restructuring cost as well as increase in other operating expenses, mainly network costs resulting from higher number of network elements and inflationary adjustment applied under service contracts. These costs pressure were partially offset by our 'fit for growth' initiatives.

Depreciation and amortisation cost has declined 1.8% 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 decline is primarily due to improved recovery in airtime credit advance debts.

Finance Income declined 23.9% primarily due to lower interest rates on cash and government treasury bills investment as well as the decreased investment in government treasury bills following payment of TZS400 billion special dividend.

Increase in net gain on foreign currency translation is mainly due to net gain on foreign currency translation resulting from cash held in foreign currency.

The tax expense of TZS36.4 billion was 149.7% higher than the prior year (2020: TZS14.6 billion) driven by the tax expense from M-Pesa Limited as a separate legal entity, inflated by the non recognition of a deferred tax asset in relation to the loss in GSM business. From 1 April 2020, M-Pesa business operated as a separate legal entity in compliance with the National Payment System Act. We also incurred additional tax payable for the 2006 to 2009 years' assessments after the court of appeal ruled on the dispute in respect of the capital allowances relating to these years.

Summarised consolidated statement of financial position

TZS m	2021	2020
ASSETS		
Non-current assets	**1 219 874**	1 298 663
Property and equipment	**1 041 226**	1 123 945
Intangible assets	**70 593**	78 510
Capacity prepayments	**46 559**	54 888
Goodwill	**1 639**	1 639
Income tax receivables	**39 772**	23 755
Trade and other receivables	**18 696**	15 926
Deferred tax asset	**1 389**	–
Current assets	**836 067**	1 097 226
Capacity prepayments	**13 188**	13 657
Inventory	**4 179**	2 004
Trade and other receivables	**125 534**	100 815
Income tax receivable	**4 726**	4 723
Financial assets	**444 183**	337 556
Short term investment	**–**	164 643
Cash and cash equivalents	**244 257**	473 828
TOTAL ASSETS	**2 055 941**	2 395 889
EQUITY AND LIABILITIES		
Equity	**797 587**	1 255 152
Share capital	**112 000**	112 000
Share premium	**442 435**	442 435
Capital contribution	**27 698**	27 698
Retained earnings	**215 454**	673 019
Non-current liabilities	**466 184**	513 575
Lease liabilities	**461 627**	494 354
Government grants	**235**	1 616
Deferred tax liabilities	**–**	13 800
Trade and other payables	**163**	186
Provision	**4 159**	3 619
Current liabilities	**792 170**	627 162
Lease liabilities	**73 052**	50 869
Trade and other payables	**688 743**	552 167
Interest due to customers	**8 593**	11 992
Government grants	**1 383**	2 310
Provisions	**20 399**	9 824
Total liabilities	**1 258 354**	1 140 737
TOTAL EQUITY AND LIABILITIES	**2 055 941**	2 395 889

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

The increase is mainly driven by additional tax deposit form the Agency notices received during the year.

This is deferred tax asset on M-Pesa Limited.

The decrease is mainly driven by Treasury bills matured during the year, the amounts were not re-invested as at the reporting date.

The growth is mainly due to increase in deposits from M-Pesa customers and businesses.

The decrease in mainly due to payment of TZS427 billion annual and special dividends during the year.

The decrease in mainly due to payment of TZS427 billion annual and special dividends during the year.

The decrease is mainly due to the payment of leases due on the Right of use liability contracts.

The decrease is due to derecognition of deferred tax liability to offset accumulated tax losses recorded during the year.

The increase is due to the movement from long term lease liabilities of TZS28.9 billion, partially offset by lease liability payments of TZS6.0 billion.

The increase is mainly driven by TZS110 billion increase in M-Pesa deposits from customers, agents and businesses as a result of growth in M-Pesa, as well as additional marketing and leased lines accruals.

Summarised consolidated statement of cash flows

TZS m	2021	2020
Cash flows from operating activities		
Cash generated from operations	**427 135**	344 244
Income tax paid	**(67 642)**	(53 181)
Net cash flows generated from operating activities	**359 493**	291 063
Cash flows used in investing activities		
Additions to property and equipment, and intangible assets	**(112 850)**	(159 350)
Proceeds from sale of property and equipment	**17**	719
Government grant received	**400**	2 838
Short term investments retired	**164 643**	54 933
Finance income received	**17 625**	31 118
(Increase)/decrease in cash held in restricted deposits	**(106 627)**	40 463
Interest received from M-Pesa deposits	**20 793**	19 347
Net cash flows used in investing activities	**(15 999)**	(9 932)
Cash flows used in financing activities		
Dividends paid	**(427 093)**	(54 459)
Lease liabilities interest paid	**(64 040)**	(67 034)
Payment of lease liabilities – principal	**(61 395)**	(43 455)
Interest paid to M-Pesa customers	**(24 165)**	(39 013)
Net cash flows used in financing activities	**(576 693)**	(203 961)
Net (decrease)/ increase in cash and cash equivalents	**(233 199)**	77 170
Cash and cash equivalents at the beginning of the year	**473 828**	396 622
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	**3 628**	36
Cash and cash equivalents at 31 March	**244 257**	473 828

Increase in income tax paid is primarily due to additional tax deposits made to the revenue authority in relation to the ongoing tax disputes as well as increase in tax paid by M-Pesa Limited.

The increase is driven by the matured investment in treasury bills during the year.

The increase is mainly driven by TZS110 billion increase in M-Pesa deposits from customers, agents and businesses as a result of growth in M-Pesa.

Increase in dividends paid is due to gross final dividend of TZS27.5 billion in line with the company policy, as well as a special dividend of TZS400 billion in respect of the financial year ended 31 March 2020, paid from income reserves.

The 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 TZS16.2 billion and impacted millions of lives across Tanzania. Vodafone foundation contribution has been mostly focused on maternal health.

Our 2021 performance

Health – SDG 3
(Good Health and Wellbeing)

Vodacom Foundation has in the past two years, spent over

TZS126 million

on health-related programmes, benefitting over 1.3 million people.

These include:

- Programmes on reducing infant mortality and disaster resilience, and setting up neonatal units with medical equipment in hospitals and health centres. Over 607 people benefited from the projects conducted in Muriet Health Centre, St. Mary's Kibara Hospital and Inyonga B Health Centre. This project started towards the end of financial year 2020 in Muriet Health Centre, and extended in the current year to include two other health facilities.
- M-Mama emergency transportation programme for pregnant women in Shinyanga and Sengerema, with 11 239 beneficiaries. This was conducted in collaboration with Vodafone Foundation, in which we used M-Pesa service to pay for taxi services used as ambulances in an effort to prevent and reduce maternal deaths and child mortality.
- We continued with 'Healthy Pregnancy Healthy Baby' ('Wazazi Nipendeni') programme providing a free Text-to-Treatment service, enabling pregnant women to register and receive real-time SMS messages on their mobile phones via a USSD code that disseminates health information on issues such as neonatal care, clinic reminders, malaria, tuberculosis and HIV/AIDs prevention, birth-spacing, and nutrition to children under the age of five. Over 1.3 million Vodacom customers are registered in this service.

Education – SDG 4
(Quality Education)

Total spend of over

TZS443 million

in the past two years.

We have continued to support numerous educational initiatives in partnership with various governmental and non-governmental organisations. Through our Instant Schools project, primarily targeting underserved rural communities, we provided free access to online educational material to over 101 800 direct beneficiaries in the current year, with a total spend of over TZS443 million in the past two years. This is a portal-based service accessible through smartphone or computers, in which Vodacom customers register and get free access to education materials in various disciplines. Our intervention in education played a key role in ensuring learners continued their learning journey despite the onset of the pandemic in 2020.

Environmental protection – SDG 13
(Climate Action)

A total of over

TZS306 million

has been spent on this project since it started last year.

In partnership with the World Wide Fund for Nature (WWF), and in collaboration with the Vice President's Office, in financial year 2020 the Foundation started a joint implementation of a programme to make Dodoma City green, planting over 70 000 trees and targeting participation from the youth, women and people with disability. This year, we planted more than 500 trees as replenishments, part of maintenance for this project. A total of over TZS306 million has been spent on this project since it started last year.

In the current financial year, in partnership with Worldwide Fund for Nature (WWF), we rolled out a programme focusing on restoring remnants of the coastal forests of Vikindu and Pugu- Kazimzumbwi through conservation and the promotion of sustainable tourism. During the period, we participated in various initiatives to educate the residents of the surrounding areas on environmental protection. This included participating in a youth festival in which an estimated 20 000 young people were reached, conducting workshops on the adoption and use of sustainable energy technologies for income generation and household purposes, and disseminating over 2 million educative SMS on conservation to Vodacom customers. We also developed e-content on conservation which is being promoted in Vodacom's e-learning portal known as e-Fahamu. This project is run in close collaboration with government through Kisarawe and Mkuranga Districts Commissioners' offices together with local community groups including food vendors, the youths and tour guides.

Our environment related programmes have together benefited directly over 712 people, created over 115 employment opportunities, and reached more than 20 000 people with environment protection agenda.

Our strategic outlook

In the next two years, the Foundation will focus on the following pillars:

- Inclusive education: We will promote inclusive and equal education by enhancing access to technology and the internet in government schools countrywide, with the aim of increasing the number of students with access to ICT learning in poor rural and urban communities.
- Climate change and biodiversity: We will drive interventions to address climate change and biodiversity loss in Tanzania, focusing on educating communities on environmental care, encouraging smart agriculture and tree planting, facilitating access to clean energy, and supporting workshops on the climate change agenda.
- Reduction of infant mortality: We will support the provision of equipment to reduce premature infant mortality, provide capacity building and awareness raising to unskilled health workers, and driving public-private partnership on reducing infant mortality rate.
- Disaster relief management: 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.

1. Tanzania Communication Regulatory Authority's quarterly communications statistics as at March 2021.

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

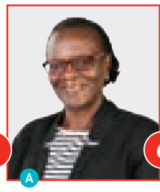
Chairman

Executive directors

Managing Director

Finance Director

Independent non-executive directors



Non-executive directors

1 Thomas B Mihayo (74)

Appointed in November 2020

- Legal expertise.
- Arbitrator.
- Government relations.

2 Hisham Hendi (41)

Appointed MD in March 2019

- Astute business leader.
- Diverse emerging market experience.
- Strong execution of innovative products and offerings.

3 Jacques Marais (55)

Appointed FD in July 2016

- Sound financial expertise.
- Extensive emerging market experience.
- Extensive telecoms knowledge

4 Winifred Ouko (51)

Appointed in November 2017

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

5 Thembeka Semane (45)

Appointed in November 2017

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

6 Margaret Ikongo (64)

Appointed in November 2017

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

7 Diego Gutierrez (45)

Appointed in March 2018

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

8 Kenneth Gomado (43)

Appointed in March 2018

- Diverse emerging market financial experience.
- Extensive telecoms and FMCG knowledge.
- Audit advisory background.

9 Matimba Mbungela (49)

Appointed in August 2017

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

10 Nkateko Nyoka (58)

Appointed in April 2020

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

11 Dejan Kastelic (43)

Appointed August 2020

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

12 Raisibe Morathi (51)

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

Who leads us

Executive Committee













1 **Hisham Hendi** (41)
Managing Director
Joined Vodacom in 2014, Vodafone in 2003.

2 **Jacques Marais** (55)
Finance Director
Joined Vodacom in 2001.

3 **Linda Riwa** (34)
Consumer Business Unit Director
Joined Vodacom in 2017.

4 **Epimack Mbeteni** (43)
M-Commerce Director
Joined Vodacom in 2014.

5 **Arjun Dhillon** (41)
Enterprise Business Unit Director
Joined Vodacom in 2017, Safaricom in 2015.

6 **Andrew Lupembe** (48)
Network Director
Joined Vodacom in 2007.

7 **Olaf Mumburi** (45)
Legal and Regulatory Director
Joined Vodacom in 2008.

8 **Rosalynn Mworia** (41)
Corporate Affairs Director
Joined Vodacom in 2008.

9 **Harriet Lwakatare** (43)
Customer Service Director
Joined Vodacom in 2012.

10 **Vivienne Penessis** (46)
Human Resources Director
Joined Vodacom in 2018.

11 **Nguvu Kamando** (46)
Digital Director
Joined Vodacom in 2002.

12 **Tax Agapinus** (56)
Risk and compliance Director
Joined Vodacom in 2020.

13 **Athumani Mlinga** (53)
IT & Billing Director
Joined Vodacom in 2003.

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 2021:

Board

Board committees

- Audit, Risk and Compliance Committee
- Remuneration Committee
- Nomination Committee

Managing director

Executive Committee

- Finance
- Corporate Affairs
- Consumer Business Unit
- Customer Operations
- M-Commerce Business Unit
- Human Resources
- Enterprise Business Unit
- IT & Billing
- Network
- Digital
- Legal and Regulatory
- Risk and Compliance

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	30 Apr 2020 Special	21 May 2020	14 Jul 2020 Special	20 Aug 2020	29 Oct 2020 Special	12 Nov 2020	21 Jan 2021 Special	18 Mar 2021
Justice (Rtd) Thomas B Mihayo (Chairman)	–	–	–	–	–	✓	✓	✓
Ms Margaret Ikongo	✓	✓	✓	✓	✓	✓	✓	✓
Ms Thembeka Semane	✓	✓	✓	✓	✓	✓	✓	✓
Ms Winifred Ouko	✓	✓	✓	✓	✓	✓	✓	✓
Mr Dejan Kastelic	–	–	–	✓	✓	✓	✓	✓
Mr Diego Gutierrez	✓	✓	✓	✓	✓	✓	✓	✓
Mr Hisham Hendi	✓	✓	✓	✓	✓	✓	✓	✓
Mr Jacques Marais	✓	✓	✓	✓	✓	✓	✓	✓
Mr Kenneth Gomado	✓	✓	✓	✓	✓	✓	✓	✓
Mr Matimba Mbungela	✓	✓	✓	✓	✓	✓	✓	✓
Mr Nkateko Nyoka	✓	✓	✓	✓	✓	✓	–	✓
Ms Raisibe Morathi	–	–	–	–	–	✓	–	✓
Mr Andries Delport	✓	R	R	R	R	R	R	R
Mr Till Streichert	✓	✓	R	R	R	R	R	R
Mr Sitholizwe Mdlalose	–	–	–	✓	✓	R	R	R

Notes:
1. Andries Delport resigned on 14 May 2020.
2. Till Streichert resigned on 30 June 2020.
3. Sitholizwe Mdlalose was appointed on 14 July 2020 and resigned on 31 October 2020.
4. Nkateko Nyoka was appointed on 1 April 2020.
5. Dejan Kastelic was appointed on 17 August 2020.
6. Raisibe Morathi was appointed on 1 November 2020.
7. Thomas B Mihayo was appointed on 1 November 2020.
8. Margaret Ikongo served in the capacity of interim Chairperson from 1 December 2019 to 31 October 2020.

Audit, Risk & Compliance Committee meetings

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

Name of members	30 Apr 2020 Special	21 May 2020	14 Jul 2020 Special	20 Aug 2020	29 Oct 2020 Special	12 Nov 2020	21 Jan 2021 Special	18 Mar 2021
Ms Margaret Ikongo (Chairperson)	✓	✓	✓	✓	✓	✓	✓	✓
Ms Thembeka Semane	✓	✓	✓	✓	✓	✓	✓	✓
Ms Winifred Ouko	✓	✓	✓	✓	✓	✓	✓	✓

Note:
Winifred Ouko served in the capacity of interim Chairperson from 1 January 2020 to 31 October 2020.

Remuneration Committee meetings

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

Name of members	21 May 2020	20 Aug 2020	12 Nov 2020	17 Mar 2021
Mr Winifred Ouko (Chairperson)	✓	✓	✓	✓
Mr Diego Gutierrez	✓	✓	✓	✓
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 2020	17 Mar 2021
Justice (Rtd) Thomas B Mihayo (Chairman)	–	✓
Ms Margaret Ikongo	✓	x
Mr Winifred Ouko	✓	✓
Mr Matimba Mbungela	✓	✓

Notes:
1 Margaret Ikongo served in the capacity of interim Chairperson from 1 December 2019 to 31 October 2020.
2 Justice (Rtd) Thomas B Mihayo was appointed as Chairman on 1 November 2020.

Subsidiary Companies

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	20 May 2020	12 June 2020 Special	19 August 2020	11 Nov 2020	17 March 2021
Mr Sitoyo Lopokoiyit (Chairman)	✓	✓	✓	✓	✓
Mr Jacques Marais	✓	✓	✓	✓	✓
Mr Christopher Williamson	✓	✓	✓	✓	✓
Mr Olaf Mumburi	✓	x	✓	✓	✓
Mr Epimack Mbeteni	✓	✓	✓	✓	✓

The following table records the attendance of members at the M-Pesa Limited ARC Committee meetings for the year.

