Vodacom Tanzania Public Limited Company
Annual Report
for the year ended 31 March 2019

The future is exciting.

Ready?

vodacom

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Vodacom Tanzania's Annual Report 2019

This is Vodacom Tanzania's third annual report, and the second 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 2018 to 31 March 2019. Our reporting process has been guided by the principles and requirements contained in the International Financial Reporting Standards (IFRS), the Dar es Salaam Stock Exchange PLC Rules 2016, the IIRC's International <IR> Framework, and the Companies Act, 2002. PricewaterhouseCoopers ('PWC') assured our annual financial statements and has provided an unmodified opinion (pages 63 to 65).

The Board has applied its collective mind to the preparation and presentation of the information in this report. The Board believes that this report addresses all material issues and presents a balanced and fair account of the Group's performance for the reporting period, as well as an accurate reflection of our core strategic commitments. The directors have applied their judgement regarding the disclosure of Vodacom Tanzania's strategic plans, and have ensured that these disclosures do not place the company at a competitive disadvantage. The Board approved this annual report on 17 July 2019.

Signed on the Board's behalf.

Ali A. Mufuruki
Chairman

Hisham Hendi
Managing Director

Who we are

Vodacom Tanzania is Tanzania's leading mobile operator and mobile financial services provider, with over 90% voice population coverage, fastest nationwide data network[1] and largest mobile money network. We provide a wide range of communication services for consumers and enterprise – including voice, data and messaging, video, cloud and hosting, mobile solutions and financial services – to over 14.1 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	Our vision	Our way	Our strategic pillars
Why we exist We connect for a better future	Where we are going To be a leading digital company that empowers a connected society	How we need to do it Speed, simplicity and trust in a connected society	What we need to do

1. Ookla speed test report as at 31 March 2019

How we performed

Performance summary

Service revenue up

5.4% (7.3% excluding the impact of mobile termination rates (MTRs)) reaching **TZS1 018.9 billion** driven by strong growth in M-Pesa, mobile data and messaging revenue.

We added 1.2 million customers during the year to **14.1million**, up 9.6%.

EBITDA increased

8.1% to **TZS287.9 billion**, with margin improvement of 0.9ppts to 28.1% achieved through strong service revenue growth supported by our cost containment programme.

Significant capital investment of

TZS171.4 billion to expand our 4G coverage in major cities and improve the quality of our network.

Net profit increased

33.8%[1] to **TZS90.2 billion** mainly attributable to good growth in service revenue supported by strong delivery on our 'Fit for Growth' programme.

Adjusted free cash flow grew

84.5%[2] to **TZS114.9 billion** predominantly from the improved trading performance as well as our strong working capital management.

Summary financial information

	Year ended 31 March			
TZS m	**2019 IFRS 15**	**2019 IAS 18#**	**2018 IAS 18**	**Year-on-year % change IAS 18**
Service revenue	**1 016 237**	**1 018 910**	966 275	5.4
Revenue	**1 024 587**	**1 023 763**	977 994	4.7
EBITDA	**288 656**	**287 879**	266 370	8.1
EBIT	**115 682**	**114 905**	95 509	20.3
Operating profit	**115 333**	**114 556**	88 901	28.9
Net profit after tax	**90 761**	**90 217**	170 240	(47.0)
Operating free cash flow	**142 151**	**142 151**	89 811	58.3
Free cash flow	**114 919**	**114 919**	(42 245)	>200%
Capital expenditure	**171 432**	**171 432**	159 705	7.3
Net cash	**390 821**	**390 821**	434 091	(10.0)
Earnings per share (shillings)	**40.52**	**40.28**	83.81	(51.9)
Contribution margin (%)	**70.4**	**70.4**	69.0	1.4ppts
EBITDA margin (%)	**28.2**	**28.1**	27.2	0.9ppts
EBIT margin (%)	**11.3**	**11.2**	9.8	1.4ppts
Operating profit margin (%)	**11.3**	**11.2**	9.1	2.1ppts
Effective tax rate (%)	**32.7**	**32.7**	21.3	11.4ppts
Net profit margin (%)	**8.9**	**8.8**	17.4	(8.6)ppts
Net cash/EBITDA (times)	**1.4**	**1.4**	1.6	(0.2)ppts
Capital intensity (%)	**16.7**	**16.7**	16.3	0.4ppts

Following the prospective adoption of IFRS 15, Revenue from Contracts with Customers on 1 April 2018, the Company's results for the twelve months ended 31 March 2019 are on an IFRS 15 basis, whereas the results for the twelve months ended 31 March 2018 are (as previously reported) on an IAS 18 basis. Comparisons between the two bases of reporting are not meaningful and to ensure appropriate disclosure during the period of transition onto IFRS 15, certain financial metrics for the twelve months ended 31 March 2019 have been disclosed on both an IFRS 15 and IAS 18 basis and our commentary describing our operating performance in the operating and financial review has been provided solely on an IAS 18 basis. The impact of the adoption of this new standard is not material to the Company, and hence further disclosure and commentary on the results will be based on IAS 18 for the remainder of the financial year. The accounting standard applied is clearly marked in the heading of relevant columns in the news release.

1. Excluding prior year's gain on sale of equity stake in Helios Towers and share based payment.
2. Adjusted for prior year's TZS104.6 billion interest on loan that was paid to Vodacom Group from internally generated cash flow.

The value we create

For our shareholders

TZS38.8 billion (2018: TZS28.5 billion)
paid in dividends to equity shareholders

For our customers

Extended our network
adding **322** 4G sites, **197** 3G sites, and **73** 2G sites

4G coverage	3G coverage	2G coverage
23% of population	**52%** of population	**90%** of population

Rated **first** in customer NPS – **12 point lead**

Country's fastest data network

Over
14.1 million
active customers with **7.0 million** customers actively use our M-Pesa services.

For our employees

548
permanent employees

Invested
TZS59 billion
in remuneration, training and development

Middle and senior managers
received leadership and management training

In our community

TZS350 billion
spent on around
300 local suppliers
and partner companies in **Tanzania** in 2019

Over
TZS11.0 billion
in social investment expenditure since 2014, with over 2.8 million direct and indirect beneficiaries across Tanzania

To the government
TZS1.1 trillion
(2019: TZS0.4 trillion)
cash contributions to public finances in taxes, spectrum and regulatory fees over the last three years.

Indirect employment provided to over
127 000
Tanzanians

18 years of connecting an empowered society

2000 Start of operations (Voice, SMS, Fax)

2002 300k customers

2006 Vodacom Tanzania Foundation launched

2007 Data (2G; 3G & WiMax)

2008 Data was launched Upcountry

M-Pesa launched

2016 Data – 4G Launch

2017 International Company Local Roots: 1st Telco to list on DSE

2019 Over 14.1 million customers

2008

M-Pesa Launched.

2010

Consumer-to-business (C2B) and Business-to-consumer (B2C) launched/ Business and government collections & disbursements.

2012

Banks and Utilities connected.

2014

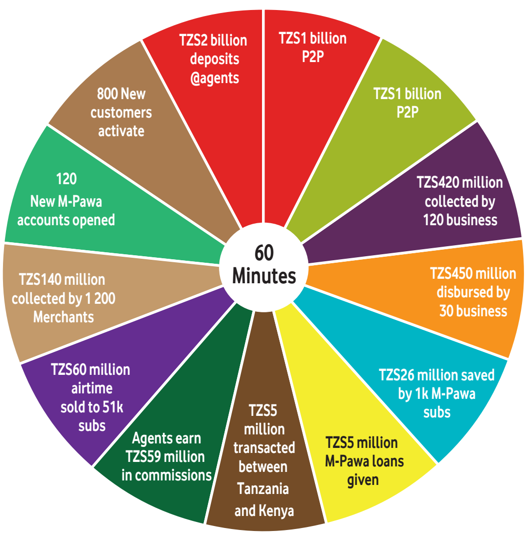
Savings and Loans, Merchant payments, International Money transfer (IMT).

2019

Over 9.0 million 90 day M-Pesa Customers[1].

11 years of driving financial inclusion in Tanzania

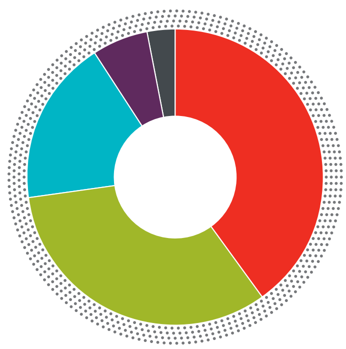
1 hour on M-Pesa



Total subscribers market share[1]

Vodacom	32%
Competitor A	28%
Competitor B	26%
Competitor C	8%
Other	6%

Mobile money market share[1]



M-Pesa	40%
Competitor A	33%
Competitor B	18%
Competitor C	6%
Other	3%

1. Tanzania Communication Regulatory Authority's quarterly communications statistics as at 31 March 2019.

Vodacom Tanzania at a glance

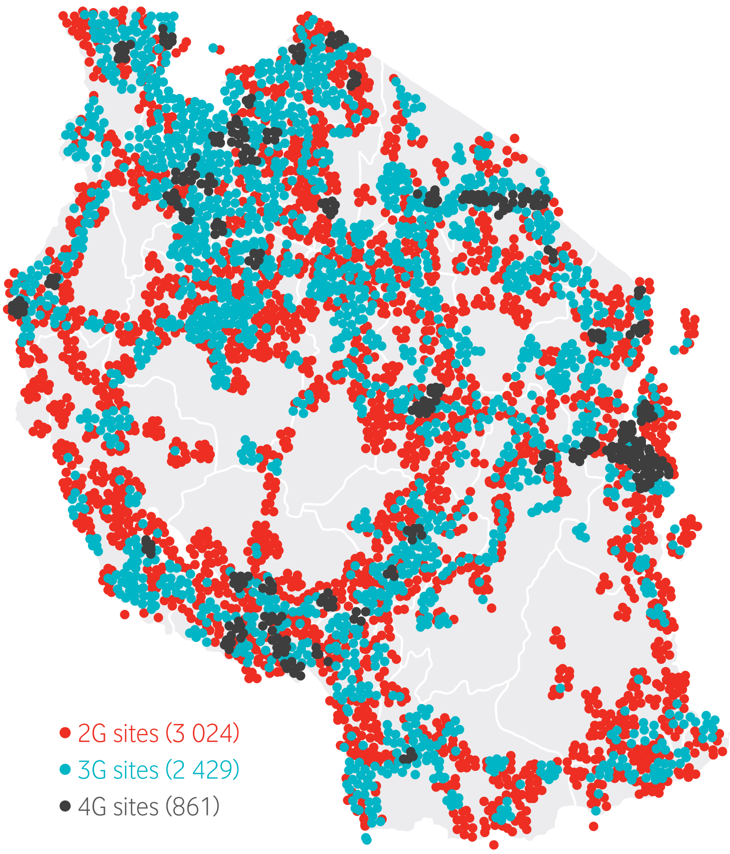
Population coverage

2G population coverage
90%

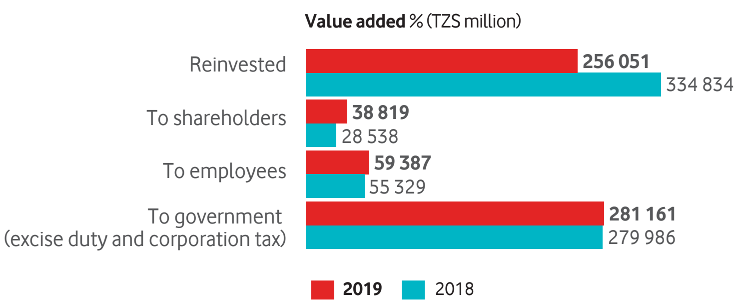
3G population coverage
52%

4G population coverage
23%

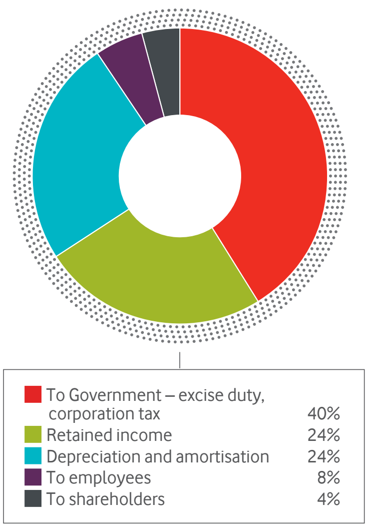
Network coverage



Value added statement



Value added distribution



Our products and services

We have over **14.1 million** active individual customers using our various products and services.

M-Pesa

M-Pesa continues to be the leader in providing innovative products and services to make the lives of its customers simpler and better, with around **TZS4.1 trillion** of transaction value going through the system monthly.

Deposits and withdrawal

More than 7 million M-Pesa customers deposit and withdraw money from their M-Pesa accounts through over **106 000** agents across the country at an affordable rate.

Person-to-person transfers:

This allows Vodacom Tanzania's customers to send money to customers across selected mobile networks.

Lipa kwa M-Pesa:

Our M-Pesa merchant payment solution allows businesses to accept payments for goods and services sold to both Vodacom customers and those of some competitors. This has become the most convenient electronic payment choice for Tanzanians, through our network of over **11 000** active merchants, outgrowing the number of payment card terminals across the country.

Business services:

M-Pesa allows businesses to send money to other businesses ('B2B') and consumers (disbursement accounts) for services such as salary payments, and for businesses to receive money through M-Pesa from their customers (collection accounts), for services such as paying bills.

M-Pawa

Our revolutionary savings and loans product, M-Pawa, allows customers to gain access to a savings account, and to draw a loan for a small fee payable through M-Pesa. In a country where the majority of the population is unable to gain access to formal banking services, M-Pawa promotes valuable financial inclusion.

International money transfers ('IMT'):

M-Pesa customers can send money to Kenya for a small fee through their M-Pesa accounts.

Consumer products and services

Voice, data and SMS bundles: Offered across various price points.
Value added services: A wide array of services to cater to all market segments, including: M-Paper, SIMU.tv portal, iflix video streaming service, Mzikii music app, and our free text-based Facebook offering.
Customer care: Vodacom mini-store service-desks; dedicated support desk with prioritised queuing for high value customers; proactive digital customer alerts (after call notification, low balance, bundle depletion and expiry).

Devices

Mobile handsets, tablets and mobile broadband modems

In March 2019, we had over **3 million** smartphones actively using our data network, up **32.6%** year-on-year, representing a 0.8ppts increase in smart device penetration to **30.3%**.

Enterprise

We provide a variety of fixed and mobile solutions to cater for the growing enterprise, small and medium-sized enterprise ('SME') and small office-home office ('SoHo') segments. These services include:

Connectivity

Wireless; Fixed-line; VPN; Mobile voice and data

Managed mobility

Internet of Things ('IoT'); Corporate APN

Security, cloud and hosting

Chairman's review

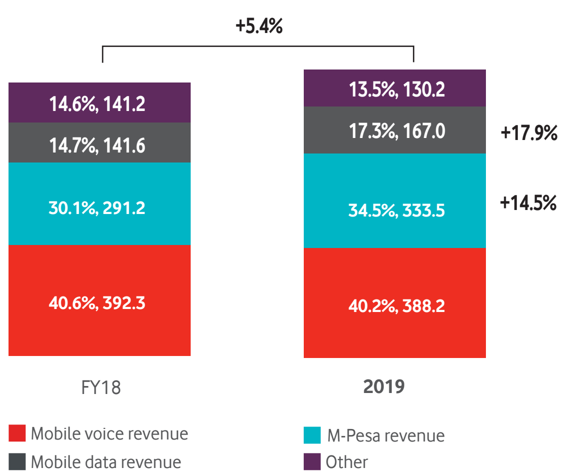
Ali A. Mufuruki

This has been another year of strong performance for Vodacom Tanzania, with solid results delivered in each of the Company's strategic pillars.

It has been particularly pleasing to see the growth in market share and customer numbers in both M-Pesa and mobile data, with overall customer growth up 9.6%, reaching over a total of 14.1 million customers. M-Pesa revenue was up 14.5% this year to TZS333.5 billion, while mobile data revenue grew an impressive 17.9% to TZS167.0 billion. Together with the increase in messaging revenue, the continuing resilience in voice revenue and the strong delivery in the Company's cost-containment programme contributed to a 33.8% increase in net profit, to TZS90.2 billion. The significant growth in data traffic, up 34.2%, reflects the contribution of the Company's recent roll-out of its 4G network and the strong demand for its segmented mobile data services. 4G data traffic grew by an impressive 112.0%, contributing to the overall data traffic growth of 43.9%. Given the comparatively low level of internet and smartphone penetration in Tanzania, this initial growth in mobile data suggests that there is exciting potential for substantial further growth.

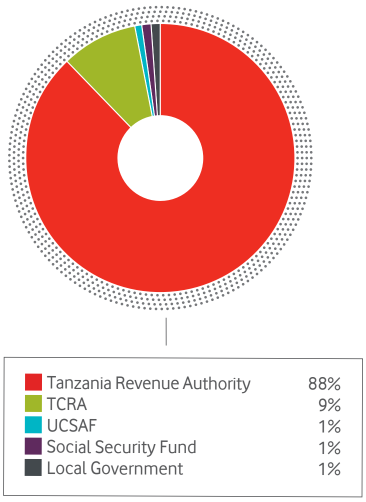
The good performance this year was delivered in a tough operating context, characterised by continued pressure on consumer spending, a challenging regulatory environment, and a highly competitive market. On the regulatory and policy front, the Company was impacted by a further decline in mobile termination rates, the introduction of the government's electronic payment gateway, and the regulated changes to the commission on electricity purchases made through M-Pesa.

Revenue contribution (TZS billion)



A particularly concerning incident this year was the arrest and detention in April 2019 of several Vodacom Tanzania executives, including the Managing Director, Hisham Hendi, in relation to a customer's alleged illegal use of network facilities. These employees were charged with various offences, including non-bailable economic crimes in terms of Tanzania's Economic Organised Crime Act. After pleading guilty to the offences of occasioning pecuniary loss to a specified authority and permitting use of network services in contravention of the Electronic and Postal Communications Act, Vodacom Tanzania secured the release of the executives, paying a fine of TZS30 million as well as TZS5.3 billion as compensation for financial losses incurred by the Tanzanian Communication Regulatory Authority. While the offences charged are clearly defined within the law, it was concerning to see the harshness of the penalty and the manner in which it was applied. To uphold the highest standards of business integrity, ethics and good corporate governance, and to safeguard the Company and its employees from future risks, we have retained the services of a global law firm to assist with an internal investigation to establish the underlying facts and implement any required remedial measures. The Board and executive team are continuing to cooperate with the authorities on this matter.

Government payments
TZS1.1 trillion over the last 3 years



My role as Chairman is to ensure that, as a Board, we provide an effective stewardship function, overseeing the Company's performance and strategic direction and ensuring that the executive team fulfils its fiduciary and societal responsibilities. In fulfilling this task, I believe that we are fortunate to have a Board that brings the diversity in skills, experience and perspective needed to maintain a strong culture of accountability. After two years of working together, we have sufficient data to assess the extent to which the Board has delivered on its responsibilities. We have recently completed an internal self-assessment and review process and will be implementing agreed measures to further strengthen and improve our governance activities.

Following the decision at last year's Annual General Meeting to approve a gross final dividend of TZS17.33 per share, and in accordance with the Company's dividend policy to pay out at least 50% of earnings after tax (subject to certain conditions), this year the Board will recommend a final dividend of TZS24.31 per share. This dividend payment is testament to the Group's strong performance, and reflects the quality of the Company's people, the strength of its strategy and its ability to execute on that strategy. I believe that the Group is very well placed to continue to deliver value for its shareholders and the broader Tanzanian community, underpinned by strong growth in data and M-Pesa. This growth will be supported by the Company's continued investment in its data network and IT platforms, the quality of its customer experience, and the depth of its talented management team and innovation-oriented culture.

On behalf of the Board, I wish to express our appreciation to the Vodacom Tanzania executive team and all the Company's employees for their dedication and commitment that has underpinned the Group's continuing strong performance. I would like also to thank Hisham Hendi for his dynamic leadership of the Group this year, firstly on an interim basis and now as the formally appointed Managing Director. I am confident that under his stewardship, Vodacom Tanzania will continue to make a significant positive contribution to the communities that it serves.

Ali A. Mufuruki
Chairman
17 July 2019

Taarifa ya Mwenyekiti

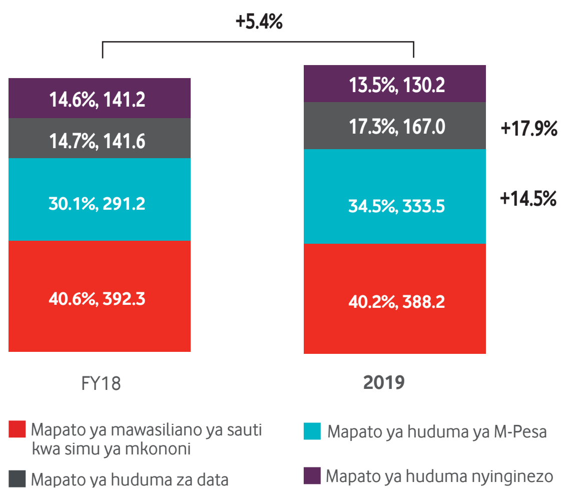
Ali A. Mufuruki

Huu umekuwa mwaka mwingine wa utendaji thabiti kwa Vodacom Tanzania PLC, kukiwa na matokeo thabiti yaliyowasilishwa katika kila moja ya nguzo za kimkakati za Kampuni hii.

Imekuwa inafurahisha hasa kuona uongezeko katika umiliki wa soko na idadi ya wateja katika huduma zote za M-Pesa na data, kukiwa na ongezeko la 9.6% ya jumla ya wateja wetu, kufikia zaidi ya wateja milioni 14.1. Mapato ya M-Pesa yaliongezeka kwa 14.5% mwaka huu hadi kufikia Shilingi bilioni 333.5 wakati mapato ya huduma ya data yameongezeka kwa kiasi cha kuridhisha kwa 17.9% hadi Sh bilioni 167.0. Pamoja na ongezeko katika mapato ya ujumbe mfupi, kuendelea kwa mnyumbuko katika mapato ya sauti na utendaji thabiti katika programu ya Kampuni ya kupunguza gharama kumechangia katika ongezeko la 33.8% katika faida halisi, kufikia Sh bilioni 90.2. Ongezeko kubwa katika idadi ya watumiaji wa data hadi kufikia 34.2%, linaakisi mchango wa Kampuni hivi karibuni kuzindua mtandao wake wa 4G na mahitaji makubwa ya huduma zake za data. Idadi ya watumiaji wa huduma ya data ya 4G iliongezeka kwa kiasi cha kuridhisha cha asilimia 112.0, ikichangia katika idadi ya jumla ya ongezeko la watumiaji kwa 43.9%. Kutokana na idadi ndogo ya watumiaji wa intaneti na simu janja nchini Tanzania, ongezeko hili la awali linaonyesha kuwa kuna uwezekano mkubwa wa kuendelea kuongezeka zaidi.

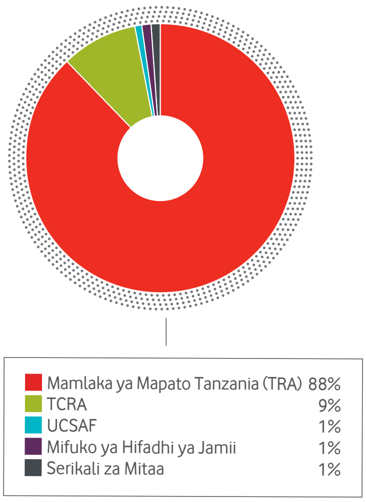
Ufanisi mzuri mwaka huu ulifanikiwa kutokana na kuwa na uendeshaji thabiti, kukiwa na mwendelezo wa shinikizo katika matumizi ya wateja, mazingira ya udhibiti yenye changamoto, na soko lenye ushindani mkubwa. Kwa upande wa udhibiti na sera, Kampuni iliathiriwa na kuendelea kushuka kwa viwango vya uunganishaji wa simu, kuanzishwa kwa mfumo wa serikali wa malipo ya kielektroniki na mabadiliko yaliyowekwa ya asilimia ya faida katika manunuzi ya umeme yaliyofanywa kupitia M-Pesa.

Mchango wa Mapato (Sh bilioni)



Tukio la kusikitisha hasa mwaka huu ilikuwa kukamatwa mnamo mwezi April 2019 kwa viongozi kadhaa wa ngazi ya juu wa Vodacom Tanzania, ikiwa ni pamoja na Mkurugenzi Mtendaji Hisham Hendi, kuhusiana na tuhuma za wateja za kutumia kinyume cha sheria vifaa vya mtandao. Wafanyakazi hawa walishtakiwa kwa makosa mbalimbali, ikiwa ni pamoja na makosa ya uhujumu uchumi yasiyokuwa na dhamana kulingana na Sheria ya Makosa ya Uhujumu Uchumi ya Tanzania. Baada ya kukiri kutenda makosa ya kuisababishia mamlaka husika kukosa fedha na kuruhusu matumizi ya huduma za mtandao kinyume na Sheria ya Mawasiliano ya Kielektroniki na Posta, Vodacom Tanzania ilifanikiwa kuachiliwa kwa wafanyakazi wake, kwa kulipa faini ya Shilingi milioni 30 na vilevile Shilingi bilioni 5.3 kwa Mamlaka ya Udhibiti wa Mawasiliano Tanzania kama fidia kutokana na hasara za kifedha ilizopata. Ingawa makosa hayo yameelezwa wazi ndani ya sheria, ilikuwa inasikitisha kuona ukubwa wa adhabu na namna ambavyo ilivyotumika. Ili kudumisha viwango vya juu kabisa vya uaminifu katika biashara, maadili na utawala bora wa shirika na kuilinda Kampuni na wafanyakazi wake kutokana na hatari za siku zijazo, tumebakiza huduma za kampuni ya uwakili ya kimataifa ili isaidie uchunguzi wa ndani ili kubaini mambo yaliyojificha na kutekeleza hatua zozote zinazotakiwa kurekebisha. Timu ya Bodi ya wakurugenzi wanaendelea kushirikiana na mamlaka katika suala hili.

Malipo ya Serikali
Sh trilioni 1.1 katika miaka 3 iliyopita



Jukumu langu kama Mwenyekiti ni kuhakikisha kuwa kama Bodi, tunafanya kazi ya utumishi kwa ufanisi, kusimamia utendaji wa kampuni na mwelekeo wa kimkakati na kuhakikisha kuwa timu ya uongozi inatimiza wajibu wake wa uaminifu na kijamii. Katika kutimiza jukumu hili, ninaamini kuwa tuna bahati kuwa na Bodi ambayo inakutanisha watu wenye ujuzi wa aina mbalimbali, uzoefu na mawazo yanayohitajika ili kudumisha utamaduni thabiti wa uwajibikaji. Baada ya kufanya kazi pamoja kwa miaka miwili tuna data ya kutosha kutathmini kiwango ambacho Bodi imetimiza majukumu yake. Hivi karibuni tumekamilisha mchakato wa tathmini ya ndani na upitiaji na tutakuwa tunatekeleza hatua tulizokubaliana ili kuendelea kuimarisha na kuboresha shughuli zetu za utawala.

Kufuatia uamuzi katika Mkutano Mkuu wa Mwaka jana kupitisha gawio la juu la Sh 17.33 kwa kila hisa, na kulingana na sera ya gawio ya Kampuni kulipa angalau 50% ya mapato baada ya makato ya kodi (kutegemea masharti fulani), mwaka huu Bodi itapendekeza gawio la mwisho la Sh 24.31 kwa kila hisa. Malipo haya ya gawio ni matokeo ya utendaji thabiti wa Kundi, na yanaakisi ubora wa wafanyakazi wa Kampuni, uimara wa mkakati wake na uwezo wake kutekeleza mkakati huo. Ninaamini kuwa Kundi hili liko vizuri sana katika kuendelea kutoa thamani kwa wanahisa wake na jamii pana ya Tanzania, iliyojengwa na ongezeko la watumiaji wa huduma ya data na M-Pesa. Ongezeko hili litaungwa mkono na Kampuni kuendelea kuwekeza katika mtandao wake wa huduma ya data na majukwaa ya TEHAMA, ubora wa huduma kwa wateja wake na kina cha timu yake ya uongozi yenye vipaji na utamaduni wa ubunifu.

Kwa niaba ya Bodi, ninapenda kutoa shukrani zetu kwa timu ya uongozi wa Vodacom Tanzania na wafanyakazi wote wa Kampuni hii kwa kujitolea na kujituma jambo ambalo limejenga mwendelezo wa utendaji thabiti wa Kundi. Ninapenda pia kumshukuru Hisham Hendi kwa uongozi wake maridhawa wa Kundi mwaka huu, kwanza kwa kukaimu na sasa kama Mkurugenzi Mtendaji aliyeteuliwa rasmi. Nina imani kuwa chini ya uongozi wake, Vodacom Tanzania itaendelea kutoa mchango mkubwa katika jamii ambayo inaihudumia.