Name of members	20 May 2020	19 August 2020	11 Nov 2020	17 March 2021
Mr Jacques Marais	✓	✓	✓	✓
Mr Christopher Williamson	✓	✓	✓	✓
Mr Olaf Mumburi	✓	✓	✓	✓

Shared Networks Tanzania Board meetings

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

Name of directors	19 May 2020	18 August 2020
Mr Jacques Marais	✓	✓
Ms Rosalynn Mworia	✓	✓

Note: Shared Networks Tanzania Limited is undergoing voluntary winding up.

Vodacom Trust Limited Board meetings

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

Name of directors	20 May 2020	19 August 2020
Mr Jacques Marais	✓	✓
Mr Kenneth Gomado	✓	✓

Note: Vodacom Trust Limited is undergoing voluntary winding up.

Vodacom Tanzania Foundation (NGO) meetings

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

Name of members	20 May 2020	19 Aug 2020	10 Nov 2020	16 Mar 2021
Ms Rosalynn Mworia	✓	✓	✓	x
Mr Olaf Mumburi	✓	✓	✓	✓
Mr Evans Lyimo	✓	✓	✓	✓
Ms Harrieth Lwakatare	✓	✓	✓	✓
Ms Vivienne Penessis	x	✓	✓	x

Note: Vodacom Tanzania Foundation (NGO) is undergoing voluntary winding up. The Foundation activities are part of VTPLC CSR activities.

Remuneration report 2021

Letter from the Chairperson of the Remuneration Committee

Dear shareholders

It is my pleasure, on behalf of the Board to present the remuneration report for Vodacom Tanzania PLC.

This report provides a summary of our remuneration philosophy and policy for executive and non- executive directors, and it briefly describes how the policy has been implemented over the year.

Our role as Remuneration Committee members 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 two key issues I wish to highlight:

- It is particularly pleasing to see the progress that we have made in delivering on our commitment to drive localisation within our leadership team. This year, three new Exco members were appointed, all of whom are Tanzanians, bringing the level of local representation of Exco members to 72.7%, up from 30.8% four years ago. Two of the three new Exco appointments, were internal promotion. It has been encouraging to see the strong levels of retention and internal development we have achieved.
- A second highlight this year has been the very pleasing results in this year's annual employee survey, with Vodacom Tanzania PLC scoring highest in terms of the Team Spirit Index and engagement scores across the Vodacom Group. This reflected very positively on the company's activities in embedding a positive culture working environment.

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.

Winifred Ouko
Chairperson of the Remuneration Committee

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

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

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

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

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

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

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

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 35 (Related parties) of the consolidated annual financial statements on page 127.

Directors	Board	ARCC	Remco	Nomco	Total
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	30 000		4 000		**34 000**
M Mbungela	30 000		4 000	3 000	**37 000**
N Nyoka	30 000				**30 000**
D Kastelic	30 000				**30 000**
K Gomado	30 000				**30 000**
R Morathi	30 000				**30 000**
H Hendi					**0**
J Marais					**0**
					477 000

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 2019
Awarded on 5th December, 2020

Consolidated annual financial statements

For the year ended 31 March 2021

Contents

Report of the directors

for the year ended 31 March 2021

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 2021.

Nature of business

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

Operating and financial review

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

Group revenue for the year decreased by 5.6 % to TZS974 391 million (2020: TZS1 032 667 million). Group operating profit decreased by 48.4 % to TZS49 514 million (2020: TZS95 999 million). The Group registered a net loss as compared to the net profit reported in the prior year. The decrease in profit being 165.8 % to a net loss of TZS30 106 million (2020: Net profit of TZS45 762 million).

Group earnings before interest; taxation; depreciation; amortisation; profit or loss on disposal of property, equipment and intangible assets; and share-based payments related expenses ("EBITDA") decreased by 13.4% to TZS 316 134 million (2020: TZS364 996 million) with an EBITDA margin of 32.4 %, representing a 2.9 % points decrease year-on-year.

Effective from 1 April 2020, our mobile money business operated as a separate legal entity named M-Pesa Limited, wholly owned by Vodacom Tanzania PLC, in compliance with the National Payment System Act. While M-Pesa Limited as a standalone business is profitable, the GSM business made a loss for the year. In the prior year the M-Pesa results were included in the Company results. This impacted the basis on which taxation was calculated in the current year, resulting in a materially higher tax charge compared with the prior year.

The Group's 90 days active customer base decreased to 14 861 thousand (2020: 15 513 thousand) representing a decrease of 4.2 % during the year.

Dividends

At the Annual General Meeting ('AGM') held on 30 October 2020, the shareholders approved a final dividend in line with the policy and a special dividend in respect of the financial year ended 31 March 2020. The final dividend of TZS12.26 (2020: TZS20.43) per share, equivalent to TZS27 462 million (2020: TZS38 819 million), and special dividend of TZS178.57 (2020: Nil) per share, equivalent to TZS 400 000 million payable from income reserves.

The final dividend amount was equivalent to 60% (2020: 60%) of net profit after tax.

The final dividend of TZS27 462 million as well as the special dividend of TZS400 000 million was paid on 13 November 2020 to shareholders recorded in the register at the close of trading on 19 August 2020 and 16 October 2020 respectively.

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

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

Considering the above, the dividend policy is to pay out at least 50% of profit after tax. The Board of Directors has therefore not recommend adividend for the financial year ended 31 March 2021.

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 TZS43 897 million as at 31 March 2021 (2020: TZS470 064 million) which included cash balances for the year and Government of Tanzania Treasury bill investments for the prior year totaling to TZS244 257 million (2020: TZS638 471 million).

Capital structure and shareholding

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

	2021 %	2020 %
Vodacom Group Limited	**75.00**	75.00
Other shareholders	**25.00**	25.00
	100.00	100.00

As at 31 March 2021, the Group's authorised share capital was TZS200 000 million comprising of 4 000 million ordinary shares with a par value of TZS50 while the issued share capital was TZS112 000 million comprising of 2 240 000 300 ordinary shares with a par value of TZS 50. There were no changes in the authorised and issued share capital during the year.

Capital expenditure and commitments

During the year, the Group invested TZS122 449 million (2020: TZS159 393 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 17 and 18 to the consolidated and separate financial statements.

Information about the Group's commitments is presented in Note 32 to the consolidated and separate financial statements.

Business plans and future developments

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

Subsidiaries and other controlled entities

The consolidated financial statements include the Company's wholly owned subsidiaries, that is, Vodacom Trust Limited which is a company limited by guarantee and having share capital; and M-Pesa Limited, Shared Networks Tanzania Limited ('SNT'), Vodacom Tanzania Limited (incorporated in Zanzibar), 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 and any monies gained from and/or relating to M-Pesa cellular phone money transfer services for the benefit of the users of the M-Pesa services. On 23 October 2018, the entity's name was changed from M-Pesa Limited to Vodacom Trust Limited following approval and issuance of the certificate of change of name by the Business Registration and Licensing Agency of Tanzania ('BRELA'). The change of name was necessary to enable compliance with the National Payment System Act, 2015. During the year, the deposits held in trust by Vodacom Trust Limited were transferred to the newly created Registered Trustees of M-Pesa Trust Funds in accordance with the National Payment Systems regulations, and the entity winding up process were initiated thereafter.

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, the directors resolved to winding up of the company after transferring its assets and liabilities to the Company. The net assets transfer was completed and a liquidator was appointed thereon.

Vodacom Tanzania Limited (incorporated in Zanzibar)

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

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 during the year.

Subsidiaries and other controlled entities continued

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. During the year the deposits that were held in the trust by Vodacom Trust Limited were transferred to the newly created entity. 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 and preventing the funds from risks by setting up appropriate safe safeguard and remedy measures; ensuring the separation and not commingle the trust account funds with funds for the other operations of the EMI.

Borrowings

The Group did not have any borrowings as at 31 March 2021 (2020: 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% (2020: 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 35 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 2020	Date of appointment	Date of resignation	In office at the reporting date
Directors				
Justice (Rtd) Thomas Mihayo	X	1 November 2020	–	✓
Andries Delport*	✓	–	14 May 2020	X
Margaret Ikongo (Acting Chairperson)	✓	1 December 2019	–	✓
Till Streichert***	✓	–	30 June 2020	X
Thembeka Semane*	✓	–	–	✓
Winifred Ouko^	✓	–	–	✓
Matimba Mbungela*	✓	–	–	✓
Diego Gutierrez^^	✓	–	–	✓
Kenneth Gomado^^^	✓	–	–	✓
Nkateko Nyoka*	✓	1 April 2020	–	✓
Sitholizwe Mdlalose****	X	14 July 2020	31 October 2020	X
Dejan Kastelic**	X	17 August 2020	–	✓
Raisibe Morathi*	X	1 November 2020	–	✓
Executive				
Hisham Hendi^^^^	✓	–	–	✓
Jacques Marais*	✓	–	–	✓
Company Secretary				
Caroline Mduma	✓	–	–	✓

* South African ** Slovenian *** German **** 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 realising corporate objectives and to safeguard shareholder interest;
- Reviewing and recommending to the Board the relevant criteria necessary to measure the performance of executive management in discharging their functions and responsibilities; and
- Developing and implementing a policy of remuneration philosophy.

Nomination Committee

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

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

Audit, Risk and Compliance Committee (ARCC)

The ARCC is responsible for:

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

Political and charitable donations

The Group did not make any political donations during the year (2020: None).

The Group made no donations to the Vodacom Tanzania Foundation during the year 2021 (2020: TZS315 million).

Corporate social responsibility

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

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

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

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

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

From inception to date, the Foundation has invested TZS16 150 million (2020: TZS16 150 million) in improving the Tanzania society. During the year the Board resolved to winding up the entity. It's principle activities will instead be run by the parent company.

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 of the Group if these disputes are not resolved favourably.

Capital allowances of telecommunication equipment

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

Contingent liabilities continued

- **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 2015 to 2017 tax years which resulted in certain disputed items in terms of the methodology and other Transfer Pricing aspects used to support the arm's length principle.

Litigation and other claims contingencies

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

The Group is subject to claims under contracts signed with other parties. Disputes can arise with other parties over the interpretation or application of contractual provisions. These disputes may not necessarily be resolved in a manner that is favourable to the Group, and the resolution of the disputes could result in an obligation to the Group. Management has assessed that no provision for claims is warranted as at period end (2020: None).

Other matters

Tanzania Revenue Authority Agency Notices

In July 2020 and August 2020, TRA issued two agency notices against the Company's bank accounts for TZS2.9 billion and TZS 17.5 billion. The agency notices required the banks to pay the amounts with immediate effect. The agency notices were enforced in full despite the Company's response to TRA demonstrating the incorrectness of the amounts in the agency notices as well as the fact that there are pending court cases relating to the matters.

The Company is following relevant legal processes as well as engaging TRA and other government authorities to resolve the matters.

Biometrics customer re-registration

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

The biometric registration process commenced in May 2019, with base migration required to be completed by December 2019. The deadline was later extended to 20 January 2020. The low penetration of NINs across the country largely impacted the biometric registration process. As disclosed in the Group's consolidated financial statements for the year ended 31 March 2020, the Group had not yet biometrically re-registered all SIM cards by 20 January 2020. Subsequent to the extension that ended on 20 January 2020, the TCRA directed that SIM cards not registered using biometrics and NINs should be barred from service in phases, which led to the Group barring 2.9 million of the unregistered SIM cards by 31 March 2020. It is estimated that about 793 000 of these SIM cards have since been biometrically registered and reconnected for service provisioning.

The barring of SIM cards negatively impacted the Group's revenue during the period. This together with the incremental costs incurred on the biometrics registration process negatively impacted the Group's financial results. The Group continues with the process to biometrically register the SIM cards not yet registered while following the TCRA guidelines and engaging with TCRA and industry peers to ensure that all SIM cards are re-registered.

SIM card registration regulations

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. As at 31 March 2021, a total of 1.1 million SIM cards generating TZS2.9 billion revenue per month remain non biometrically registered. We continue to engage with NIDA to ensure these customers are issued with a NIN, and also with TCRA with the aim to extend the deadline for registration to accommodate these customers who are yet to receive the NIN.

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, 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 up to 5 SIM cards if they follow the correct approval process. We continue to drive awareness to customers on SIM card verification process.

Other matters continued

SIM card registration regulations continued

During the year, NIDA entered into agreements with all mobile network operators to charge TZS500, effective from 1 August 2020, for the use of NIDA database information for subscriber verification, in line with the Registration and Identification of Persons Regulations 2014. Vodacom Tanzania Plc together with other operators are engaging the Government through the TCRA, Ministry of Communication and Technology with the aim to reduce the charge.

Data price reform

On 4 March 2021, the TCRA issued new rules and directive that introduced a retail price floor and ceiling for data services with effect from 2 April 2021. The data price floor was set at a minimum of TZS2.03 per Mb and a maximum of TZS9.35 per Mb, tax inclusive. The bundle rules also required mobile network operators to implement a maximum of 50 local bundles. On 2 April 2021, Vodacom Tanzania Plc together with other mobile network operators implemented the directives from the TCRA. Subsequent to the implementation, the TCRA directed mobile network operators to revert back to the previous bundle tariffs. We will continue to engage with the TCRA, Ministry of Communication and Technology and other relevant Government institutions on the importance of industry reform. We believe that, industry reform will foster capital investment in the country that will accelerate digital and financial inclusion.

Compliance orders and fines

On 5 May 2020, the TCRA issued a compliance order against the Company and other operators. Following the Company's defence on 12 June 2020, the TCRA issued a fine of TZS400 million against the Company on the basis that the Company failed to provide sufficiently clear terms and conditions and implement rollover options for unused bundle units before expiry. The Company paid the fine and will ensure compliance as directed by the TCRA.

In August 2020, the TCRA issued a non-compliance letter to the Company stating that during May 2020 and June 2020, the Company charged international voice termination rates below the minimum regulatory rate of US$ 0.25 contrary to Electronic and Postal Communications (Tele – Traffic) Regulations of 2018. The Company submitted clarifications to the TCRA outlining its compliance with the regulations.

Following the quality of service assessment conducted by the TCRA for the period of September to December 2020, a total of TZS38 billion was fined to all operators on failure to meet various KPIs. Vodacom Tanzania Plc was fined TZS7.8 billion on failure to meet 3 out of 102 KPIs that were assessed. However, instead of payment of this fine, Vodacom Tanzania entered into a binding commitment with TCRA to invest the equivalent value into its network to improve quality of service.

Events after the reporting period

The events after the reporting period are disclosed in Note 43 to the consolidated and separate financial statements. The Board is not aware of any other matter or circumstance arising since the end of the reporting period, not otherwise dealt with herein, which requires adjustment to or disclosure in the consolidated and separate financial statements.

Auditor

Ernst & Young, the auditor for the financial year 2021, 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 2022 will be put to the Annual General Meeting.

Consolidated and separate financial statements

The consolidated and separate financial statements for the year ended 31 March 2021 were approved and authorised for issue by the Board on 31 May 2021.

By order of the board

Justice (Rtd) Thomas B Mihayo
Chairman

Hisham Hendi
Managing Director

Statement of directors' responsibilities

for the year ended 31 March 2021

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 2021 were approved and authorised for issue by the Board of Directors on 31 May 2021.

Justice (Rtd) Thomas B Mihayo	**Hisham Hendi**
Chairman	Managing Director

Declaration by the Head of Finance

for the year ended 31 March 2021

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

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

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

I, **Robin Kimambo**, being the **Head of Finance Operations** of Vodacom Tanzania Public Limited Company hereby acknowledge my responsibility of ensuring that consolidated and separate financial statements for the year ended 31 March 2021 have been prepared in compliance with IFRS and the requirements of the Companies Act, 2002 No.12 of Tanzania.

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

Robin Kimambo
NBAA Membership No: GA4810
Head of Finance Operations

Date: 31 May 2021

Independent auditor's report

for the year ended 31 March 2021

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 80 to 138, which comprise the consolidated and separate statements of financial position as at 31 March 2021, 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 2021, 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 matters (continued)

No.	Key audit matter	How our audit addressed the key audit matter
1.	Application of IFRS 16 Leases	
	IFRS 16 Leases replaced IAS 17 Leases effective from 1 January 2019. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Group adopted IFRS 16 effective from 1 March 2019 using the modified retrospective approach. In applying this approach, the Group recognised in the statement of financial position right-of-use assets and lease liabilities relating to the leased telecommunication towers, office space, staff accommodation, retails shops, furniture and motor vehicles. We considered this to be a key audit matter because: • The amounts involved are significant to the consolidated and separate financial statements. For the consolidated financial statements, the right-of-use assets and liabilities as at year-end were TZS 470 155 and TZS 534 679 million respectively while the impact on the results for the year comprised of the depreciation charge on the right-of-use assets of TZS 86 312 million and interest expense on the lease liabilities of TZS64 040 million. • Application of the standard involved judgement including determination of the rates used to discount the minimum lease payments and considering how termination and renewal options in lease contracts impacted the lease terms. • The disclosures related to leases in Notes 5, 17 and 26 are significant to understanding the consolidated and separate financial statements.	Our audit procedures included, but were not limited to: • Reviewing management's IFRS 16 impact assessment and evaluating compliance with IFRS 16. • Checking that the inputs used in determining the lease liabilities and right-of-use assets, for example, lease terms minimum lease payments, agreed to supporting documentation and explanations. • Evaluating management's judgement applied in determining the incremental borrowing rates used as the discount rates and agreeing to the source documents supporting the borrowing rates considered. • Checking correctness of the inputs in the lease database by agreeing a sample of leases to lease contracts. • Reviewing the lease liabilities and right-of-use assets calculations including checking the arithmetic correctness and evaluating compliance with IFRS 16. • Comparing, on a sample basis, the disclosures in the consolidated and separate financial statements regarding the lease terms and conditions with the related lease contracts. • Assessing the adequacy of the Group's disclosures regarding lease arrangements.
2.	Accounting for uncertain tax positions	
	The Group is required to comply with a number of taxes including income taxes, Value Added Tax, excise duty and payroll taxes, among others. As disclosed in Note 33 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 33 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.

Other information

The directors are responsible for the other information. Other information consists of the information included in the Corporate Information (Page 68), Directors' Report (Page 68), Statement of Directors' Responsibilities (Page 75) and the Declaration by the Head of Finance (Page 75), 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.

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

To the shareholders of Vodacom Tanzania Public Limited Company

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

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

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

Report on other legal and regulatory requirements

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

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

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

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

Signed by Julius Rwajekare

Registration Number TACPA 2760
For and on behalf of Ernst & Young
Certified Public Accountants
Dar es Salaam, Tanzania

Date: 29 June 2021

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

for the year ended 31 March 2021

TZS m	Notes	Group 2021	Group 2020	Company 2021	Company 2020
Revenue	6	**974 391**	1 032 667	**625 747**	1 033 029
Direct expenses	7	**(301 533)**	(321 693)	**(165 053)**	(323 383)
Staff expenses	8	**(61 579)**	(57 671)	**(43 678)**	(57 631)
Publicity expenses		**(35 775)**	(30 571)	**(22 658)**	(30 570)
Other operating expenses	9(a)	**(260 064)**	(247 885)	**(222 738)**	(247 467)
Depreciation and amortisation	9(b)	**(264 039)**	(268 762)	**(251 348)**	(263 805)
Impairment charges	9(c)	**(1 887)**	(10 086)	**(3 004)**	(34 153)
Operating profit/(loss)		**49 514**	95 999	**(82 732)**	76 020
Finance income	10	**38 418**	50 465	**16 363**	32 907
Finance costs	11	**(85 232)**	(86 470)	**(64 465)**	(66 709)
Net gain on foreign currency translation	12	**3 627**	356	**3 636**	362
Profit/(loss) before tax		**6 327**	60 350	**(127 198)**	42 580
Income tax (expense)/credit	13(a)	**(36 433)**	(14 588)	**702**	(14 985)
(Loss)/profit for the year[1]		**(30 106)**	45 762	**(126 496)**	27 595
Other comprehensive income		**–**	–	**–**	–
Total comprehensive (loss)/income for the year, net of tax		**(30 106)**	45 762	**(126 496)**	27 595
		TZS	TZS		
Basic and diluted (loss)/earnings per share (TZS)	14	**(13.44)**	20.43		

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

Consolidated and separate statements of financial position

as at 31 March 2021

		Group		Company	
TZS m	Notes	**2021**	2020	**2021**	2020
Assets					
Non-current assets		**1 219 874**	1 298 663	**1 185 217**	1 271 376
Property and equipment	17	**1 041 226**	1 123 945	**1 030 942**	1 116 953
Intangible assets	18	**70 593**	78 510	**48 748**	59 854
Capacity prepayments	19	**46 559**	54 888	**46 559**	54 888
Goodwill	15	**1 639**	1 639	**–**	–
Income tax receivables[2]	13(d)	**39 772**	23 755	**39 772**	23 755
Trade and other receivables[3]	20	**18 696**	15 926	**18 696**	15 926
Investment in subsidiary		**–**	–	**500**	–
Deferred tax asset	13(e)	**1 389**	–	**–**	–
Current assets		**836 067**	1 097 226	**293 735**	759 634
Capacity prepayments	19	**13 188**	13 657	**13 188**	13 657
Inventory	21	**4 179**	2 004	**4 179**	2 004
Trade and other receivables[3]	20	**125 534**	100 815	**128 240**	107 244
Income tax receivable	13(d)	**4 726**	4 723	**8 205**	1 195
Financial assets[4]		**444 183**	337 556	**–**	–
Short term investment	22	**–**	164 643	**–**	164 643
Cash and cash equivalents	23	**244 257**	473 828	**139 923**	470 891
Total assets		**2 055 941**	2 395 889	**1 478 952**	2 031 010

2 These are deposits with TRA in respect to objected assessments for corporate tax.
3 Trade and other receivables as at 31 March 2021 include contract assets amounting to TZS2 785 million of which TZS788 million is non-current and TZS1 996 million is current (2020: current TZS1 829 million and non–current TZS941 million).
4 Financial assets relate to the restricted M-Pesa bank deposits.

Consolidated and separate statements of financial position continued

as at 31 March 2021

		Group		Company	
TZS m	Notes	**2021**	2020	**2021**	2020
Equity and liabilities					
Equity		**797 587**	1 255 152	**683 029**	1 236 984
Share capital	24	**112 000**	112 000	**112 000**	112 000
Share premium	24	**442 435**	442 435	**442 435**	442 435
Capital contribution	25	**27 698**	27 698	**27 698**	27 698
Retained earnings		**215 454**	673 019	**100 896**	654 851
Non-current liabilities		**466 184**	513 575	**466 184**	507 995
Lease liabilities	26	**461 627**	494 354	**461 627**	494 354
Government grants	27	**235**	1 616	**235**	1 616
Deferred tax liabilities	13(e)	**–**	13 800	**–**	8 220
Trade and other payables	29	**163**	186	**163**	186
Provision	30	**4 159**	3 619	**4 159**	3 619
Current liabilities		**792 170**	627 162	**329 739**	286 031
Lease liabilities	26	**73 052**	50 869	**73 052**	50 869
Trade and other payables[5]	29	**688 743**	552 167	**234 905**	223 028
Interest due to customers	29	**8 593**	11 992	**–**	–
Government grants	27	**1 383**	2 310	**1 383**	2 310
Provisions	30	**20 399**	9 824	**20 399**	9 824
Total liabilities		**1 258 354**	1 140 737	**795 923**	794 026
Total equity and liabilities		**2 055 941**	2 395 889	**1 478 952**	2 031 010

5 Trade and other payables include amounts due to M-Pesa customers of TZS439 099 million (2020: TZS329 068 million).

The consolidated and separate financial statements on pages 80 to 138 were approved and authorized for issue by the Board of Directors on 31 May 2021 and were signed on its behalf by:

Justice (Rtd) Thomas B Mihayo
Chairman

Hisham Hendi
Managing Director

Consolidated and separate statements of changes in equity

for the year ended 31 March 2021

Group

TZS m	Share capital (Note 24)	Share premium (Note 24)	Capital contribution (Note 25)	Retained earnings	Total
At 1 April 2020	**112 000**	**442 435**	**27 698**	**673 019**	**1 255 152**
Total comprehensive income for the year	**–**	**–**	**–**	**(30 106)**	**(30 106)**
Transactions with owners:					
Dividends declared	**–**	**–**	**–**	**(427 459)**	**(427 459)**
At 31 March 2021	**112 000**	**442 435**	**27 698**	**215 454**	**797 587**
At 31 March 2019	112 000	442 435	27 698	681 711	1 263 844
Total comprehensive income for the year	–	–	–	45 762	45 762
Transactions with owners:					
Dividend declared	–	–	–	(54 454)	(54 454)
At 31 March 2020	112 000	442 435	27 698	673 019	1 255 152

Company

TZS m	Share capital (Note 24)	Share premium (Note 24)	Capital contribution (Note 25)	Retained earnings	Total
At 1 April 2020	**112 000**	**442 435**	**27 698**	**654 851**	**1 236 984**
Total comprehensive income	**–**	**–**	**–**	**(126 496)**	**(126 496)**
Transactions with owners:					
Dividends declared	**–**	**–**	**–**	**(427 459)**	**(427 459)**
At 31 March 2021	**112 000**	**442 435**	**27 698**	**100 896**	**683 029**
At 31 March 2019	112 000	442 435	27 698	681 710	1 263 843
Total comprehensive income	–	–	–	27 595	27 595
Transactions with owners:					
Dividend declared	–	–	–	(54 454)	(54 454)
At 31 March 2020	112 000	442 435	27 698	654 851	1 236 984

Consolidated and separate statements of cash flows

for the year ended 31 March 2021

		Group		Company	
TZS m	Notes	**2021**	2020	**2021**	2020
Cash flows from operating activities					
Cash generated from operations	39(a)	**427 135**	344 244	**162 933**	361 550
Income tax paid	13(d)	**(67 642)**	(53 181)	**(30 545)**	(53 157)
Net cash flows generated from operating activities		**359 493**	291 063	**132 388**	308 393
Cash flows used in investing activities					
Additions to property and equipment, and intangible assets	39(b)	**(112 850)**	(159 350)	**(118 531)**	(159 350)
Investment in subsidiary		**–**	–	**(500)**	–
Proceeds from sale of property and equipment		**17**	719	**17**	719
Proceeds from transfer of assets to subsidiary (M-Pesa Limited)		**–**	–	**24 851**	–
Government grant received	27	**400**	2 838	**400**	2 838
Short term investments retired	22	**164 643**	54 933	**164 643**	54 933
Finance income received		**17 625**	31 118	**14 664**	32 907
(Increase)/decrease in cash held in restricted deposits		**(106 627)**	40 463	**–**	–
Interest received from M-Pesa deposits	10	**20 793**	19 347	**–**	–
Net cash flows used in investing activities		**(15 999)**	(9 932)	**85 544**	(67 953)
Cash flows used in financing activities					
Dividends paid		**(427 093)**	(54 459)	**(427 093)**	(54 459)
Interest paid on other borrowings		**–**	–	**–**	–
Lease liabilities interest paid	26	**(64 040)**	(67 034)	**(64 040)**	(66 702)
Payment of lease liabilities – principal	26	**(61 395)**	(43 455)	**(61 395)**	(39 856)
Interest paid to M-Pesa customers		**(24 165)**	(39 013)	**–**	–
Net cash flows used in financing activities		**(576 693)**	(203 961)	**(552 528)**	(161 017)
Net (decrease)/increase in cash and cash equivalents		**(233 199)**	77 170	**(334 596)**	79 423
Cash and cash equivalents at the beginning of the year		**473 828**	396 622	**470 891**	391 432
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	12	**3 628**	36	**3 628**	36
Cash and cash equivalents at 31 March	23	**244 257**	473 828	**139 923**	470 891

Notes to the annual financial statements

for the year ended 31 March 2021

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 140.

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 2021. The Company and all subsidiaries have the same reporting period and apply the same accounting policies.

Business combinations

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

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

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

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

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

3. Significant accounting policies continued

b) Consolidation continued

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

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

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

Accounting for subsidiaries

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

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

The consolidated financial statements include the Company's fully owned subsidiaries, Vodacom Trust Limited (previously M-Pesa Limited), which is a company limited by guarantee and having share capital; and Shared Networks Tanzania Limited, Vodacom Tanzania Limited (incorporated in Zanzibar) and M-Pesa Limited, which are private limited liability companies having share capital. The consolidated financial statements also include a consolidated structured entity, The Registered Trustees of M-Pesa 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 regularly reviewed by the Group Executive Committee and whether discrete financial information is available.

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

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

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

Refer to Note 40 for more details about operating segments.

d) Revenue recognition

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

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

3. Significant accounting policies continued

d) Revenue recognition continued

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

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

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

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

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

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

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

Other income

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

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

Revenue presentation: Gross versus Net

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

Contract-related costs

When costs directly relating to a specific contract are incurred prior to recognising revenue for a related obligation, and those costs enhance the ability of the Group to deliver an obligation and are expected to be recovered, then those costs are recognised on the statement of financial position as 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).

3. Significant accounting policies continued

e) Commissions

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

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

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

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

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

f) Intangible assets

The following are the main categories of intangible assets:

Intangible assets with an indefinite useful life

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

Intangible assets with a finite useful life

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

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

Licences

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

Computer software

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

g) Impairment of tangible and intangible assets

An impairment loss is recognised immediately in profit or loss if the recoverable amount of an asset is less than its carrying amount. Recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows from continuing use and ultimate disposal of the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

3. Significant accounting policies continued

g) Impairment of tangible and intangible assets continued

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

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

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

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

h) Property and equipment

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

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

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

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

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

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

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

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

i) Inventory

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

3. Significant accounting policies continued

j) Leases

Lease accounting policy – IFRS 16

As a lessee

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

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

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

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

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

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

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

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

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.

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 above

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

Trade receivables represent amounts owed by customers where the right to payment is conditional only on the passage of time. Trade receivables that are recovered in 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.

p) Offsetting of financial instruments

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

q) Cash and cash equivalents

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

r) Provisions

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

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

s) Borrowing costs

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

t) Non-current assets held-for sale

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

3. Significant accounting policies continued

u) Government grants

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

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

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

v) Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when either:

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

The Group classifies all other liabilities as non-current.

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

4. New accounting pronouncements

The new accounting pronouncements adopted by the Group on 1 April 2020 as well as the accounting pronouncements to be adopted in coming financial years are set out below:

Accounting pronouncements adopted on 1 April 2020

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 3 relating to the definition of a Business;
- Amendments to IAS 1 and IAS 8 relating to the definition of Material;
- Amendments to IFRS 9, IAS 39 and IFRS 7 relating to interest rate benchmark reform – Phase 1; and
- The Revised Conceptual Framework for Financial Reporting.

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

New accounting pronouncements to be adopted on or after 1 April 2021

- Amendments to IFRS 16 relating to COVID-19 Related rental concessions, issued by the IASB, is effective for periods commencing on or after 1 June 2021.
- This pronouncement is not expected to have a material impact on the consolidated income statement, consolidated statement of financial position or consolidated cash flow statement.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2, issued by the IASB, is effective for periods commencing on or after 1 January 2021. The Group is keeping abreast of developments relating to interest rate benchmark reform, as and when communicated by the relevant financial authorities. As at 31 March 2021, there were no changes to any of the interest rate benchmarks that the Group is exposed to. The Group will continue to asses the impact of interest rate benchmark reform as the revised benchmark rates are published.

4. New accounting pronouncements continued

The Group's financial reporting will be presented in accordance with the below new pronouncements, issued by the IASB, from 1 April 2021 or later where relevant, as the pronouncements become effective. The Group's work to assess the impact of these accounting changes is continuing; however, the changes are not expected to have a material impact on the consolidated income statement, consolidated statement of financial position or consolidated cash flow statement.

- 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;
- Amendments to IAS 1 relating to the classification of liabilities as current or non-current; and
- IFRS 17 Insurance Contracts.

No other standard, interpretation or amendment is expected to have a significant impact on the Group.

5. Critical accounting judgements and estimates

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

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

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

a) Involvement in subsidiaries

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

b) Impairment of non-financial assets reviews

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

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

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

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

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

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

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

Refer to Notes 15 and 16 for more information on the impairment assessment for goodwill and the investment in Shared Networks Tanzania Limited. Other non-financial assets are disclosed in Notes 17 and 18.

5. Critical accounting judgements and estimates continued

c) Revenue recognition and presentation

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

Determination of standalone selling price

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

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

Determination of standalone selling price

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

Presentation: gross versus net

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

Refer to Note 6 for further disclosures on revenue.

d) Recognition of deferred tax assets

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

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.

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) 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 34 for further disclosures on tax matters.

g) 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".

h) 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 30 and 33 for further disclosures on provisions and contingent liabilities.

5. Critical accounting judgements and estimates continued

i) 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.

j) 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 2021, the Group's intangible assets with finite useful lives amounted to TZS 78 510 million (2020: TZS74 740 million) and represented 3.28% (2020: 3.75%) of the Group's total assets.

Estimation of useful lives

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

Licenses

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

Computer software

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

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

Years	2021	2020
Licences	**3 – 25**	3 – 25
Computer software	**3 – 6**	3 – 6

Refer to Note 18 for further disclosures on intangible assets.

5. Critical accounting judgements and estimates continued

k) Property and equipment

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

Estimation of useful life and residual value

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

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

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

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

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

Years	2021	2020
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 17 for further disclosures on property and equipment.

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

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

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 20.