Ali A. Mufuruki
Mwenyekiti
Tarehe 17 Julai 2019

Managing director's review

Hisham Hendi

This has been a pleasing year for Vodacom Tanzania, in which we have strengthened our leadership position as the country's fastest data network, increased our market share. Maintained lead on Mobile money market promoter score, securing a significant gap on our nearest competitor in terms of service, value and best network performance.

This positive performance has been achieved through consistent and effective execution of our strategy, delivering good financial results, with service revenue and EBIT growing at 5.4% and 20.3% respectively. Our customer base grew 9.6% to over 14.1 million underpinned by 9.7% growth in M-Pesa customers and an impressive 7.4% increase in mobile data customers, both of which provide an important base for longer-term value creation.

Successful execution of our strategy

We delivered strong revenue growth this year in our key strategic focus areas, mobile data and M-Pesa, with mobile data revenue up 17.9% and M-Pesa revenue growing 14.5%. Our proactive measures to stabilise voice revenue decline proved successful, with voice revenue only marginally lower by 1.1% despite continued pricing pressure, which was accelerated by the reduction in mobile termination rates.

Our strategic focus on monetising data and driving the uptake of digital services is delivering results, with mobile data traffic growing 34.2%; 4G data traffic grew by an impressive 112.0%, with data customers now making up 55.8% of our total customer base. The growth in mobile data traffic, customers and revenue reflects our strong performance this year in expanding our 4G network, promoting smartphone adoption, monetising data through our segmented offers, and optimising our data-user experience. We invested TZS171.4 billion (16.7% of revenue) in our network this year, increasing 4G coverage in major cities, upgrading capacity, and modernising the network to enable a superior data customer experience. Following our acquisition of 700 MHz spectrum in the June 2018 auction, and building on the successful launch of our commercial 4G services in Dar es Salaam in 2017, this year we added 322 4G sites, bringing the total to 861 4G sites covering the major cities and 23 regions, maintaining our leadership in 4G coverage reaching 23% of the country's population. We also modernised our network, investing in capacity upgrades across our 3G sites, as well as adding 197 3G sites, bringing the total up to 2 429 sites. Our partnership-led smartphone campaigns, coupled with our focus on youth and high value customer segments, resulted in 12.6% growth in active smartphone users, reaching a penetration of 30.3% of our customer base.

Our mobile money service, M-Pesa, continues to be a remarkable success story, delivering significant social and financial value. M-Pesa has increased financial inclusion and stimulated economic activity across Tanzania, while serving as an important revenue and reputation driver for the Company. We have over 7.0 million 30-day active M-Pesa customers, supported by 106 000 agents, with around TZS100 billion of transaction value going through M-Pesa each day. We have seen substantial growth this year in our 'Lipa kwa M-Pesa' merchant solution, which provides customers with the ability to make seamless point-of-sale payments. The platform is the most evolved in the Tanzanian market, enabling consumers to pay via M-Pesa at over 11 000 active merchants, outgrowing the number of payment card terminals across the country, and effecting TZS1.1 trillion in transactions during the year, an increase of 186.0%.

We delivered a third successive year of good performance in growing enterprise revenue and scaling our converged services offerings in mobile voice data, and fixed line services. We expanded our cloud and data centre hosting services and saw pleasing growth in commercialising our Internet of Things (IoT) applications, securing valuable accounts in cold chain management, smart metering, the connected car and mobile point-of-sale, as well as delivering growth in our Connected Farmer and M-Health platforms in partnership with Mezzanine.

Given the highly competitive environment, it was very pleasing to see the continued improvement in customer net promoter score (NPS). This year we achieved an all-time high NPS score of 58pts, ending the year with a 12-point lead over our nearest competitor. This reflects the quality of our network and M-Pesa mobile money platform, the impact of our 'value for money' promotions, and the strength of customer engagement initiatives.

In delivering on our goal to be the most efficient infrastructure-based operator in Tanzania, we maintained a strong focus this year on limiting cost growth and driving operational efficiencies through our 'Fit for growth' programme. Our efficiency activities supported a remarkable 20.3% growth in EBIT with a margin of 11.2%, expanding 1.4ppts. Key savings were realised through network-related cost optimisation, streamlining administrative functions, and enhanced efficiencies in our sales and billing through increased automation.

Since our inception, we have placed a strong emphasis on attracting and retaining the best talent, and we pride ourselves on being consistently rated an employer of choice. This year we focused on identifying and attracting talent from outside our traditional business areas to ensure that we have the right capabilities for our new business activities, including in particular in data science, machine learning and agile processes. As part of our drive to become a digitally-led company, we were the first of the International operations in the Vodacom Group to adopt Agile structures, principles and tools, which we anticipate will stimulate innovation and realise material efficiency and productivity gains.

A tough operating environment

Our pleasing performance has been achieved in the context of ongoing regulatory and policy pressures, a highly competitive market environment that has some of the lowest data prices globally, and a softening in economic growth with a general reduction in consumer spend.

We continued to feel the impact this year of the regulator's mobile termination rate ('MTR') 'glide path'; this was introduced in December 2017 with the goal of reducing the MTR annually from a starting value of TZS15.60 down to TZS2.00 by January 2022, one of the lowest MTRs globally. This year, the MTR declined by 33% from January 2019, negatively impacting service revenue growth. Following an extensive process of engagement with the regulator, we filed an appeal with the Fair Competition Commission last year against these new rates; our appeal is still pending a hearing. Revenue growth this year was also further dampened by the introduction of the government electronic payment gateway, and the unexpected change in the commercial arrangements governing payments between Vodacom and Tanzania Electric Supply Company.

A significant regulatory challenge relates to the biometric registration of all customers, integrated with the National Identification Agency system. This process commenced in May 2019, with base migration required to be completed by December 2019. We are fully committed to ensuring full compliance with these requirements, but we anticipate some significant challenges in completing the biometric registration of over 14.1 million customers within this tight timeframe. This has significant implications for costs and could potentially lower our customer base growth next year.

Our strategic outlook

Looking ahead, we will continue to drive long-term shareholder value and lead Tanzania through the digital journey by delivering on our six strategic pillars, leveraging data analytics and segmentation, and positively changing lives through connectivity and technology.

We will be looking to secure solid data revenue growth by further broadening our 4G and 3G network coverage, increasing smart-device and 4G sim-card penetration through appropriate pricing and payment options, and providing customers with more reasons to consume data through our compelling digital content portfolio and unified digital platforms. We will continue to enhance the customer experience and instil a customer-centric culture across our business, supported by further investment in our high-value and youth segments. Through our sophisticated CVM platform, we will be driving our targeted segmentation strategy to further increase our market share.

Our M-Pesa platform provides significant opportunities for further growth, particularly as we extend M-Pesa beyond person-to-person money transfers to include enterprise, financial services and mobile commerce. Our main focus will be to leverage off the growing customer base, expand the agency network and merchant base to grow the existing M-Pesa revenue streams through new partnerships, and enhance the mobile money ecosystem. We will build on our leading market presence and platforms, and harness the opportunities associated with emerging technologies such as machine learning, artificial intelligence and blockchain settlement solutions.

Although our enterprise business currently makes up a small proportion of service revenue, we believe the recent encouraging trends reflect its potential to be a key driver of future growth. We will drive scale and market share in our fixed-line services, realise opportunities to build our cloud and hosting offerings, and scale up and commercialise sophisticated IoT applications.

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

I am confident that this approach will continue to provide resilience as we seek to deliver on our vision to lead Tanzania into the digital age and to change lives through technology.

Acknowledgements

In closing, I wish to thank my colleagues on the Board, the executive team, all staff across the company for their support, advice and commitment. It has been an incredible privilege serving in my first year as the Managing Director of Vodacom Tanzania. I look forward to some exciting years ahead as we work together to realise the Company's significant potential to deliver value for its many stakeholders by leading Tanzania into the digital age and connecting everybody to live a better today and build a better tomorrow.

Hisham Hendi
Managing Director
17 July 2019

Taarifa ya Mkurugenzi Mtendaji

Hisham Hendi

Huu umekuwa mwaka unaofurahisha kwa Vodacom Tanzania PLC, ambapo tumeimarisha nafasi yetu ya kuongoza kama mtandao wenye kasi zaidi nchini, tumeongeza sehemu yetu ya soko kwa idadi ya wateja na huduma za fedha kwa simu, na kuendelea kuongoza katika alama za uhamasishaji wa mtandao, tukiwa tumeacha nafasi kubwa kutoka kwa mshindani wetu anayetufuata katika huduma, thamani na ufanisi bora wa mtandao.

Utendaji huu mzuri umefikiwa kupitia utekelezaji thabiti na makini wa mikakati yetu, kutoa matokeo mazuri ya kifedha, kukiwa na ongezeko la mapato ya huduma na EBIT kwa 5.4% na 20.3% mtawalia. Msingi wetu wa wateja uliongezeka kwa 9.6% kufikiawateja zaidi ya milioni 14.1 uliojengwa na ongezeko la 9.7% katika wateja wa M-Pesa na ongezeko la kuvutia la 7.4% katika wateja wa huduma ya data, yote yakifanya msingi muhimu kwa ajili ya kujenga thamani kwa muda mrefu.

Mafanikio ya kutekeleza mkakati wetu

Tumefanikisha ongezeko thabiti la mapato mwaka huu katika maeneo yetu muhimu ya kuangalia kimkakati, huduma ya data na M-Pesa, wakati mapato ya huduma ya data yakiongezeka kwa 17.9% na mapato ya M-Pesa yakiongezeka kwa 14.5%. Hatua zetu madhubuti za kurekebisha hali ya kushuka kwa mapato ya huduma ya sauti zilithibitika kuwa na mafanikio, kwa mapato ya huduma ya sauti kushuka kidogo kwa 1.1% licha ya kuendelea kuwepo kwa shinikizo la bei, ambalo liliongezeka kutokana na kupungua kwa viwango vya kuunganisha simu.

Mtazamo wetu kimkakati kuhusu kuuza data na kuleta urahisi wa huduma za kidigitali unaleta matokeo, kukiwa na ongezeko la matumizi ya huduma za data kwa 34.2%; watumiaji wa huduma ya data ya 4G waliongezeka kwa 112.0%, wateja wa data sasa wanafikia 55.8% ya jumla ya wateja wetu. Ongezeko la matumizi ya data, wateja na mapato linaakisi utendaji wetu thabiti mwaka huu katika kupanua mtandao wetu wa 4G, kuhamasisha matumizi ya simu janja, kuuza data kwa kutoa ofa mbalimbali, na kuboresha matumizi ya data kwa watumiaji wetu. Tumewekeza Sh bilioni 171.4 (16.7% ya mapato) katika mtandao wetu mwaka huu, kuongeza eneo la huduma ya 4G katika miji mikubwa, kuongeza uwezo, na kuboresha mtandao ili uweze kutoa huduma bora za data. Kufuatia kununua 700 MHz spektra katika mnada wa Juni 2018, na kutegemea mafanikio ya uzinduzi wa huduma zetu za kibiashara za 4G jijini Dar es Salaam mwaka 2017, mwaka huu tumeongeza minara 322 ya 4G, na kufanya kuwa na jumla ya minara 861 ya 4G yanayohudumia miji mikubwa na mikoa 23, na kuendelea kuongoza katika huduma ya 4G kufikia 23% ya watu nchini. Pia tumeboresha mtandao wetu, kwa kuwekeza katika kuongeza uwezo katika minara yetu ya 3G, na vilevile kuongeza minara 197 ya 3G, kufanya jumla kufikia minara 2 429. Kampeni yetu ya ubia wa simu janjja, ikiunganishwa na mtazamo wetu kuhusu makundi ya vijana na wateja wa thamani kubwa, imesababisha ongezeko la 12.6% katika watumiaji wa simu janja, kufikia kuhudumia 30.3% ya wateja wetu.

Huduma yetu ya fedha kwa simu, M-Pesa, inaendelea kuwa habari ya mafanikio, ya kuleta thamani kijamii na kifedha. M-Pesa imeongeza ushirikishaji kifedha na imehamasisha shughuli za kiuchumi kote Tanzania, wakati ikitumika kama kichocheo muhimu cha mapato na heshima kwa Kampuni. Tuna zaidi ya wateja milioni 7.0 kwa siku 30 wa M-Pesa, wanaohudumiwa na wakala 106 000, kukiwa na takribani Sh bilioni 100 za thamani ya miamala inayopitia M-Pesa kila siku. Tumeona ongezeko kubwa mwaka huu katika huduma yetu ya 'Lipa kwa M-Pesa', ambayo inawapatia wateja uwezo wa kufanya malipo kama kituo cha huduma. Jukwaa hili limeenea katika soko la Tanzania, na kuwawezesha wateja kulipa kupitia M-Pesa kwa wafanyabiashara zaidi ya 11 000, na kuizidi idadi ya kadi za malipo nchini kote, na kufanya miamala ya Sh trilioni 1.1 katika mwaka, ikiwa ni ongezeko la 186.0%.

Tumetimiza mwaka wa tatu wa utendaji mzuri katika kuongeza mapato ya biashara na kuongeza wigo wa utoaji wa huduma zetu katika huduma ya data ya sauti, na simu zenye waya. Tumepanua kituo chetu cha cloud na data kutoa huduma na kuona ongezeko linaloridhisha katika kubisharisha huduma zetu za Intaneti ya Vitu (IoT), kupata akaunti hesabu kubwa katika usimamizi wa mnyororo tuli, smart metering, vifaa vya kuuzia vilivyounganishwa katika magari na simu, na vilevile kuleta ongezeko la majukwaa ya huduma kwa Wakulima na M-Health kwa ushirikiano na Mezzanine.

Kutokana na mazingira ya ushindani mkubwa, ilikuwa inafurahisha sana kuona ongezeko la mrejesho chanya wa kiwango cha ubora wa huduma zetu ('NPS'). Mwaka huu tumefanikiwa wakati wote kupata alama za juu za NPS kiasi cha 58, na kumaliza mwaka kwa kuongoza kwa alama 12- juu ya mshindani wetu wa karibu. Hii inaonyesha ubora wa mtandao wetu na jukwaa la huduma ya M-Pesa, athari ya uhamasishaji wetu wa 'thamani ya fedha', na uthabiti wa juhudi za kuwashirikisha wateja.

Katika kutimiza lengo letu la kuwa mtoa huduma mwenye miundombinu yenye ufanisi zaidi nchini Tanzania, tumedumisha mtazamo imara mwaka huu katika kupunguza ongezeko la gharama na kuchochea ufanisi wa kiuendeshaji kupitia programu yetu ya 'Fit for growth'. Shughuli zetu zenye ufanisi zikisaidiwa na ongezeko kubwa la 20.3% katika EBIT kukiwa na kiwango cha 11.2%, kupanua 1.4ppts. Akiba muhimu zilipatikana kupitia kupunguza gharama zinazohusiana na mtandao, kurahisisha shughuli za kiutawala na kuongeza ufanisi katika mauzo yetu na kutoa bili kupitia kuongeza matumizi ya mitambo.

Tangu kusimikwa kwetu, tumeweka msisitizo mkubwa katika kuwavutia na kuwabakiza watu wenye vipaji bora, na tunajivunia wakati wote kutathminiwa kuwa mwajiri wa chaguo. Mwaka huu tumelenga kuwabaini na kuwavutia watu wenye vipaji kutoka nje ya maeneo yetu ya asili ya biashara ili kuhakikisha kuwa tuna uwezo sahihi kwa shughuli zetu mpya za kibiashara, ikiwa ni pamoja na sayansi ya data, kujifunza mashine na michakato nyumbufu. Kama sehemu ya kichocheo chetu kuwa kampuni inayoendeshwa kidigitali, tulikuwa wa kwanza kufanya miamala ya kimataifa katika Vodacom Group kutumia miundo, kanuni na zana nyumbufu, ambazo tunatarajia zitachochea ubunifu na kufikia kuwa na faida za ufanisi na tija.

Mazingira magumu ya uendeshaji

Utendaji wetu unaoridhisha umefikiwa katika muktadha wa shinikizo la udhibiti na sera, soko lenye mazingira ya ushindani mkubwa ambalo lina baadhi ya bei ndogo zaidi za data duniani, na wepesi katika ukuaji kiuchumi kukiwa na kupungua kwa ujumla kwa matumizi ya watumiaji.

Mwaka huu tumeendelea kuona athari viwango vya mdhibiti vya ('MTR') 'glide path'; hii ilianzishwa mnamo Desemba 2017 kwa lengo la kupunguza MTR kila mwaka kutoka thamani ya kuanzia ya Sh 15.60 kupungua hadi Sh2.00 kufika Januari 2022, moja ya kiwango kidogo zaidi cha MTR duniani. Mwaka huu, MTR ilipungua kwa 33% kuanzia Januari 2019, ikiathiri vibaya ongezeko la mapato ya huduma. Kufuatia mchakato mpana wa kushughulika na mdhibiti, tumekata rufaa kwenye Tume ya Ushindani mwaka jana dhidi ya viwango hivi vipya; rufaa yetu bado inasubiri kusikilizwa. Ongezeko la mapato mwaka huu pia limeendelea kupunguzwa na kuanzishwa kwa mfumo wa malipo serikali kielektroni, na mabadiliko yasiyotarajiwa katika mipango ya kibiashara inayoongoza malipo kati ya Vodacom na Kampuni ya Ugavi wa Umeme Tanzania.

Changamoto kubwa ya kiudhibiti inahusiana na usajili kwa kutumia alama za vidole wa wateja wote, kuunganishwa na mfumo wa Vitambulisho vya Taifa. Mchakato huu ulianza mwezi Mei 2019, na unatarajiwa kukamilika kufika Desemba 2019. Tunajituma kikamilifu kuhakikisha tunafuata kikamilifu masharti haya, lakini tunataraji kuwepo changamoto kubwa katika kukamilisha usajili kwa kutumia alama za vidole kwa wateja zaidi ya milioni 14.1 ndani ya muda huu mfupi. Hii ina athari kubwa kwa gharama na inauwezekano wa kupunguza kwa kiasi kikubwa ongezeko la wateja wetu mwaka ujao.

Mkakati wa msimamo wetu

Tukiangalia mbele, tutaendelea kuchochea thamani ya muda mrefu ya wanahisa na kuiongoza Tanzania kupitia safari ya kidigitali kwa kutekeleza nguzo zetu sita za kimkakati, kulinganisha uchanganuzi wa data na kutenganisha, na kubadili maisha kwa njia chanya kwa kuunganishwa na teknolojia.

Tutakuwa tukijaribu kupata ongezeko thabiti la mapato data kwa kuendelea kupanua zaidi huduma ya mtandao wetu wa 4G na 3G, kuongeza vifaa janja na kuenea kwa kadi za simu za 4G kupitia kupanga bei sahihi na njia za malipo, na kuwapatia wateja sababu zaidi za kutumia data kupita kulazimisha maudhui ya majukwaa ya kidigitali. Tutaendelea kuongeza huduma kwa wateja na kuendelea kujenga utamaduni wa kumjali mteja katika biashara zetu, ikisaidiwa na uwekezaji zaidi katika makundi ya wateja wakubwa na vijana. Kupitia jukwaa letu la kisasa la CVM, tutakuwa tukisukuma mkakati wetu wa ugawaji ili kuendelea kuongeza umiliki wetu wa soko. Jitihada zetu mbalimbali za kutoa sauti zinatarajiwa kuondoa kupungua katika mapato ya huduma ya sauti.

Jukwaa letu la M-Pesa linatoa fursa nyingi za kuwa na ongezeko zaidi, hususan tunapotoa huduma ya M-Pesa kupita utumaji wa fedha kati ya mtu na mtu, uhamishaji wa fedha kujumuisha kampuni, huduma za fedha na biashara kwa simu. Mtazamo wetu mkuu utakuwa kulinganisha ongezeko la wateja, kupanua mtandao wa wakala na wafanyabiashara kuongeza njia za mapato ya M-Pesa kupitia ubia mpya, na kuongeza mfumo wa fedha kwa simu. Tutajenga kwa kutegemea kuwepo kwa soko letu linaloongoza na majukwa na kuendeleza fursa zinazohusiana na teknolojia zinazojitokeza kama vile kusoma kwa mashine, maarifa bandia na mnyororo wa njia za kusuluhisha.

Ingawa kwa sasa biashara yetu ya kampuni inaingiza kiasi kidogo cha mapato ya huduma, tunaamini mielekeo ya hivi karibuni inayotia moyo inaakisi uwezekano wake kuwa kichocheo muhimu cha ongezeko siku zijazo. Tutachochea ukubwa na kutafuta soko la hisa katika huduma zetu zisizohamishika, kufanikisha fursa za kujenga huduma zetu za cloud na hosting, na kuongeza na kubiasharisha programu za kisasa za IoT.

Jitihada hizi mbalimbali za ukuaji zitajengwa na jitihada muhimu zinazokusudia kudumisha chapa yetu imara, kuchochea ufanisi wa kiutendaji na kuhakikisha kuwa tuna ujuzi, uwezo na utamaduni sahihi ili kufikia dira ya Kundi ya kuwa kampuni inayoongoza kidigitali.

Nina uhakika kuwa mkabala huu utaendelea kuleta unyumbufu tunapojaribu katika dira yetu kufanikisha kuongoza Tanzania katika enzi za kidigitali na kubadili maisha ya watu kupitia teknolojia.

Shukrani

Katika kufunga, ninapenda kuwashukuru wenzangu katika Bodi, timu ya viongozi, na katika kampuni kwa msaada, ushauri na kujituma kwao. Imekuwa heshima ya ajabu kufanya kazi katika mwaka wangu wa kwanza kama Mkurugenzi Mtendaji wa Vodacom Tanzania. Ninategemea miaka ijayo itakuwa ya kusisimua tutakapokuwa tukifanya kazi pamoja kufikisha Kampuni kuwa na uwezo wa kutosha kutoa thamani kwa wadau wake wengi kwa kuiongoza Tanzania katika enzi za kidigitali na kumuunganisha kila mmoja aishi maisha bora leo na kujenga kesho iliyo bora.

Hisham Hendi
Mkurugenzi Mtendaji
Tarehe 17 Julai 2019

Our business model

What we do

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

These activities enable us to ensure revenue growth and high levels of cash generation, which is used to reinvest in the resources and relationships we rely on to do business, and to deliver on our core purpose: leading Tanzania into the digital age and changing lives through technology.

Our value chain activities

Spectrum, network and IT infrastructure

Most of our communication services depend on accessing spectrum, which we strive to secure at a competitive price through auctions, proactive engagement with government and the regulator, and/or through partnerships with, or acquisitions of, existing spectrum rights-holders. The limited availability of radio spectrum is one of the key challenges facing the sector in Tanzania, especially for the provision of 4G services. Over the past three years, we have invested over TZS491.1 billion in expanding and upgrading our mobile network; we now have the largest nationwide data network in the country and the fastest 4G service in Dar es Salaam[1].

Procurement activities

We manage a significant supplier landscape with total procurement spend in 2019 of TZS476.6 billion. We leverage off the global purchasing power and responsible procurement practices of the Vodafone Procurement Company ('VPC'), enabling the purchase of responsibly manufactured network equipment on favourable terms. This year, 24.6% of purchases (TZS117 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, 75.4% of total procurement spend (amounting to over TZS350 billion) was on local suppliers.

vodafone

Product and service development

We see significant opportunity for sustained revenue growth by protecting and growing data and M-Pesa, while driving the uptake in new verticals including new financial service offerings, entertainment and building on our existing well established differentiators. This is despite the recent declines in voice revenue and the strong price pressure on data.

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 450 nationwide retail points, more than 20 000 freelance distributors and 106 000 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.

Connecting for a better **future**

Our investment case

Despite recent declines in voice revenue and the strong price pressure on data, we see significant opportunity for sustained revenue growth by protecting and growing traditional service of voice, messaging, data and M-Pesa, while driving the uptake in new verticals including new financial services offerings, entertainment, fibre and building on our existing well-established differentiators.

- Tanzania has a young, growing population with significant scope for further data and digital adoption, in both telecommunications and mobile financial services.
- We are the leading mobile operator and mobile financial services provider in Tanzania, with over 90% voice population coverage, fastest nationwide data network[1] and the largest mobile money network.
- We are best-placed to benefit from growing smartphone penetration and an anticipated improvement in the price of data, which is currently among the lowest globally. Following our success in securing spectrum in the June 2018 auction, we will now provide a superior 4G data user experience across Tanzania.
- Our merchant payment solution is among the most mature across all of Vodafone's markets and is the most convenient electronic payment choice, outgrowing the number of payment card terminals across the country.
- Our investments in 'Big Data' platforms that facilitate machine learning, coupled with a greater proportion of our base engaged in personalised offers, are expected to provide us with a significant advantage over our competitors.
- Market consolidation – achieved through merger-integration or through the failure of unprofitable operators – is inevitable over the long-term; we have strong cash flow generation and a robust balance sheet to support further strategic investments.
- We are part of the Vodafone group, globally recognised for their leadership in mobile financial services and innovative digital services in emerging markets.

1. Ookla speed test report as at 31 March 2019.

How we create value

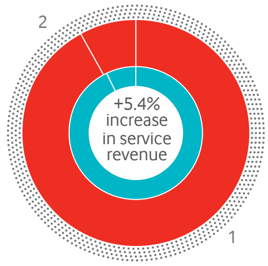
We generate profit by efficiently utilising our network and mobile payment system to provide our customers with valued telecommunications and mobile financial services.

Our competitive differentiation lies in the reach and quality of our network, the nature of our products and services, the quality of the relationships we have with key stakeholders, and our proven ability to manage our cost base.

Key revenue differentiators

- Globally recognised brand with strong reputation across Tanzania.
- Leading mobile finance service offering (M-Pesa), supported by a world-class payment platform.
- Superior network with extensive voice and data coverage, and state of the art technology.
- Largest retail footprint in Tanzania's telecoms sector.
- Leading provider of communications services to the large enterprise market in Tanzania.
- Ability to generate personalised offers to our customers through our 'Just 4 You' platform, which is the most sophisticated 'Big Data' platform in Tanzania.
- Ability to leverage our relationship with Vodacom and Vodafone, driving global best practice in performance.

Group service revenue composition



	2019	2018
1 Consumer service revenue	**92%**	93%
2 Enterprise service revenue	**8%**	7%

Our **revenues**

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

Our **costs**

We have a strong track record of optimising expenses and converting revenue into cash flow. We have achieved significant results by instilling an improved culture of cost containment across the business through our 'Fit for growth' programme. Over the past three years we have delivered considerable cost savings 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 data speed. We continue to allocate investments to directly support commercial strategies, such as projects that enhance our customers' experience.

Key cost differentiators

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

Group total expenses composition

	2019	2018
Direct expenses	**41%**	42%
Other opex	**46%**	46%
Staff expenses	**8%**	8%
Publicity expenses	**5%**	4%

1. Excluding a one-off penalty, total expenses increased 2.8% to TZS737.7 billion. Once-off penalty compensation and penalty ordered at a court hearing amounting to TSZ5.3 billion.

Our operating environment

Our operating context

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

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

A challenging regulatory and policy environment

Government policy and regulatory decisions have a significant direct and indirect impact on our activities and operating environment. Given the important role the telecoms sector plays in a country's development, we are subject to a high level of regulatory scrutiny and extensive legislative requirements. Recent regulatory and policy developments, include:

- **Telecommunication and broadcasting market review:** In May 2018, the Tanzania Telecommunication Regulatory Authority ('TCRA') initiated a market review to identify dominant operators in different market segments and to determine a potential regulatory intervention. We have participated in industry consultations and submitted written comments. The TCRA is yet to issue the final market review report.
- **Retail services pricing and service providers' market conduct:** In December 2018, the TCRA issued a report on retail service pricing and service providers' market conduct, outlining new rules on promotions and special offers, cost-based pricing on all basic tariffs, and on- and off-net pricing differentials. We have provided written comments and are awaiting the outcomes of the final report.
- **Biometric customer registration:** The TCRA has informed all operators to ensure readiness for biometric registration and integration with the National Identification Agency system; this commenced in May 2019, with base migration required to be completed by December 2019. With only a minority of Tanzanians currently holding a national ID, and given the tight timeframes, we anticipate some significant challenges in ensuring full migration within the deadline. We continue to engage with the TCRA and our industry peers to ensure full compliance in an optimal and efficient manner.
- **Direct and indirect taxation:** In the last few budget cycles the Government has increased the levels of excise duty and extended the application of VAT on communications services (voice, data and messaging) and mobile financial services. A recent GSMA Deloitte study shows that tax accounts for 35% of the total cost of mobile ownership in Tanzania, one of the highest in Africa and globally.

In April 2019, several executives, including the Managing Director, were arrested by the Tanzanian Police and detained following a customer's alleged illegal use of network facilities. These executives were charged with a number of offences, including economic crimes which are non-bailable offences. After pleading guilty to the offences of occasioning pecuniary loss to a specified authority and permitting the use of network services in contravention of the Electronic and Postal Communications Act, Vodacom Tanzania paid a fine of TZS30 million and an additional TZS5.3 billion as compensation for the financial losses incurred by TCRA. In line with our legal and corporate governance principles, and to safeguard the Company from potential future risks, we have retained a global law firm to assist with a comprehensive internal investigation into the underlying facts.