6. Revenue

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
Major products/service lines				
Customer service revenue	**883 798**	951 314	**530 361**	951 314
Mobile interconnect	**58 141**	53 204	**58 141**	53 204
Fixed service revenue	**14 318**	13 202	**14 318**	13 528
Other service revenue	**9 757**	7 196	**14 550**	7 232
Service revenue	**966 014**	1 024 916	**617 370**	1 025 278
Equipment revenue	**7 177**	6 412	**7 177**	6 412
Other non-service revenue	**686**	816	**686**	816
Revenue from contracts with customers	**973 877**	1 032 144	**625 233**	1 032 506
Interest income recognised as revenue	**514**	523	**514**	523
	974 391	1 032 667	**625 747**	1 033 029

Total future revenue from contracts with customers with performance obligations not satisfied at 31 March 2021 is TZS 2 810 million (2020: TZS50 055 million) of which TZS2 090 million (2020: TZS36 621 million) is expected to be recognised within the next year, with the remaining TZS720 million (2020: TZS13 434 million) in the following 12 months.

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

Revenue is further disaggregated per revenue stream as follows:

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
Mobile voice revenue	**311 506**	373 005	**311 904**	373 041
M-Pesa revenue	**356 801**	358 243	**212**	358 243
Mobile data revenue	**186 865**	180 840	**187 594**	180 840
Mobile incoming revenue	**58 141**	53 204	**58 141**	53 204
Messaging revenue	**31 877**	42 413	**33 902**	42 413
Other service revenue	**20 824**	17 211	**25 617**	17 537
Service revenue	**966 014**	1 024 916	**617 370**	1 025 278
Non-service revenue	**8 377**	7 751	**8 377**	7 751
	974 391	1 032 667	**625 747**	1 033 029

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

7. Direct expenses

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
Interconnect costs	**(34 445)**	(32 190)	**(34 445)**	(32 190)
Business managed services costs	**(87)**	(274)	**(87)**	(2 319)
Mobile prepaid airtime commission costs	**(57 226)**	(204 029)	**(71 921)**	(204 029)
M-Pesa Commission costs[6]	**(141 220)**	–	**–**	–
Regulatory fees	**(43 748)**	(45 910)	**(36 344)**	(45 627)
Mobile other costs	**(11 729)**	(5 121)	**(10 420)**	(5 049)
Acquisition costs	**(8 125)**	(28 742)	**(6 883)**	(28 742)
Retention costs	**(4 176)**	(3 964)	**(4 176)**	(3 964)
Stock obsolescence charge (Note 21)	**(777)**	(1 463)	**(777)**	(1 463)
	(301 533)	(321 693)	**(165 053)**	(323 383)

6 M-Pesa commission cost is the commission paid to M-Pesa agents for the M-Pesa withdrawals and deposits. The cost was included in the Mobile prepaid airtime commission costs in March 2020.

8. Staff expenses

TZS m	Group 2021	Group 2020	Company 2021	Company 2020
Wages and salaries, including other termination benefits	**(47 355)**	(49 377)	**(31 191)**	(49 354)
Share based compensation (Note 8.1)	**(702)**	(702)	**(702)**	(702)
Pension costs – defined contribution plans	**(4 204)**	(3 845)	**(3 687)**	(3 828)
Restructuring costs	**(2 582)**	–	**(2 582)**	–
Skills and Development Levy	**(1 759)**	(1 757)	**(1 533)**	(1 757)
Bonus expense	**(4 977)**	(1 990)	**(3 983)**	(1 990)
	(61 579)	(57 671)	**(43 678)**	(57 631)

8.1 Share based compensation

Vodacom Group Limited Forfeitable Share Plan (FSP)

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

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

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

9. Other expenses

	TZS m	Group 2021	Group 2020	Company 2021	Company 2020
a)	**Other operating expenses**				
	Network operating expenses	**(166 580)**	(158 458)	**(158 617)**	(158 458)
	Amortisation of Government grants (Note 27)	**2 003**	2 229	**2 003**	2 229
	Office administration expenses	**(53 414)**	(53 006)	**(27 363)**	(52 949)
	Other recoveries and expenses	**(10 625)**	(11 257)	**(8 531)**	(11 257)
	Amortisation of capacity prepayments (Note 19)	**(13 526)**	(13 447)	**(13 526)**	(13 447)
	Auditors' remuneration	**(685)**	(877)	**(543)**	(831)
	Audit fees	**(640)**	(605)	**(498)**	(559)
	Other charges	**(45)**	(272)	**(45)**	(272)
	Gain/(loss) on disposal of property and equipment and intangible assets	**1**	(202)	**1**	88
	Capacity leases and Right of way expenses	**(12 621)**	(12 053)	**(12 621)**	(12 053)
	Foreign exchange losses	**(3 987)**	(474)	**(2 911)**	(474)
	Tax penalty – Late payment of SNT WHT on shareholder's loan interest	**–**	(25)	**–**	–
	Donation to Charitable activities	**(630)**	(315)	**(630)**	(315)
		(260 064)	(247 885)	**(222 738)**	(247 467)
b)	**Depreciation and amortisation**				
	Depreciation (Note 17)	**(245 695)**	(253 715)	**(237 660)**	(250 163)
	Amortisation (Note 18)	**(18 344)**	(15 047)	**(13 688)**	(13 642)
		(264 039)	(268 762)	**(251 348)**	(263 805)
c)	**Impairment charges**				
	Expected credit losses (Note 20)	**(1 887)**	(10 086)	**(1 885)**	(10 086)
	Expected credit losses on loan due from SNT (Note 16)	**–**	–	**(1 119)**	(24 067)
		(1 887)	(10 086)	**(3 004)**	(34 153)

10. Finance income

TZS m	Group 2021	Group 2020	Company 2021	Company 2020
Interest income from cash, investments in government treasury bills and amounts due from related parties	**15 356**	31 118	**14 094**	32 907
	15 356	31 118	**14 094**	32 907
Interest income from M-Pesa cash balances	**20 793**	19 347	**–**	–
Interest on taxation income	**2 269**	–	**2 269**	–
	38 418	50 465	**16 363**	32 907

11. Finance costs

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

TZS m	Group 2021	Group 2020	Company 2021	Company 2020
Finance charge on lease liabilities (Note 26)	**(64 040)**	(67 041)	**(64 040)**	(66 708)
Interest on bank overdrafts	**(4)**	(1)	**(4)**	(1)
Interest expense on infrastructure assets (Note 30)	**(421)**	–	**(421)**	–
	(64 465)	(67 042)	**(64 465)**	(66 709)
Interest payable: M-Pesa customers	**(20 767)**	(19 428)	**–**	–
	(85 232)	(86 470)	**(64 465)**	(66 709)

12. Net gain on foreign currency translation

TZS m	Group 2021	Group 2020	Company 2021	Company 2020
SNT loan receivable	**–**	–	**9**	6
Lease liabilities (Note 26)	**(1)**	320	**(1)**	320
Cash and cash equivalents	**3 628**	36	**3 628**	36
	3 627	356	**3 636**	362

13. Income tax

a) Income tax expense

TZS m	Group 2021	Group 2020	Company 2021	Company 2020
Current income tax expense:	**(51 622)**	(46 475)	**(7 518)**	(46 451)
– In respect of the current year	**(44 104)**	(45 777)	**–**	(45 753)
– In respect of prior years	**(7 518)**	(698)	**(7 518)**	(698)
Deferred tax credit on origination and reversal of temporary differences	**15 189**	31 887	**8 220**	31 466
– In respect of the current year	**6 969**	31 740	**–**	31 319
– In respect of the prior year	**8 220**	147	**8 220**	147
Total income tax (expense)/credit	**(36 433)**	(14 588)	**702**	(14 985)

b) Components of deferred tax credited to profit or loss

TZS m	Group 2021	Group 2020	Company 2021	Company 2020
Property and equipment capital allowances	**(20 906)**	(24 509)	**(15 031)**	(24 088)
Unrealised foreign exchange losses	**(6 155)**	(67)	**(6 155)**	(67)
Provisions and deferred income	**11 872**	(7 311)	**12 966**	(7 311)
	(15 189)	(31 887)	**(8 220)**	(31 466)

13. Income tax continued

c) Factors affecting the tax expense for the year

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
Expected income tax expense on profit before tax at the Tanzania statutory tax rate	**1 898**	18 105	**(38 159)**	12 774
Adjusted for:				
– Non-deductible expenditure[7]	**7 446**	4 186	**5 748**	4 186
– Non-taxable gaming income	**(2 368)**	(2 526)	**(2 368)**	(2 526)
– Deferred tax credit on items not included in consolidated profit	**–**	(7 220)	**–**	–
– Deferred Tax Asset not recognised for tax losses and net deductible timing differences (Note 13g).	**20 979**	–	**26 560**	–
– Deferred tax credit not recognised – subsidiary	**961**	1 468	**–**	–
– Prior year tax, Prior year tax adjustments and Penalty[8]	**7 517**	575	**7 517**	551
	36 433	14 588	**(702)**	14 985

7 Non deductible expenditure includes charitable donations, dispute losses, fines and penalties.
8 The prior tax amount includes alternative minimum tax charged in a subsidiary.

The Tanzania statutory tax rate is 30% (2020: 30%). The Group's effective tax rate is 575.83% (2020: 24.17%). The Company's effective tax rate is negative 0.55% (2020: 35.19%).

The effective tax rate of 575.83% in the current year is significantly higher than the statutory rate of 30.0% partly due to the unrecognised deferred tax credit from a subsidiary and the company, prior year tax and prior year tax adjustments.

d) Income tax receivable

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
Opening balance	**28 478**	17 741	**24 950**	14 214
Current income tax expense	**(51 622)**	(46 475)	**(7 518)**	(46 451)
Additional tax deposits	**21 016**	4 030	**21 016**	4 030
Current income tax paid	**46 626**	53 182	**9 529**	53 157
Withholding tax deducted at source	**5 931**	4 518	**4 895**	4 518
Tax paid	**40 695**	48 664	**4 634**	48 639
Closing balance	**44 498**	28 478	**47 977**	24 950
Maturity analysis				
Non-current:	**39 772**	23 755	**39 772**	23 755
Pending tax matters	**39 772**	23 755	**39 772**	23 755
Current:	**4 726**	4 723	**8 205**	1 195
Current tax receivable	**4 726**	4 723	**8 205**	1 195
	44 498	28 478	**47 977**	24 950

13. Income tax continued

d) Income tax receivable continued

	Group		Company	
TZS m	2021	2020	2021	2020
Additional tax deposits*	21 016	–	21 016	–
Current income tax paid	46 626	53 182	9 529	53 157
	67 642	53 182	30 545	53 157

* The current year balance has been presented under the income tax paid line to align with the parent company presentation.

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.

e) Components of the recognised deferred tax assets and deferred tax liabilities

	Group		Company	
TZS m	2021	2020	2021	2020
Analysed after offset as follows:				
Deferred tax liabilities	–	22 202	–	16 622
Property and equipment capital allowances	–	21 629	–	16 049
Deferred income	–	573	–	573
Deferred tax assets	(1 389)	(8 402)	–	(8 402)
Unrealised foreign exchange losses	(295)	(1 290)	–	(1 290)
General provisions	(1 094)	(7 112)	–	(7 112)
Net deferred tax (assets)/liabilities	(1 389)	13 800	–	8 220

f) Reconciliation of the recognised net deferred tax balance

	Group		Company	
TZS m	2021	2020	2021	2020
At the beginning of the year	13 800	45 687	8 220	39 686
Credit to profit or loss	(15 189)	(31 887)	(8 220)	(31 466)
At the end of the year	(1 389)	13 800	–	8 220

g) Components of deferred tax assets not recognised

	Group		Company	
TZS m	2021	2020	2021	2020
Capital allowances	(3 563)	–	2 018	–
Unrealized Foreign exchange Losses	(6 064)	–	(6 064)	–
Provisions and deferred income	13 234	–	13 234	–
Tax losses	17 372	–	17 372	–
	20 979	–	26 560	–

14. (Loss)/earnings and dividend per share

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

	Group		Company	
	2021	2020	**2021**	2020
Basic and diluted (loss)/earning per share (TZS)	**(13.44)**	20.43	**(56.47)**	12.32
(Loss)/Earnings attributable to the shareholders (TZS m)	**(30 106)**	45 762	**(126 496)**	27 595
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**	54 454	**427 459**	54 454
Dividend per share (TZS) – declared during the year	**190.83**	24.31	**190.83**	24.31
Normal dividend declared during the year (TZS m)	**27 462**	54 454	**27 462**	54 454
Normal dividend per share (TZS) – declared during the year	**12.26**	24.31	**12.26**	24.31
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**	–

No dilutive instruments existed at year-end (2020: None).

15. Goodwill

On 19 July 2016, the Company acquired 100% of SNT. SNT held a license to use spectrum in the 900MHz band in rural Tanzania. A cash payment of TZS20 609 million (85%) was made in August 2016. The remaining balance of TZS 3 637 million equivalent to 15% of the total consideration was paid in March 2018. The goodwill was generated on acquisition date as show below:

Consideration transferred

TZS m	2018
Group	
Cash consideration	24 246
Net consideration	24 246

Assets acquired, and liabilities assumed at the date of acquisition

TZS m	**2021**
Group	
Fair value of net assets acquired	**22 258**
Property and equipment	**17 238**
Intangible assets	**24 101**
Trade and other receivables	**1 725**
Cash and cash equivalents	**35**
Trade and other payables	**(13 716)**
Deferred tax liability	**(7 125)**
Goodwill arising on acquisition	
Cash consideration	**24 246**
Less: Fair value of identifiable assets acquired	**(22 258)**
Goodwill arising on acquisition	**1 988**

15. Goodwill continued

	Group	
TZS m	2021	2020
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:

	Group	
TZS m	2021	2020
At 1 April	**349**	349
Impairment charge for the year	–	–
At 31 March	**349**	349

The goodwill impairment testing done as at year-end indicated no impairment charge (2020: TZSNil). In conducting the impairment assessment of the goodwill, an election was made to compare the carrying amount of the Cash Generating Unit to which the goodwill is allocated and fair value less costs of disposal as the recoverable amount. The goodwill was considered not impaired since the recoverable amount was higher than the carrying amount.

16. Loan due from subsidiary

The carrying amount of loan due from SNT were as follows:

TZS m	Loan receivable
At 1 April 2019	26 111
Additions	2 551
Interest accrued	1 337
Expected credit loss for the year [Note 9(c)]	(24 067)
At 31 March 2020	5 932
At 31 March 2020	5 932
Interest accrued	829
Revaluations	9
Offset as consideration for property and equipment received from SNT	(5 651)
Expected credit loss for the year [Note 9(c)]	(1 119)
At 31 March 2021	–

During the year, the directors resolved to wind up SNT after transferring its assets and liabilities to the Company following TCRA's approval to reassign the spectrum that was held by SNT to the Company in the prior year. A liquidator was appointed to facilitate the winding up of the affairs of the SNT. The loan receivable by the Company from SNT was impaired to the extent of the net carrying amount of the SNT assets transferable to the Company.

17. Property and equipment

Group

TZS m	Leasehold land & buildings	Network infrastructure & equipment	Other assets	Total
Net book value as at 1st April 2019	13 942	628 673	3 673	646 288
Cost	20 469	1 482 084	8 332	1 510 885
Accumulated depreciation	(6 527)	(853 411)	(4 659)	(864 597)
Initial Impact of IFRS 16	16 865	514 098	2 157	533 120
Net carrying value as at 1st April	30 807	1 142 771	5 830	1 179 408
Additions	540	192 720	226	193 486
Disposals – cost	–	(142 463)	(49)	(142 512)
Accumulated depreciation on disposed assets	–	142 456	49	142 505
Depreciation charge for the year	(3 476)	(250 012)	(227)	(253 715)
Cost reclassified from non-current assets held for sale	–	1 307	–	1 307
Increase in provision for site restoration obligation (Note 30)	–	3 619	–	3 619
Write-off	–	(153)	–	(153)
Transfer from work in progress to competed assets	–	(31)	31	–
Net book value as at 31st March 2020	27 871	1 090 214	5 860	1 123 945
Cost	37 874	2 051 181	10 697	2 099 752
Accumulated depreciation	(10 003)	(960 967)	(4 837)	(975 807)
Additions	–	161 945	947	162 892
Disposals – cost	–	(698)	–	(698)
Accumulated depreciation on disposed assets	–	682	–	682
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 (Note 30)	–	119	–	119
Net book value as at 31 March 2021	**26 338**	**1 010 463**	**4 425**	**1 041 226**
Cost	**37 874**	**2 212 485**	**11 644**	**2 262 003**
Accumulated depreciation	**(11 536)**	**(1 202 022)**	**(7 219)**	**(1 220 777)**

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 TZS10 935 million (2020: TZS21 489 million). The cost of these assets was not depreciated during the year (2020: 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 TZS8.0 billion. The future periods are expected to be impacted in a similar manner until when the useful lives are otherwise re-assessed and revised.