Implications for our strategy

Anticipating, informing and responding to regulatory and policy developments requires that we engage proactively with government and regulators, and that, where appropriate, we co-ordinate our activities with others in the sector to ensure a consistent and efficient approach to compliance. Internal governance processes are in place to ensure full compliance with all regulatory requirements.

A highly competitive environment driving unsustainably low pricing

The mobile telecommunications sector, globally and locally, is facing an increasingly competitive operating environment, not only between the main service providers but also from non-traditional sources such as over-the-top content, messaging and voice providers. Tanzania is one of the most competitive markets in Africa, with eight mobile network operators (MNOs); between them the top four operators cover 96% of market share.

This competitive landscape is characterised by very aggressive pricing, with some operators appearing to be driving short-term customer growth at the expense of longer-term profitability, potentially to improve their prospects as a target for acquisition. With Tanzania already having some of the lowest effective voice and data prices in Africa, coupled with the onerous customer registration requirements, this has placed significant 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 benefit of Tanzanian consumers and businesses. We believe that under the right regulatory and policy conditions there remains valuable potential for consolidation in the sector.

Implications for our strategy

To ensure that we compete effectively and continue to deliver a differentiated customer experience we have maintained a strong focus on ensuring the strength and reach of our network, the quality of our customer care, the pricing and nature of our services and devices, and our strong brand reputation. These are all areas in which we have demonstrated competitive performance, as evidenced for example by our sustained leadership in customer service NPS and network speed (as rated by Ookla). 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 softening in economic growth and increasing pressure on consumers

Tanzania has sustained comparatively strong economic growth over the last decade, with real GDP averaging 6–7% per annum. During this period the ICT sector has played an increasingly important role in the country's development, becoming the fastest growing component in the services sector.

In the last year, economic performance was mixed, with several indicators suggesting a softening of the earlier growth momentum, with foreign direct investment and export growth both slowing. Many consumption-led sectors in the country have had a second year in which they struggled to achieve revenue growth, reflecting increased pressure on consumers. On the positive front, inflation has remained stable at around 3%, and credit to the private sector has grown.

Implications for our strategy

In the context of global and regional macroeconomic uncertainty, we anticipate that consumer spend in Tanzania may remain under pressure over the medium term. Potentially constrained consumer spending highlights the imperative of providing highly personalised products and services that are relevant to our customers' lifestyle and spend, supported by an effective cost containment programme.

Significant opportunities in promoting digital inclusion in Tanzania

Tanzania has recently seen remarkable growth in mobile internet penetration, which has quadrupled since 2010. More Tanzanians are connected by a mobile service of some sort than any other communications technology, with an estimated 42% of the population subscribing to a mobile service in 2018. Despite this growth, an estimated two fifths of the country's population remain offline and are excluded from the significant socioeconomic benefits of the internet[1].

Given the comparatively low levels of smartphone and internet penetration across the country, we believe that there are exciting opportunities for significant further growth in data usage and revenue generation in the medium term. Bridging the digital divide is critical to catalysing Tanzania's ambition of transforming from an historically agricultural economy to an increasingly knowledge-based, semi-industrialised middle-income economy by 2025. By promoting digital inclusion, the mobile industry has already made a substantial contribution to the country's developmental goals, and we have the potential to play a significant further role, by facilitating access to critical services, driving productivity gains across key business sectors, and facilitating inclusive economic opportunities and good governance.

For these developmental and growth opportunities to be fully realised, it is essential that the mobile sector has sufficient access to adequate spectrum, and that the market pricing of data allows for the necessary investment in network infrastructure and digital products and services. We believe that these issues will be addressed, and that Vodacom Tanzania is very well placed to realise the significant opportunities in promoting digital inclusion across the country.

Implications for our strategy

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, including in particular through mobile technology, offers significant opportunities for us to extend revenue streams beyond 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.

Our material stakeholder relationships

Vodacom Tanzania's ability to deliver value depends on the contribution and activities of a range of different stakeholders.

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

Customers

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

Means of engagement	Stakeholder's priority interests
• Call centres, retail outlets and online. • My Vodacom app, USSD, self- help channels, M-Pesa app. • Weighted net promoter score (NPS) feedback interviews and focus groups. • Social media interaction. • Vodacom Tanzania website.	• 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	Stakeholder's priority interests
• Participation in public forums. • Engagement on draft regulations and bills. • Engagement through industry bodies. • Publication of policy engagement papers. • Partnering on key programmes in inclusive education, inclusive growth in agriculture and inclusive climate action.	• Ensuring spectrum is managed as a strategic resource. • Regulatory compliance on issues such as customer registration, mobile termination rates, service quality, price, security, safety, health and environmental performance. • Promoting opportunities for economic development. • Contribution to the tax base.

Investors and shareholders

Provide the financial capital needed to sustain and grow.

Means of engagement	Stakeholder's priority interests
• Investor interactions, including conferences and meetings. • Investor days. • Annual and interim consolidated results. • Quarterly trading updates. • Annual general meeting (AGM).	• 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	Stakeholder's priority interests
- Internal website. - Newsletters, internal magazine and electronic communication. - Employee hotline. - Leadership road shows. - Continued engagement.	- 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	Stakeholder's priority interests
- Supplier forums. - Ongoing site visits. - Audits.	- Timely payment and fair terms. - Transparent and fair tender processes. - Improving health and safety standards.

Communities

Strengthen the socioeconomic context.

Means of engagement	Stakeholder's priority interests
- Public participation where new base stations are required. - Vodacom Tanzania Foundation partnering with communities.	- 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	Stakeholder's priority interests
- Store, franchise and retail visits. - One-on-one business meetings. - Training sessions on new products and services.	- Fair treatment. - Top management involvement with customers. - Making it simpler and quicker to deal with us.

Media

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

Means of engagement	Stakeholder's priority interests
- Face-to-face and telephonic engagement. - Interviews with key executives. - Media releases. - Roundtables. - Product launches.	- Being informed of key activities and offerings. - Transparency on performance. - Evidence of responsible business performance.

Our principal risks

Each year, the Vodacom Tanzania PLC Board reviews the critical strategic risks facing the company and approves the Group's risk appetite. The Board considers these business risks when setting strategies, approving budgets and monitoring progress against set targets.

Our executive team regularly reviews our risk management processes to better identify, assess and monitor our material risks, ensuring that we are responsive to the business environment dynamics. The following table presents a summary extract from the approved Principal Risks Report:

Principal risk	Context	Mitigating actions
1 **Adverse regulatory decisions** Speed of impact ↓ <6 | >6<12 | >12	• Stringent regulatory requirements could impact our services and profitability. • Recent regulatory developments include: the introduction of new customer registration requirements; a new mobile termination rate glide path; and new requirements pertaining to the provision of mobile financial services.	• Proactive and regular engagement with the Tanzanian Communications Regulatory Authority ('TCRA') – the industry's regulator 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.
2 **Non-compliance with laws and regulations** Speed of impact ↓ <6 | >6<12 | >12	• Breach of legal and regulatory requirements due to either not identifying requirements or inadequately assessing current compliance requirements. This exposes Vodacom Tanzania PLC to significant financial and reputational damage.	• Continuous monitoring of changes to key laws, regulations and licence requirements. • Ensure business units are sensitized, including through training programmes such as the "Doing What is Right" programme on legislative and regulatory requirements. • Annual self-assessment of the Compliance Matrix.
3 **Cyber attack threats** Speed of impact ↓ <6 | >6<12 | >12	• A cyber attack – undertaken externally, internally or through one of our suppliers being compromised – may impact our ability to provide services and/or result in confidential data loss, exposing us to significant adverse financial and reputational impacts.	• Cyber-privilege user access management in place. • Cyber Intelligence Centre aggregate security monitoring in place. • Computer Security Incident Response Team activated. • Vulnerability scanning and periodic penetration tests. • Implement log monitoring tools.
4 **M-Pesa system failure, fraud and money laundering** Speed of impact <6 | ↓ >6<12 | >12	• Adverse financial regulation changes, failure of systems (including network failure) and processes could negatively impact operations, reputation and revenue of our M-Pesa business.	• 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. • Fraud is controlled through both detective and preventive processes such as the maker-checker and fraud alert processes; a dedicated fraud management system in place. • The Anti-Money Laundering team performs 'Know Your Customer' compliance reviews to check compliance of the newly registered agents and customers.

Our principal risks continued

Principal risk	Context	Mitigating actions
5 Litigation Speed of impact <6 >6<12 >12	• The Group is currently involved in various legal proceedings where an adverse outcome could lead to financial loss, negative publicity and/or reputational damage.	• Proactive and regular engagement with the TCRA. • Close monitoring of the progress of cases in arbitration/court, managed by our external legal counsel.
6 Customer data and privacy Speed of impact <6 >6<12 >12	• We place a strong emphasis on protecting customer privacy, and to mitigate the risk of data theft or loss. • As our customers become increasingly connected, and as the ability to track and analyse consumer behaviour becomes more sophisticated, the need to ensure the full and effective protection of customer privacy and personal data has become more critical. • Failure to protect our customers' privacy is likely to lead to severe reputational damage and potential fines.	• Our network is built with security in mind. Controls have been implemented based on world class industry standards, such as ISO 27001 and EU GDPR. • Superior security programmes implemented to protect, monitor and react to malicious cyber attacks to ensure customers' information is protected. • World class monitoring centre in place to timeously identify attempted cyber attacks and conduct detailed scenario planning on an ongoing basis. • Customers' rights are balanced against those of law and security enforcement agencies that are legally entitled and required to request customer information, and to instruct us to suspend service in certain circumstances; we manage such requests in accordance with Vodafone's policies, procedures and guidelines, and with applicable laws and regulations. • We contribute to Vodafone's industry-leading law enforcement disclosure report, which provides a detailed insight regarding demands from law enforcement agencies in 28 countries.
7 Technology failure Speed of impact <6 >6<12 >12	• We operate complex mobile networks that rely on third parties to provide power or transmission. • Network and billing infrastructure may also be damaged by natural disasters or a deliberate malicious attack. Network outages may negatively impact customer usage, revenue and our reputation.	• Comprehensive business continuity and disaster recovery plans in place, as well as technology resilience controls which are aligned to Vodafone Group's technology resilience policy. • Continue to invest in maintaining and upgrading our networks as well as adopt appropriate preventative maintenance programmes.

Principal risk	Context	Mitigating actions
8 **Third party/ partnerships and M&A Risks** Speed of impact <6 >6<12 >12	• Failure to manage Group's third-parties and partners could have a reputational impact on the Group due to the third-party actions that expose operations or customer data if not aligned to Group's processes.	• Robust SCM policy and procedures in place, enforced and monitored. • Ensure that contracts entered into with all suppliers and partners, comply with business continuity, confidentiality, privacy and other requirements. • Comprehensive due diligence process performed on new partners during on-boarding process. • Continue to ensure that service level agreements in place and monitored.
9 **Fraud and corruption** Speed of impact <6 >6<12 >12	• Failure to identify and implement controls to monitor and prevent fraud could have an impact on the organisation's revenue and reputation.	• Our GSM assurance framework is matured and the controls/alerts are automated on the systems. • Mobile Money Assurance ('MMA') framework in place and enforced. • 24x7 fraud monitoring centre in place for fraud detection on GSM services and Mobile. • Encourage 'Speak Up' fraud reporting, and investigate reported issues. • Strong forensic investigation capabilities.
10 **Market disruption** Speed of impact <6 >6<12 >12	• We face increasing competition from traditional and non-traditional sources. • Our ability to compete effectively. depends on the capacity and coverage of our network, the quality of our customers' experience, and the pricing and nature of our services and devices. • Proactively anticipating, and where necessary responding to, changing market conditions is essential to maintaining revenue growth.	• Maintain competitor differentiation through our leadership in the quality and speed of our network. • Deliver a differentiated customer experience by continuously reviewing the pricing and relevance of our products, services and devices, as well as the quality of customer services.

Delivering on our strategy

1. Monetise Data and Digital Opportunities

Tanzania currently has low smartphone penetration, a young and urbanising population, and a rapidly growing demand for digitally-driven media and services. In this context, we believe that there are significant revenue growth opportunities through products and services powered by our leading data network. We plan to monetise these growth opportunities by maintaining our leadership through greater network densification, capacity upgrades and 4G expansion, developing innovative, data-centric offers, and increasing the number of affordable data devices connected to our network.

Our 2019 performance

- ✓ Despite the increasingly competitive market, we achieved an impressive 17.9% growth in mobile data revenue to TZS167.0 billion, and a pleasing 7.4% increase in data customers[1], reaching 7.9 million by year-end. Data customers now represent 55.8% of our total customer base.
- ✓ Data traffic grew 34.2%, with significant growth in 4G traffic, reflecting strong demand for mobile data services. The increase in data volume does not deliver comparative revenue growth due to Tanzania's very low data pricing.
- ⇄ The strong growth in data has offset the continuing decline in mobile voice revenue, which was down 1.1% over the year.

This growth in data revenue and customers reflects the strong performance this year in all three of our main focus areas:

Network expansion and upgrades

- ✓ During the year, we invested TZS171.4 billion (16.7% of revenue) in our network to increase the coverage and upgrade the capacity to enable a superior data customer experience.
- ✓ Following our acquisition of 700 MHz spectrum in the June 2018 auction, and building on the successful launch of our commercial 4G services in Dar es Salaam in 2017, this year we achieved pleasing growth in our roll-out of 4G, adding 322 new 4G sites on our network, bringing the total to 861 4G sites covering the major cities and 23 regions, maintaining our leadership in 4G coverage, reaching 23% of the country's population.
- ✓ We added 197 new 3G sites to reach a total of 2 429 3G sites, enabling us to provide 3G data services to around 52% of 0the population, a significant improvement from the 28% 3G coverage reported two years ago. In addition, we upgraded 174 3G sites, and completed power upgrades on a further 213 sites.
- ✓ We added 73 new 2G sites, bringing our 2G coverage to 90% of Tanzania's population.
- ✓ The crowd-sourced download speed measurements from OOKLA showed that this year we consistently offered 4G and 3G speeds faster than our nearest competitor.
- ✓ As a result of our investments in network expansion and upgrades, we also delivered significant improvements this year in terms of network reliability and accessibility.
- ⇄ Although we remain second in terms of overall network NPS, with our competitor who currently has 9% market share enjoying the benefits of a less loaded network, we have closed the gap particularly in signal coverage and data coverage, and we are confident of further improvements.
- ✓ We are ISO 27001 certified, the only market in Africa to achieve this milestone, and are also GDPR compliant, with no breaches and maximum compliance.
- ✓ Our continued investment in our IT infrastructure to build IT agility and security have yielded positive results, with technology audits recording zero unsatisfactory results and no major security incidents. We remain vigilant and continue to build awareness across the organisation. The launch of the cyber code and cyber tooling has uplifted the maturity of our security tools, further aided by our operational audit checklists to ensure effective compliance.

1. Measured as the number of unique customers who have generated data revenue in 30 days.

Monetising data through segmented offers

- ✓ Our focus on developing targeted value propositions for the youth and high value customer segments continued to deliver positive results; at year-end, around 27% of our high value customers are subscribed to our 'RED' plans, while 44% of our youth customer base use our 'Pindua Pindua' packages.
- ✓ We have achieved a further uptake this year in the personalised customer offerings available through our 'Just 4 You' platform, which currently has more than three million monthly users.
- ✓ Our 'Tuzo' points-based customer loyalty programme launched this year received very good traction, with more than 3.15 million customers engaged.
- ✓ We continued to drive the availability of compelling digital content, such as our exclusive iFLIX video streaming service, Mzikii music app, Vodacom M-Paper and our free text-based Facebook offering.
- ✗ An unexpected challenge this year was the government banning of mega-promo advertising on radio and television, which impacted some of our planned campaigns.

Promoting smartphone adoption and optimising our data-user experience

- ✓ Our partnership-led smartphone campaigns, coupled with our focus on youth and high value customer segments, resulted in 12.6% growth in active smartphone users, reaching a penetration of 30.3% (up 0.8ppts) of our customer base.
- ✓ We implemented numerous initiatives this year aimed at optimising the customer service (see pages 32 and 33).
- ✗ Our drive to increase the uptake of 4G sim cards and affordable smart phones has been slower than hoped for, with many customers, particularly in rural areas, still operating older devices not compatible with the new 4G sim cards. Through a recently secured new partnership we are in a strengthened position to provide competitively priced devices, and we are optimistic that next year we will secure a material increase in the penetration of 4G devices.

Our strategic outlook

Our growth strategy is aligned with Vodacom Group's Vision 2020 ambitions aimed at driving significant further uptake and monetisation 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. Significant challenges in meeting our growth targets include the requirement for biometric registration over 14.1 million customers by the year-end, and the sustained pressure on the price of data, which is already amongst the lowest in the world.

Network and IT

- To support our data strategy, and meet regulated coverage obligations, we have ambitious targets in place for further expanding and upgrading our coverage to address traffic growth and capacity bottlenecks, with a priority focus on extending 4G. We will continue to roll-out 2G sites, mainly in rural areas in support of the Government's commitment to expanding rural coverage. We will also be investing in modernising our core network, expanding fibre connectivity and developing the upstream capacity for data.
- As part of our commitment to developing new enterprise solutions, we will be deploying technologies such as network function virtualisation ('NFV') and single radio access network ('SRAN'), driving enterprise unified communications, cloud solutions, and Internet of Things ('IoT') applications, as well as continuing to improve our network and cyber security measures.
- In our drive to maintain IT excellence and security, we look forward to retaining the ISO 27001 certification together with enhancing our GDPR compliance with no breaches and ensuring maximum compliance. This will further cement consumer confidence in us.
- We look forward to leveraging off Big Data to ensure we provide tailor-made solutions and/or products to our customers, thereby enhancing customer experience and promoting usage.

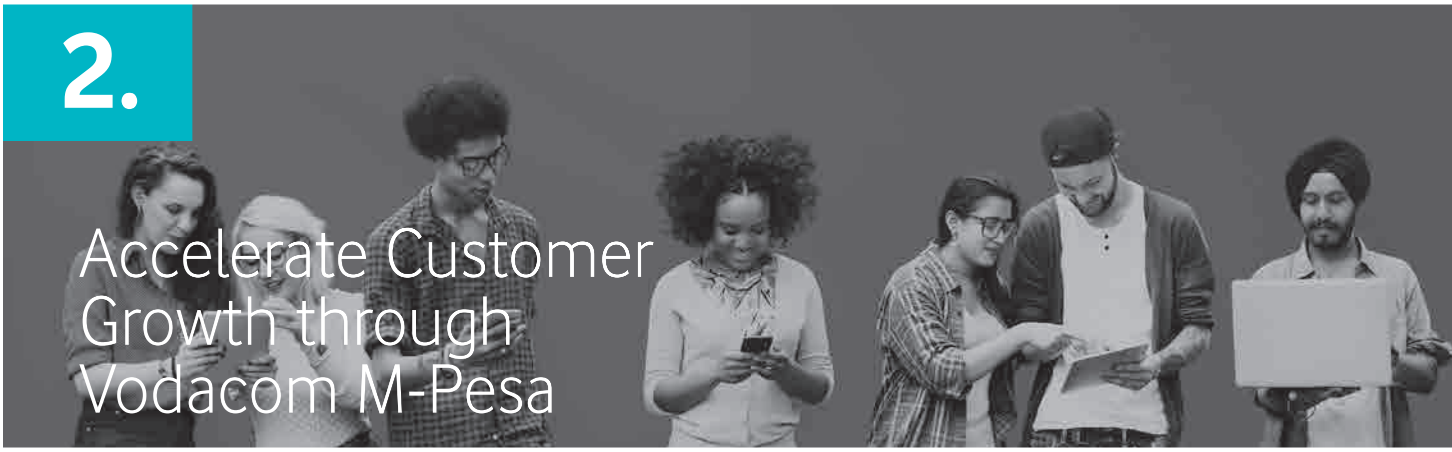
Accelerating data monetisation

We will be looking to secure double-digit data revenue growth by:

- Broadening our 4G and 3G network coverage, while continuously upgrading capacity in order to maintain our leadership as the fastest data network in Tanzania.
- Increasing smart-device and 4G sim-card penetration through appropriate pricing and payment options, and targeted consumer campaigns and marketing incentives.
- Providing customers with more reasons to consume data through our compelling digital content portfolio and unified digital platforms comprising music, video and TV, and sports and gaming offerings.
- Using our sophisticated CVM platforms, enhanced by increased use of Big Data analytics and machine learning, to continue with our targeted segmentation strategy to gain market share and drive data uptake in new regions while protecting our share in existing strongholds.
- Driving the uptake of personalised offers through our 'Just 4 You' platform, while continuing to invest in Big Data platforms that facilitate machine learning and deepen our insights into customers' behaviour to inform the development of personalised offers.
- Ensuring strong brand differentiation and an emotional connection with customers across our various engagement platforms through our targeted campaigns, quality service and segmented propositions.
- Implementing our structured action plan to ensure that the biometric sim-registration process runs as smoothly and efficiently as possible, driving full compliance with all subscriber registration requirements and maintaining active engagement with TCRA throughout the process.

Optimising the customer experience

- We will continue to enhance customer experience across all channels and instil a customer-centric culture across our business.
- We will be addressing user-experience challenges with the MyVodacom app, and driving further uptake of the app and website portal as we blend the best of technology and human interaction in a personal, instant and easy way.



2. Accelerate Customer Growth through Vodacom M-Pesa

Our mobile money service, M-Pesa, continues to be a remarkable success story, delivering significant social and financial value. M-Pesa has increased financial inclusion and stimulated economic activity across Tanzania, while serving as an important revenue and reputation driver for the Company. We have over 7.0 million 30-day active M-Pesa customers, supported by around **106 000** agents, with around **TZS100 billion** of transaction value going through M-Pesa each day.

Our 2019 performance

- ✓ M-Pesa revenue grew 14.5% year-on-year to TZS333.5 billion, while the number of customers using the service grew by 9.7%, off the back of our continued focus on expanding our targeted propositions and further ecosystem development.
- ✓ Our M-Pesa revenue and customer growth continues to outpace our competitors. M-Pesa revenues now account for 32.7% of service revenue, up from 30.1% in 2018, with M-Pesa customers making up 49.5% of our active customer base.
- ✓ Our 'Lipa kwa M-Pesa' merchant solution, which provides customers with the ability to make seamless point-of-sale payments, has grown substantially over the year. Our platform is the most evolved across all of Vodafone's markets, enabling consumers to pay via M-Pesa at over 11 000 active merchants, outgrowing the number of payment card terminals across the country. This year we effected TZS1.1 trillion in transactions through the merchant solution, an increase of 186.0%.
- ✓ Our 'Pesa ni M-Pesa' proposition – which offers data, minutes and cash-back awards to customers who made purchases at selected merchants – continues to drive growth in customer spend and merchant adoption.
- ✓ We have further strengthened our leading distribution network, growing the number of agents by 19% to 103 000 country-wide; we partnered with the country's largest banks, who are now our 'super agents' to ensure the availability of float over high-demand periods.
- ✓ This year, we launched various new products and services, including: 'M-Koba', in partnership with TPB Bank, a new mechanism that helps cooperatives visually made up of family members, friends or colleagues to save money, access loans and share earnings; and our new M-Pesa virtual card, Africa's first virtual MasterCard, enabling M-Pesa customers to purchase from a huge range of international merchants and content providers.
- ✓ We continued to develop our mobile money ecosystem, establishing a number of new 'Paybill' partners during the year, enhancing customer spend across various revenue generating transactions.
- ✓ To improve the customer experience, we introduced M-Pesa self-reversal functionality enabling customers to easily reverse any mistakenly sent funds to other Vodacom subscribers and non-registered customers.
- ✓ We successfully launched a variant of our M-Pesa app optimised for our business customers.
- ⇄ Although we have seen solid uptake of our M-Pesa app, which has significantly enhanced the smartphone user experience, this remains slightly below our expectations.
- ⇄ We ran various successful M-Pesa marketing campaigns over the year targeted at different market segments; this included a high-profile campaign to celebrate ten-years of M-Pesa, offering substantial prizes, contributing to further building brand awareness and boosting subscriber numbers.

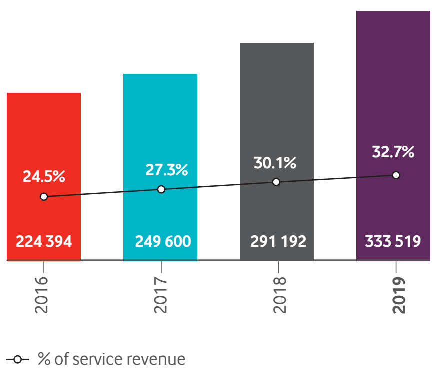
Our strategic outlook

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

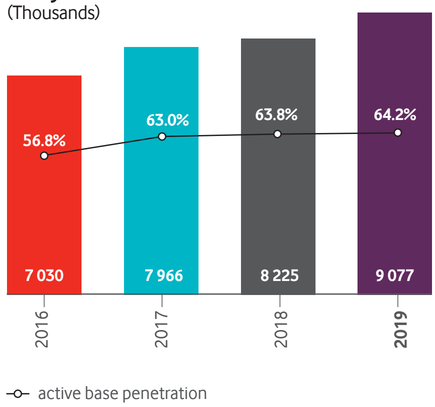
We are targeting continued M-Pesa revenue growth, through the following focus areas:

- Accelerating our merchant business by significantly growing our 30-day active merchant base and increasing the value transacted, through a segmentation strategy that offers segment-specific propositions, marketing campaigns, and after-sales support structures.
- Further growing our active M-Pesa customer base penetration, by increasing the power of our customer value management ('CVM') platform, enabling us to design more innovative offers for specific customer segments, providing them with the best value and service available, and rewarding them for loyalty.
- Strengthening our distribution network by expanding the number of active M-Pesa agents through targeted recruitment in underserved areas, re-activating inactive agents, providing compelling incentives to drive agent productivity, and digitalising the agent onboarding process.
- Growing our financial services ecosystem, offering new products and services such as loans, overdraft facilities, savings and insurance, including for specific market sectors such as agriculture and education.
- Extending the geographic reach and the nature of the service offerings associated with our International Money Transfer ('IMT') service.
- Expanding business-to-customer ('B2C') transactions by providing innovative solutions for our partners that leverage both M-Pesa and M-Pawa platforms.
- Increasing the penetration of the M-Pesa app, further enhancing its stability and features, and providing an open application programming interface ('API') to allow easy integration of third-party systems and applications.
- Improving efficiencies by digitising our internal processes.
- M-Pesa separation from the GSM business to enable efficiencies within the unit as well as innovatively capitalizing on opportunities that emerge on the mobile money space. This will also ensure compliance with the National Payment Systems ('NPS') Act, 2015 and Electronic Money Issuance ('EMI') Regulations, 2015. M-Pesa will remain part of the Group.

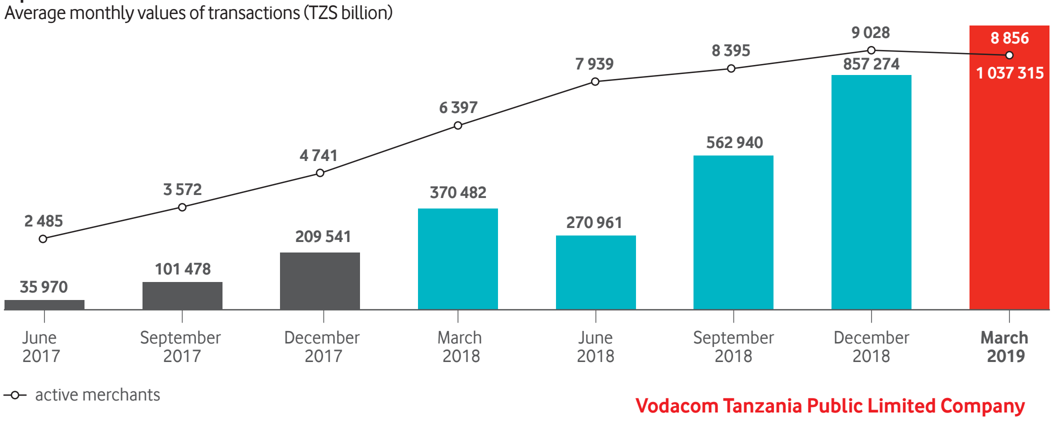
M-Pesa Revenue
(Millions)

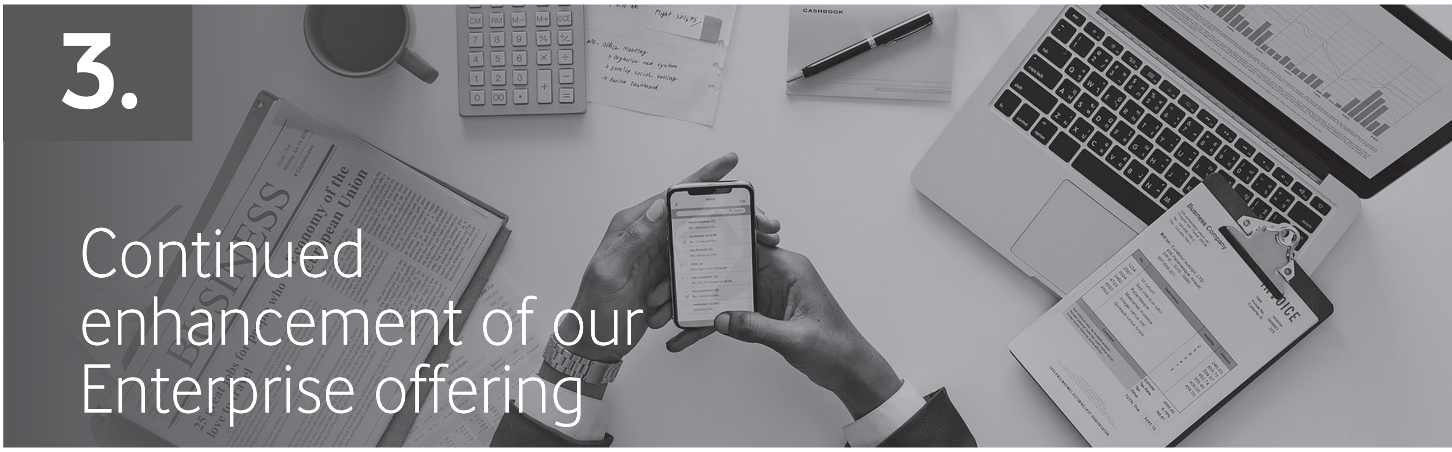


90 day M-Pesa Customers
(Thousands)



Lipa Kwa M-Pesa
Average monthly values of transactions (TZS billion)





3. Continued enhancement of our Enterprise offering

We are currently the leading provider of communications services to the large enterprise market in Tanzania, serving multiple industry segments through targeted solutions that meet specific customer needs. We believe that there is significant potential for further revenue and customer growth within our enterprise business, building on our strong reputation and expertise.