17. Property and equipment continued

Company

TZS m	Leasehold land & buildings	Network infrastructure & equipment	Other assets	Total
Net book value as at 1 April 2019	13 942	621 724	3 674	639 340
Cost	20 469	1 467 749	8 332	1 496 550
Accumulated depreciation	(6 527)	(846 025)	(4 658)	(857 210)
Initial Impact of IFRS 16	16 865	510 501	2 157	529 523
Net carrying value as at 1st April	30 807	1 132 225	5 831	1 168 863
Additions	540	192 720	226	193 486
Disposals – cost	–	(142 462)	(49)	(142 511)
Accumulated depreciation on disposed assets	–	142 456	49	142 505
Depreciation charge for the year	(3 476)	(246 460)	(227)	(250 163)
Cost reclassified from non-current assets held for sale	–	1 307	–	1 307
Increase in provision for site restoration obligation (Note 30)	–	3 619	–	3 619
Write-off	–	(153)	–	(153)
Transfer from work in progress to competed assets	–	(31)	31	–
Net book value as at 31 March 2020	27 871	1 083 221	5 861	1 116 953
Cost	37 874	2 033 679	10 697	2 082 250
Accumulated depreciation	(10 003)	(950 458)	(4 836)	(965 297)
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 (Note 30)	–	119	–	119
Transfer to subsidiary (M-Pesa Limited)	–	(17 010)	–	(17 010)
Net book value as at 31 March 2021	**26 338**	**1 000 178**	**4 426**	**1 030 942**
Cost	**37 874**	**2 183 227**	**11 644**	**2 232 745**
Accumulated depreciation	**(11 536)**	**(1 183 049)**	**(7 218)**	**(1 201 803)**

Included in the net book value balance of network infrastructure and equipment is the cost of assets under construction of 10 935 million (2020: TZS21 489 million). The cost of these assets was not depreciated during the year (2020: 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 TZS8.0 billion. The future periods are expected to be impacted in a similar manner until when the useful lives are otherwise re-assessed and revised.

17. Property and equipment continued

No property and equipment were pledged as collateral against borrowings at year-end (2020: None).

Land occupancy rights and buildings

	Group		Company	
TZS m	2021	2020	2021	2020
Plot No. 49-53, Block M, Mbezi Juu, Dar es Salaam, Tanzania, Certificate of Title No. 49468 (acquired in May 2007)	**7 721**	7 983	**7 721**	7 983
Plot No. 43, Kwale Road, Dar es Salaam, Tanzania, Certificate of Title No. 186031/10 (acquired in May 2001)	**2 198**	2 235	**2 198**	2 235
Plots No. 1 & 2, Block B, NCC Link Area, Dodoma Municipality (acquired in July 2005)	**1 082**	1 133	**1 082**	1 133
Plot No. 1999, Block M, Forest Area, Mbeya Municipality (acquired in April 2000)	**659**	691	**659**	691
Nyegezi Hill, Mwanza (acquired in October 2009)	**697**	737	**697**	737
Moshono Hill, Arusha (acquired in July 2009)	**679**	712	**679**	712
	13 036	13 491	**13 036**	13 491

The register with details of the cost price, cost of improvements and date of acquisition of the land occupancy rights and buildings is available for inspection at the Company's registered office. The remaining terms for the leasehold improvements vary between 13 and 70 years.

Right-of-use assets

The Group's and Company's property and equipment include the following right of use (ROU) assets recognised following the application of IFRS 16.

Group

TZS m	Leasehold land & buildings	Network infrastructure & equipment	Other assets	Total
Initial Impact of IFRS 16	16 865	514 098	2 157	533 120
Transfer of furniture finance lease assets to right of use assets	–	–	3 594	3 594
Additions	540	53 283	–	53 823
Depreciation	(3 027)	(81 894)	–	(84 921)
As at 31 March 2020	14 378	485 487	5 751	505 616
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)	(79 473)	(2 123)	(86 312)
As at 31 March 2021	**10 581**	**457 928**	**1 646**	**470 155**

17. Property and equipment continued

Right-of-use assets continued

Company

TZS m	Leasehold land & buildings	Network infrastructure & equipment	Other assets	Total
Initial Impact of IFRS 16	16 865	510 501	2 157	529 523
Transfer of furniture finance lease assets to right of use assets	–	–	3 594	3 594
Additions	540	53 283	–	53 823
Depreciation	(3 027)	(79 355)	–	(82 382)
As at 31 March 2020	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**

18. Intangible assets

Group

TZS m	Licences	Computer software	Total
Net book value as at 1 April 2019	42 712	32 028	74 740
Cost	48 682	60 728	109 410
Accumulated amortisation	(5 970)	(28 700)	(34 670)
Additions	4 807	14 923	19 730
Amortisation	(3 426)	(11 621)	(15 047)
Disposals – costs	(351)	(690)	(1 041)
Disposals – accumulated amortisation	55	73	128
Net book value as at 31 March 2020	43 797	34 713	78 510
Cost	53 138	74 961	128 099
Accumulated amortisation	(9 341)	(40 248)	(49 589)
Additions	3	10 405	10 408
Amortisation	(3 626)	(14 718)	(18 344)
Transfer from property and equipment – costs	–	62	62
Transfer from property and equipment – 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)**

18. Intangible assets continued

Company

TZS m	Licences	Computer software	Total
Net book value as at 1 April 2019	22 355	32 028	54 383
Cost	24 581	60 728	85 309
Accumulated amortisation	(2 226)	(28 700)	(30 926)
Additions	4 807	14 923	19 730
Amortisation	(2 022)	(11 620)	(13 642)
Disposals – costs	–	(690)	(690)
Disposals – accumulated amortisation	–	73	73
Net book value as at 31 March 2020	25 140	34 714	59 854
Cost	29 388	74 961	104 349
Accumulated amortisation	(4 248)	(40 247)	(44 495)
Additions	3	10 403	10 406
Amortisation	(2 222)	(11 466)	(13 688)
Transfer from property and equipment – costs	–	62	62
Transfer to subsidiary (M-Pesa Limited)	–	(7 843)	(7 843)
Transfer from property and equipment – accumulated amortisation	–	(43)	(43)
Net book value as at 31 March 2021	**22 921**	**25 827**	**48 748**
Cost	**29 391**	**77 583**	**106 974**
Accumulated amortisation	**(6 470)**	**(51 756)**	**(58 226)**

19. Capacity prepayments

The Company entered into long term (10 year) agreement with the Tanzania Telecommunication Company Limited ('TTCL') in the financial year ended 31 March 2014 for the provision of 1 Synchronous Transport Module ('STM') level-16 fibre optic capacity between various points of presence on the National Information and Communication Technology Backbone ('NICTBB'). The capacity increased to 2xSTM level-16 and 3xSTM level-4 in 2015.

The Company also made prepayments under NICTBB, Seacom, Zantel and Vodacom group fibre company (PanSA) leased line contracts for the provision of undersea fibre capacity. These were converted from short-term to long-term whereby the Company made an upfront payment for services over a 10-year period.

The movement in capacity prepayments are shown below:

	Group		Company	
TZS m	2021	2020	2021	2020
At 1 April	**68 545**	69 912	**68 545**	69 912
Additions	**4 728**	12 080	**4 728**	12 080
Amortisation for the year [Note 9(a)]	**(13 526)**	(13 447)	**(13 526)**	(13 447)
At 31 March	**59 747**	68 545	**59 747**	68 545
Non-current	**46 559**	54 888	**46 559**	54 888
Current	**13 188**	13 657	**13 188**	13 657
	59 747	68 545	**59 747**	68 545

20. Trade and other receivables

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
a) Non-current				
Contract assets	**788**	941	**788**	941
Deposits in relation to indirect taxes	**17 908**	14 985	**17 908**	14 985
	18 696	15 926	**18 696**	15 926
b) Current				
Trade receivables	**76 527**	62 468	**70 716**	64 338
Prepayments	**26 561**	24 034	**22 841**	25 059
Intergroup receivables (Note 35)	**5 279**	3 551	**22 075**	9 483
Contract assets	**1 996**	1 829	**1 996**	1 829
Other receivables	**15 171**	8 933	**10 612**	6 535
	125 534	100 815	**128 240**	107 244

None of the above assets are either past due or impaired except for the following amounts that are included in the provision for expected credit losses.

The trade receivables are stated net of expected credit losses based on the management's assessment of the counterparty's creditworthiness. All receivables are individually tested for impairment.

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
At 1 April	**(45 274)**	(44 643)	**(45 203)**	(44 643)
Bad debts written off	**4 876**	9 455	**4 876**	9 526
Charge to profit or loss [Notes 9(c)]	**(1 887)**	(10 086)	**(1 885)**	(10 086)
At 31 March	**(42 285)**	(45 274)	**(42 212)**	(45 203)

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

21. Inventory

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
Goods held for resale	**4 179**	2 004	**4 179**	2 004
	4 179	2 004	**4 179**	2 004

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

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
At 1 April	**(3 434)**	(1 971)	**(3 434)**	(1 971)
Increase in provision (Note 7)	**(777)**	(1 463)	**(777)**	(1 463)
At 31 March	**(4 211)**	(3 434)	**(4 211)**	(3 434)

The cost of inventories recognised during the year ended 31 March 2021 was TZS14 984 million (2020: TZS13 646 million).

22. Short-term investments

The Company liquidated all its short term investments in treasury bills during the year. Treasury bills amounting to TZS 164 643 million had not matured by year-end March 2020. The treasury bills in the prior year were unsecured and bore interest rates of 6.20% to 9.15%. The fair value of the short-term investments approximates the carrying amount due to the short-term maturity.

23. Cash and cash equivalents

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
Cash at bank and on hand	**242 303**	352 913	**137 969**	349 976
M-Pesa balances	**1 954**	2 850	**1 954**	2 850
Short-term deposits	**–**	118 065	**–**	118 065
Bank and cash balances presented in the statement of financial position	**244 257**	473 828	**139 923**	470 891
Cash and cash equivalents presented in the statement of cash flows	**244 257**	473 828	**139 923**	470 891

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

24. Share capital and premium

The Group is controlled by its parent Vodacom Group Limited, which, as at 31 March 2021, owned 75% of the Company's issued shares with the remaining 25% of the issued shares held by the public.

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
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)[9]	**(5 565)**	(5 565)	**(5 565)**	(5 565)
Share premium (TZS m)	**442 435**	442 435	**442 435**	442 435

9 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.

25. Capital contribution

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
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.

26. Lease liabilities

The Group has the following lease arrangements:

- Leases of office furniture and fittings with Paloma Park Limited. This lease arrangement bears interest at a fixed rate of 2.62% per annum over the lease term of 8 years. The lease payments will be made monthly from August 2020.
- 3 286 lease contracts for telecommunication towers with various vendors (2020: 3 262). These leases generally have terms of 5 to 12 years.
- 35 lease contracts for properties (2020: 35) and 91 lease contracts for motor vehicles (2020: 85) that have lease terms of 2 to 8 years.

The Group also has certain leases of staff accommodation with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
At 1 April	**545 223**	5 801	**545 223**	5 801
Impact of initial application of IFRS 16	**–**	529 367	**–**	525 770
At 1 April – Restated	**545 223**	535 168	**545 223**	531 571
Additions for the year	**50 850**	53 823	**50 850**	53 823
Accretion of interest (Note 11)	**64 040**	67 041	**64 040**	66 708
Translation differences (Note 12)	**1**	(320)	**1**	(320)
Payments – principal	**(61 395)**	(43 455)	**(61 395)**	(39 855)
Payments – interest	**(64 040)**	(67 034)	**(64 040)**	(66 704)
At 31 March	**534 679**	545 223	**534 679**	545 223
The carrying amount is due as follows:				
Non-current	**461 627**	494 354	**461 627**	494 354
Current	**73 052**	50 869	**73 052**	50 869
	534 679	545 223	**534 679**	545 223

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

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
Depreciation of right of use assets	**86 312**	84 921	**85 254**	82 382
Interest expense on lease liabilities	**64 040**	67 041	**64 040**	66 708
Expense relating to short-term leases	**442**	901	**442**	901
Expenses relating to low-value assets	**71**	79	**71**	79
	150 865	152 942	**149 807**	150 070

Expenses relating to short-term leases are staff benefit costs included under payroll cost and low-value items relate to office equipment and are included in the Other Operating expenses.

26. Lease liabilities continued

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

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
Payments relating to the recognised lease liabilities	**125 435**	110 489	**125 435**	106 559
Payments for short-term leases	**442**	901	**442**	901
Payments for low-value assets	**71**	79	**71**	79
	125 948	111 469	**125 948**	107 539

The Group also had non-cash additions to right-of-use assets and lease liabilities of TZS50 850 million during the year (2020: TZS53 823 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 36.3, 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.

27. 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	**2021**	2020	**2021**	2020
At 1 April	**3 926**	5 301	**3 926**	5 301
Received during the year	**400**	2 838	**400**	2 838
Amortised during the year (Note 9)	**(2 003)**	(2 229)	**(2 003)**	(2 229)
Amounts matched with cost of funded assets	**(705)**	(1 984)	**(705)**	(1 984)
At 31 March	**1 618**	3 926	**1 618**	3 926
Non-current	**235**	1 616	**235**	1 616
Current	**1 383**	2 310	**1 383**	2 310
	1 618	3 926	**1 618**	3 926

During the year, the company did not receive an advance grant (2020: TZS1 685 million) from UCSAF for the provision of communication services in rural areas. Last year the grant covers 22 rural areas. The group did not have any unfulfilled conditions and other contingencies attaching to the recognised government grant.

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.

28. Borrowings

The Company had no borrowing at the end of the year.

Bank overdrafts

The Group has an unsecured bank overdraft facility with Citibank Tanzania Limited of US$ 14.5 million (2020: US$14.5 million) which attracts interest at six months US$ LIBOR + 3.75%. During the year the group utilised Nil (2020: Nil). In addition, the group has a standby letter of credit and guarantee facility of US$5.5 million and maintenance of supply chain finance of US$ 7 million.

29. Trade and other payables

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
Non-current				
Deferred income	**163**	186	**163**	186
	163	186	**163**	186

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
Current				
Trade payables	**21 023**	21 247	**20 973**	21 226
Capital expenditure creditors	**33 604**	23 701	**33 604**	23 701
Value Added Tax	**18 997**	12 904	**11 178**	12 904
Excise duty	**12 829**	9 651	**9 047**	9 651
Accruals	**124 066**	113 369	**117 058**	113 319
Deposits due to M-Pesa agents and customers	**439 099**	329 068	**–**	–
Deferred revenue	**19 218**	18 033	**19 148**	18 033
Other payables	**9 810**	4 948	**3 665**	4 948
Payables to related parties (Note 35)	**10 097**	19 246	**20 232**	19 246
	688 743	552 167	**234 905**	223 028
Interest due to customers	**8 593**	11 992	**–**	–
	697 336	564 159	**234 905**	223 028

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

30. Provisions

The Group is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the outcome of these proceedings to have the total probable exposure indicated below. Other provisions are disclosed below.

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
At 1 April	**13 443**	7 911	**13 443**	7 911
(Decrease)/ increase in provision – legal cases	**(1 446)**	1 087	**(1 446)**	1 087
Increase in provision – marketing fees	**5 149**	826	**5 149**	826
Increase in provision – site restoration obligation (Note 17)	**119**	3 619	**119**	3 619
Increase in provision – interest expense on infrastructure (Note 11)	**421**	–	**421**	–
Increase in provision – restructuring	**2 582**	–	**2 582**	–
Increase in provision – tax assessments and disputes	**4 290**	–	**4 290**	–
At 31 March	**24 558**	13 443	**24 558**	13 443

30. Provisions continued

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
Comprising of:				
Non-current				
Site restoration obligation	**4 159**	3 619	**4 159**	3 619
Current				
Legal obligation	**2 353**	3 799	**2 353**	3 799
Marketing fees	**11 174**	6 025	**11 174**	6 025
Restructuring costs	**2 582**	–	**2 582**	–
Tax assessments and disputes	**4 290**	–	**4 290**	–
	20 399	9 824	**20 399**	9 824
Total provisions	**24 558**	13 443	**24 558**	13 443

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

31. Interest in other entities – Company

The Company has interests in the following entities:

Vodacom Trust Limited (previously known as M-Pesa 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 and any 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. During the period, the deposits held in trust by Vodacom Trust Limited were transferred to The Registered Trustees of M-Pesa in accordance with the National Payment Systems regulations. The entity's directors resolved to wind up the entity and the liquidator was appointed by the directors on 19 May 2020.

Below is an extract from the separate financial statements of Vodacom Trust Limited:

TZS m	**2021**	2020
Statement of financial position		
Total assets	–	343 989
Net assets	–	10
Statement of profit or loss and other comprehensive income		
Total income	–	118
Total expenses	–	(37)

31. Interest in other entities – Company continued

M-Pesa Limited

The entity started operating independent of the Company on 1 April 2020 with its own organisation structure, staff and accounting records. The entity is consolidated in the Company's consolidated financial statements. M-Pesa Limited represents a new entity that was incorporated on 26 October 2018 as a company limited by shares and is controlled by the Company. In accordance with the National Payment Systems regulations which became effective in July 2016, this entity applied for the Electronic Money Issuance (EMI) licence which was issued by Bank of Tanzania on 13 March 2019. Following the receipt of the EMI licence, the entity's principal activities is operating mobile financial services under the Electronic Money Issuance regulations issued by the Bank of Tanzania.

The M-Pesa Limited shareholders paid up the issued share capital of TZS500 million during the year 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	2021	2020
Statement of financial position		
Total assets	**142 224**	–
Net assets	**93 613**	–
Statement of profit or loss and other comprehensive income		
Total income	**371 465**	–
Total expenses	**(288 330)**	–

The 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 and preventing the funds from risks by setting up appropriate safe safeguard and remedy measures; ensuring the separation and not commingle the trust account funds with funds for the other operations of the EMI.

The entity started operating independent of the Company on 1 April 2020 with its own governance and organisation structure, staff and accounting records. The entity is consolidated in the Company's consolidated financial statements. The deposits held in trust by Vodacom Trust Limited were transferred to the Trust during the period.

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

TZS m	2021	2020
Statement of financial position		
Total assets	**447 972**	–
Net assets	**–**	–
Statement of profit or loss and other comprehensive income		
Total income	**20 793**	–
Total expenses	**(20 793)**	–

Vodacom Tanzania Limited (incorporated in Zanzibar)

Vodacom Tanzania Limited was incorporated and registered in Zanzibar on 20 July 2000 under the Companies Act, 2013 of Zanzibar. This entity has authorised share capital of 1 000 000 ordinary shares with a par value of TZS100 per share. The entity has unpaid share capital of 100 shares. 99 shares were issued to the Company. This entity has remained dormant since its incorporation and following a voluntary liquidation process, the entity was struck off the Zanzibar Register of Companies.

31. Interest in other entities – Company continued

Vodacom Tanzania Foundation Limited (the 'old foundation')

The old foundation was established and registered on 29 October 2007 under The Companies Act, No. 12 of 2002 as a company limited by guarantee and without share capital. The guarantee is limited to TZS1 000 per guarantor. The old foundation has four guarantors, one of which is the Company. The old foundation's principal activities were charitable in nature.

Below is an extract from the financial statements of the old foundation:

TZS m	2021	2020
Statement of financial position		
Total assets	–	1 279
Net liabilities	–	(1 209)
Statement of profit or loss and other comprehensive income		
Donation income	–	315
Operating expenses	–	(490)
Income tax expense	–	(668)

The old foundation was required to use donations in the year when the donations are received. However, due to the nature of the charitable activities performed by the old foundation, there were often timing differences between receiving and using donations. The old foundation ceased to exist during the prior year as elaborated below.

Vodacom Tanzania Foundation (the 'new foundation')

Following the amendment of the Companies Act, 2002 of Tanzania by Miscellaneous Amendment Act, No. 3 of 2019 which came into force on 30 June 2019, the authority to register entities which prohibit distribution of profits and which do not intend to promote commerce was transferred from BRELA to the Registrar of Non-Government Organisations ('NGOs'). Consequently, BRELA issued a public notice stating that on 30 August 2019, the Registrar of Companies shall not maintain in the Registry of Companies records of any company which prohibits distribution of profits and does not intend to promote commerce, and advised the companies affected to communicate with the Registrar of NGOs to be provided with guidance and directives on registration as NGOs as per the Miscellaneous Amendment Act, No. 3 of 2019. The Foundation was affected by this change in law as it was incorporated as a company limited by guarantee with no profit objective. Consequently, the Foundation was struck off the Registry of Companies on 30 August 2019. Another entity, Vodacom Tanzania Foundation, was registered with the Registrar of NGOs under the Ministry of Health, Community Development, Gender, Elderly and Children in accordance with the Non-Governmental Organisations Act of 2002 (revised 2005) and the Non-Governmental Organisations (Amendments) Regulations of 2018 (together, the "NGO Act and Regulations") of Tanzania. The new foundation remained inactive until year-end. During the year, the founding members resolved to wind up the new foundation and appointed a liquidator to oversee the winding up process.

Shared Networks Tanzania Limited ('SNT')

Below is an extract from the SNT financial statements:

TZS m	2021	2020
Statement of financial position		
Total assets	**2 462**	9 454
Net liabilities	**(24 306)**	(22 149)
Statement of profit or loss and other comprehensive income		
Revenue	–	2 008
Total expenses	**(2 157)**	(6 903)

Refer to Notes 15 and 16 for further information on SNT.

32. Commitments

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
Lease commitments [Note (a)]	**773 505**	735 902	**773 505**	735 902
Capital expenditure contracted for but not yet incurred [Note (b)]	**25 303**	11 945	**25 303**	11 945
Other (including sports and marketing commitments)	**124 754**	67 627	**124 754**	67 627
	923 562	815 474	**923 562**	815 474

a) Lease commitments

Future minimum lease payments under irrevocable lease arrangements:

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
Within one year	**121 829**	91 242	**121 829**	91 242
Between one and five years	**482 868**	443 515	**482 868**	443 515
More than five years	**168 808**	201 145	**168 808**	201 145
	773 505	735 902	**773 505**	735 902

The lease terms vary between six months and fifteen years and the lease rent escalates annually on the anniversary date using fixed or consumer price index rates with an option to renew on the same terms and conditions.

b) Capital commitments

Capital commitments for property and equipment will be financed through internally generated funds and extended supplier credit.

33. Contingent liabilities

Tax matters

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

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

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

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

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

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

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

- **Withholding tax on satellite, international roaming and undersea cable services**
  The assessments received by the Company in respect of withholding tax on satellite services, international roaming and undersea cable services provided by foreign suppliers are also currently in the court process. The Company did not withhold the foreign services withholding tax on these telecommunication services as Tanzania is a member of the International Telecommunication Union ("ITU") and is a signatory to the ITU conventions that established the elimination of double taxation of international telecommunication services. The Company has provided evidence (attestation) from the ITU that these agreements were ratified in Tanzania by the Court.

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

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

  The Group is subject to claims under contracts signed with other parties. Disputes can arise with other parties over the interpretation or application of contractual provisions. These disputes may not necessarily be resolved in a manner that is favourable to the Group, and the resolution of the disputes could result in an obligation to the Group. Management has assessed that no provision for claims is warranted as at year-end (2020: None).

Refer to Note 30 for further disclosures.

34. Other matters

Tanzania Revenue Authority Agency Notices

In July 2020 and August 2020, TRA issued two agency notices against the Company's bank accounts for TZS2.9 billion and TZS 17.5 billion. The agency notices required the banks to pay the amounts with immediate effect. The agency notices were enforced in full despite the Company's response to TRA demonstrating the incorrectness of the amounts in the agency notices as well as the fact that there are pending court cases relating to the matters.

The Company is following relevant legal processes as well as engaging TRA and other government authorities to resolve the matters

Biometrics customer re-registration

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

The biometric registration process commenced in May 2019, with base migration required to be completed by December 2019. The deadline was later extended to 20 January 2020. The low penetration of NINs across the country largely impacted the biometric registration process. As disclosed in the Group's consolidated financial statements for the year ended 31 March 2020, the Group had not yet biometrically re-registered all SIM cards by 20 January 2020. Subsequent to the extension that ended on 20 January 2020, the TCRA directed that SIM cards not registered using biometrics and NINs should be barred from service in phases, which led to the Group barring 2.9 million of the unregistered SIM cards by 31 March 2020. It is estimated that about 793 000 of these SIM cards have since been biometrically registered and reconnected for service provisioning.

The barring of SIM cards negatively impacted the Group's revenue during the period. This together with the incremental costs incurred on the biometrics registration process negatively impacted the Group's financial results. The Group continues with the process to biometrically register the SIM cards not yet registered while following the TCRA guidelines and engaging with TCRA and industry peers to ensure that all SIM cards are re-registered.

SIM card registration regulations

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. As at 31 March 2021, a total of 1.1 million SIM cards generating TZS2.9 billion revenue per month remain non biometrically registered. We continue to engage with NIDA to ensure these customers are issued with NIN, and also with TCRA with the aim to extend the deadline for registration to accommodate these customers who are yet to receive the NIN.

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, 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 up to 5 SIM cards if they follow the correct approval process. The Company continues to drive awareness to customers on SIM card verification process.

During the year, NIDA entered into agreements with all mobile network operators to charge TZS500, effective from 1 August 2020, for the use of NIDA database information for subscriber verification, in line with Registration and Identification of Persons Regulations 2014. Vodacom Tanzania PLC together with other operators are engaging the Government through TCRA, Ministry of Communication and Technology with the aim to reduce the charge.

34. Other matters continued

Data price reform

On 4 March 2021, TCRA issued new rules and directive that introduced a retail price floor and ceiling for data services with effect from 2 April 2021. The data price floor was set at a minimum of TZS2.03 per Mb and a maximum of TZS9.35 per Mb, tax inclusive. The bundle rules also required mobile network operators to implement a maximum of 50 local bundles. On 2 April 2021, Vodacom Tanzania PLC together with other mobile network operators implemented the directives from TCRA. Subsequent to the implementation, TCRA directed mobile network operators to revert back to the previous bundle tariffs. We will continue to engage with TCRA, Ministry of Communication and Technology and other relevant Government institutions on the importance of industry reform. We believe that, industry reform will foster capital investment in the country that will accelerate digital and financial inclusion.

Compliance orders and fines

On 5 May 2020, TCRA issued a compliance order against the Company and other operators. Following the Company's defence on 12 June 2020, TCRA issued a fine of TZS400 million against the Company on the basis that the Company failed to provide sufficiently clear terms and conditions and implement rollover options for unused bundle units before expiry. The Company paid the fine and will ensure compliance as directed by TCRA.

In August 2020, TCRA issued a non-compliance letter to the Company stating that during May 2020 and June 2020, the Company charged international voice termination rates below the minimum regulatory rate of US$ 0.25 contrary to Electronic and Postal Communications (Tele – Traffic) Regulations of 2018. The Company submitted clarifications to TCRA outlining its compliance with the regulations.

Following the quality of service assessment conducted by TCRA for the period of September to December 2020, a total of TZS38 billion was fined to all operators on failure to meet various KPIs. Vodacom Tanzania PLC was fined TZS7.8 billion on failure to meet 3 out of 102 KPIs that were assessed. However, instead of payment of this fine, Vodacom Tanzania entered into a binding commitment with TCRA to invest the equivalent value into its network to improve quality of service.

Interest in other entities

Vodacom Trust Limited (previously known as M-Pesa 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 and any 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. During the period, the deposits held in trust by Vodacom Trust Limited were transferred to The Registered Trustees of M-Pesa Trust Funds in accordance with the National Payment Systems regulations. The entity's directors resolved to wind up the entity and the liquidator was appointed by the directors on 19 May 2020.

M-Pesa Limited

The entity started operating independent of the Company on 1 April 2020 with its own organisation structure, staff and accounting records. The entity is consolidated in the Company's consolidated financial statements. M-Pesa Limited represents a new entity that was incorporated on 26 October 2018 as a company limited by shares and is controlled by the Company. In accordance with the National Payment Systems regulations which became effective in July 2016, this entity applied for the Electronic Money Issuance (EMI) licence which was issued by Bank of Tanzania on 13 March 2019. Following the receipt of the EMI licence, the entity's principal activities is operating mobile financial services under the Electronic Money Issuance regulations issued by the Bank of Tanzania.

The Registered Trustees of M-Pesa Trust Funds (the "Trust")

The entity started operating independent of the Company on 1 April 2020 with its own governance and organisation structure, staff and accounting records. The entity is consolidated in the Company's consolidated financial statements. The Trust was incorporated under the provisions of The Trustees Incorporation Act, Cap 318 of Tanzania on 25 September 2019 with registration number 5656. The deposits held in trust by Vodacom Trust Limited were transferred to the Trust during the period.

Post-employment benefits

Subject to eligibility, all employees of the Group are members of the National Social Security Fund of Tanzania ('NSSF') which is a defined contribution pension scheme for which both the Group and each employee contribute 10% of the gross remuneration per month.

The Group has no legal or constructive obligation to pay contributions to NSSF if the fund does not hold sufficient assets to pay any employee the benefits relating to his or her employment in the current and prior periods.

35. 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	**2021**	2020	**2021**	2020
Balances with related parties				
Trade and other receivables				
Vodafone Group Plc (Ultimate parent)	**3 241**	1 391	**3 241**	1 391
Vodacom Group Limited (Immediate parent)	**2 038**	2 160	**2 038**	2 160
SNT (Subsidiary) [Note 16]	**–**	–	**–**	5 932
M-Pesa Limited	**–**	–	**15 666**	–
Registered Trustees of M-Pesa	**–**	–	**1 130**	–
	5 279	3 551	**22 075**	9 483
Trade payables				
Vodafone Group Plc (Ultimate parent)	**(3 059)**	(16 455)	**(3 059)**	(16 455)
Vodacom Group Limited (Immediate parent)	**(2 323)**	(2 791)	**(2 322)**	(2 791)
M-Pesa Limited	**–**	–	**(14 851)**	–
M-Pesa Africa	**(4 715)**	–	**–**	–
	(10 097)	(19 246)	**(20 232)**	(19 246)

The amount due from SNT relates to the loans advanced by the Company comprising principal amounts of TZS20 billion (at the Bank of Tanzania statutory minimum rate) and US$ 2.2 million (bearing interest at six-month LIBOR plus 3.0%). The other amounts due from/to related parties are interest free. All the balances due from/to related parties are due on demand and are unsecured.

Refer to Note 16 for further disclosures including the expected credit loss recognised on the amount due from SNT.

Transactions with related parties

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
Vodafone Group Plc and its subsidiaries				
Revenue	**2 811**	1 783	**2 811**	1 783
Direct costs	**(996)**	(2 481)	**(996)**	(2 481)
Other operating expenses	**(7 615)**	(21 227)	**(2 960)**	(21 227)
Donation to Vodacom Tanzania Foundation	**–**	(315)	**–**	(315)
	(5 800)	(22 240)	**(1 145)**	(22 240)
Vodacom Group Limited subsidiaries – Mozambique, DRC, Mauritius and Lesotho				
Revenue	**1 189**	597	**1 189**	597
Direct costs	**(199)**	(24)	**(199)**	(24)
Other operating expenses	**(2 450)**	(3 654)	**(2 450)**	(3 654)
	(1 460)	(3 081)	**(1 460)**	(3 081)
Vodacom Group Limited – South Africa				
Revenue	**4 522**	8 213	**4 522**	8 213
Direct costs	**(1 708)**	(2 682)	**(1 708)**	(2 682)
Other operating expenses	**(11 504)**	(12 224)	**(11 504)**	(12 224)
	(8 690)	(6 693)	**(8 690)**	(6 693)
Shared Networks Tanzania Limited				
Revenue	**–**	–	**–**	2 008
Direct costs	**–**	–	**–**	(681)
	–	–	**–**	1 327

35. Related parties continued

Transactions with related parties continued

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
Key management compensation				
Short-term employee benefits	**(8 262)**	(7 324)	**(7 572)**	(7 324)
Long-term employee benefits	**(963)**	(786)	**(909)**	(786)
	(9 225)	(8 110)	**(8 481)**	(8 110)
Non-executive directors				
Non-executive directors' fees	**(1 236)**	(1 097)	**(1 122)**	(1 097)
	(1 236)	(1 097)	**(1 122)**	(1 097)
Executive directors				
Short-term employee benefits	**(3 115)**	(3 166)	**(3 115)**	(3 166)
Long-term employee benefits	**(607)**	(379)	**(607)**	(379)
	(3 722)	(3 545)	**(3 722)**	(3 545)

36. Risk management policies and objectives

36.1 Financial instruments carrying amounts

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

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
Financial assets				
Trade receivables	**76 527**	62 468	**70 716**	64 338
Other receivables	**15 171**	8 934	**10 612**	6 535
Cash and Bank Balances (Note 23)	**242 303**	352 913	**137 969**	349 976
M-Pesa balances (Note 23)	**1 954**	2 850	**1 954**	2 850
Financial assets: M-Pesa bank deposits	**444 183**	337 556	**–**	–
Short term investments: Treasury Bills	**–**	164 643	**–**	164 643
Short term deposits (Note 23)	**–**	118 065	**–**	118 065
Intergroup receivables	**5 279**	3 551	**22 075**	9 483
Total	**785 417**	1 050 980	**243 326**	715 890
Financial liabilities				
Trade payables	**(21 023)**	(21 247)	**(20 973)**	(21 226)
Accruals	**(124 066)**	(113 369)	**(117 058)**	(113 319)
Lease Liabilities	**(534 679)**	(545 223)	**(534 679)**	(545 223)
Intergroup payables (Note 35)	**(10 097)**	(19 246)	**(20 232)**	(19 246)
Capital expenditures creditors	**(33 604)**	(23 701)	**(33 604)**	(23 701)
Other payables	**(9 810)**	(4 948)	**(3 665)**	(4 948)
Deposits due to M-Pesa agents and customers	**(439 099)**	(329 068)	**–**	–
Interest due to customers	**(8 593)**	(11 992)	**–**	–
Total	**(1 180 971)**	(1 068 794)	**(730 211)**	(727 663)