Our 2019 performance

- ✓ We delivered a third successive year of good performance in the mobile and fixed-line segments, winning some key corporate accounts from our competitors across various sectors.
- ✓ We expanded our cloud and data centre hosting services and saw pleasing growth in commercialising our IoT applications, securing valuable accounts in cold chain management, smart metering, the connected car and mobile point-of-sale, as well as delivering growth in our Connected Farmer and M-Health platforms in partnership with Mezzanine.
- ✗ We fell short of our revenue growth target for M-Pesa, primarily as a result of an unexpected legislated drop in commissions for servicing payment of electricity.
- ✓ We realised significant operational efficiencies and delivered further improvements in the customer experience through more streamlined and digitised internal processes.
- ✓ We achieved a valuable increase in sales productivity within our sales teams.
- ✓ Our People Engagement index improved from 79% to 88%.
- ✓ We made further progress this year in developing the right capabilities and culture needed to be an effective enterprise-led player, both through our internal skills development initiatives and in recruiting relevant skills in areas such as big data, analytics, and customer value management.

Our strategic outlook

Although our enterprise business currently makes up a small proportion of service revenue, we believe the recent encouraging trends reflect its potential to be a key driver of future growth. We plan to realise this potential through our activities in the following areas:

- We will drive scale and market share in our fixed-line services, accelerating the roll-out of commercial fibre into business parks and office buildings, implementing sophisticated cross-selling tools for congested links, and enhancing partnerships with wholesale providers, using market intelligence to target key opportunities.
- We will realise opportunities to build our cloud and hosting offerings, establishing appropriate partnerships to become a leading service provider for both basic and specialised variants.
- We will scale up and commercialise sophisticated IoT applications – including in areas such as cold chain management, the connected car and smart metering – harnessing Vodafone's recognised leadership in this area.
- In partnership with Mezzanine, we will deliver further opportunities to commercialise our service offerings in mobile health, education and agriculture.
- We will develop product and service offerings and build an appropriate sales channel to penetrate the small and medium-sized enterprise ('SME') and small office, home office ('SoHo') segments.
- We will drive account penetration of M-Pesa for the enterprise market, including by implementing targeted marketing campaigns, realising opportunities to grow payment channels, and establishing strategic partnerships with financial institutions and in the gaming sector.
- We will retain a strong focus on enhancing the customer experience by deepening our enterprise customer value management ('CVM') capabilities and by using big data and analytics to develop appropriate segmented offers and ensure leadership in sales execution and customer experience.

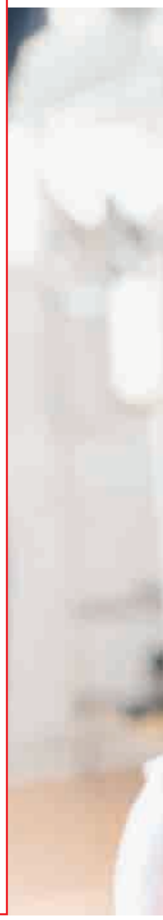
4.

Maintain brand leadership, and retain and increase market share

Developing and maintaining positive relationships with our key stakeholders – our customers, government, regulators, investors, suppliers, the media and the general public – are the foundation of our ability to create value. To maintain our brand and reputation, and to ensure that we fully appreciate and appropriately address their priority interests deliver on this goal we have structured engagement processes in place with each of our key stakeholder groups (see table on pages 20 to 21).

Our 2019 performance

- ✓ This year we achieved steady growth in customer net promoter score (NPS), achieving an all-time high NPS score of 58ppts and ending the year with a 12-point lead over our closest competitor, a particularly pleasing result given the very competitive environment. Our continued lead reflects the quality of our network and M-Pesa mobile money platform, the impact of our 'value for money' promotions, and the strength of customer engagement initiatives.
- ✓ We implemented numerous initiatives this year aimed at ensuring high-quality customer service; these included:
  - Launching our customer education campaign #NawezanaVodacom (With Vodacom, I can), educating customers on our support channels and self-service capabilities, providing convenient and efficient self-service methods aimed at proactively addressing the top-ten reasons for customer calls.
  - Continuing to roll-out our FLIGHT programme to our call centres, empowering frontline staff through improvements in policies, processes and tools, and contributing to a reduction in calls.
  - Introducing our live chat support channel, enabling customers to receive instant support via Live Chat; there is also an option to send a message if the Live Chat is offline.
  - Introducing an 'omni-channel' view of all queries sent via email, Facebook, Twitter and Instagram, consolidating these queries into a single platform.
- ✓ Given the challenging regulatory environment, we have continued to maintain a priority focus on engaging with the Government and regulators on legal, policy and taxation matters. We commissioned an independent research company to conduct an annual corporate reputation survey with internal and external stakeholders, benchmarking our reputation against our competitors and other leading brands. The latest survey results show that we have maintained our overall reputational leadership and increased our lead relative to our telecoms competitors and to other companies across the country. The survey found that our 'overall impression' and 'overall trust' scores are above sector peers across almost all stakeholder groups, with particular strengths identified in our financial position, ethics, innovation and network reliability by most stakeholders.



Our strategic outlook

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

- We will continue to introduce market differentiated, personalised offerings, increasingly informed by data analytics and supported by consistently high-quality customer service and more convenient ways for our customers to communicate with us.
- We will be exploring the potential for greater use of digital technologies and artificial intelligence to automate and streamline elements of our customer interaction, delivering greater efficiencies and enhancing the customer experience.
- We plan to leverage and expand our distribution network through new channels, such as additional direct sales points and new franchise shops to ensure that we consistently reach our customers.
- We will be running various marketing and brand awareness campaigns, including generous loyalty schemes to reward long-serving customers.
- We will maintain our industry-leading investment in the reach and quality of our network, further expanding 4G across the country.

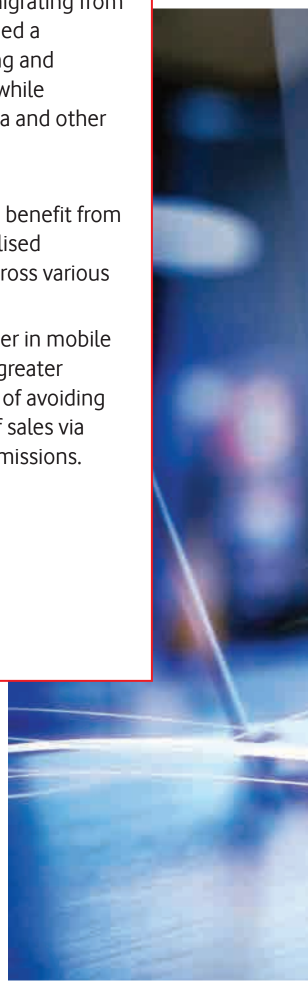
5.

Actively managing cost and process efficiency

Our aim is to be the most efficient infrastructure-based operator in Tanzania. We have a strong track record of limiting cost growth in the company and driving operational efficiencies through our 'Fit for growth' programme, a Vodafone Group-wide initiative that allows us to leverage global best practice.

Our 2019 performance

- Our focus on cost optimisation through our 'Fit for Growth' programme has supported a remarkable 20.3% growth in EBIT with a margin of 11.2%, expanding 1.4ppts.
- Total expenses increased 3.5% to TZS743.0 billion; excluding a once-off penalty[1], total expenses increased 2.8% to TZS737.7 compared to a 5.4% growth in service revenue.
- **Network-related cost optimisation**
  We continued to unlock savings in network costs by sharing network infrastructure with other operators, consolidating tower leases and earning discounts on long term lease arrangements. We also continued our drive to revise the terms and scope of service contracts.
- **Administrative efficiency**
  We achieved valuable further savings by streamlining certain administrative functions and implementing a leaner, more efficient organisational structure
- **Internal digitisation**
  By increasing the levels of electronic and other automated processes we improved the efficiency and cost effectiveness of our sales and billing channels.
- **Publicity cost optimisation**
  We achieved significant savings through migrating from traditional to digital marketing. This included a reduction in out-of-home media advertising and optimisation of television and radio spots while simultaneously leveraging our social media and other digital marketing platforms.
- **Global purchasing power**
  As part of Vodafone, we have continued to benefit from the global purchasing power of the centralised Vodafone Procurement Company (VPC) across various procurement categories.
- **M-Pesa airtime sales:** As the market leader in mobile financial services, we were able to unlock greater savings through increasing the proportion of avoiding discounts given via alternative channels of sales via M-Pesa to earn substantial savings in commissions.



1. One-off compensation and penalty ordered at a court hearing amounting to TZS5.3 billion, refer to page 18.

Our strategic outlook

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

- **Creating an agile organisation that drives simpler, faster execution**
  We have further streamlined our operating model, organisational structure and decision-making processes, with the goal of promoting a more agile, future-proof way of working. We will place a particular focus on the end-to-end automation of tasks and processes in an effort to improve the quality of engagement and focus on revenue generation across all of our business units.

- **Optimising the customer experience**
  We will focus on developing digital platforms and the MyVodacom app, in an attempt to blend the best of technology and human interaction in a personal, instant and easy way, driving improvements in call volumes, handling times and first call resolution.

6.

People: Best talent, best practice

Delivering on our strategic vision of being a leading digital company requires that we have access to the right talent and diversity, built on a culture that fosters organisational agility and collaborative working and that protects employee health and safety. Since our inception, we have focused on attracting and retaining the best talent, and we pride ourselves on being consistently rated an employer of choice.

Our 2019 performance

Attracting and retaining talent

- We have maintained our focus this year on identifying and attracting talent from outside our traditional business areas to ensure that we have the right capabilities for our new business activities, including in particular in data science, machine learning and agile processes. This year, we recruited 12 new graduates and made new appointments in areas relating to digital branding and data analytics.
- We are committed to ensuring gender diversity in the workplace; at year-end 40% of our senior management team are female.
- We achieved Top Employer Tanzania Certification for the third year in a row.
- In our annual people survey we secured the second highest rating in terms of employee engagement across the Vodafone group globally.
- Our ability to attract the best talent benefits from being part of the Vodafone and Vodacom groups, enabling us to provide employees with access to attractive global career development opportunities; these include regional and international assignments, short-term rotational secondments, structured mentoring programmes, and ongoing education and leadership development opportunities.

Driving an agile, collaborative culture

- Vodacom Tanzania was the first of the International operations in the Vodacom Group to adopt Agile structures, principles and tools; we have trained 25 employees in Agile processes, and have launched our first Agile squad, with a second to be launched soon. We anticipate that this will assist in driving enhanced engagement across business units, encourage greater alignment and accountability on mutually-agreed outcomes and performance indicators, and realise material efficiency and productivity gains.
- As part of our drive to become a digitally-led company, we fully digitised the employee onboarding experience, enabled employee self-service through our online exit clearance process, and saw increased uptake of our employee-focused mobile app.
- The Company has continued to see the benefits of last year's move into the new head office building, with the open-plan working space that has brought the various divisions together, fostering a more collaborative work environment.

Developing employee and leadership skills

- We have continued to invest in enhancing the skills of our employees across core specialities such as customer value management, data analytics, digital marketing and customer care.
- To drive our senior management succession, this year we placed three candidates into Vodacom Group senior leadership programmes, and we provided additional leadership and management training to managers.
- This year, 10 of our senior managers participated in INSEAD Business School's "Strategy in the Age of Digital Disruption" programme aimed at developing their digital strategy skills.

Employee health and safety

- It is pleasing to report that there were no work-related fatalities for the seventh consecutive year. Our internal risk controls to mitigate incidents have yielded positive results with a 10% reduction in the number of high potential incidents.
- Road-related accidents remain the highest causal factor of safety incidents.

Our strategic outlook

Our underlying objective is to ensure that we have the right skills, capabilities and culture to achieve the Group's vision of being a leading digital company. To deliver on this objective, we have prioritised the following focus areas over the short, medium and long-term:

Attracting and retaining talent

- We will continue to drive our talent acquisition strategy, with a particular focus on agile and M-Pesa skills, and on attracting high potential youth.
- We will embed an appropriate high-performance reward structure, with the aim of attracting and retaining the best talent across existing and new functional areas; our target is to maintain our attrition level below 10%.
- We will promote localisation and gender diversity, 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 in senior management to 45%.

Training and development

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

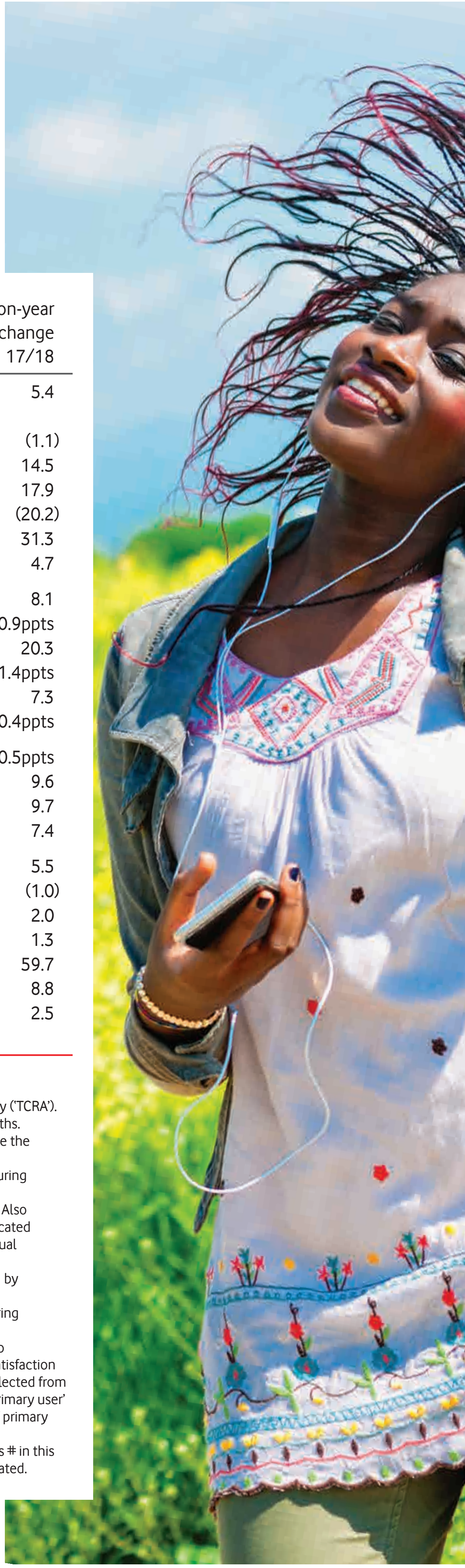
Driving an engaged digital culture, and building the employee brand

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

Creating a safe working environment

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

Our financial performance



Consolidated	2019#	2018	Year-on-year % change 17/18
Service revenue (TZs m)	**1 018 910**	966 275	5.4
of which			
Mobile voice revenue (TZs m)	**388 171**	392 294	(1.1)
M-Pesa revenue (TZs m)	**333 519**	291 193	14.5
Mobile data revenue (TZs m)	**167 016**	141 610	17.9
Mobile incoming revenue (TZs m)	**65 709**	82 368	(20.2)
Messaging revenue (TZs m)	**41 441**	31 571	31.3
Revenue (TZs m)	**1 023 763**	977 994	4.7
EBITDA (TZs m)	**287 879**	266 370	8.1
EBITDA margin (%)	**28.1**	27.2	0.9ppts
EBIT (TZs m)	**114 905**	95 509	20.3
EBIT margin (%)	**11.2**	9.8	1.4ppts
Capital expenditure (TZs m)	**171 432**	159 705	7.3
Capital intensity[1] (%)	**16.7**	16.3	0.4ppts
Customer market share[2]	**32.4**	31.9	0.5ppts
Active customers[3] (thousand)	**14 133**	12 899	9.6
30 day active M-Pesa customers[4] (thousand)	**6 989**	6 369	9.7
Active data customers[5] (thousand)	**7 892**	7 345	7.4
MoU[6] per month	**172**	163	5.5
ARPU[7] (shillings per month)	**6 027**	6 086	(1.0)
Number of employees	**548**	537	2.0
Number of sites	**3 025**	2 987	1.3
4G	**861**	539	59.7
3G	**2 429**	2 232	8.8
2G	**3 024**	2 951	2.5
Weighted NPS[8] (position relative to competitors)	**1st**	1st	

Notes:
1. Capital expenditure as a percentage of revenue.
2. As at 31 March 2019. Quarterly Communications Statistics Report, Tanzania Communications Regulatory Authority ('TCRA').
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 day active M-Pesa customers are the number of unique customers who have generated billable transactions during the month.
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.
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.

\# Financial information and growth rates on a comparable IAS 18 basis for the year ended 31 March 2019, marked as # in this document. All growth rates quoted are on a year on year basis for the period ending 31 March unless otherwise stated.

Our 2018 performance

Revenue

- **Service revenue** grew 5.4% (7.3% excluding the impact of mobile termination rates (MTRs)) to TZS1 018.9 billion, underpinned by impressive growth from M-Pesa, mobile data and messaging revenue. We managed to protect and grow our customer base off the back of our commercial momentum and sophisticated CVM platform, which together with our coastal focus strategy, contributed to a 9.6% growth in our customer base to over 14.1 million customers.
- **Revenue** grew 4.7% to TZS1 023.8 billion, primarily from service revenue growth. This was partially offset by lower equipment revenue as a result of implementing a new, distributor-based, device-sales model aimed at widening the device distribution using third parties
- **Voice** revenue remained resilient, decreasing by only 1.1% to TZS388.2 billion reflecting competitive pressure on pricing. This was largely compensated for by a 5.5% increase in average minutes of use per month, as well as the price optimisation achieved through 'Just 4 You' and the segmentation of offers to our base, contributing to the improvement in the voice revenue rate decline during the year.
- **M-Pesa** revenue grew 14.5% to TZS333.5 billion, primarily as a result of the significant growth in our customer base and the increasing uptake of mobile money products, as we expand our ecosystem. This growth was achieved despite increased competitive pressure and the implementation of the government electronic payment gateway, which effectively reduced fee income from electricity purchases to operators. M-Pesa now contributes 32.7% of service revenue (up 2.6ppts). On average, TZS4.1 trillion was processed monthly through our M-Pesa platform, growing by 16.0%. Our wide range of mobile money products, supported by an extensive agent distribution network, M-Pesa system and excellent customer service, have led to a stable mobile money net promoter score. Our 'Lipa kwa M-Pesa' merchant payment solution continues to grow, with over 11 000 merchants now actively trading on the platform.
- **Mobile data** revenue continues with an upward trend, growing at 17.9% to TZS167.0 billion, driven primarily by a 7.4% increase in data customers to 7.9 million; data customers now represent 55.8% of our customer base. Data traffic grew 34.2%, with significant growth in 4G traffic reflecting strong demand for mobile data services. Our focus on youth and high value customer segments, coupled with partnership-led smartphone campaigns, resulted in 12.6% growth in active smartphone users, reaching a penetration of 30.3% (up 0.8ppts) of our customer base.
- **Mobile incoming** revenue declined by 20.2% to TZS65.7 billion, reflecting a 33.3% MTR reduction in January 2019 in line with the regulated glide path; this was partially offset by a 22.3% increase in the number of incoming minutes as operators continued to offer more value in their all-net bundles. We continue to see a decline in the contribution of mobile incoming revenue to service revenue, currently at 6.4% (down 2.1ppts).
- **Messaging** revenue increased by 31.3% to TZS41.4 billion with the number of SMSs transmitted declining by 11.2% to 34.3 billion, while the price per SMS increased by 34.1%. This is a result of the introduction of SMS-only bundles in the prior year and a significant improvement in monetising these bundles during the year.

Expenses

- **Total expenses**[1] increased 3.5% to TZS743.0 billion (excluding a one-off penalty[2], total expenses increased 2.8% to TZS737.7). Our cost containment programme ('Fit for Growth') continued to yield strong results from the savings realised, further supported by the lower interconnect costs resulting from a reduction in MTR together with the lower device sales cost as a result of adopting a new, distributor-based, device sales model. These savings were offset by greater network operating costs, as a result of a higher number of network elements and inflation adjustments applied under service contracts, as well as greater publicity costs from increased on-the-ground marketing.

EBIT

EBIT grew 20.3% to TZS114.9 billion, resulting in an EBIT margin expansion of 1.4ppts to 11.2%. EBIT includes a depreciation and amortisation charge of TZS165.8 billion, representing an increase of 0.8% primarily from additional investments.

Capital expenditure

Capital expenditure was TZS171.4 billion, an increase of 7.3% or 16.7% of revenue. Our investments were focused on increasing data network capacity and enhancing 4G coverage in the major cities. An additional 322 new 4G sites were deployed with fibre and high capacity microwave backhaul further enhancing customer data experience and solidifying our lead as the fastest network across the country.[3] We also modernised our network with the continuation of capacity upgrades across our 3G sites as well as increased the number of 3G sites by 197 sites to 2 429 sites.

1. Excluding depreciation, amortisation, impairment losses and share-based payment charges.
2. One-off compensation and penalty ordered at a court hearing amounting to TZS5.3 billion (refer to page 18).
3. Ookla speed test report as at 31 March 2019.

Summarised consolidated statement of profit or loss and other comprehensive income

TZS m	2019 Audited#	2018 Audited
Revenue	**1 023 763**	977 994
Direct expenses	**(303 239)**	(302 712)
Staff expenses	**(59 387)**	(55 328)
Publicity expenses	**(36 311)**	(30 649)
Other operating expenses	**(344 085)**	(329 201)
Depreciation and amortisation	**(165 834)**	(164 594)
Impairment charges	**(349)**	–
Share-based payment charges	**–**	(6 608)
Operating profit	**114 557**	88 901
Profit from the sale of an associate	**–**	120 251
Finance income	**38 475**	44 768
Finance costs	**(19 890)**	(32 625)
Net gain/(loss) on re-measurement of financial instruments	**970**	(3 051)
Profit before tax	**134 110**	216 336
Income tax expense	**(43 894)**	(46 097)
Net profit	**90 217**	170 240
Other comprehensive income	**–**	–
Total comprehensive income	**90 217**	170 240
Basic and diluted earnings per share (TZS)	**40.28**	83.81

1. One-off compensation and penalty ordered at a court hearing amounting to TZS5.3 billion, refer to page 18.

\# Financial information and growth rates on a comparable IAS 18 basis for the year ended 31 March 2019, marked as # in this document. All growth rates quoted are on a year on year basis for the period ending 31 March unless otherwise stated.

Revenue grew 4.7% to TZS1 023.8 billion primarily from service revenue growth partially offset by lower equipment revenue as a result of implementing a new, distributor-based, device-sales model aimed at widening the device distribution using third parties.

Total expenses increased 3.5% to TZS743.0 billion (excluding a one-off penalty[1], total expenses increased 2.8% to TZS737.7). Our cost containment programme ('Fit for Growth') continued to yield strong results from the savings realised by the lower interconnect costs resulting from reduction in MTR, together with the lower device-sales cost as a result of adopting a new, distributor-based, device sales model. This was offset by greater network operating costs, as a result of a higher number of network elements and inflation adjustments applied under service contracts and greater publicity costs from increased on-the ground marketing.

The depreciation and amortization charge increased by 0.8% primarily from additional investments.

Impairment charges relate to Shared Networks Tanzania Limited ('SNT'), a wholly owned subsidiary of Vodacom Tanzania PLC acquired in July 2016.

This cost relates to an underwriting arrangement between the Public Investment Corporation ('SOC') Ltd in South Africa ('PIC'), Vodacom Tanzania and Vodacom Group Limited, as part of the initial public offering of 25% of Vodacom Tanzania's ordinary shares.

The cost comprises of two charges: TZS1.9 billion was an underwriting fee. This was cash-settled in accordance with a bilateral agreement between the underwriter and Vodacom Tanzania; TZS4.7 billion was not cash settled and represents the value, at inception, of the underwriter's put option on the shares which they purchased as part of the IPO.

In October 2017, Vodacom Tanzania sold its 24.06% equity stake in HTT, a passive infrastructure service provider, to HTT's parent, HTA Holdings, LTD ('HTA') for US$58.5 million. As a result of losses recognised against Vodacom Tanzania's investment in HTT over previous years, the transfer of shares resulted in a pre-tax accounting gain of TZS120.3 billion (tax charges amounted to TZS14.7 billion).

Finance income decreased by 14.1% mainly due to the reduction in interest rates on M-Pesa deposits, partly offset by higher interest income from increased cash and government Treasury bill investments.

Finance cost decreased by 39.0% primarily from the loan paid in the prior year.

Net gain on re-measurement of financial instruments was mainly driven by the loan paid in the prior year which were denominated in South African rand and United States dollars resulting in a net position improvement of 131.8%.

In the prior year the tax charge was inflated by the TZS14.7 billion capital gains tax paid on the profit on disposal of the investment in Helios Towers. Excluding the profit on the sale and the related capital gains tax, the TZS43.9 billion tax charge increased in line with the increase in the profit before tax.

Summarised consolidated statement of financial position

TZS m	2019 Audited	2018 Audited
Assets		
Non-current assets	**858 381**	807 724
Goodwill	**1 639**	1 988
Property and equipment	**646 288**	644 772
Intangible assets	**74 740**	47 175
Operating lease prepayments	**58 385**	46 764
Tax receivables	**19 724**	11 156
Trade and other receivables	**7 705**	252
Deferred loss	**48 593**	55 617
Non-current assets held for sale	**1 307**	2 257
Current assets	**1 134 121**	1 070 980
Capacity prepayments	**11 527**	9 782
Inventory	**2 145**	1 985
Trade and other receivables	**126 232**	134 590
Income tax receivables	**–**	10 666
Financial assets	**378 019**	352 876
Short term investment	**219 576**	121 192
Bank and cash balances	**396 622**	439 889
Total assets	**1 993 809**	1 880 961
Equity and liabilities		
Capital and reserves	**1 263 844**	1 210 454
Share capital	**112 000**	112 000
Share premium	**442 435**	442 435
Capital contribution	**27 698**	27 698
Retained earnings	**681 711**	628 321
Non-current liabilities	**100 790**	100 076
Finance lease liability	**5 801**	5 513
Government grants	**2 922**	4 695
Deferred tax liabilities	**45 687**	49 649
Trade and other payables	**46 380**	40 219
Current liabilities	**627 868**	570 431
Borrowings	**–**	285
Trade and other payables	**584 018**	541 697
Interest due to customers	**31 577**	22 952
Income tax payable	**1 983**	–
Government grants	**2 379**	1 772
Provisions	**7 911**	3 725
Total liabilities	**728 658**	670 507
Total equity and liabilities	**1 992 502**	1 880 961

Impairment on goodwill relate to Shared Networks Tanzania Limited ('SNT'), a wholly owned subsidiary of Vodacom Tanzania PLC acquired in July 2016. Impairment was necessary due to the prevalence of conditions supporting the impairment of the investment in the acquired entity.

A net cash position of TZS396.6 billion was achieved through investment in government Treasury bills of TZS 89 billion as at 31 March 2019 partially offset by TZS46.0 billion cash inflow from operations. The net cash position is invested across six local relationship banks. Total investment in government Treasury bills stands at TZS219.6 billion as at 31 March 2019.

On 15 August 2017, Vodacom Tanzania listed 560 000 100 ordinary shares on the Dar es Salaam Stock Exchange ('DSE'), under the main investment market segment for a price of TZS850 per share, each with a par value of TZS50.