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

36. Risk management policies and objectives continued

36.2 Interest rate profile

At the reporting date, the interest rate profile of the Group's and Company's financial assets and liabilities was as follows:

TZS m	Fixed interest rate	Variable interest rate	Non-interest bearing	Total
GROUP				
2021				
Financial assets				
Trade receivables	–	–	76 527	76 527
Other receivables	–	–	15 171	15 171
Cash and Bank Balances	–	–	242 303	242 303
M-Pesa balances	–	–	1 954	1 954
Financial assets: M-Pesa bank deposits	444 183	–	–	444 183
Intergroup receivables	–	–	5 279	5 279
	444 183	–	341 234	785 417
Financial liabilities				
Trade payables	–	–	(21 023)	(21 023)
Lease liabilities	(534 679)	–	–	(534 679)
Other payables	–	–	(9 810)	(9 810)
Accruals	–	–	(124 066)	(124 066)
Capital expenditure creditors	–	–	(33 604)	(33 604)
Intergroup payables	–	–	(10 097)	(10 097)
Deposits due to M-Pesa agents	(439 099)	–	–	(439 099)
Interest due to customers	(8 593)	–	–	(8 593)
	(982 371)	–	(198 600)	(1 180 971)

TZS m	Fixed interest rate	Variable interest rate	Non-interest bearing	Total
GROUP				
2020				
Financial assets				
Trade receivables	–	–	62 468	62 468
Other receivables	–	–	8 934	8 934
Cash and Bank Balances	–	–	352 913	352 913
M-Pesa balances	–	–	2 850	2 850
Short term investments: Treasury Bills	164 643	–	–	164 643
Short term deposits	118 065	–	–	118 065
Financial assets: M-Pesa bank deposits	337 556	–	–	337 556
Intergroup receivables	–	–	3 551	3 551
	620 264	–	430 716	1 050 980
Financial liabilities				
Trade payables	–	–	(21 247)	(21 247)
Lease liabilities	(545 223)	–	–	(545 223)
Other payables	–	–	(4 948)	(4 948)
Accruals	–	–	(113 369)	(113 369)
Capital expenditure creditors	–	–	(23 701)	(23 701)
Intergroup payables	–	–	(19 246)	(19 246)
Deposits due to M-Pesa agents	(329 068)	–	–	(329 068)
Interest due to customers	(11 992)	–	–	(11 992)
	(886 283)	–	(182 511)	(1 068 794)

36. Risk management policies and objectives continued

36.2 Interest rate profile continued

TZS m	Fixed Interest rate	Variable Interest rate	Non-interest bearing	Total
COMPANY				
2021				
Financial assets				
Trade receivables	–	–	70 716	70 716
Other receivables	–	–	10 612	10 612
Cash and Bank Balances	–	–	137 969	137 969
M-Pesa balances	–	–	1 954	1 954
Intergroup receivables	–	–	22 075	22 075
Total	–	–	243 326	243 326
Financial Liabilities				
Trade payables	–	–	(20 973)	(20 973)
Lease liabilities	(534 679)	–	–	(534 679)
Other payables	–	–	(3 665)	(3 665)
Accruals	–	–	(117 058)	(117 058)
Capital expenditure creditors	–	–	(33 604)	(33 604)
Intergroup payables	–	–	(20 232)	(20 232)
Total	(534 679)	–	(195 532)	(730 211)

TZS m	Fixed Interest rate	Variable Interest rate	Non-interest bearing	Total
COMPANY				
2020				
Financial assets				
Trade receivables	–	–	64 338	64 338
Other receivables	–	–	6 535	6 535
Cash and Bank Balances	–	–	349 976	349 976
M-Pesa balances	–	–	2 850	2 850
Short term investments: Treasury Bills	164 643	–	–	164 643
Short term deposits	118 065	–	–	118 065
Intergroup receivables	–	5 932	3 551	9 483
Total	282 708	5 932	427 250	715 890
Financial Liabilities				
Trade payables	–	–	(21 226)	(21 226)
Lease liabilities	(545 223)	–	–	(545 223)
Other payables	–	–	(4 948)	(4 948)
Accruals	–	–	(113 319)	(113 319)
Capital expenditure creditors	–	–	(23 701)	(23 701)
Intergroup payables	–	–	(19 246)	(19 246)
Total	(545 223)	–	(182 440)	(727 663)

36. Risk management policies and objectives continued

36.3 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').

Group	31 March 2021		
TZS m	**US$**	**€**	**R**
Financial assets			
Trade and other receivables	**12 256**	**636**	**–**
Cash and cash equivalents	**33 772**	**209**	**480**
	46 028	**845**	**480**
Financial liabilities			
Trade and other payables	**(13 342)**	**(13 720)**	**(1 565)**
	(13 342)	**(13 720)**	**(1 565)**
Net gap	**32 686**	**(12 875)**	**(1 085)**
	31 March 2020		
	US$	€	R
Financial assets			
Trade and other receivables	19 556	940	61
Cash and cash equivalents	170 512	20 246	463
	190 068	21 186	524
Financial liabilities			
Trade and other payables	(6 604)	(8 221)	(2 890)
	(6 604)	(8 221)	(2 890)
Net gap	183 464	12 965	(2 366)

36. Risk management policies and objectives continued

36.3 Financial risk management continued

Foreign currency risk continued

Company	31 March 2021		
TZS m	**US$**	**€**	**R**
Financial assets			
Trade and other receivables	**12 256**	**636**	**–**
Cash and cash equivalents	**33 772**	**209**	**480**
	46 028	**845**	**480**
Financial liabilities			
Trade and other payables	**(13 342)**	**(13 720)**	**(1 565)**
	(13 342)	**(13 720)**	**(1 565)**
Net Gap	**32 686**	**(12 875)**	**(1 085)**
	31 March 2020		
	US$	€	R
Financial assets			
Trade and other receivables	19 556	940	61
Cash and cash equivalents	170 512	20 246	463
	190 068	21 186	524
Financial liabilities			
Trade and other payables	(6 604)	(8 221)	(2 890)
	(6 604)	(8 221)	(2 890)
Net gap	183 464	12 965	(2 366)

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
2021			
% change	**6**	**5**	**8**
(Loss)/profit after tax and equity – (TZS m)	**(1 292)**	**466**	**64**
2020			
% change	10	9	22
(Loss)/profit after tax and equity – (TZS m)	(7 489)	(815)	368

Company

TZS m	US$	€	R
2021			
% change	**6**	**5**	**8**
(Loss)/profit after tax and equity – (TZS m)	**(1 292)**	**466**	**64**
2020			
% change	10	9	22
(Loss)/profit after tax and equity – (TZS m)	(7 489)	(815)	368

36. Risk management policies and objectives continued

36.3 Financial risk management continued

Interest rate risk

The Group's interest rate profile consists of short-term investments,, 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	**2021**	2020	**2021**	2020
Financial assets: M-Pesa bank deposits	**444 183**	337 556	–	–
Short term investments: Treasury Bills	–	164 643	–	164 643
Short term deposits	–	118 065	–	118 065
	444 183	620 264	–	282 708
Deposits due to M-Pesa agents and customers	**(439 099)**	(329 068)	–	–
Interest due to customers	**(8 593)**	(11 992)	–	–
Lease liabilities	**(534 679)**	(545 223)	**(534 679)**	(545 223)
	(982 371)	(886 283)	**(534 679)**	(545 223)

Interest rate sensitivity analysis

As per the interest rate profile, the Group is not exposed to interest rate risk because it holds no financial instruments with variable interest rates.

The Company is exposed to interest rate risk relating to the amounts due from a related party (Shared Networks Tanzania [SNT]) which carry variable interest rates. The analysis below shows the sensitivity to change in market interest rates. Management's assessment of a reasonable possible change in market interest rates is based on economic forecasts from various sources.

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
Basis point increase	**10**	50	**10**	50
Profit after tax and equity	–	–	–	158

Decrease in interest rates would have the reverse effect.

36. Risk management policies and objectives continued

36.3 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 16.1% (2020: 19.8 %) 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 (2020: 30 days). The Group has not renegotiated the terms of any of its financial assets which resulted in them not being past due or impaired.

The credit risk associated with cash and cash equivalents and financial assets are limited as they are placed with high credit quality financial institutions.

The following is the aging analysis of trade and other receivables (excluding prepayments, deposits and deferred costs) that are past due.

TZS m	30 – 60 days	60 – 90 days	90 – 120 days	Over 120 days	Total
Group					
2021					
Total	**41 123**	**1 308**	**34 096**	**–**	**76 527**
2020					
Total	345	8 134	35 948	–	44 427
Company					
2021					
Total	**35 312**	**1 308**	**34 096**	**–**	**70 716**
2020					
Total	345	8 134	35 948	–	44 427

36. Risk management policies and objectives continued

36.3 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 (2020: US$14.5 million) undrawn foreign-denominated borrowing facilities to manage its liquidity. The Group uses bank facilities under the normal operating cycle to manage short-term liquidity. The Group raises funds in bank markets and ensures a reasonable balance is maintained between the period over which the assets generate funds and the period over which the respective assets are funded to manage long-term liquidity. Liquidity on long-term borrowings is managed by maintaining a varied maturity profile thereby minimising refinancing risk.

The tables below disclose the maturity profile of the Group's non-derivative financial liabilities and those financial assets used for managing liquidity risk. The tables have been drawn up based on the earliest date on which the Group can be required to settle or can require settlement. The amounts disclosed in the table are the contractual undiscounted cash flows at the year-end.

TZS m	<1 Year	2 – 5 Years	5+ years	Total
GROUP				
2021				
Financial liabilities				
Lease liabilities	**(121 829)**	**(482 868)**	**(168 808)**	**(773 505)**
Accruals	**(124 066)**	**–**	**–**	**(124 066)**
Intergroup payables	**(10 097)**	**–**	**–**	**(10 097)**
Capital expenditure creditors	**(33 604)**	**–**	**–**	**(33 604)**
Deposits due to M-Pesa agents and customers	**(439 099)**	**–**	**–**	**(439 099)**
Interest due to customers	**(8 593)**	**–**	**–**	**(8 593)**
Other payables	**(9 810)**	**–**	**–**	**(9 810)**
Trade payables	**(21 023)**	**–**	**–**	**(21 023)**
	(768 121)	**(482 868)**	**(168 808)**	**(1 419 797)**
Financial assets				
Trade receivables	**76 527**	**–**	**–**	**76 527**
Other receivables	**15 171**	**–**	**–**	**15 171**
Cash and Bank Balances	**242 303**	**–**	**–**	**242 303**
M-Pesa balances	**1 954**	**–**	**–**	**1 954**
Financial assets: M-Pesa bank deposits	**444 183**	**–**	**–**	**444 183**
Intergroup receivables	**5 279**	**–**	**–**	**5 279**
	785 417	**–**	**–**	**785 417**

TZS m	<1 Year	2– 5 Years	5+ years	Total
GROUP				
2020				
Financial liabilities				
Lease liabilities	(91 242)	(443 515)	(201 145)	(735 902)
Accruals	(113 996)	–	–	(113 996)
Intergroup payables	(19 246)	–	–	(19 246)
Capital expenditure creditors	(23 701)	–	–	(23 701)
Deposits due to M-Pesa agents and customers	(329 068)	–	–	(329 068)
Interest due to customers	(11 992)	–	–	(11 992)
Other payables	(4 948)	–	–	(4 948)
Trade payables	(21 247)	–	–	(21 247)
	(615 440)	(443 515)	(201 145)	(1 260 100)
Financial assets				
Trade receivables	62 468	–	–	62 468
Other receivables	8 934	–	–	8 934
Cash and Bank Balances	352 913	–	–	352 913
M-Pesa balances	2 850	–	–	2 850
Financial assets: M-Pesa bank deposits	337 556	–	–	337 556
Short term deposits	164 643	–	–	164 643
Short term investments: Treasury Bills	118 065	–	–	118 065
Intergroup receivables	3 551	–	–	3 551
	1 050 980	–	–	1 050 980

36. Risk management policies and objectives continued

36.3 Financial risk management continued

Liquidity management continued

TZS m	<1 Year	2 – 5 Years	5+ years	Total
COMPANY				
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	**(3 665)**	**–**	**–**	**(3 665)**
Trade payables	**(20 973)**	**–**	**–**	**(20 973)**
	(317 361)	**(482 868)**	**(168 808)**	**(969 037)**
Financial assets				
Trade receivables	**70 716**	**–**	**–**	**70 716**
Other receivables	**10 612**	**–**	**–**	**10 612**
Cash and Bank Balances	**137 969**	**–**	**–**	**137 969**
M-Pesa balances	**1 954**	**–**	**–**	**1 954**
Intergroup receivables	**22 075**	**–**	**–**	**22 075**
	243 326	**–**	**–**	**243 326**

TZS m	<1 Year	2 – 5 Years	5+ years	Total
COMPANY				
2020				
Financial liabilities				
Lease liabilities	(91 242)	(443 515)	(201 145)	(735 902)
Accruals	(113 319)	–	–	(113 319)
Intergroup payables	(19 246)	–	–	(19 246)
Capital expenditure creditors				
Other payables	(4 948)	–	–	(4 948)
Trade payables	(21 226)	–	–	(21 226)
	(273 682)	(443 515)	(201 145)	(918 342)
Financial assets				
Trade receivables	64 338	–	–	64 338
Other receivables	6 535	–	–	6 535
Cash and Bank Balances	349 976	–	–	349 976
M-Pesa balances	2 850	–	–	2 850
Short term deposits	164 643	–	–	164 643
Short term investments: Treasury Bills	118 065	–	–	118 065
Intergroup receivables	9 483	–	–	9 483
	715 890	–	–	715 890

37. Capital management

The Group finances its operations through a mixture of internally generated cash-flows as well as shareholder and other external loans. The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising return to shareholders. Capital is monitored on the basis of net debt to equity.

Net debt comprises of non-current liabilities, current liabilities less cash and cash equivalents.

The equity comprises of share capital, retained earnings and other reserves.

The Group's strategy is to maintain an optimal net debt to equity ratio. This internal ratio establishes levels of debt that the Group should not exceed other than for relatively short periods of time and it is reviewed on a semi-annual basis to ensure it is being met. The Group is not subject to externally imposed capital requirements.

The following table summarises the capital of the Group:

	Group		Company	
TZS m	**2021**	2020	**2021**	2020
Cash and bank balances – (Note 23)	**244 257**	473 828	**139 923**	470 891
Equity	**797 587**	1 255 152	**683 029**	1 236 984
Net debt to equity ratio	**N/A**	N/A	**N/A**	N/A

38. 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 2021, owns 75% (2020: 75%) of the Company's shares. The ultimate parent is Vodafone Group Plc., which is incorporated and domiciled in the United Kingdom.

39. Statement of cash flows notes

a) Cash generated from operations

		Group		Company	
TZS m	Note	2021	2020	2021	2020
Profit/(loss) before tax		**6 327**	60 350	**(127 198)**	42 580
Adjusted for:					
Impairment charges	9(c)	**1 887**	10 086	**3 004**	34 153
Finance income	10	**(38 418)**	(50 465)	**(16 363)**	(32 907)
Finance cost	11	**85 232**	86 470	**64 465**	66 709
Net gain on foreign currency translation	12	**(3 627)**	(356)	**(3 636)**	(362)
		51 401	106 085	**(79 728)**	110 173
Adjusted for:					
(Gain)/loss on disposals of property plant and equipment	9(a)	**(1)**	202	**(1)**	(88)
Depreciation and amortisation	9(b)	**264 039**	268 762	**251 348**	263 805
Amortisation of capacity prepayments	9(a)	**13 526**	13 447	**13 526**	13 447
Increase in provision for inventory	21	**777**	1 463	**777**	1 463
Amortisation of government grant	27	**(2 003)**	(2 229)	**(2 003)**	(2 229)
Government grants applied against funded assets	27	**(705)**	(1 984)	**(705)**	(1 984)
Increase in legal and marketing fees provision		**10 575**	1 913	**10 575**	1 913
Cash flows from operations before working capital changes		**337 609**	387 659	**193 789**	386 500
Payment for capacity contracts	19	**(4 728)**	(12 080)	**(4 728)**	(12 080)
Increase in inventory – gross		**(2 952)**	(1 322)	**(2 952)**	(1 322)
(Increase)/decrease in trade and other receivables		**(29 776)**	2 068	**(25 460)**	931
Increase/(decrease) in trade and other payables		**126 982**	(32 081)	**2 284**	(12 479)
Cash generated from operations		**427 135**	344 244	**162 933**	361 550

The (increase)/ decrease in trade and other receivables is made up as follows:

	Group		Company	
TZS m	2021	2020	2021	2020
(Increase)/decrease in trade and other receivables	**(38 574)**	6 098	**(34 258)**	4 961
Decrease in operating lease prepayments	**8 798**	–	**8 798**	–
Additional tax deposits paid [Note 13(d)][10]	**–**	(4 030)	**–**	(4 030)
	(29 776)	2 068	**(25 460)**	931

10 The current year balance has been presented under the income tax paid line to align with the parent company presentation.

b) Additions to property and equipment, and intangible assets

		Group		Company	
TZS m	Notes	2021	2020	2021	2020
Additions to property and equipment	17	**162 892**	193 486	**168 575**	193 486
Less: Non-cash additions	17	**(50 851)**	(53 823)	**(50 851)**	(53 823)
Changes in capital expenditure creditors		**(9 599)**	(43)	**(9 599)**	(43)
Property and equipment cash additions		**102 442**	139 620	**108 125**	139 620
Additions to intangible assets	18	**10 408**	19 730	**10 406**	19 730
		112 850	159 350	**118 531**	159 350

40. 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.