Summarised consolidated statement of cash flows

TZS m	2019 Audited#	2018 Audited
Cash flows from operating activities		
Cash generated from operations	**318 541**	269 039
Income taxes paid	**(45 197)**	(50 865)
Net cash generated from operating activities	**273 344**	218 174
Cash flows from investing activities		
Additions to property and equipment and intangible assets	**(184 843)**	(149 859)
Acquisition of subsidiary	**–**	(3 637)
Proceeds from sale of property and equipment	**20**	1 073
Government grant received	**2 489**	12 008
Short term investment made	**(89 307)**	(121 192)
Finance income received	**9 557**	22 044
Proceeds from sale of HTT investment	**–**	130 582
Cash held in restricted deposits	**(25 143)**	(38 522)
Interest received from M-Pesa deposits	**19 841**	26 196
Net cash used in investing activities	**(267 386)**	(121 307)
Cash flow from financing activities		
Dividends paid	**(38 783)**	(28 463)
Proceeds from an initial public offering of shares	**–**	476 000
Payment of an initial public offering cost	**–**	(7 449)
Interest paid on other borrowings	**(324)**	(465)
Principal repayment of shareholder loan	**–**	(107 071)
Repayment of interest on shareholder loan	**–**	(104 574)
Interest paid to M-Pesa customers	**(11 108)**	(27 222)
Net cash generated/(used) in financing activities	**(50 215)**	200 756
Net increase in cash and cash equivalents	**(44 257)**	297 623
Cash and cash equivalents at the beginning of the year	**439 889**	140 913
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	**990**	1 353
Cash and cash equivalents at the end of the year	**396 622**	439 889

\# Financial information and growth rates on a comparable IAS 18 basis for the year ended 31 March 2019, marked as # in this document. All growth rates quoted are on a year on year basis for the period ending 31 March unless otherwise stated.

The 11.1% decrease in tax paid primarily relates to greater provisional tax payments and capital gains tax instalments paid following the sale of shares in HTT in the prior year.

The 25.3% increase in net cash generated from operating activities is primarily a result of greater inflows from working capital, which included prepayments to suppliers to gain discounts on contracts and the re-phased settlement of trading balances with some of our trading partners.

Net cash

	Year ended 31 March		Movement
	2019	2018	17/18
Bank and cash balances	**396 622**	439 889	**(43 267)**
Other borrowings and finance leases	**(5 801)**	(5 798)	**(3)**
Net cash	**390 821**	434 091	**(43 270)**
Net cash to EBITDA (times)	**1. 4**	1. 6	**(0.2)x**

Cash invested in government Treasury bills of TZS219.5 billion is excluded from the net cash above.

The Vodacom Tanzania Foundation

The Vodacom Tanzania Foundation is responsible for managing the Group's corporate social investments. In delivering on its vision of impacting positively on the lives of underserved members of the Tanzania community, guided by the UN Sustainable Development Goals, the Foundation has been leveraging Vodacom's technological capabilities and partnerships to deliver pioneering projects in education, healthcare and financial inclusion. Since 2014, the Foundation has invested over **TZS11 billion** and impacted nearly **three million lives** in **19 regions** across Tanzania.

Our 2019 performance

Education

- We have continued to leverage mobile technology to deliver positive learning outcomes in the education sector through our Instant Schools portal, which delivers free learning materials, accessible online via mobile or desktop. The portal currently features resources suitable for both primary and secondary school students who are studying science, technology, engineering and mathematics. The portal has a reach of 54 000 unique visitors.
- Through our Smart Schools project, developed in partnership with Samsung, we have installed 'smart classrooms' in schools that are located in some of the most disadvantaged neighbourhoods of Dar es Salaam, as well as other parts of the country, to improve the learning environment for both students and teachers alike. Since its inception, we have provided more than 6 000 students and 150 teachers with devices, connectivity and online education.

Healthcare

- We have a long-standing project to educate young adolescent girls about sanitation, menstruation and reproductive health, a programme that continues to have a measurable impact amongst adolescent girl learners. Since launching the project in 2014, we have distributed more than 11 000 low cost sanitary pads and empowered almost 5 577 young women in Lindi and Mtwara regions. Our intervention has contributed to improved school attendance rates, and improved emotional and mental health of the beneficiaries.
- We continue to support women suffering from the debilitating maternal condition of obstetric fistula and poor maternal healthcare. Our partnership with Comprehensive Community-Based Rehabilitation Tanzania ('CCBRT') provides free treatment to women affected by fistula. The Foundation covers the cost of transporting women from and to their locale to receive holistic treatment at CCBRT. Thus far, 3 100 women have been treated with the aid of M-Pesa and a network of 200 ambassadors who assist in identifying women eligible for treatment.
- The Foundation supports efforts to reduce infant mortality through the provision of free pregnancy advice and early childcare information via SMS. There have been more than one million subscribers to the SMS platform, with 252 000 active registrants and over 11 million SMS messages sent out.

Financial inclusion

- Through our savings and credit schemes initiatives that are available through M-Pesa, more than 55 savings groups have been established, empowering more than 1 000 women in Misungwi-Mwanza.
- Through our partnership with the 2Seeds organisation, we have provided business skills training to female farmers and connected them to farmers' networks, assisting them to improve productivity.

Our Social Impact

2 884 435
Total number of direct and indirect beneficiaries

291
Agricultural access to start-up capital and skills development

60 023
Students' nation-wide direct access to instant schools and information technology

40 055
Beneficiaries reached on donations-based projects

19
Regions reached

2 513
Cooperative members access to financial inclusion and mobile safe cash storage

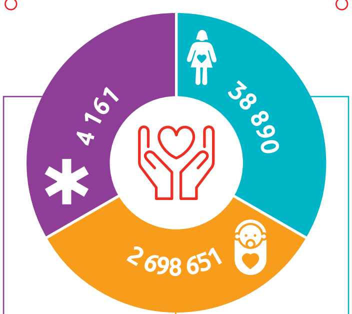
68 809
Number of direct beneficiaries

11 841 381 072
Total social investment for Vodacom Tanzania Foundation and Vodafone Foundation period 2014-17

5 577
Girls empowered in Lindi region

81.2%
Positive on delivery of social impact expectations

Health

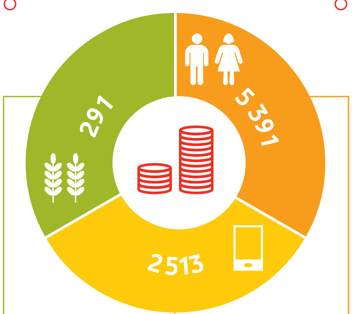


Premature Units Equipment Donations
Pwani, Tabora, Mwanza, Dodoma, Mbeya, Lindi, Rufiji, Kigoma Regions

Mobile Subscribers
Healthy Pregnancy Healthy Baby

Mobilizing Maternal Health
Mwanza, Sengerema, Bushosa and Shinyanga

Financial inclusion

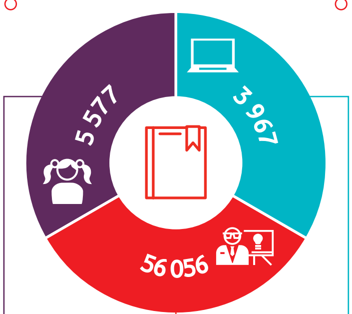


Women Cooperatives Agricultural Access Market Skills Training

Cooperative group members up-skilled on mobile safe-cash storage and financial inclusion

Indirect beneficiaries' economic impact in Tanga rural communities

Education



Girls Empowerment in Lindi Region

Students subscribed to Insta-schools

Students smart- schools project access to information technology classes

Our strategic outlook

The Foundation has recently agreed a new strategic direction, informed by the outcomes of an impact assessment of its activities undertaken in 2018. Our 2021 vision is to advance inclusive human development through three strategic programmes and two philanthropic initiatives. Our social investment programmes are designed to adopt a phased approach, tailored to focus on sustainable, business-driven models that strengthen our strategic development and philanthropic pillars. The flagship strategic development projects will be implemented on a long-term basis with a minimum of three years continuous funding/collaboration, while our philanthropic donations-based funding interventions will be carried out on a short-term basis to address imminent issues on disaster resilience and infant mortality.

Our flagship programmes

- **Inclusive education:** We will foster inclusive quality education for Tanzanians, by increasing access to technology in poor rural and urban communities, and by strengthening the capacity of key partners for ICT policy development in education.
- **Inclusive growth in agriculture:** We will foster equal opportunities for Tanzanian women and youth in agriculture, by using technology to increase economic empowerment and social mobilisation.
- **Inclusive climate action:** We will promote action on climate change action to ensure that Tanzanian society thrives in a sustainable environment, by increasing awareness and mobilisation on climate issues at national level, and by increasing economic empowerment of communities exposed to climate action challenges including through climate-smart agriculture.

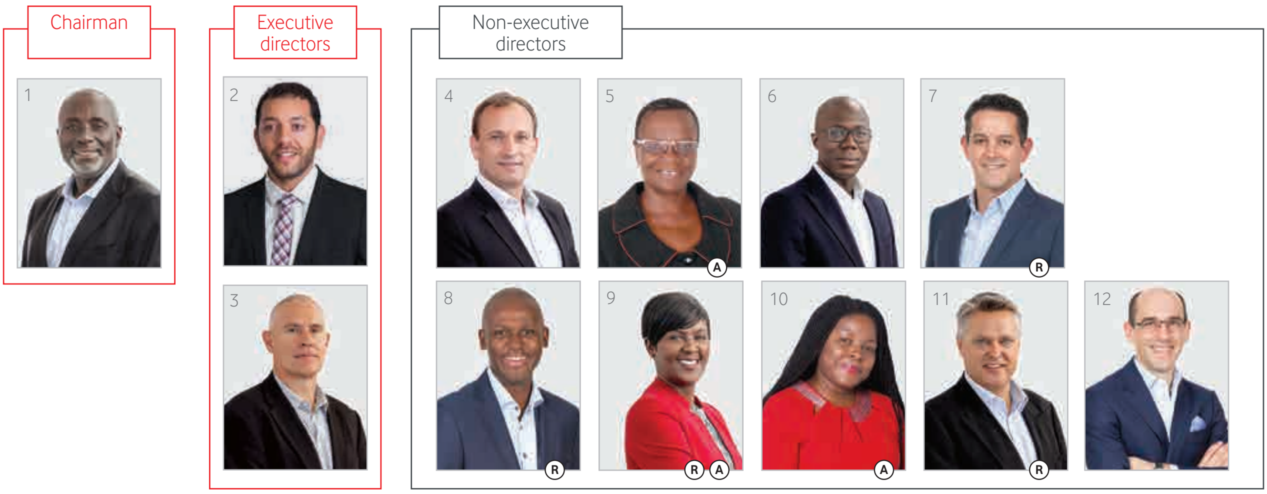
Our philanthropic programmes

- **Reducing infant mortality:** We will support initiatives aimed at addressing the current very high levels of infant mortality in the country.
- **Disaster resilience in lake communities:** We will respond to alleviate the impact of incidents in the Lake Victoria area which lies in the earthquake belt.

Our leadership team

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

Board structure



1. Ali A. Mufuruki (60)
Appointed August 2017

- Extensive leadership experience.
- Corporate governance expertise.
- Government relations.

2. Hisham Hendi (39)*
Appointed 19 March 2019

- An astute business leader.
- Diverse emerging market experience.
- Strong execution of new innovative products and offerings.

3. Jacques Marais (53)
Appointed in July 2016

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

4. Andries Daniel Jan Delport (55)
Appointed in April 2015

- Extensive telecoms technology knowledge and experience.
- Strategic leadership expertise.
- Operational and strategy execution expertise.

5. Margaret Ikongo (62)
Appointed in November 2017

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

6. Kenneth Kwame Gomado (41)
Appointed in March 2018

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

7. Diego Gutierrez (44)
Appointed in March 2018

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

8. Matimba Mbungela (47)
Appointed in August 2017

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

9. Winifred Ouko (49)
Appointed in November 2017

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

10. Thembeka Semane (43)
Appointed in November 2017

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

11. Henry JC Surtees (49)
Appointed in May 2011

- Financial experience.
- Corporate governance expertise.
- Corporate leadership expertise.

12. Till Streichert (45)
Appointed in August 2017

- Diverse international financial experience.
- Executive leadership background.
- International ICT sector insights.

* Mr. Hendi assumed the role effective 19 March, 2019. He has been serving in the capacity of Acting Managing Director since September 2018.

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

Executive Committee

Managing director

1


Finance

2


Consumer

3


M-Commerce

4


Enterprise

5


Network

6


Legal and Regulatory

7


Corporate Affairs

8


Customer operations

9


Human resources

10


IT & billing

11


1. Hisham Hendi (39)
Managing Director
Joined Vodacom in 2014, Vodafone in 2003

2. Jacques Marais (53)
Finance Director
Joined Vodacom in 2001

3. Linda Riwa (32)
Consumer Business Unit Director
Joined Vodacom in 2017

4. Epimack Mbeteni (41)
M-Commerce Director
Joined Vodacom in 2014

5. Arjun Dhillon (39)
Enterprise Business Unit Director
Joined Vodacom in 2017, Safaricom in 2015

6. Alec Mulonga (44)
Network Director
Joined Vodacom in 2012

7. Olaf Mumburi (43)
Legal and Regulatory Director
Joined Vodacom in 2008

8. Rosalynn Gloria Mworia (39)
Corporate Affairs Director
Joined Vodacom in 2008

9. Harriet Atweza Lwakatare (41)
Customer Service Director
Joined Vodacom in 2012

10. Vivienne Penessis (44)
Human Resources Director
Joined Vodacom in 2018

11. Luis Fedriani (47)
IT & Billing Director
Joined Vodacom in 2012

Our Workforce

Total number of employees
548
(2018: 537)

Female
38%
(2018: 39%)

Male
62%
(2018: 61%)

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 2019:

BOARD

Board committees

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

MANAGING DIRECTOR

Executive Committee

- Finance
- Consumer Business Unit
- M-Commerce Business Unit
- Enterprise Business Unit
- Network
- Legal and regulatory
- Corporate Affairs
- Customer operations
- Human Resources
- IT & billing

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

As part of our listing on the Dar es Salaam stock exchange ('DSE'), the Board was reconstituted to reflect the new shareholding structure and regulatory framework, in accordance with the Capital Markets and Securities Act, Companies Act, DSE Rules and Vodacom Tanzania's memorandum and articles of association.

Vodacom Tanzania has a unitary Board of 12 directors, of whom four (including the Chairman) are independent non-executive directors, six are non-executive (but not independent as they represent major shareholders), and two are executive directors. The Board is satisfied that the balance of knowledge, skills, experience and diversity on the Board is sufficient.

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

The Remuneration and 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 require 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. Mr Ali A Mufuruki was appointed as Chairman of the Vodacom Tanzania with effect from Wednesday 17 July 2019. 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

Board meetings

The Board holds a minimum of three meetings every year, with special Board meetings convened when necessary. Five special Board meetings were convened this year.

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

Name of director	3 May 2018 Special	17 May 2018 Special	30 May 2018	4 July 2018	12 July 2018 Special	13 Sep 2018	5 Nov 2018 Special	6 Nov 2018	17 Jan 2019 Special	5 Mar 2019
Ali A Mufuruki (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Till Streichert	✓	X	✓	✓	X	✓	✓	✓	X	✓
Matimba Mbungela	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Andries Delport	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Henry Surtees	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ian Ferrao[1]	✓	✓	✓	✓	✓	R	R	R	R	R
Jacques Marais	✓	✓	✓	✓	X	✓	✓	✓	✓	✓
Margaret Ikongo	✓	✓	X	✓	✓	✓	✓	✓	✓	✓
Thembeka Semane	✓	✓	✓	✓	✓	✓	X	X	✓	✓
Winifred Ouko	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Diego Gutierrez	✓	✓	✓	✓	X	✓	✓	✓	✓	✓
Kenneth Gomado	✓	✓	✓	✓	✓	✓	X	X	✓	✓

Note:
1. Ian Ferrao resigned on 1 September 2018.

Board Committees

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

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

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

Audit, Risk and Compliance Committee (ARC Committee)

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

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

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

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

The ARC Committee is responsible for:

- Reviewing Vodacom Tanzania and its subsidiaries (together 'the Group's') consolidated interim results, preliminary results, annual report and annual financial statements;
- Monitoring compliance with applicable statute and the DSE Rules;
- Reporting to the Board on the quality and acceptability of the Group's accounting policies and practices, including, without limitation, critical accounting policies and practices;
- Providing oversight of the annual reporting process;
- Considering the appointment and/or termination of the external auditors, including their audit fee, independence and objectivity and determining the nature and extent of any non-audit services;
- Approving the internal audit plan for the year;

- Receiving and dealing appropriately with any complaints, internally and externally, relating either to the accounting practices and internal audit or to the content or auditing of all entities within the Group's annual financial statements or related matters;
- Reviewing and monitoring the management and reporting of tax-related matters;
- Monitoring the risk management function and processes and assessing the Group's most significant risks; and
- Monitoring the effectiveness of the processes to create awareness and develop an understanding of relevant legislation and regulation to ensure compliance by management.

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

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

Name of director	3 May 2018 Special	17 May 2018 Special	30 May 2018	4 July 2018	12 July 2018 Special	13 Sep 2018	5 Nov 2018 Special	6 Nov 2018	17 Jan 2019 Special	5 Mar 2019
Margaret Ikongo	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Thembeka Semane	✓	✓	✓	✓	✓	✓	X	✓	✓	✓
Winifred Ouko	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Remuneration and Nomination Committee

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

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

- Determining and agreeing the remuneration and overall compensation packages of executives, with the exception of seconded employees;
- Determining, agreeing and developing Vodacom Tanzania's overall remuneration policy and ensuring alignment with the remuneration policy of Vodacom Group Limited;
- Ensuring that fair, competitive reward strategies and programmes are in place to facilitate the recruitment, motivation and retention of high performance staff at all levels in support of realising corporate objectives and to safeguard shareholder interest;
- Reviewing and recommending to the Board the relevant criteria necessary to measure the performance of executive management in discharging their functions and responsibilities;
- Developing and implementing a policy of remuneration philosophy;
- Considering other special benefits or arrangements of a substantive financial nature;
- Reviewing the promotions, transfers and termination policies for Vodacom Tanzania;
- Monitoring the size and composition of the Board;
- Recommending individuals for nomination as members of the Board and its committees;
- Reviewing the Board succession plans;
- Ensuring that the performance of Board members is reviewed;
- Determining the composition and effectiveness of the boards of Vodacom Tanzania's subsidiaries;
- Approving the nomination of individuals to the respective boards of Vodacom Tanzania's subsidiaries;
- Ensuring eligibility of Board members;
- Reviewing the structure of the organisation to ensure that it is fit for purpose, delivering the strategy and long-term objectives of the business; and
- Ensuring compliance with applicable laws and codes.

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

Name of director	30 May 2018	13 Sept 2018	6 Nov 2018	8 March 2019
Winifred Ouko	✓	✓	✓	✓
D Gutierrez	✓	✓	✓	✓
Henry Surtees	✓	✓	✓	✓
Matimba Mbungela	✓	✓	✓	✓

The Remuneration and Nomination Committee has been split to form two separate committees. The Nomination Committee started effectively 1 April 2019.

Remuneration report

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

Letter from the Chairperson of the Nomination and Remuneration Committee:

Dear shareholders

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

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

Winifred Ouko
Chairperson of the Nomination and 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

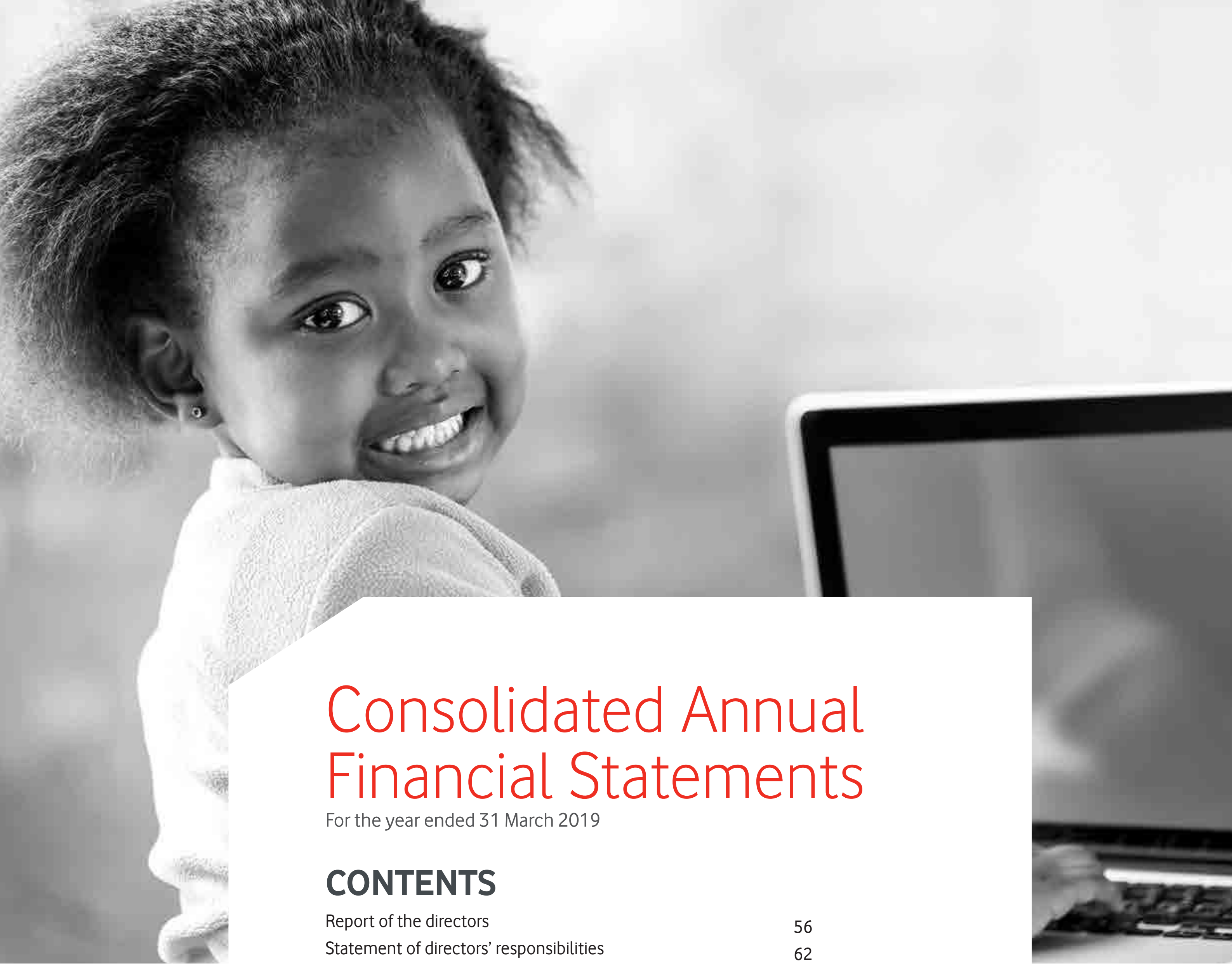
Executive Directors Remuneration – Guaranteed Pay

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

The disclosure of executive and non-executive directors' remuneration is shown in Note 34 (Related parties) of the consolidated annual financial statements on pages 110 to 111 of this annual report.

Compliance with policy

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



Consolidated Annual Financial Statements

For the year ended 31 March 2019

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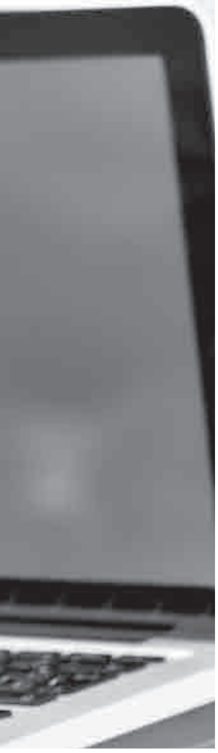

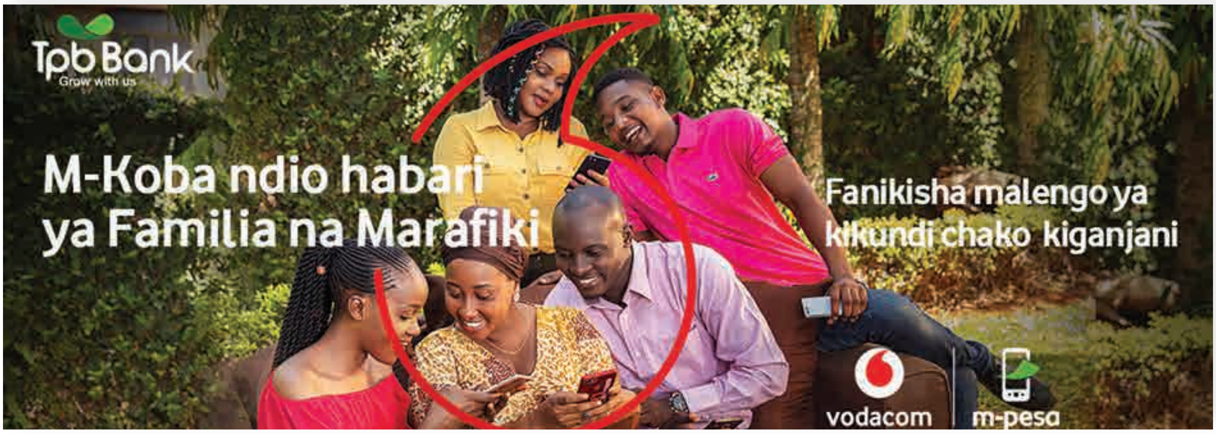
TpbBank
Grow with us
M-Koba ndio habari ya Familia na Marafiki
Fanikisha malengo ya kikundi chako kiganjani
vodacom
m-pesa


TpbBank
Grow with us
M - Koba ndio habari ya vikundi
Fanikisha malengo ya kikundi chako kiganjani
vodacom
m-pesa


mastercard
In partnership with BancABC part of Atlas Mara
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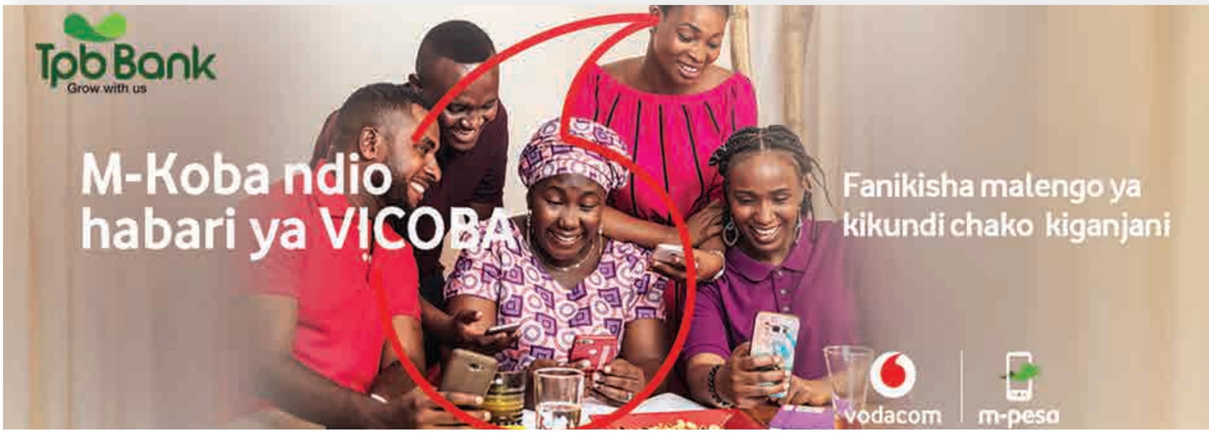
Dial *150*00# select Lipa kwa M-Pesa, then select M-Pesa Mastercard to create your card.


TpbBank
Grow with us
M-Koba ndio habari ya VICOBA
Fanikisha malengo ya kikundi chako kiganjani
vodacom
m-pesa

Report of the directors

For the year ended 31 March 2019

The directors presents the audited consolidated and separate annual financial statements of Vodacom Tanzania Public Limited Company ('the Company'), and its subsidiaries (together, 'the Group') for the year ended 31 March 2019.

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 financial statements on pages 66 to 124.

Revenue for the year grew by 4.8% to TZS1 024 587 million (2018: TZS977 994 million). Operating profit increased by 29.7% to TZS115 333 million (2018: TZS88 901 million). Net profit for the year decreased by 46.7 % to TZS90 761 million (2018: TZS170 240 million).

Earnings before: interest; taxation; depreciation; amortisation; profit or loss on disposal of property, plant, equipment and intangible assets; share-based payments; ('EBITDA') increased by 8.4% to TZS288 656 million (2018: TZS266 370 million) with EBITDA margin of 28.2%, representing a 0.9 ppts increase year on year.

The 90 days active customer base increased to 14 133 thousand (2018: 12 899 thousand) representing an increase of 9.6% (2018:1.9%) during the year.

Dividends

At the Annual General Meeting held on 17 August 2018, the shareholders approved a gross final dividend of TZS17.33 (2018: TZS12.74) per share, equivalent to TZS 38 819 million (2018: TZS28 538), payable from income reserves, in respect of the financial year ended 31 March 2018.

The dividend amount was equivalent to 60% of net profit after tax. Proceeds from the sale are required for future strategic investment opportunities.

A dividend of TZS 38 819 million was paid on 30 November 2018 to shareholders recorded in the register at the close of trading on 4 July 2018.

The Company's board of directors (the 'Board') will recommend a dividend for approval by the shareholders at the annual general meeting in relation to the financial year ended 31 March 2019 in accordance with the following dividend policy:

The Company intends to pay as much of its after tax profits 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 of Directors ('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 earnings after tax.

Solvency and liquidity of the Group

The Board considers the Group to be solvent, within the meaning ascribed by the Companies Act, No 12 of 2002. The Group has net current assets of TZS506 253 million as at 31 March 2019 (2018: net current assets of TZS500 549 million) which includes cash and Tanzanian government Treasury bill investments totalling TZS616 198 million (2018: TZS 561 081)).

Following the prospective adoption of IFRS 15, Revenue from Contracts with Customers on 1 April 2018, the Company's results for the twelve months ended 31 March 2019 are on an IFRS 15 and IFRS 9 basis, whereas the results for the twelve months ended 31 March 2018 are (as previously reported) on an IAS 18 basis. There was no material impact on the adoption of these new standards.

Report of the directors *continued*

Capital structure and shareholding

The Group's issued share capital[1] is held in the percentages as outlined below:

	2019 %	2018 %
Vodacom Group Limited	**48.75**	48.75
Mirambo Limited	**26.25**	26.25
Other shareholders	**25.00**	25.00
	100.00	100.00

Vodacom Group Limited is the beneficial owner of 61.6% of the issued and paid up shares of the Company, with 48.8% being held directly by Vodacom Group Limited and the remaining 12.9% of its interest in Vodacom Tanzania being held indirectly through its holding in Mirambo Limited. Vodacom Tanzania's shares are listed on the Dar es Salaam stock exchange.

As at 31 March 2019, the Group's authorised share capital was TZS200 000 million comprising of 4 000 million ordinary shares with a par value of TZS50.

Capital expenditure and commitments

During the year, the Group invested TZS 171 432 million (2018: TZS159 705 million) in property and equipment and intangible assets. This capital expenditure was funded by internally generated cash flows.

Further information on property, plant, equipment and intangible assets of the Group is presented in Notes 15 and 16. Information about the commitments of the Group is presented in Note 31 to the financial statements.

Business plans and future developments

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

Subsidiaries

The consolidated financial statements include the Group's wholly owned entities, Vodacom Trust Limited (previously known as M-PESA Limited) which is limited by guarantee and having share capital as well as Shared Networks Tanzania Limited ('SNT'), having share capital.

The principal activity of , Vodacom Trust Limited is 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 service for the benefit of the users of the said service.

During this financial year, the entity name was changed to Vodacom Trust Limited and obtained approval from BRELA and a change of name certificate issued on 23 October 2018. The change of name was necessary so as to enable a smooth compliance strategy to the National Payment System Act 2015 that we are currently in the implementation process.

SNT is a multi-operator core network wholesaler which holds a license for usage of spectrum in the 900MHz band in rural Tanzania.

Borrowings

Mirambo Limited

As at 31 March 2019, a loan provided by Mirambo Limited had been fully repaid (2018: US$126 229).

1 Refer to note 25.
2 The amount excludes spectrum license of TZS 22 669 million.

Directors and Company secretary

The directors of the Company who served during the year and as at 31 March 2019, are:

Title/Name	In Office as at 1 April 2018	Date of Appointment	Date of Resignation	In Office at the reporting date
Directors				
Ali Mufuruki (Chairperson)	✓	–	–	✓
Andries Delport*	✓	–	–	✓
Henry Surtees^	✓	–	–	✓
Till Streichert^^^	✓	–	–	✓
Margaret Ikongo	✓	–	–	✓
Thembeka Semane*	✓	–	–	✓
Winifred Ouko**	✓	–	–	✓
Matimba Mbungela*	✓	–	–	✓
Diego Gutierrez^^	✓	–	–	✓
Kenneth Gomado***	✓	–	–	✓
Executive				
Jacques Marais*	✓	–	–	✓
Ian Ferrao^	✓	–	1.9.2018	–
Hisham Hendi^^^^	–	27.03.2019	–	✓
Company Secretary				
Caroline Mduma	✓	–	–	✓

* South African **Kenyan ***Ghanaian ^British ^^Bolivian ^^^German ^^^^ 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 Group.

Parent and ultimate parent

The Group is controlled by Vodacom Group Limited, incorporated and domiciled in the Republic of South Africa which effectively owns 61.6% (2018: 61.6%) of the Group. 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 at arm’s length. Details of transactions and balances with related parties are included in Note 34 to the financial statements.

Country of incorporation and domicile

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

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 interests 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 two committees with specified delegated activities as follows:

Report of the directors *continued*

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 performance staff at all levels in support of realising corporate objectives and to safeguard shareholder interest;
- Reviewing and recommending to the Board the relevant criteria necessary to measure the performance of executive management in discharging their functions and responsibilities;
- Developing and implementing a policy of remuneration philosophy.

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 are 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 organisation to ensure that it is fit for purpose, delivering the strategy and long term objectives of the business; and
- Ensuring compliance with applicable laws and codes.

Audit, Risk and Compliance Committee (ARCC)

The ARC Committee is responsible for:

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

Political and charitable donations

The Group did not make any political donations during the year.

The Group made donations to the Vodacom Tanzania Foundation totalling TZS600 million during the year (2018: TZS600 million).

Corporate social responsibility

The Group established and registered Vodacom Tanzania Foundation ('the Foundation'), a limited by guarantee incorporated in the united republic of Tanzania under the Companies Act, Cap 212 of the Laws of Tanzania.

The Foundation is the corporate social responsibility arm of the company. 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 targeting vulnerable groups.

To date the Foundation has invested approximately TZS16 400 million in improving our society since its inception.

Auditors

PWC agreed to continue as the auditor until the next Annual General meeting.

Contingent liabilities and other matters

Tax matters

The Group's future tax charge, effective tax rate and profit before tax could be affected by several factors including tax reform introduced in Tanzania and the resolution of open tax disputes with the TRA. The Group is routinely subject to audit by the TRA and the additional assessments received as a result of the audit are usually resolved through the Tanzanian legal system if the Group is not in agreement with the TRA findings. The Group is committed to acting with integrity and transparency in all tax matters including a policy of full transparency to the tax authorities and the payment of all taxes properly due under the Tanzanian tax laws. The tax laws are in some instances subject to a broad range of interpretations. To address and manage this tax uncertainty good governance is fundamental to the Group's business sustainability. All major tax positions taken are subject to review by executive management and reported to the board of directors. The Group have support from external advisors supporting the positions taken in respect of the significant tax matters which confirms the application and interpretation of the tax legislation. The Group have considered all matters in dispute with the TRA and has accounted for any exposure identified, if required. The following open tax disputes are material and may have a significant impact on the profit of the company if these disputes are not resolved favourably.

Capital Allowances

The open tax disputes in relation to the classification of telecommunication equipment are currently in the tax 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

Another dispute currently in the court process is the assessments received by the company in respect of withholding tax on satellite services, international roaming and undersea cable services provided by foreign suppliers. The company did not apply the withholding tax on foreign services for 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.

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 31 March 2019.

Creation of new Mpesa entity

In October 2015, the National Payment System (NPS) Act was enacted by the Central bank to govern Mobile Financial Services (MFS). The Act required amongst others, operators to set up new governance structure (i.e. set up two new entities) and obtain two new licenses, namely, the Payment System Provider (PSP) and Electronic Money Issuer (EMI).

During the year, Vodacom Tanzania applied and obtained from the Bank of Tanzania the PSP licence.

The Group applied for a change of name of M-Pesa Limited to Vodacom Trust Limited, the application was approved by the regulator BRELA and a change of name certificate issued on 23 October 2018. Subsequently, we successfully registered a new entity (EMI entity) under the name M-Pesa Limited and was issued with a certificate of incorporation on 26 October 2018. The EMI license was issued to M-pesa Limited on 13 March 2019.

Report of the directors *continued*

Customer registration

During the year, the Group continued to invest in enhanced registration processes and took actions to improve its compliance with the Tanzania Communications Regulatory Authority ('TCRA')'s customer registration requirements. All the current gross additions are 100% fully registered.

Mobile termination rates

The TCRA published new mobile termination rates (MTRs) on 29 December 2017 effective from January 2018 to December 2022. As a result, MTRs declined from TZS 15.60 to TZS 10.40 on January 2019. The TCRA's 'glide path' reduces the MTR annually until it becomes TZS 2.00 in January 2022. Vodacom Tanzania PLC logged an appeal against the TCRA's new MTR with the Fair Competition Tribunal (FCT) set for 29 April 2019.

Government electronic payment gateway

On 01 April 2018, the Ministry of Finance and Planning introduced a government electronic payment gateway ('GePG') where all mobile money payments to state-owned companies are to be routed for an incremental service fee borne by the customer. Furthermore, commercial arrangements governing payments between Vodacom M-Pesa and Tanzania Electric Supply Company Limited ('TANESCO'), where the Group received a payment facilitation fee, were terminated.

Shared Networks Tanzania Limited ('SNT')

In July 2016, the Group acquired SNT, a company which holds a license for usage of spectrum in the 900MHz band in rural Tanzania. Both the TCRA and Fair Competition Commission approved the Group's acquisition of 100% of SNT's issued share capital for US$11 million, following which the transfer of shares was completed. In July 2017, the TCRA advised that the spectrum licence held by SNT was not transferrable. However, following further communications with the regulator, the group has been advised that the guidelines for the transferability of the spectrum licence is still work in progress. The group is awaiting these guidelines.

Other matters

Acquisition of Mirambo Shares

The Group's biggest shareholders, Vodacom Group Limited, Mirambo Limited ('Mirambo'), and certain of Mirambo's shareholders, have entered into an agreement in the terms of which Vodacom Group Limited will acquire all of Mirambo's 588 million shares in Vodacom Tanzania PLC. This will result in Vodacom Group Limited increasing its total interest in Vodacom Tanzania PLC from 61.6% (direct and indirect) to 75% (direct). The transaction close is subject to conditions precedent, including requisite regulatory approvals.

Events after reporting period

The Board is not aware of any matter or circumstance arising since the end of the reporting period, not otherwise dealt with herein, which significantly affects the financial position of the Group or the results of its operations or cash flows for the period other than as stated below:

Alleged illegal use of network facilities

In April 2019, several of Vodacom Tanzania Plc's (Vodacom Tanzania) employees, including the Managing Director, were arrested by the Tanzanian Police in relation to a customer's alleged illegal use of network facilities. These employees were charged with a number of offences, including economic crimes which are non-bailable offences under Tanzania's Economic Organised Crime Act ("EOCA"). Vodacom Tanzania paid a fine of TZS 30 million as well as an amount of TZS 5.3 billion, as compensation for the financial losses occasioned to the Tanzanian Communication Regulatory Authority ("TCRA"), after pleading guilty to the offences of occasioning pecuniary loss to a specified authority and permitting use of network services in contravention of the Electronic and Postal Communications Act ("EPOCA"). Vodacom Tanzania, its parent companies Vodacom Group Limited and Vodafone Group Plc are committed to upholding the highest standards of business integrity, ethics and good corporate governance. The companies have retained global law firm, Squire Patton Boggs to assist it with an internal investigation into the underlying facts in line with the companies' legal and corporate governance principles and to safeguard the company.

Consolidated financial statements

The Group's and the Company's financial statements for the year ended 31 March 2019 were approved and authorised for issue by the Board on 30 May 2019.

By order of the board

Ali A. Mufuruki
Chairperson

Jacques Marais
Director

Statement of directors' responsibilities

For the year ended 31 March 2019

The Companies Act, No.12 of 2002 requires directors to prepare consolidated and Company financial statements for each financial year that give a true and fair view of the Group and of 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 of the Group and of the Company. The directors are also responsible for safeguarding the assets of the Group and of 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 Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the International Financial Reporting Standards ('IFRS') and the requirements of the Companies Act, No.12 of 2002. The directors are of the opinion that the consolidated financial statements give a true and fair view of the state of the financial affairs of the Group and of the Company and of the Group's and Company's profit in accordance with the International Financial Reporting Standards ('IFRS'). The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 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 Company will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Board by:

Ali A. Mufuruki
Chairman

30 May 2019

Jacques Marais
Director

30 May 2019

Declaration of the head of finance

For the year ended 31 March 2019

The National Board of Accountants and Auditors (NBAA) according to the power conferred 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 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 position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements.

Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under Statement of Directors Responsibility on page 62 above.

I, Godwin Josiah Mlay, being the Head of Finance (Record to Report) of Vodacom Tanzania Public Limited Company hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 March 2019 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the 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.

Godwin Josiah Mlay
NBAA Membership No: ACPA 1415
Head of Finance – Record to Report

30 May 2019

Independent auditor's report

For the year ended 31 March 2019

To the members of Vodacom Tanzania Public Limited Company

Report on the audit of the Group and Company financial statements

Our opinion

In our opinion, the Group and Company financial statements give a true and fair view of the Group and Company financial position of Vodacom Tanzania Public Limited Company (the Company) and its subsidiaries (together the Group) as at 31 March 2019, and of its Group and Company financial performance and its Group and Company cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No. 12 of 2002.

What we have audited

Vodacom Tanzania Public Limited Company's Group and Company financial statements as set out on pages 66 to 124 comprise:

- the Group and Company statements of financial position as at 31 March 2019;
- the Group and Company statements of profit or loss and other comprehensive income for the year then ended;
- the Group and Company statements of changes in equity for the year then ended;
- the Group and Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 Group and Company financial statements section of our report.

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

Independence

We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the National Board of Accountants and Auditors (NBAA) that are relevant to our audit of the financial statements in Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the NBAA.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group and Company financial statements of the current period. These matters were addressed in the context of our audit of the Group and Company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition – accuracy of revenue given the complexity of system	
The Group derives revenue from multiple streams with different tariff structures and with changing pricing models. The Group relies on complex information technology (IT) systems and applications for capturing and recording revenue with manual intervention between the billing systems and the general ledger for deferred revenue recognition. Our audit focused on responding to the risk that automated application controls and the related IT dependent controls for manually calculated deferred revenue and recording of revenue in the general ledger are not designed and operating effectively. Information about revenue is disclosed in Notes 3(d), 5(c) and 6 of the financial statements.	We tested the design and operating effectiveness of the controls over the continued integrity of the information systems that are relevant to financial accounting and reporting. We tested the revenue billing systems and their interfaces with the financial reporting system through testing the relevant information technology general controls, application controls and manual controls, and substantively reviewing the reconciliation between the billing systems and the general ledger. We performed independent reviews of the work done by the Revenue Assurance function regarding the completeness and accuracy of revenue.

Key audit matters *continued*

Key audit matter	How our audit addressed the key audit matter
Contingent liabilities relating to unresolved tax disputes	
The Group has unresolved disputes with Tanzania Revenue Authority relating to additional tax assessments. Tax assessments involve uncertainty and a high level of judgement in estimating the provisions required. The directors have applied judgement, using the best available information at 31 March 2019 in concluding that adequate provisions are recorded for the exposures. However, the eventual outcome or settlement of these disputes could be materially different from the directors' estimates. Information about taxes and unresolved tax disputed is disclosed in Notes 3 (n), 3 (r), 5 (f), 5 (j) and 33 (a).	We tested management's process for identification and evaluation of exposures from revenue authority assessments. We performed audit procedures on the reasonableness of the basis for objection of the revenue authority assessments filed by the Group. Where relevant, we obtained confirmations from the Group's external tax and legal advisors regarding the pending revenue authority assessments. We performed audit procedures on the provisions for tax exposures recorded based on management's own assessment and the advice provided by the Group's tax and legal advisors.

Other information

The directors are responsible for the other information. The other information comprises corporate information, report of the directors, statement of directors' responsibilities and declaration of the head of finance (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and other information that will be included in the Annual Report, which is expected to be made available to us after that date.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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 other information that will be included in the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the Group and Company financial statements

The directors are responsible for the preparation of the Group and Company financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No. 12 of 2002, and for such internal control as the directors determine is necessary to enable the preparation of Group and Company financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the Group and Company financial statements

Our objectives are to obtain reasonable assurance about whether the Group and Company 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 Group and Company financial statements.

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

Independent auditor's report *continued*

- Identify and assess the risks of material misstatement of the Group and Company 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 a going concern. 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 Group and Company 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Group and Company financial statements, including the disclosures, and whether the Group and Company 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 group financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

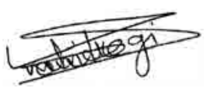
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Group and Company financial statements of the current period 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, No. 12 of 2002 and for no other purposes.

As required by the Companies Act, No. 12 of 2002, we are also required to report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed. In respect of the foregoing requirements, we have no matter to report.



Patrick Kiambi, TACPA

For and on behalf of PricewaterhouseCoopers
Certified Public Accountants
Dar es Salaam

30 May 2019

Statements of profit or loss and other comprehensive income

For the year ended 31 March 2019

		GROUP		COMPANY	
TZS m	**Note**	**2019**	**2018**	**2019**	**2018**
Revenue	6	**1 024 587**	977 994	**1 025 602**	977 958
Direct expenses	7	**(303 306)**	(302 712)	**(305 441)**	(303 056)
Staff expenses	8	**(59 368)**	(55 328)	**(59 255)**	(55 121)
Publicity expenses		**(36 311)**	(30 649)	**(36 311)**	(30 649)
Other operating expenses	9	**(344 086)**	(329 202)	**(341 962)**	(324 185)
Depreciation and amortisation	15,16	**(165 834)**	(164 594)	**(163 409)**	(156 858)
Share-based payment charges		**–**	(6 608)	**–**	(6 608)
Impairment charges	14,42	**(349)**	–	**(25 802)**	–
Operating profit		**115 333**	88 901	**93 422**	101 481
Gain on sale of equity stock investment		**–**	120 251	**—**	120 251
Finance income	10	**38 475**	44 768	**20 062**	20 172
Finance costs	11	**(19 891)**	(34 485)	**(159)**	(8 386)
Net profit/(loss) on re-measurement of financial instruments	12	**970**	(3 099)	**1 079**	(3 036)
Profit before tax		**134 887**	216 336	**114 404**	230 482
Income tax expense	17	**(44 126)**	(46 096)	**(44 532)**	(46 517)
Net profit		**90 761**	170 240	**69 872**	183 965
Other comprehensive income		**–**	–	**–**	–
Total comprehensive income		**90 761**	170 240	**69 872**	183 965
Basic and diluted earnings per share (TZS)	39	**40.52**	83.81	**31.19**	90.56

i The reported figures for the year ended 31 March 2019 have been impacted by the adoption of IFRS 15 and IFRS 9 on 1 April 2018. Refer to Note 4 for analysis of the impact.

Statements of financial position

As at 31 March 2019

TZS m	Note	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Assets					
Non-current assets		**857 074**	807 724	**828 130**	800 251
Goodwill	14	**1 639**	1 988	**–**	–
Property and equipment	15	**646 288**	644 772	**639 340**	636 802
Intangible assets	16	**74 740**	47 175	**54 383**	25 414
Capacity prepayments	18	**58 385**	46 764	**58 385**	46 764
Investment in subsidiary[3]		**–**	–	**–**	24 246
Income tax receivables[4]	17	**19 724**	11 156	**19 724**	11 156
Trade and other receivables[5]	19(a)	**7 705**	252	**7 705**	252
Deferred loss	20	**48 593**	55 617	**48 593**	55 617
Non-current assets held for sale	21	**1 307**	2 257	**1 307**	2 257
Current assets		**1 134 121**	1 070 980	**780 272**	
Capacity prepayments	18	**11 527**	9 782	**11 527**	9 782
Inventory	22	**2 145**	1 985	**2 145**	1 985
Trade and other receivables[5]	19(b)	**126 232**	134 590	**155 592**	167 416
Income tax receivables	17	**–**	10 666	**–**	7 137
Financial assets[6]		**378 019**	352 876	**–**	–
Short term investment	23	**219 576**	121 192	**219 576**	121 192
Cash and cash equivalents balances	24	**396 622**	439 889	**391 432**	426 909
Total assets		**1 992 502**	1 880 961	**1 609 709**	1 536 929

TZS m	Note	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Capital and reserves		**1 263 844**	1 210 454	**1 263 843**	1 231 342
Share capital	25	**112 000**	112 000	**112 000**	112 000
Share premium	25	**442 435**	442 435	**442 435**	442 435
Capital contribution	13	**27 698**	27 698	**27 698**	27 698
Retained earnings		**681 711**	628 321	**681 710**	649 209
Non-current liabilities		**100 790**	100 076	**94 789**	93 654
Finance lease liability	29	**5 801**	5 513	**5 801**	5 513
Government grants	28	**2 922**	4 695	**2 922**	4 695
Deferred tax liabilities	17	**45 687**	49 649	**39 686**	43 227
Trade and other payables	27	**46 380**	40 219	**46 380**	40 219
Current liabilities		**627 868**	570 431	**251 077**	211 933
Borrowings	26	**–**	285	**–**	285
Trade and other payables[1]	27	**584 018**	541 697	**235 276**	206 542
Interest due to customers	27	**31 577**	22 952	**–**	–
Income tax payable	17	**1 983**	–	**5 511**	–
Government grants	28	**2 379**	1 772	**2 379**	1 772
Provisions	32	**7 911**	3 725	**7 911**	3 334
Total liabilities		**728 658**	670 507	**345 866**	305 587
Total equity and liabilities		**1 992 502**	1 880 961	**1 609 709**	1 536 929

3. Purchase consideration for Shared Networks Tanzania Limited. The Investment has been assessed to be fully impaired as at 31 March 2019.
4. These are deposits with TRA in respect of objected assessments for corporate tax.
5. Trade and other receivables as at 31 March 2019 include contract asset receivables; current TZS 1 753 million and non – current TZS 895 million
6. Financial assets represent restricted cash balances from M-Pesa deposits.

The financial statements on pages 66 to 124 were approved and authorised for issue by the Board of Directors on 30 May 2019 and were signed on its behalf by:

Ali A. Mufuruki
Chairman

30 May 2019

Jacques Marais
Director

30 May 2019

Statements of changes in equity

For the year ended 31 March 2019

GROUP

TZS m	Notes	Share capital	Share premium	Capital contribution	Retained earnings	Total
Balance at 31 March 2018 as originally presented		**112 000**	**442 435**	**27 698**	**628 321**	**1 210 454**
Change in accounting policy						
IFRS 15 opening balance adjustment	4	**–**	**–**	**–**	**1 402**	**1 402**
IFRS 9 opening balance adjustment	4	**–**	**–**	**–**	**46**	**46**
Total equity at 1 April 2018		**112 000**	**442 435**	**27 698**	**629 769**	**1 211 902**
Total comprehensive income		**–**	**–**	**–**	**90 761**	**90 761**
Transactions with owners						
Dividends declared		**–**	**–**	**–**	**(38 819)**	**(38 819)**
31 March 2019		**112 000**	**442 435**	**27 698**	**681 711**	**1 263 844**
1 April 2017		84 000	–	22 974	486 619	593 593
Total comprehensive income		–	–	–	170 240	170 240
Transactions with owners:						
Shares issued		28 000	442 435	–	–	470 435
Share-based payment charge		–	–	4 724	–	4 724
Dividend declared		–	–	–	(28 538)	(28 538)
31 March 2018		112 000	442 435	27 698	628 321	1 210 454

COMPANY

TZS m	Notes	Share capital	Share premium	Capital contribution	Retained earnings	Total
Balance at 31 March 2018 as originally presented		**112 000**	**442 435**	**27 698**	**649 209**	**1 231 342**
Change in accounting policy						
IFRS 15 opening balance adjustment	4	**–**	**–**	**–**	**1 402**	**1 402**
IFRS 9 opening balance adjustment	4	**–**	**–**	**–**	**46**	**46**
Total equity at 1 April 2018		**112 000**	**442 435**	**27 698**	**650 657**	**1 232 790**
Total comprehensive income		**–**	**–**	**–**	**69 872**	**69 872**
Transactions with owners:						
Dividends declared		**–**	**–**	**–**	**(38 819)**	**(38 819)**
31 March 2019		**112 000**	**442 435**	**27 698**	**681 710**	**1 263 843**
1 April 2017		84 000	–	22 974	493 782	600 756
Total comprehensive income		–	–	–	183 965	183 965
Transactions with owners:						
Shares issued		28 000	442 435	–	–	470 435
Share-based payment charge		–	–	4 724	–	4 724
Dividend declared		–	–	–	(28 538)	(28 538)
31 March 2018		112 000	442 435	27 698	649 209	1 231 342

Statements of cash flows

For the year ended 31 March 2019

		GROUP		COMPANY	
TZS m	**Note**	**2019**	**2018**	**2019**	**2018**
Cash flows from operating activities					
Cash generated from operations	38	**318 541**	269 039	**308 088**	217 755
Income taxes paid	17	**(45 197)**	(50 865)	**(45 182)**	(50 865)
Net cash generated from operating activities		**273 344**	218 174	**262 906**	166 890
Cash flows from investing activities					
Additions to property and equipment and intangible assets		**(184 843)**	(149 859)	**(184 452)**	(150 250)
Acquisition of subsidiary[8]		**–**	(3 637)	**–**	(3 637)
Proceeds from sale of property and equipment		**20**	1 073	**20**	1 076
Government grant received	28	**2 489**	12 008	**2 489**	12 008
Short term investment made	23	**(89 307)**	(121 192)	**(89 308)**	(121 192)
Finance income received[9]		**9 557**	22 044	**10 985**	23 644
Proceeds from sale of HTT investment		**–**	130 582	**–**	130 582
Cash held in restricted deposits		**(25 143)**	(38 522)	**–**	–
Interest received from M-Pesa deposits	10	**19 841**	26 196	**–**	–
Net cash used in investing activities		**(267 386)**	(121 307)	**(260 266)**	(107 769)
Cash flows from financing activities					
Dividends paid		**(38 783)**	(28 463)	**(38 783)**	(28 463)
Proceeds from an initial public offering of shares		**–**	476 000	**–**	476 000
Payment of an initial public offering cost		**–**	(7 449)	**–**	(7 449)
Interest paid on other borrowings		**(324)**	(465)	**(324)**	(465)
Principal repayment of shareholder loan		**–**	(107 071)	**–**	(107 071)
Repayment of interest on shareholder loan		**–**	(104 574)	**–**	(104 574)
Interest paid to M-Pesa customers		**(11 108)**	(27 222)	**–**	–
Net cash (used in)/generated from financing activities		**(50 215)**	200 756	**(39 107)**	227 978
Net (decrease)/increase in cash and cash equivalents		**(44 257)**	297 623	**(36 467)**	287 099
Cash and cash equivalents at the beginning of the year		**439 889**	140 913	**426 909**	138 470
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	12	**990**	1 353	**990**	1 340
Cash and cash equivalents at the end of the year	24	**396 622**	439 889	**391 432**	426 909

8. Final instalment payment for the acquisition of Shared Networks Tanzania Limited (SNT) Nil (2018: TZS3 637 million).
9. Includes interest received under a loan made to Helios Towers Tanzania Limited ('HTT'). In October 2017, the Group sold the loan to HTT's parent company, HTA Holdings, LTD. During the year ended 31 March 2019, Nil interest was received,(TZS6 785 million of interest was received in 2018 of which TZS6 301 million was for 2017 and TZS484 million is interest accrued in 2018).

Notes to the consolidated annual financial statements
For the year ended 31 March 2019

1. General information
Vodacom Tanzania Public Limited 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 is included under Corporate Information shown on page 133.

2. Basis of preparation
The consolidated annual financial statements of Vodacom Tanzania Public Limited Company ('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 parts of the Tanzania Companies Act, No.12 of 2002 applicable to companies reporting under IFRS. The financial statements are prepared on a going concern basis.

For purposes of the 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 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 financial statements and the reported amounts of revenue and expenses during the reporting period. For a discussion on the Group's critical accounting judgments and estimates, see 'Critical accounting judgments and estimates' in note 5. 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.

3. Significant accounting policies

a) Accounting convention
The consolidated annual financial statements are prepared on a historical cost basis, except for certain financial instruments which are measured at fair value or at amortised cost.

b) Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of Vodacom Tanzania and its subsidiaries up to 31 March 2019.

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 Group to the former owners of the acquiree, and equity instruments issued by the Group 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 Group'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.

Notes to the consolidated annual financial statements *continued*

3. Significant accounting policies *continued*

b) Consolidation *continued*

Business combinations *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 Group. Control is achieved where the Group 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 Group.

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

The consolidated financial statements include the Group's fully owned entities, Vodacom Trust Limited (previously M-Pesa Limited) and Shared Networks Tanzania Limited, companies limited by guarantee and having share capital.

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

The segment assets and liabilities comprise 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 in property, plant and equipment and intangible assets has been allocated to the segments to which it relates.

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 financial statements. There are no revenues from transactions with a single external customer that amount to 10% or more of the group's revenues.

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.

3. Significant accounting policies *continued*

d) Revenue recognition *continued*

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

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

Revenue recognition policy prior to adopting IFRS15 on 1 April 2018

Revenue was recognised to the extent the Group has delivered goods or rendered services under an agreement, provided the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is measured at the fair value of the consideration received or receivable, exclusive of sales taxes and discounts.