41. Net current assets position

The Group had a net current assets position of TZS43 897 million as at 31 March 2021 (2020: TZS470 064 million). The Group will adopt to market conditions in order to maintain an optimal capital structure, commensurate with the level of risk which one would expect from an emerging market telecommunication entity.

42. Impact of the COVID-19 pandemic

The COVID-19 pandemic continued to affect countries and businesses at the time of issuing these consolidated and separate financial statements. The directors have assessed that, at the time of issuing these consolidated and separate financial statements, it was impracticable to quantitatively determine and disclose the extent of the possible effects of the pandemic on the Group. The directors expect that considering that the Group is an essential service provider, the Group's operations will continue despite the disruption caused by the pandemic.

Data and M-Pesa revenue streams could gain as more customers resort to remote working because of social distancing. However, biometrics customer re-registration could continue to be delayed because of the disruptions caused by social distancing.

Network upgrading, expansion and maintenance programs could be delayed in case of lock down and due to supply chain disruptions. However, no significant impairment of tangible and intangible assets is expected. It is expected that credit risk will not increase significantly as debtors will continue paying the amounts due as they will require services despite the disruptions.

The Group might continue incurring additional expenses arising from changes in work modalities including remote working, but it is expected that any incremental expenses will be financed from cash flows from operations and the available working capital facilities. Otherwise, no additional significant liabilities are expected to result from the pandemic.

43. Event after the reporting period

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 other than the following:

Winding up of Vodacom Tanzania Limited (registered in Zanzibar)

Subsequent to the reporting period on 28 April 2021, the liquidation process of this entity was completed when the Zanzibar Registrar of Companies issued Legal Notice Number 63 striking off the name of the Company from the Register of Companies.

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 fifth annual general meeting of the Company for the year ended 31 March 2021 will be held virtually on Friday 15 October 2021 at 11:00AM to conduct the following business:

1. Confirmation of minutes

To confirm minutes of the fourth annual general meeting held on 30 October 2020.

Ordinary resolution number 1

"RESOLVED THAT the minutes of the fourth annual general meeting held on 20 October 2020 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 2021.

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 2021, be and are hereby received and adopted."

Copies of the full audited consolidated annual financial statements for the year ended 31 March 2021 are obtainable from the Company's website **www.vodacom.co.tz/investors**

3. Election and re-election of a director

To elect by way of separate resolutions:

3.1 Ms Raisibe Morathi, 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 141.

3.2 Mr Sitholizwe Mdlalose, 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. His profile appears on page 141.

Ordinary resolution number 3

"RESOLVED THAT Ms Raisibe Morathi be and is hereby elected as a director of the Company."

Ordinary resolution number 4

"RESOLVED THAT Mr Sitholizwe Mdlalose be and is hereby elected as a director of the Company."

3.3 Messrs Diego Gutierrez, Jacques Marais, Kenneth Gomado and Matimba Mbungela 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, Messrs D Gutierrez, J Marais, K Gomado and M Mbungela are eligible for re-election as directors. Their profiles appear on page 141.

Ordinary resolution number 5

"RESOLVED THAT Mr Diego Gutierrez be and is hereby re-elected as a director of the Company."

Ordinary resolution number 6

"RESOLVED THAT Mr Jacques Marais be and is hereby re-elected as a director of the Company."

Ordinary resolution number 7

"RESOLVED THAT Mr Kenneth Gomado be and is hereby re-elected as a director of the Company."

Ordinary resolution number 8

"RESOLVED THAT Mr Matimba Mbungela be and is hereby re-elected as a 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 Winifred Ouko 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 142.

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 Winifred Ouko be and is hereby re-elected to continue to serve as a member of Audit Risk & Compliance Committee."

6. Dividend

To approve no dividend payment for the financial year ended 31 March 2021.

Ordinary resolution number 13

"RESOLVED THAT no dividend payment for the year ended 31 March 2021 be and is hereby approved."

7. Approval of the directors' remuneration

To approve the non-executive directors' remuneration of US$481 000 from 1 November 2021 until the conclusion of the next annual general meeting of the Company, enabling the Company to attract and retain persons of the capability, skills and experience required to make a meaningful contribution to the Company. No increase in fees has been proposed.

Ordinary resolution number 14

"RESOLVED THAT the level of non-executive directors' remuneration of US$481 000 be and is hereby approved on the basis set out as follows:

	Proposed fee US$[1]	Current fee US$
Board Chairman	150 000	150 000
Board Member	30 000	30 000
ARCC 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

Raisibe Morathi (51)

Non-Executive director
Chief Financial Officer – Vodacom Group Limited
Member of Vodacom Group Executive Committee

Chartered Accountant (SA), M.Phil, H. Dip Tax (Wits) and Advanced Management Programme (INSEAD).

Raisibe was appointed as the Chief Financial Officer and Executive Director of Vodacom Group Limited with effect from 1 November 2020. She joined Vodacom from the Nedbank Group where she had been the Group Chief Financial Officer since September 2009. She has a cumulative 27 years' experience in Financial Services in various large corporates in South Africa, including Nedbank Group, Sanlam Group and the Industrial Development Corporation. Raisibe is also a non-executive director on the boards of Vodacom South Africa and Safaricom PLC.

Sitholizwe Mdlalose (41)

Executive Director
Managing Director – Vodacom Tanzania PLC
Member of Vodacom Tanzania PLC Executive Committee

MBachelor of Accounting Science (BCompt), University of South Africa. Fellow of the Association of Chartered Certified Accountants. Senior Executive Programme Africa, Harvard Business School.

Sitholizwe was appointed as Managing Director of Vodacom Tanzania Plc in August 2021. He joins the company from Vodacom South Africa (VSA) where he was the Finance Director since 2017. He has previously held various roles in the Vodacom Group including that of Interim Chief Finance Officer as well as Chief Finance Officer of Vodacom Group's International Business. Prior to joining Vodacom Group, he worked with Vodafone Group for more than 6 years holding senior roles within the Group. He has more than 19 years of finance, management and consulting experience, of which 13 have been in telecommunications across both emerging and developed markets.

Diego Gutierrez (45)

Non-Executive director
Chief Officer: International Business
Member of Vodacom Group Executive Committee

Major in Business Administration and Marketing. Master of Business Administration (MBA).

Diego was appointed as Chief Officer: International Business from 1 August 2017. Diego possesses more than 20 years of international cross-functional experience in the telecommunications industry with special focus on emerging markets in Latin America, Africa, and the Caribbean. He comes with proven success in business turnarounds, enhancing operational efficiency, leading organisations through critical transitions, and translating corporate strategies into tangible operating results.

Jacques Marais (55)

Executive Director
Finance Director – Vodacom Tanzania
Member of Vodacom Tanzania PLC Executive Committee

Bachelor of Commerce in Accountancy (Hons), University of Pretoria, South Africa.
Member of the South African Institute of Chartered Accountants CA (SA)

Jacques was appointed as the Finance Director of Vodacom Tanzania in July 2016. He possesses more than 20 years of finance experience and had played a pivotal role in steering companies through dynamic regulatory and tax environments, macroeconomic crises and intense competitive environments. He has a strong track record of achieving resilient earnings growth within emerging markets through optimal capital allocation and cost containment, whilst guiding economic execution of commercial strategies.

Kenneth Kwame Gomado (43)

Non-Executive director
Chief Finance Officer – Vodacom International Business

Master of Business Administration, University of Cape Town, South Africa.
Fellow of the Association of Chartered Certified Accountants.

Kenneth was appointed as the Chief Finance Officer of Vodacom International Business in 2018. Prior to joining Vodacom International Business, he was the Chief Financial Officer of Vodafone Ghana. He joined the Vodafone Group of companies in 2011, having gained extensive international experience in audit advisory services and fast-moving consumer goods. Kenneth was appointed Chief Financial Officer of Vodafone Ghana in 2014. Kenneth has experience of operating in various complex regulatory and tax environments, driving commercial momentum, cost containment and making optimal capital investment decisions.

Matimba Mbungela (49)

Non-Executive Director
Chief Human Resources Officer – Vodacom Group Limited
Member of Vodacom Group Executive Committee
Executive director of Vodacom (Pty) Limited

B Admin (University of Venda), Post Graduate Diploma in HR (UCT), MBA (UKZN), and also a graduate of the Vodafone Global HR Excellence Program.

Matimba is the Chief Human Resources Officer at Vodacom Group. Prior to this role, he was Managing Executive: HR for Vodacom South Africa until April 2014. Matimba has worked within the Vodacom/Vodafone Group since 2003 during which he worked in various roles within HR. He subsequently spent 3 years on secondment to Vodafone as Regional Head of Organisational Effectiveness & Change, and Regional Head of Talent within the Africa, Middle East & Asia Pacific "AMAP" region. Prior to his assignment to the Vodafone AMAP Region, Matimba was responsible for Talent Management at Vodacom for six years where he successfully delivered the integration of our talent strategy into the Vodafone global strategy. His previous experience includes key HR roles in blue chip companies such as BMW South Africa and Unilever. Matimba represents the Vodacom Employee Trust ('Siyanda') on the YeboYethu Board, he is also a Non-Executive Director for Vodacom Tanzania PLC, Vodacom Mozambique and Vodacom Lesotho. Matimba was appointed to the Unisa GSBL Advisory Board on 1 June 2020.

Margaret Ikongo (63)

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 AAR Insurance Tanzania. Previously, Margaret sat on the Board of NMB Bank Plc and 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.

Thembeka Semane (45)

Independent Non-Executive Director
Member of Audit, Risk and Compliance Committee and a financial expert on this committee

Post Graduate Diploma in Business Administration, University of Pretoria's Gordon Institute of Business Science, South Africa. Certified Associate of the Institute of Bankers in South Africa.

Thembeka was appointed as an independent non-executive director of Vodacom Tanzania in November 2017. Thembeka is an experienced business executive proficient in corporate strategy development, business systems implementation, high value project financing, compliance and monitoring, corporate governance and financial management. She is a director at Linea consulting (Pty) Ltd, a regulatory committee member of ACASA and ATNS, reporting to South Africa's Minister of Transport, as well as a councillor at ICASA. Thembeka serves as a board member of the Department of Human Settlements' EAAB, where she also serves as the chairperson of its finance and investment committee as well as being a member of the audit and risk committee and human resources and remuneration committee. She is a board member and a member of both the audit & risk management committee and remuneration committee of South African National Parks. Furthermore, Thembeka is a member of the South African Heritage Resource Agency and the Sol Platjie Municipality's audit, risk and performance management committee.

Winifred Ouko (51)

Independent Non-Executive Director
Chairperson of the Remuneration Committee
Member of the Audit, Risk and Compliance Committee and a financial expert on this committee
Member of the Nomination Committee

Master of Business Administration, Cornell University, United States of America. Member of the Institute of Certified Public Accountants of Kenya.

Winnie was appointed as an independent non-executive director of Vodacom Tanzania in November 2017. She is an experienced corporate finance, project finance and strategy professional. As the Managing Director of Lattice Consulting, she offers over 20 years of experience in delivering a variety of corporate finance and strategy services solutions to corporate clients in Africa and the US. Winnie a board member of the Kenya Pooled Water Fund and a non-executive director on the board of Safaricom PLC.

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 Wednesday 6 October 2021.

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 Friday 8 October 2021. 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.

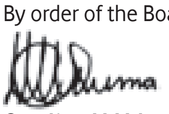
Shareholders may appoint a proxy to attend, speak and vote in their stead. A proxy need not be a shareholder of the Company. A duly filled form of proxy, obtained from the company's website, along with DSE Depository receipt, personal identification (National ID/Voters ID/Driver ID) and contact details 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 Friday 8 October 2021. 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
20 September 2021

Form of proxy

Vodacom Tanzania Public Limited Company
(Incorporated in the United Republic of Tanzania)
(Registration number 38501)
(ISIN: TZ1996102715 Ticker code: VODA)
('Vodacom Tanzania' or 'the Company')

Section A
To be completed by all shareholders

Full Name

CDS Account Number

Number of shares held in the Company

Section B
Only shareholders who wish to appoint individual(s) other than the Chairman as a proxy should complete this section

I (We), the person(s) named in Section A above, with the CDS Account Number and Number of shares held in the Company shown in Section A above, do hereby appoint (see note 1 & 2)

or failing him/her,

or failing him/her,

the Chairperson of the annual general meeting as my(our) proxy to attend and speak and vote for me(us) on my(our) behalf at the virtual annual general meeting which will be held on Friday 15 October 2021 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 fourth annual general meeting held on 30 October 2020			
2. **Ordinary resolution number 2** Adoption of consolidated annual financial statements for the year ended 31 March 2021			
3. **Ordinary resolution number 3** Election of Raisibe Morathi as a director			
4. **Ordinary resolution number 4** Election of Sitholizwe Mdlalose as a director.			
5. **Ordinary resolution number 5** Re-election of Diego Gutierrez as a director			
6. **Ordinary resolution number 6** Re-election of Jacque Marais as a director			
7. **Ordinary resolution number 7** Re-election of Kenneth Gomado as a director			
8. **Ordinary resolution number 8** Re-election of Matimba Mbungela as a director			
9. **Ordinary resolution number 9** Appointment of Ernst & Young Inc. as auditors of the Company for the year ended March 2022			
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** Re-election of Winifred Ouko as a member of Audit Risk & Compliance Committee			
13. **Ordinary resolution number 13** Approval not to pay dividend for financial year ended 31 March 2021			
14. **Ordinary resolution number 14** Approval of the non-executive directors' remuneration of US$ 481 000			

Signed this day of October 2021

Signature: Signature:

Completed forms of proxy must be lodged with the Vodacom Tanzania PLC Company Secretary office by no later than 10:00am on Friday 8 October 2021.

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 Friday 8 October 2021.
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)	250 355 792	11.2%
Institutional Investors (Rest of the World)	50 062 653	2.2%
Others[11]	95 078 115	4.3%
	2 240 000 300	**100.0%**

11 Balance of remaining holdings, including shares below analysis threshold. May include additional institutional/retail shareholdings.

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[1] (Chairman)
- H Hendi (Managing Director)[2]
- JJ Marais (Finance Director)[3]
- D Gutierrez[4]
- D Kastelic[5]
- K Gomado[6]
- M Mbungela[3]
- M Ikongo[1]
- N Nyoka[3]
- R Morathi[3]
- T Semane[3]
- W Ouko[7]

1 Tanzanian
2 Egyptian
3 South African
4 Bolivian
5 Slovenian
6 Ghanaian
7 Kenyan

Company secretary

Caroline Mduma

Registered office

15th Floor, Vodacom Tower,
Ursino Estate, Plot 23, Bagamoyo Road,
P.O. Box 2369, Dar es Salaam, Tanzania

Transfer secretary

CSD & Registry Company Limited ('CSDR')
Kambarage House,
2nd Floor, 6 Ufukoni Street
P.O. Box 70081, Dar es Salaam, Tanzania

Sponsoring licenced dealing member

Orbit Securities Company Limited
Golden Jubilee Tower
4th Floor, (PSPF Building), Ohio Street.
P.O. Box 70254, Dar es Salaam, Tanzania.

External communications

Rosalynn Mworia

Investor Relations

Hilda Bujiku, Albert Maneno
investorrelations@vodacom.co.tz
www.vodacom.co.tz/investors

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)
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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 2021. 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.

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Forward-looking statements

This announcement, which sets out the consolidated results of the Group for the twelve months ended 31 March 2021, 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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