The Group principally obtains revenue from providing the following telecommunication services: access charges, airtime usage, messaging, interconnect fees, data services and information provision, connection fees and the sale of equipment. Products and services may be sold separately or in bundled packages.

Revenue for access charges, airtime usage, and messaging by contract customers is recognised as services are performed. Unbilled revenue resulting from services already provided are accrued at the end of each period and unearned revenue from services to be provided in future periods are deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

Notes to the consolidated annual financial statements *continued*

3. Significant accounting policies *continued*

d) Revenue recognition *continued*

Revenue from interconnect fees is recognised on a usage basis at the time the services are performed.

Revenue from data services and information provision is recognised when the Group has performed the related service.

Customer connection revenue is recognised together with the related equipment revenue to the extent that the aggregate equipment and connection revenue does not exceed the fair value of the equipment delivered to the customer. Any customer connection revenue not recognised together with any related excess equipment revenue is deferred and recognised over the period in which services are expected to be provided to the customer.

In revenue arrangements including more than one deliverable, the arrangements are divided into separate units of accounting. Deliverables are considered separate units of accounting if the following two conditions are met:

- The deliverable has value to the customer on a stand-alone basis; and
- There is evidence of the fair value of the undelivered item.

The arrangement consideration is allocated to each separate unit of accounting based on its relative fair value on a stand-alone basis as a percentage of the aggregated fair value of the individual deliverables. Revenue allocated to deliverables is restricted to the amount that is receivable without the delivery of additional goods or services. This restriction typically applies to revenue recognised for devices provided to customers, including handsets.

Other income

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

Interest is recognised on a time proportion basis with reference to the principal amount receivable and the effective interest rate applicable.

Revenue presentation: Gross versus Net

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

Contract-related costs

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

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

e) Commissions

Intermediaries are given 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.

3. Significant accounting policies *continued*

e) Commissions *continued*

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 the statement of profit or loss and other comprehensive income 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 between the net disposal proceeds and the carrying amounts of the asset are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised.

g) Impairment of tangible and intangible assets

An impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income 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 the statement of profit or loss. Goodwill impairment losses are not reversed.

Notes to the consolidated annual financial statements *continued*

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 and intangible assets not yet available for use, and Goodwill both 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 is not depreciated and is stated at cost less 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 the statement of profit or loss and other comprehensive income as incurred.

Depreciation is recognised in the statement of 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 the statement of profit or loss.

i) Inventory

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

j) Leases

Lease classification

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

3. Significant accounting policies *continued*

j) Leases *continued*

Group as lessee

Finance leases

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

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

Operating leases

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

Group as lessor

Finance leases

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

k) Foreign currencies and translation of foreign currencies

The consolidated financial statements are presented in Tanzanian Shillings (TZS), which is the Group's functional and presentation currency. Subsidiary entities functional currency is also Tanzanian Shillings (TZS), and 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 periods to which they relate.

m) Employee benefits

Post-employment benefits

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

Notes to the consolidated annual financial statements *continued*

3. Significant accounting policies *continued*

m) Employee benefits *continued*

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, with a corresponding increase in equity. The annual expense is based on the Group's estimate of the shares that will eventually vest, adjusted for the effect of non-market vesting conditions.

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) Income 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 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 they arise from the initial recognition of goodwill.

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 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.

3. Significant accounting policies *continued*

n) Income tax *continued*

Deferred tax *continued*

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 they arise from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 17.

o) Financial instruments

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Group's statement of financial position when the Group becomes a 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.

Debt securities held for trading purposes, or whose cash flows do not solely represent payments of principal and interest are stated at fair value, with gains and losses arising from changes in fair value included in net profit or loss for the period.

Equity securities are also stated at fair value, with gains and losses arising from changes in fair value recognised directly in other comprehensive income and no subsequent reclassification of fair value gains and losses to profit or loss following de-recognition of the investment.

Where the Group sells instalment receivables to a third party from time to time these portfolios are recorded at fair value through other comprehensive income.

All other investments, including trade recevables, 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 us by customers and amounts that we pay to our suppliers in advance. Derivative financial instruments with a positive market value are reported within this note as are contract assets which represent an asset for accrued revenue in respect of goods or services delivered to customers for which a trade receivable does not yet exist.

Notes to the consolidated annual financial statements *continued*

3. Significant accounting policies *continued*

o) Financial instruments *continued*

Financial assets, excluding derivative financial instruments *continued*

Trade receivables represent amounts owed by customers where the right to payment is conditional only on the passage of time. Trade receivables that are recovered in instalments from customers over an extended period are discounted at market rates and interest revenue is accreted over the expected repayment period. Other trade receivables do not carry any interest and are stated at their nominal value. The carrying value of all trade receivables, contract assets and finance lease receivables 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

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at end of each reporting date.

Certain categories of financial assets, such as trade receivables, that are assessed not to be impaired individually, are subsequently assessed for impairment on a collective basis.

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, contract assets and finance lease receivables, the amount of the impairment loss is the irrecoverable amount estimated by management based on assumptions about risk of default and expected loss rates (Note 19).

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

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.

3. Significant accounting policies *continued*

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.

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 the statement of profit or loss and other comprehensive income 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 carrying amount and fair values less cost of disposal. An impairment loss is recognised for any initial or subsequent write-down of the asset. Any gain for the subsequent increase in fair value less cost of disposal of the asset is only recognised to the extent that it does not exceed the cumulative impairment loss that has been recognised.

u) Government grants

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

It is the Group's policy to deduct capital grants from the cost of the assets acquired which will result in the depreciation expense for the related assets being reduced during the useful life of the related assets. In the event that a capital grant becomes repayable, the cost of the related assets are 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 the 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.

4. New accounting pronouncements

The new accounting pronouncements adopted by the Group on 1 April 2018 as well as the accounting pronouncements to be adopted in coming financial years are set out below:

Accounting pronouncements adopted

On 1 April 2018 the Group adopted the IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" details of the impact of adoption are provided below. In addition 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 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ";
- Amendment to IAS 28 "Investments in Associates and Joint Ventures" (part of "Improvements to IFRS 2014-2016 Cycle");
- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions'; and
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration".

New accounting pronouncements to be adopted on 1 April 2019

On 1 April 2019 the Group will adopt IFRS 16 'Leases' which has been issued by the IASB; this standard will have a significant impact on the Group's financial reporting. Additional information on the impact of this standard is discussed below.

The following pronouncements, which have also been issued by the IASB, are effective for periods commencing on or after 1 January 2019. The Group's financial reporting will be presented in accordance with these new standards, which are not expected to have a material impact on the consolidated income statement and consolidated statement of financial position from 1 April 2019.

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

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

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

- Amendments to IFRS 3 "Definition of a Business"; and
- Amendments to IAS 1 and IAS 8 "Definition of Material".

The Group's financial reporting will be presented in accordance with the new standards above, which are not expected to have a material impact on the consolidated results, financial position or cash flows of the Group, from 1 April 2020.

In addition, the Group will adopt IFRS 17 "Insurance contracts", which has been issued by the IASB and is effective for accounting periods on or after 1 January 2021.

The Group's work to assess the impact of the accounting changes that will arise under IFRS 17 is continuing; however, the changes are not expected to have a material impact on the consolidated income statement and consolidated statement of financial position.

Standards adopted during the year ended 31 March 2019

The Group adopted IFRS 15 "Revenue from contracts with customers" and IFRS 9 Financial Instruments, which have been issued by the IASB. The impact of these standards on the Group's financial reporting has been detailed below.

IFRS 15 "Revenue from contracts with customers" (IFRS 15)

IFRS 15 "Revenue from Contracts with Customers" was adopted by the Group on 1 April 2018 with the cumulative retrospective impact reflected as an adjustment to equity on the date of adoption. The Group's IAS 18 accounting policy, and the key differences between the Group's IAS 18 and IFRS 15 accounting policies, are disclosed in the Group's annual financial statements for the year ended 31 March 2018.

The accounting policy has been detailed above on the section 'Significant accounting policies; Revenue recognition'.

Mobile device revenue acceleration and deferred customer acquisition costs amortised to revenue

The main impact of IFRS 15 on the Group's revenue results from service agreements entered into with customers which contain both devices and services as deliverables. Under IAS 18, revenue allocated to devices on inception of a customer contract was limited to the amount received.

4. New accounting pronouncements *continued*

Standards adopted during the year ended 31 March 2019 *continued*

IFRS 15 "Revenue from contracts with customers" (IFRS 15) *continued*

IFRS 15 requires revenue to be recognised for devices on inception of the contract, irrespective of the amount received, with a corresponding contract asset representing the unbilled portion, or a contract liability in cases where revenue recognised under IFRS 15 is less than the actual invoiced amount for any obligations as a result of an advanced payment received. The remainder of the subscription fee is recognised over the contract term as services are delivered during the contract period. Where additional up-front unbilled revenue is recorded for the sale of devices, this is reflected in the consolidated statement of financial position as a contract asset.

Contract assets are also raised for the impact of capitalising customer incentive bonuses (CIB). Under IAS 18, incremental costs such as CIB were expensed in the income statement as incurred. Under IFRS 15, CIB costs incurred in acquiring a contract customer are deferred and recognised as an asset at inception and amortised against revenue over the term of the contract.

Deferred customer acquisition costs amortised to direct costs

Under IAS 18, incremental costs were expensed in the income statement as incurred. Under IFRS 15, incremental costs incurred in acquiring a contract customer are deferred and recognised as an asset at inception. Certain of these costs are subsequently amortised against direct costs over the term of the contract.

Impairment of contract assets

IFRS 9 requires expected credit losses to be recorded in respect of amounts due from customers. On initial recognition, the upfront recognition of contract assets under IFRS 15 resulted in an increase in credit loss charges recorded in future periods."

Deferred tax

A deferred tax liability has been recognised for device revenue contract assets and deferred customer acquisition costs recognised under IFRS 15 where applicable, at the enacted statutory tax rate in each jurisdiction in accordance with the recognition criteria of IAS12.

Reduction in revenue deferrals

The reduced subscription fee recognised over the contract term under IFRS 15 (see 2.1 above) leads to a reduction in revenue deferrals.

The impact on the main disclosure line items in the consolidated income statement for the year ended 31 March 2019, is an increase in revenue of TZS 824 million, an increase in direct expenses of TZS 67 million and an increase of TZS 776 million in operating profit. The impact of the cumulative retrospective adoption of IFRS 15 on the opening balances of the condensed consolidated statement of financial position at 31 March 2019 is an increase in non-current "Trade and other receivables" of TZS 672 million, an increase in current "Trade and other receivables" of TZS 1 330 million and the resulting impact in retained earnings and deferred tax liabilities.

IFRS 9 Financial Instruments

IFRS 9 impacts the classification and measurement of the Group's financial instruments, revises the requirements for when hedge accounting can be applied and requires certain additional disclosures. The Group has adopted IFRS 9 with the cumulative retrospective impact on the classification and measurement of financial instruments reflected as an adjustment to equity on the date of adoption.

The key impacts were as follows:

- The carrying values of trade receivables, contract assets and finance lease receivables are reduced by the lifetime estimated future credit losses at the date of initial recognition, where previously credit losses were not recognised on such assets until there was an indicator of impairment, such as a payment default;
- Customer receivables that are received in instalments, which are currently recorded at amortised cost, will be recorded at fair value through other comprehensive income for receivable portfolios that the Group sells from time to time to third parties.

The Group has elected, under IFRS 9, to recognise the full amount of credit losses that would be expected to be incurred over the full recovery period of trade receivables, investment in treasury bills, contract assets recorded under IFRS 15, and finance lease receivables at the date of initial recognition of those assets; previously credit losses were not recognised on such assets until there was an indicator of impairment, such as a payment default. The impact on the consolidated statement of financial position at 1 April 2018 is set out on the next page.

Notes to the consolidated annual financial statements *continued*

4. New accounting pronouncements *continued*

Standards adopted during the year ended 31 March 2019 *continued*

Classification and measurement of financial assets

The following table and the accompanying notes below explain the original measurement categories under IAS 39 Financial instruments: Recognition and measurement (IAS 39) and the new measurement categories under IFRS 9 for each class of the Group's financial assets at 1 April 2018.

	Original classification IAS 39	New classification and measurement IFRS 9	Original carrying amount IAS 39 TZS m	New carrying amount IFRS 9 TZS m
Financial assets				
Cash held in restricted deposits	Loans & receivables	Amortised cost	352 876	352 876
Short term investments	Loans & receivables	Amortised cost	121 192	121 192
Cash and cash equivalent	Loans & receivables	Amortised cost	384 521	384 521
Interest accrued – Treasury bills	Loans & receivables	Amortised cost	2 830	2 830
M-pesa balances	Loans & receivables	Amortised cost	6 855	6 855
Short term deposits	Loans & receivables	Amortised cost	48 513	48 513
Trade and other receivables	Loans & receivables	Amortised cost	89 126	89 192
Total financial assets			1 005 913	1 005 979

The company's financial assets that were initially classified as "Loans and receivables" under IAS 39 "Financial instruments: Recognition and measurement" (IAS 39) are now classified as at "Amortised cost" under IFRS 9 with no material change to the carrying values at 1 April 2018. The impact recorded for the Group and Company is similar.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase. The Group has determined that the application of IFRS 9's impairment requirements, and the adoption of IFRS 15 at 1 April 2018 results in an additional impairment allowance as follows:

	TZS m
Loss allowance at 31 March 2018 under IAS 39	
Changes to loss allowance recognised at 1 April 2018	48 857
Release of allowance for trade receivables	(66)
Recognition of additional allowance on trade and other receivables at 31 March 2018	–
Loss allowance at 1 April 2018 under IFRS 9	48 791
IFRS 9 Impact on the opening statement of changes in equity	
Changes to loss allowance recognised at 1 April 2018	66
Deferred tax impact	(20)
Total	46

4. New accounting pronouncements *continued*

Standards adopted during the year ended 31 March 2019 *continued*

Classification and measurement of financial liabilities

The group and the company's financial liability classification, recognition and measurement under IAS 39 have not changed with the adoption of IFRS 9.

Opening consolidated statement of financial position as at 1 April 2018

TZSm	31 March 2018	Impact of adoption of IFRS 9	Impact of adoption of IFRS 15	1 April 2018
Assets				
Non-current assets	807 724	–	672	808 396
Goodwill	1 988	–	–	1 988
Property and equipment	644 772	–	–	644 772
Intangible assets	47 175	–	–	47 175
Operating lease prepayments	46 764	–	–	46 764
Tax receivables	11 156	–	–	11 156
Trade and other receivables	252	–	672	924
Deferred loss	55 617			55 617
Non-current assets held for sale	2 257	–	–	2 257
Current assets	1 070 980	66	1 331	1 072 377
Operating lease prepayments	9 782	–	–	9 782
Inventory	1 985	–	–	1 985
Trade and other receivables – of which	134 590	66	1 331	135 987
Contract assets	–	–	1 331	1 331
Trade receivable	134 590	66	–	134 656
Income tax receivables	10 666	–	–	10 666
Financial assets	352 876	–	–	352 876
Short term investment	121 192	–	–	121 192
Bank and cash balances	439 889	–	–	439 889
Total assets	1 880 961	66	2 003	1 883 030

Notes to the consolidated annual financial statements *continued*

4. New accounting pronouncements *continued*

Standards adopted during the year ended 31 March 2019 *continued*

Opening consolidated statement of financial position as at 1 April 2018

TZSm	31 March 2018	Impact of adoption of IFRS 9	Impact of adoption of IFRS 15	1 April 2018
Equity and liabilities				
Capital and reserves	**1 210 454**	46	1 402	1 211 902
Share capital	**112 000**	–	–	112 000
Share premium	**442 435**	–	–	442 435
Capital contribution	**27 698**	–	–	27 698
Retained earnings	**628 321**	46	1 402	629 769
Non-current liabilities	**100 076**	20	601	100 697
Finance lease liability	**5 513**	–	–	5 513
Government grants	**4 695**	–	–	4 695
Deferred tax liabilities	**49 649**	20	601	50 270
Trade and other payables	**40 219**	–	–	40 219
Current liabilities	**570 431**	–	–	570 431
Borrowings	**285**	–	–	285
1Trade and other payables	**541 697**	–	–	541 697
Interest due to customers	**22 952**	–	–	22 952
Government grants	**1 772**	–	–	1 772
Provisions	**3 725**	–	–	3 725
Total equity and liabilities	**1 880 961**	66	2 003	1 883 030

New accounting pronouncements to be adopted on or after 1 April 2019

IFRS 16: Leases

IFRS 16: Leases was issued in January 2016 to replace IAS 17: Leases. The standard is effective for accounting periods beginning on or after 1 January 2019 and will be adopted by the Group on 1 April 2019.

IFRS 16 will primarily change lease accounting for lessees and will have a material impact on the Group's financial statements in particular:

- Lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a liability for future lease payables. The liability recorded for future lease payments will be for amounts payable for the 'reasonably certain' period of the lease, which may include future lease periods for which the Group has extension options. Under IAS 17, liabilities are generally not recorded for future operating lease payments, which have been disclosed as commitments (see note 31).
- Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability; interest will typically be higher in the early stages of a lease and will reduce over the term. Under IAS 17, operating lease rentals have been expensed on a straight-line basis over the lease term within operating expenses (see note 9).

Lessee accounting for finance leases will be similar under IFRS 16 to existing IAS 17 accounting. Lessor accounting under IFRS 16 is also similar to existing IAS 17 accounting and is expected to be materially the same for the Group.

A high volume of transactions will be impacted by IFRS 16 and material judgements will be required in identifying and accounting for leases. The most significant judgements in applying IFRS 16 relate to lease identification and the determination of lease term:

- For most contracts there is limited judgment in determining whether an agreement contains a lease; however, where the Group has contracts for the use of fibre and other fixed lines judgement is required to determine whether the Group controls the line and has a lease. Where the Group has exclusive use of a line it is normally determined that the Group can also direct the use of the line and therefore leases will be recognised for these connections.

4. New accounting pronouncements *continued*

New accounting pronouncements to be adopted on or after 1 April 2019 *continued*

IFRS 16: Leases *continued*

- Lease terms under IFRS 16 may exceed the minimum lease period and include optional lease periods where it is reasonably certain that an extension option will be exercised or that a termination option will not be exercised by the Group. Significant judgement is required in determining whether optional periods should be included in the lease term taking into account the nature and purpose of the leased asset and the potential to replace the leased asset.

The lease terms for real estate, subject to the non-cancellable period and rights and options in each individual contract, are generally judged to be the longer of the minimum lease term and:

- At least 5 years for tower sites;
- Between 5 and 10 years for offices, with terms at the top end of this range if the office is considered to be strategic;
- To the next contractual lease break date for retail stores, although if the next break is within the next 12 months the lease term will be to the subsequent break unless a clear plan to exit the store is already in place;
- The asset life of the connected operations for leases of fibre and other fixed lines providing internal connectivity for the Group's operations; and
- Service agreement length for individual customers for leases of fibre or other fixed lines used to provide services directly to individual end customers, [as management judge that it is not possible to be 'reasonable certain' that the end customer will have an economic incentive to renew the service agreement on expiry.

IFRS 16 is being adopted with the cumulative retrospective impact recorded as an adjustment to equity on the date of adoption. The Group currently expects to apply the following practical expedients allowed under IFRS 16:

- The Group will rely on its onerous lease assessments under IAS 37 to impair right-of-use assets recognised on adoption instead of performing a new impairment assessment for those assets on adoption; and
- The Group will not be taking the short term or low value expedients in IFRS 16 for either transition or on-going accounting and instead will recognise such leases on the balance sheet.

The Group's current estimate of the primary financial impact of these changes on the consolidated statement of financial position on adoption is the recognition of an additional lease liability at 1 April 2019 of between TZS 477 200 million and TZS 506 717 million. The right of use asset recognised at 1 April 2019 will be higher than the lease liability, [by approximately TZS 3 751 million] the year including new leases entered into, changes or reassessments of the Group's existing lease portfolio and changes to exchange rates or discount rates. However, the operating lease charges incurred in the year to 31 March 2019 were TZS 96 493 million and it is expected that a higher amount of lease depreciation and interest that would have been recognised had IFRS 16 been applied in the year to 31 March 2019.

Applying IFRS 16 will not impact net cash flow, although net cash inflows from operating activities and payments classified within cash flow from financing activities will both increase, as payments made at both lease inception and subsequently will be characterised as repayments of lease liabilities.

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 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 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 disclosure of significant accounting policies which is provided in note 3.

Management has discussed its critical accounting estimates and associated disclosures with the Group's Audit Committee.

a) Investments in subsidiaries

Judgment is required in the assessment of whether the Group has control or significant influence in terms of the variability of returns from the Group's involvement in the investee, the ability to use power to affect those returns and the significance of the Group's investment in the investee. The Group classified its investments considering this assessment of control or significant influence.

Notes to the consolidated annual financial statements *continued*

5. Critical accounting judgements and estimates *continued*

b) Impairment reviews

Management undertakes an annual impairment test for 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 its assets fair value and costs 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 note 42 for more information on the impairment assessment for the investment in Shared Networks Tanzania Limited.

c) Revenue recognition and presentation

Revenue recognition under IFRS 15 is significantly more complex than under 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 key the source 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, there is not considered to be a significant risk of material adjustment to the carrying value of contract-related assets or liabilities in the 12 months after the balance sheet 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.

5. Critical accounting judgements and estimates *continued*

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 or tax group to utilise the assets in the future.

Management therefore exercises judgement in assessing the future financial performance of the particular entity or tax group in which the deferred tax asset is to be recognised.

e) Determining whether an arrangement contains a lease and lease classification

The Group applies judgement when determining whether an arrangement contains a lease. Arrangements that are not dependent on the use of one or more specific assets and do not convey a right to use these assets do not contain a lease. The costs in terms of these arrangements are expensed as incurred.

In determining lease classification as either an operating or finance lease, the Group applies judgement, especially in determining whether the lease term is for the major part of the economic life of the asset and whether at inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the asset.

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 relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits, 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 in the statement of profit or loss and other comprehensive income and tax payments.

g) 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 Group's financial position 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 assumed to be zero. At 31 March 2019, intangible assets with finite useful lives amounted to TZS74 740 million (2018: TZS47 175 million) and represented 3.75% (2018: 2.5%) 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.

Notes to the consolidated annual financial statements *continued*

5. Critical accounting judgements and estimates *continued*

g) Intangible assets with a finite useful life *continued*

Estimation of useful lives *continued*

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

Years	2019	2018
Licences	**3 – 25**	3 – 25
Computer software	**3 – 6**	3 – 6

h) Property and equipment

Property and equipment also represent a significant proportion of the Group's total asset base. Therefore, the estimates and assumptions made to determine their carrying amounts and related depreciation are critical to the Group'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 in the statement of profit or loss and other comprehensive income.

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 the asset is expected to be nil or insignificant in respect of the above mentioned assets.

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	2019	2018
Buildings, included in Land and buildings	**25 – 50**	25 – 50
Leasehold improvements	**0 – 5**	0 – 5
Network infrastructure and equipment	**3 – 20**	3 – 20
Other assets	**2 – 5**	2 – 5

i) Non-current assets held for sale

The Group exercises judgement in estimating the amount of time that a sale transaction of a non-current asset or disposal group ('the asset') will take to be completed, when determining whether the asset qualifies to be classified as held for sale under IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. Refer to Note 22 for further details on the non-current assets held for sale.

j) 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 (Note 34). 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.

5. Critical accounting judgements and estimates *continued*

k) 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, plant and equipment as well as intangible assets with finite useful lives are respectively depreciated and amortised, whereas land and goodwill are not. This could result in differing depreciation and amortisation charges based on the allocation.

l) Financial instruments

The fair value of financial instruments, excluding derivative instruments, not traded in active, liquid and organised financial markets is determined using a variety of valuation methods and assumptions that are based on market conditions and risks existing at the reporting date, including independent appraisals and discounted cash flow methods (if any). The determination of the fair value of assets and liabilities often requires complex estimations and is based, to a considerable extent, on management's judgment.

6. Revenue

	GROUP		COMPANY	
TZS m	**IFRS 15 2019**	**IAS 18 2018**	**IFRS 15 2019**	**IAS 18 2018**
Major products service lines				
Mobile contract revenue	**140 459**	126 507	**140 459**	126 507
Mobile prepaid revenue	**780 264**	724 739	**780 264**	724 450
Customer service revenue	**920 723**	851 246	**920 723**	850 957
Mobile interconnect	**65 709**	82 368	**65 709**	82 368
Fixed service revenue	**11 707**	9 635	**12 530**	9 723
Other service revenue	**18 098**	23 026	**18 290**	23 218
Service revenue	**1 016 237**	966 275	**1 017 252**	966 266
Equipment revenue	**6 918**	10 311	**6 918**	1 0311
Other non-service revenue	**935**	1 408	**935**	1 381
Revenue from contracts with customers	**1 024 090**	977 994	**1 025 105**	977 958
Interest income recognised as revenue	**497**	–	**497**	–
	1 024 587	977 994	**1 025 602**	977 958

Total future revenue from contracts with customers with performance obligations not satisfied at 31 March 2019 is TZS 62 556 million of which TZS 50 767 million is expected to be recognised within the next year, with the remaining TZS 11 789 million in the following 12 months

Notes to the consolidated annual financial statements *continued*

7. Direct expenses

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
Interconnect costs	**(44 897)**	(53 396)	**(44 897)**	(53 396)
Business managed services costs	**(26)**	(137)	**(3 439)**	(1 668)
Bad debt provision release (charge) (Note 19)	**942**	(2 207)	**942**	(2 207)
Mobile prepaid airtime commission costs	**(183 203)**	(172 425)	**(183 203)**	(172 425)
Regulatory fees	**(46 287)**	(41 550)	**(45 039)**	(40 543)
Mobile other costs	**(7 398)**	(6 004)	**(7 368)**	(5 824)
Acquisition costs	**(20 976)**	(26 498)	**(20 976)**	(26 498)
Retention costs	**(2 742)**	(2 222)	**(2 742)**	(2 222)
Stock obsolescence reversal (Note 22)	**1 281**	1 727	**1 281**	1 727
	(303 306)	(302 712)	**(305 441)**	(303 056)

8. Staff expenses

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
Wages and salaries, including other termination benefits	**(49 097)**	(46 423)	**(49 028)**	(46 253)
Share based compensation (Note 8.1)	**(156)**	(151)	**(156)**	(151)
Pension costs – defined contribution plans	**(3 432)**	(3 024)	**(3 388)**	(2 987)
Skills and Development Levy	**(1 549)**	(1 358)	**(1 549)**	(1 358)
Bonus expense	**(5 134)**	(4 372)	**(5 134)**	(4 372)
	(59 368)	(55 328)	**(59 255)**	(55 121)

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 Limited 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.

Vodacom Tanzania Public Limited Company (VTPLC) reimburses the cost incurred by Vodacom Investment Limited 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 the income statement. There is no future obligation for VTPLC.

9. Other operating expenses

TZS m	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Network operating expenses	**(243 044)**	(237 070)	**(241 145)**	(231 777)
Amortisation of Government grant (Note 28)	**1 773**	2 396	**1 773**	2 396
Office administration expenses	**(53 921)**	(46 430)	**(53 743)**	(46 757)
Other recoveries and expenses	**(11 109)**	(10 579)	**(11 109)**	(10 578)
Amortisation of capacity prepayments (Note 18)	**(13 144)**	(11 474)	**(13 144)**	(11 474)
Auditors' remuneration	**(510)**	(534)	**(464)**	(489)
Audit fees	**(455)**	(408)	**(409)**	(363)
Other charges	**(55)**	(126)	**(55)**	(126)
(Loss)/Gain on disposal of property, plant and equipment	**(115)**	223	**(115)**	223
Operating lease rentals	**(15 072)**	(16 476)	**(15 072)**	(16 471)
Forex losses	**(1 320)**	(2 168)	**(1 319)**	(2 168)
Amortisation of deferred loss (Note 20)	**(7 024)**	(6 490)	**(7 024)**	(6 490)
Donation to Vodacom Tanzania Foundation	**(600)**	(600)	**(600)**	(600)
	(344 086)	(329 202)	**(341 962)**	(324 185)

10. Finance income

TZS m	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Interest income from cash and government treasury bill investments	**18 634**	18 089	**20 062**	19 689
Other finance income	**–**	483	**–**	483
	18 634	18 572	**20 062**	20 172
Interest income from M-Pesa cash balances	**19 841**	26 196	**–**	–
	38 475	44 768	**20 062**	20 172

11. Finance costs

TZS m	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Interest on long term loans	**(9)**	(6 343)	**(9)**	(6 343)
Other	**–**	(1 889)	**–**	(1 889)
Interest on bank overdrafts	**(1)**	(59)	**(1)**	(59)
Finance charges on finance lease liability	**(149)**	(95)	**(149)**	(95)
	(159)	(8 386)	**(159)**	(8 386)
Interest payable – M-Pesa customers	**(19 732)**	(26 099)	**–**	–
	(19 891)	(34 485)	**(159)**	(8 386)

Notes to the consolidated annual financial statements *continued*

12. Net profit/(loss) on remeasurement of financial instruments

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
Unrealised foreign exchange (loss)/gain:				
Mirambo Limited loan	**(20)**	(56)	**(20)**	(56)
Vodacom Group Limited loan	**–**	(4 348)	**109**	(4 348)
SNT Loan receivable	**–**	–	**–**	28
Exchange losses write-off – SNI management expenses	**–**	(48)	**–**	–
Cash and cash equivalents	**990**	1 353	**990**	1 340
	970	(3 099)	**1 079**	(3 036)

13. Capital contribution

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
At start of the year	**27 698**	22 974	**27 698**	22 974
Share based payment – equity	**–**	4 724	**–**	4 724
At the end of the year	**27 698**	27 698	**27 698**	27 698

Capital contribution for March 2019 represents the fair value adjustment on interest-free loans advanced by shareholders in April 2002 totalling US$52 million being US$34 million from Vodacom Group Limited and US$18 million from Mirambo Limited. The fair value adjustment represents the deemed interest accrued prior to the conversion of the loans to interest-bearing loans in March 2008.

Following the IPO process in the year ended 31 March 2018, the equity-settled share-based payment charge of TZS4 724 million was incurred as a result of Vodacom Group Limited writing an option on the Group's shares as part of an underwriting arrangement with the Public Investment Corporation (SOC) Ltd. This cost was treated as a capital contribution from the Group's parent, Vodacom Group Limited in line with IFRS 2.

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 Group is disposed.

14. Goodwill

On 19 July 2016, the Company acquired 100% of Shared Networks Tanzania Limited ('SNT'). A cash payment of (TZS20 609 million) (85%) was made in August 2016. The remaining balance of TZS 3 637 equivalent to 15% of the total consideration was paid in March 2018. The goodwill was generated on acquisition date as show below:

TZS m	Group 2018
Consideration transferred	
Cash consideration	24 246
Net consideration	24 246
Also refer to Note 42.	
Assets acquired and liabilities assumed at the date of acquisition	
Fair value of net asset acquired	22 258
Property, plant 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 asset	(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
Impairment charge during the year	(349)
Goodwill amount at 31 March 2019	1 639

The management has assessed that Goodwill impairment and determined an impairment of TZS 349 million given the growth projections of the Shared Networks Tanzania Limited. See further details in note 42.

Notes to the consolidated annual financial statements *continued*

15. Property plant and equipment

GROUP

TZS m	Leasehold land & buildings	Network infra-structure & equipment	Other assets	Total
Net book value as at 31 March 2017	17 650	629 913	8 678	656 241
Cost	23 837	1 217 786	13 388	1 255 011
Accumulated depreciation	(6 187)	(587 873)	(4 710)	(598 770)
Additions	327	141 411	3 402	145 140
Business combination assets disposals costs	–	(2 904)	–	(2 904)
Business combination accumulated depreciation disposals	–	2 904	–	2 904
Depreciation – Business combination	–	(6 331)	–	(6 331)
Disposals costs	–	(42 215)	(2 302)	(44 517)
Accumulated depreciation on disposed assets	–	41 650	2 017	43 667
Depreciation	(475)	(149 440)	(920)	(150 835)
Other adjustments	(1 541)	8 194	(5 246)	1 407
Net book value as at 31 March 2018	15 961	623 182	5 629	644 772
Cost	22 623	1 323 625	9 242	1 355 490
Accumulated depreciation	(6 662)	(700 443)	(3 613)	(710 718)
Additions	179	155 001	200	155 380
Disposals costs	–	(672)	(41)	(713)
Accumulated depreciation on disposed assets	–	536	41	577
Depreciation	(291)	(153 078)	(1 087)	(154 456)
Reclassification between assets categories	(2 567)	3 898	(1 331)	–
Depreciation reallocation	426	(426)	–	–
Costs reclassification from non-current assets held for sale	–	950	–	950
Reclassification cost to intangible assets	–	(222)	–	(222)
Transfer from Work In Progress to completed assets	234	(496)	262	–
Net book value as at 31 March 2019	**13 942**	**628 673**	**3 673**	**646 288**
Cost	**20 469**	**1 482 084**	**8 332**	**1 510 885**
Accumulated depreciation	**(6 527)**	**(853 411)**	**(4 659)**	**(864 597)**

Included in the net book value balance of network infrastructure is the cost of asset under construction of TZS15 642 million (2018: TZS10 762 million). The cost of these assets were not depreciated for the reporting period (2018: nil).

15. Property plant and equipment *continued*

COMPANY

TZS m	Leasehold land & buildings	Network infra-structure & equipment	Other assets	Total
Net book value as at 31 March 2017	17 650	615 617	8 676	641 943
Cost	23 837	1 200 564	13 372	1 237 773
Accumulated depreciation	(6 187)	(584 947)	(4 696)	(595 830)
Additions	327	141 411	3 402	145 140
Disposals costs	–	(42 216)	(2 302)	(44 518)
Accumulated depreciation on disposed assets	–	41 661	2 003	43 664
Depreciation	(475)	(149 439)	(920)	(150 834)
Reclassification between assets categories	(1 541)	6 771	(5 230)	–
Costs reclassification from non-current assets held for sale	–	2 538	–	2 538
Depreciation reclassification from non-current assets held for sale	–	(1 245)	–	(1 245)
Reclassification costs from intangible assets	–	222	–	222
Reclassification amortisation from intangible assets	–	(108)	–	(108)
Net book value as at 31 March 2018	15 961	615 212	5 629	636 802
Cost	22 623	1 309 290	9 242	1 341 155
Accumulated depreciation	(6 662)	(694 078)	(3 613)	(704 353)
Additions	179	155 001	200	155 380
Disposals costs	–	(672)	(41)	(713)
Accumulated depreciation on disposed assets	–	536	41	577
Depreciation	(291)	(152 057)	(1 086)	(153 434)
Depreciation reallocation	426	(426)	–	–
Reclassification between assets categories	(2 567)	3 898	(1 331)	
Costs reclassification from non-current assets held for sale	–	950	–	950
Reclassification costs to intangible assets	–	(222)	–	(222)
Transfer from WIP to completed assets	234	(496)	262	–
Net book value as at 31 March 2019	**13 942**	**621 724**	**3 674**	**639 340**
Cost	**20 469**	**1 467 749**	**8 332**	**1 496 550**
Accumulated depreciation	**(6 527)**	**(846 025)**	**(4 658)**	**(857 210)**

Included in the net book value balance of network infrastructure is the cost of asset under construction of TZS15 642 million (2018: TZS10 762 million). The cost of these assets were not depreciated for the reporting period (2018: nil).

Notes to the consolidated annual financial statements *continued*

15. Property plant and equipment *continued*

Included in the net book value balance of network infrastructure is the cost of asset under construction of TZS15 642 million (2018: TZS10 762 million). The cost of these assets were not depreciated for the reporting period (2018: nil).

No property and equipment are pledged against borrowings during the year ended 31 March 2019. (2018: nil)

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
Leasehold land and buildings – Cost				
Plot 49-53, Block M, Mbezi Juu, Dar es Salaam, Tanzania, Certificate of Title No. 49468 (acquired in May 2007)	**11 441**	12 051	**11 441**	12 051
43 Kwale Road, Dar es Salaam, Tanzania, Certificate of Title No. 186031/10 (acquired in May 2001)	**3 028**	4 059	**3 028**	4 059
Plot 1 & 2, Block B, NCC Link Area, Dodoma Municipality (acquired in July 2005)	**2 712**	2 660	**2 712**	2 660
Plot no. 1999, Block M, Forest Area, Mbeya Municipality (acquired in April 2000)	**1 090**	1 305	**1 090**	1 305
Nyegezi Hill, Mwanza (acquired in October 2009)	**1 182**	1 464	**1 182**	1 464
Moshono Hill, Arusha (acquired in July 2009)	**1 016**	1 084	**1 016**	1 084
	20 469	22 623	**20 469**	22 623

A register with details of the cost price, cost of improvements and date of acquisition of all land and buildings is available for inspection at the Group's registered office. The remaining lease term of all leasehold improvements vary between 14 and 71 years.

16. Intangible assets

GROUP

TZS m	**Licences**	**Computer software**	**Total**
1 April 2017	24 166	15 986	40 152
Cost	26 693	32 085	58 778
Accumulated amortisation	(2 527)	(16 099)	(18 626)
Additions	–	14 565	14 565
Disposals costs	–	(2 654)	(2 654)
Disposals amortisation	–	2 654	2 654
Amortisation	(78)	(5 946)	(6 024)
Amortisation – Business combination	(1 404)	–	(1 404)
Reclassification between assets categories – costs	(680)	680	
Reclassification between assets categories – amortisation	683	(683)	–
Reclassification costs to property and equipment	–	(222)	(222)
Reclassification amortisation to property and equipment	–	108	108
Net Book Value as at 31 March 2018	22 687	24 488	47 175
Cost	26 013	44 454	70 467
Accumulated amortisation	(3 326)	(19 966)	(23 292)
Additions	22 669	16 052	38 721
Amortisation	(2 644)	(8 734)	(11 378)
Reclassification costs from property and equipment		222	222
Net Book Value as at 31 March 2019	**42 712**	**32 028**	**74 740**
Cost	**48 682**	**60 728**	**109 410**
Accumulated amortisation	**(5 970)**	**(28 700)**	**(34 670)**

16. Intangible assets *continued*

COMPANY

TZS m	**Licences**	**Computer Software**	**Total**
1 April 2017	1 001	15 985	16 986
Cost	2 592	32 084	34 676
Accumulated amortisation	(1 591)	(16 099)	(17 690)
Additions	–	14 565	14 565
Amortisation charge	(78)	(5 946)	(6 024)
Disposals costs	–	(2 653)	(2 653)
Disposals amortisation	–	2 654	2 654
Reclassification between assets categories – costs	(680)	680	–
Reclassification between assets categories – amortisation	683	(683)	–
Reclassification costs to property and equipment	–	(222)	(222)
Reclassification amortisation to property and equipment	–	108	108
Net Book Value as at 31 March 2018	926	24 488	25 414
Cost	1 912	44 454	46 366
Accumulated amortisation	(986)	(19 966)	(20 952)
Additions	22 669	16 052	38 721
Amortisation charge	(1 240)	(8 734)	(9 974)
Reclassification costs from property and equipment	–	222	222
Net Book Value as at 31 March 2019	**22 355**	**32 028**	**54 383**
Cost	**24 581**	**60 728**	**85 309**
Accumulated amortisation	**(2 226)**	**(28 700)**	**(30 926)**

Notes to the consolidated annual financial statements *continued*

17. Income tax

a) Income tax expense

TZS m	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Current tax expense:	**48 709**	53 661	**48 692**	53 661
– In respect of the current year	**44 915**	48 600	**44 898**	48 600
– In respect of prior years	**3 794**	5 061	**3 794**	5 061
Deferred tax credit on origination and reversal of temporary differences	**(4 583)**	(7 565)	**(4 160)**	(7 144)
– In respect of the current year	**(1 580)**	(2 855)	**(1 157)**	(2 434)
– In respect of the prior year	**(3 003)**	(4 710)	**(3 003)**	(4 710)
Total income tax expense	**44 126**	46 096	**44 532**	46 517

b) Components of deferred tax charged to profit or loss

TZS m	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Capital allowances	**(8 826)**	(4 319)	**(8 405)**	(3 898)
Foreign exchange	**(367)**	6	**(367)**	6
Provisions and deferred income	**4 610**	(3 252)	**4 610**	(3 252)
	(4 583)	(7 565)	**(4 162)**	(7 144)

c) Factors affecting the tax expense for the year

TZS m	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Expected income tax expense on profit before tax at the Tanzania statutory tax rate	**40 466**	64 901	**34 321**	69 145
Adjusted for:				
– Non-deductible expenditure	**2 290**	2 142	**9 901**	1 151
– Non-taxable gaming income	**(499)**	(2 739)	**(480)**	(2 739)
– Non-taxable gain on disposal of investment in HTT	**–**	(21 391)	**–**	(21 391)
– Non-deductible finance costs	**–**	16	**–**	–
-– Unrecognised tax assets	**1 079**	2 816	**–**	–
– Other adjustments	**790**	351	**790**	351
	44 126	46 096	**44 532**	46 517

The Tanzania statutory tax rate is 30% (2018: 30%). The Group's effective tax rate is 32.7% (2018: 21.3%). The Company's effective tax rate is 38.9% (2018: 20.2%).

The effective tax rate of 32.7% in the current year is higher than the statutory rate of 30.0% due to the unrecognised tax loss from a subsidiary as well as the disallowed tax expense relating to the penalty imposed. The prior year effective tax rate is lower than the statutory tax rate due to the non-taxable accounting profit in respect of the sale of the equity investment in HTT.

17. Income tax *continued*

d) Income tax receivable

TZS m	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Opening balance	**21 822**	24 617	**18 293**	21 089
Current tax expense	**(48 709)**	(53 660)	**(48 692)**	(53 661)
Reclassification of tax deposits in relations to indirect taxes	**(5 283)**	–	**(5 283)**	–
Withholding tax deducted at source	**1 871**	1 749	**1 871**	1 749
Additional Tax deposits	**4 713**	160	**4 713**	160
Tax paid	**43 327**	48 956	**43 311**	48 956
Closing balance	**17 741**	21 822	**14 213**	18 293
Timing				
Current	**(1 983)**	10 666	**(5 511)**	7 137
Current tax (payable)/receivable	**(1 983)**	5 520	**(5 511)**	2,246
Pending tax matters (Note 33)	**–**	5 146	**–**	4,891
Non-current – Pending tax matters (Note 33)	**19 724**	11 156	**19 724**	11 156
	17 741	21 822	**14 213**	18 293

e) Components of deferred tax liabilities

TZS m	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Analysed in the statement of financial position after offset as follows:				
Deferred tax liabilities	**44 915**	77 216	**38 914**	70 794
Capital allowances	**46 138**	75 671	**40 137**	69 249
Unrealised foreign exchange gains	**(1 223)**	1 545	**(1 223)**	1 545
Deferred tax liabilities/ (assets)	**772**	(27 567)	**772**	(27 567)
General provisions and deferred income	**772**	(27 567)	**772**	(27 567)
Net deferred tax liabilities	**45 687**	49 649	**39 686**	43 227

f) Reconciliation of net deferred tax balance

TZS m	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
At the beginning of the year	**49 649**	57 214	**43 227**	50 371
IFRS 9 and IFRS 15 retained earnings impact (Note 4)	**621**	–	**621**	–
Credit to statement of profit or loss and other comprehensive income	**(4 583)**	(7 565)	**(4 162)**	(7 144)
At the end of the year	**45 687**	49 649	**39 686**	43 227

Notes to the consolidated annual financial statements *continued*

18. Capacity prepayments

The Group 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.

VTPLC has capacity prepayments balances on NICTBB, Seacom, Zantel and Vodacom group fiber company (PanSA) that relates to the leased line contracts for the provision of undersea fiber capacity. These were converted from short to long term whereby the Group made an upfront payment for services over a 10 year period.

The movements in capacity prepayments are shown below:

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
Non-current				
At 1 April	**56 546**	48 412	**56 546**	48 412
Addition	**26 510**	19 608	**26 510**	19 608
Amortisation of capacity prepayments (Note 9)	**(13 144)**	(11 474)	**(13 144)**	(11 474)
As at March	**69 912**	56 546	**69 912**	56 546
Non-current	**58 385**	46 764	**58 385**	46 764
Current	**11 527**	9 782	**11 527**	9 782
	69 912	56 546	**69 912**	56 546

19. Trade and other receivables

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
Non-Current				
Contract assets	**895**	–	**895**	–
Deposits in relation to indirect taxes (note 33)	**6 810**	252	**6 810**	252
	7 705	252	**7 705**	252
Current				
Trade receivables	**74 023**	67 374	**79 240**	67 041
Prepayments	**36 741**	42 634	**36 839**	42 395
Interest accrued – T-bills	**–**	2 830	**–**	2 830
Intergroup receivables (Note 34)	**8 659**	14 561	**34 768**	49 508
Contract assets	**1 754**	–	**1 754**	–
Other receivables	**5 055**	7 191	**2 991**	5 642
	126 232	134 590	**155 592**	167 416

The Group's trade receivables are stated net of allowances based on the management's assessment of a counterparty's creditworthiness. All receivables are individually tested for impairment. None of the above assets are either past due or impaired except for the following amounts presented in the provision for bad debts below:

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
At 1 April	**(48 857)**	(49 596)	**(48 857)**	(49 596)
Bad debt written off	**3 272**	2 946	**3 272**	2 946
Charge to profit or loss (Note 7)	**942**	(2 207)	**942**	(2 207)
At 31 March	**(44 643)**	(48 857)	**(44 643)**	(48 857)

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

20. Deferred loss

The Group maintained its sell and leaseback agreement of the passive equipment to Helios Towers Tanzania Limited ('HTT') during the year ended 31 March 2019. Proceeds from the sales were significantly lower than the estimated fair value of the disposed assets. The Group's management concluded that the losses from the disposals of these assets are compensated under the terms of the leaseback agreements, where lease payments which are below market-value have been agreed. Therefore these losses are amortised over the minimum 12- year term of the leaseback agreement.

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
At 1 April	**55 617**	63 808	**55 617**	63 808
Reclassification to non-current assets held for sale (Note 21)	**–**	(1 701)	**–**	(1 701)
Amortisation charged to profit or loss	**(7 024)**	(6 490)	**(7 024)**	(6 490)
31 March (Note 9)	**48 593**	55 617	**48 593**	55 617

21. Non-current assets held for sale

In September 2013, the Company decided to sell and lease back passive equipment to HTT. The sale was done in phases (closings) with the first to twelfth closings happening before March 2018. The remaining 5 towers and related equipment held for sale are expected to be transferred during the year ending 31 March 2020.

The movement in the non-current assets held for sale are shown below:

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
At 1 April	**2 257**	18 768	**2 257**	18 768
Assets sold and leased back	**–**	(2 226)	**–**	(2 226)
Reclassification from/(to) other receivables	**–**	1 940	**–**	1 940
Investment in Associates sale to HTT	**–**	(10 331)	**–**	(10 331)
Reclassification from deferred loss (Note 20)	**–**	1 701	**–**	1 701
Sites reallocated back to property and equipment	**(950)**	(1 293)	**(950)**	(1 293)
Interest accrued during the year on HTT receivable[17]	**–**	483	**–**	483
Repayment of loan interest	**–**	(6 785)	**–**	(6 785)
At 31 March	**1 307**	2 257	**1 307**	2 257

Notes to the consolidated annual financial statements *continued*

22. Inventory

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
Goods held for resale	**2 145**	1 985	**2 145**	1 985
	2 145	1 985	**2 145**	1 985
Inventory valuation allowance included above				
At beginning of year	**(3 252)**	(4 979)	**(3 252)**	(4 979)
Release of provision (Note 7)	**1 281**	1 727	**1 281**	1 727
At the end of the year	**(1 971)**	(3 252)	**(1 971)**	(3 252)

The cost of inventories recognised as an expense during the year ended 31 March 2019 was TZS13 257 million (2018: TZS20 456 million).

23. Short term investments

During the year the Group invested in treasury bills with maturities of 182 days. Treasury bills worth TZS219 576 million have been included in the statement of financial position (2018: 121 192 million).

The fair value of short term investments normally approximates its carrying amount due to the short-term maturity.

24. Cash and cash equivalents

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
Cash at bank and on hand	**275 513**	384 521	**270 323**	371 541
M-Pesa balances	**3 162**	6 855	**3 162**	6 855
Short-term deposits	**117 947**	48 513	**117 947**	48 513
Bank and cash balances presented in the statement of financial position	**396 622**	439 889	**391 432**	426 909
Cash and cash equivalents presented in the cash flow statement	**396 622**	439 889	**391 432**	426 909

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

25. Share capital and premium

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

	GROUP		COMPANY	
	2019	**2018**	**2019**	**2018**
Authorised ordinary shares	**4 000 000 000**	4 000 000 000	**4 000 000 000**	4 000 000 000
Par Value (TZS)	**50**	50	**50**	50
Authorised capital (TZS m)	**200 000**	200 000	**200 000**	200 000
Issued shares	**2 240 000 300**	2 240 000 300	**2 240 000 300**	2 240 000 300
Share capital (TZS m)	**112 000**	112 000	**112 000**	112 000
Share premium (25% share capital issued through IPO):				
Share premium per share (TZS)	**790**	790	**790**	790
Share premium proceeds (TZS m)	**442 435**	448 000	**442 435**	448 000
IPO cost (TZS m)[10]	**–**	(5 565)	**–**	(5 565)
Share premium (TZS m)	**442 435**	442 435	**442 435**	442 435

10. Costs which are deductible from the equity raised through an IPO, these include: authorised collecting agency fees, lead receiving bank fees, lead advisors and sponsoring broker fees, central securities depository fees, printing, and various other fees.

26. Borrowings

During the year ended 31 March 2019 the Group repaid a loan provided by its parent, Vodacom Group Limited.

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
Current				
Opening balance	**285**	201 494	**285**	201 494
Accrued interest	**–**	6 497	**–**	6 497
Measurement of borrowings	**–**	4 404	**–**	4 404
Principal repayment (Shareholder loan)	**–**	(107 071)	**–**	(107 071)
Interest repayment (Shareholder loan)	**(285)**	(104 574)	**(285)**	(104 574)
Interest paid on other borrowings	**–**	(465)	**–**	(465)
Closing balance	**–**	285	**–**	285

Mirambo Limited

The loan balance as at 31 March 2019 was US$ Nil (2018: US$126 229) bears interest, payable quarterly, at one month LIBOR plus 5.0%. This loan is unsecured.

Bank overdrafts

The Group has an unsecured bank overdraft facility with Citibank Tanzania Limited of US$ 14.5 million (2018: US$14.5 million) which attracts interest at six months US$ LIBOR + 3.75%. During the year the group utilised Nil (2018: US$7 251 956 was utilised for a period of 31 days at the effective rate of 5.2%). In addition, the group obtained a standby letter of credit and guarantee facility of US$5.5 million and maintenance of supply chain finance of US$ 7 million.

Notes to the consolidated annual financial statements *continued*

27. Trade and other payables

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
Non-current				
Deferred income	**241**	252	**241**	252
Operating lease liability	**46 139**	39 967	**46 139**	39 967
	46 380	40 219	**46 380**	40 219

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
Current				
Trade payables	**26 054**	20 348	**29 066**	20 122
Capital expenditure creditors	**23 744**	14 851	**23 744**	14 851
Pending tax matters	**2 902**	2,489	**2 902**	2,489
Value-added tax	**14 256**	9 518	**14 256**	9 518
Excise duty	**11 135**	10 697	**11 135**	10 697
Accruals	**91 119**	76 955	**89 311**	74,119
Deposits due to M-pesa agents and customers	**349 946**	333 220	**–**	–
Deferred revenue	**19 638**	22 278	**19 638**	22 277
Other payables	**22 635**	28 137	**22 635**	28 137
Related company payables (Note 34)	**22 589**	23 204	**22 589**	24 332
	584 018	541 697	**235 276**	206 542
Interest due to customers	**31 577**	22 952	**–**	–
	615 595	564 649	**235 276**	206 542

Current trade and related payables are stated at cost which normally approximates fair value due to short-term maturity. During the year revenue of TZS 22 185 million was recognised relating to the satisfaction of performance obligations that were previously recorded as contract liabilities.

28. Government grants

The Group accounts for the grant received from the government as cash flow from investing activities since the cash flows are compensating and reimbursing the Group for making the investment in the sites. During the reporting period the below was recorded.

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
At the beginning of the year	**6 467**	9 469	**6 467**	9 469
Received during the year	**2 489**	12 008	**2 489**	12 008
Amortised during the year (Note 9)	**(1 773)**	(2 396)	**(1 773)**	(2 396)
Payment to Capital creditors	**(1 882)**	(12 614)	**(1 882)**	(12 614)
At the end of the year	**5 301**	6 467	**5 301**	6 467
Current	**2 379**	1 772	**2 379**	1 772
Non-current	**2 922**	4 695	**2 922**	4 695

During the year, an advance grant of TZS 2 489 million (2018: TZS12 008 million) was received from the Universal Communications Service Access Fund ('UCSAF') for the provision of communication services in 97 rural coverage areas. As at 31 March 2019 all sites were operational.

29. Finance lease liability

The Group and Company leases office furniture and fittings under finance lease arrangement with Paloma Park Limited following the move to the new head office building. The lease bears interest at a fixed rate of 2.62% pa over the lease term of 8 years. The lease payment will be made monthly from August 2020.

Maturity of the finance lease liabilities (Group and Company):

TZS m	0-1 year	2 – 5 years	5+ years	Total
2019				
Future minimum lease payment payable	**–**	**(1 854)**	**(5 170)**	**(7 024)**
Future finance costs	**419**	**613**	**191**	**1 223**
Present value of minimum lease payments payable	**419**	**(1 241)**	**(4 979)**	**(5 801)**

TZS m	0-1 year	2 – 5 years	5+ years	Total
2018				
Future minimum lease payment payable	–	(829)	(5 848)	(6 677)
Future finance costs	159	611	394	1 164
Present value of minimum lease payments payable	159	(218)	(5 454)	(5 513)

30. Interest in other entities – Company

The Company has interests in the following entities:

Vodacom Trust Limited (previously known as M-PESA Limited)

Vodacom Trust Limited which is limited by guarantee and having share capital as well.

The principal activity of , Vodacom Trust Limited is 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 service for the benefit of the users of the said service.

During this financial year, the entity name was changed to Vodacom Trust Limited and obtained approval from BRELA and a change of name certificate issued on 23 October 2018. The change of name was necessary so as to enable a smooth compliance strategy to the National Payment System Act 2015 that we are currently in the implementation process.

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

TZS m	2019	2018
Statement of financial position		
Total assets	**386 474**	369 178
Net assets	**10**	10
Total expenses	**(108)**	(97)

A new entity (EMI entity) under the name M-Pesa Limited was created and was issued with a certificate of incorporation on 26 October 2018. The EMI license was issued to Vodacom on 13 March 2019. There was no transaction or balance relating to this entity during the period.

Notes to the consolidated annual financial statements *continued*

30. Interest in other entities – Company *continued*

Vodacom Tanzania Limited (incorporated in Zanzibar)

Vodacom Tanzania Limited was incorporated established and registered in Zanzibar on 20 July 2000 under the Zanzibar Companies Decree, CAP 153. Vodacom Tanzania Limited (incorporated in Zanzibar) has an authorised share capital of 1 000 000 ordinary shares with a par value of TZS100 per share. Vodacom Tanzania Limited (incorporated in Zanzibar) has unpaid share capital of 100 shares. 99 shares have been issued to the company. Vodacom Tanzania Limited (incorporated in Zanzibar) has remained dormant since its incorporation.

Vodacom Tanzania Foundation ('the Foundation')

The 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 Foundation has four guarantors, of which one is the Company.

The Foundation's principal activities are charitable in nature.

Below is an extract taken from the financial statements of the Foundation:

TZS m	2019	2018
Statement of financial position		
Total assets	**1 455**	1 062
Net liabilities	**(365)**	(215)
Statement of profit or loss and other comprehensive income		
Donation income	**1 734**	956
Total expenses	**(1 294)**	(778)

The Foundation is required to use donations in the year it receives them. However due to the nature of the charitable activities performed by the Foundation, there are often timing differences between receiving and using donations.

Shared Networks Tanzania Limited ('SNT')

On 19 July 2016, the Company acquired 100% of SNT's issued share capital. SNT holds a license to use spectrum in the 900MHz band in rural Tanzania.

TZS m	2019	2018
Statement of financial position		
Total assets	**10 450**	11 752
Net liabilities	**(17 254)**	(13 652)
Statement of profit or loss and other comprehensive income		
Revenue	**3 221**	1 655
Total expenses	**6 823**	6 402

31. Commitments

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
Operating leases (Note 31.1)	**756 959**	641 137	**756 959**	641 137
Capital expenditure contracted for but not yet incurred	**25 805**	33 602	**25 805**	33 602
Other (including sports and marketing commitments)	**76 509**	100 478	**76 509**	100 478
	859 273	775 217	**859 273**	775 217

31.1 Operating leases

Future minimum lease payments under irrevocable operating leases:

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
Within one year	**92 750**	77 587	**92 750**	77 587
Between one and five years	**386 315**	305 655	**386 315**	305 655
More than five years	**277 894**	257 895	**277 894**	257 895
	756 959	641 137	**756 959**	641 137

Operating leases include leases of offices and other accommodation, motor vehicles, sites and others. The remaining lease terms vary between six months and fifteen years and the lease rent escalates annually on the anniversary date using fixed or consumer price index rates with an option to renew on the same terms and conditions.

31.2 Capital commitments

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

32. 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 a total probable exposure of TZS2 712 million (2018: TZS3 334 million). Similarly, the group ascertained and accounted for the provision for marketing fees of TZS5 199 million (2018: Nil). In 2018, TZS 391 million was recorded as provision for the site decommissioning cost, no provision was accounted for during the current year.

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
Opening balance	**3 725**	3 409	**3 334**	3 409
(Release)/additional provision – legal proceedings	**(1 013)**	149	**(622)**	149
Restructuring costs/(release)	**–**	(224)	**–**	(224)
Reclassification from trade and other payables	**5 199**	391	**5199**	–
Closing balance	**7 911**	3 725	**7 911**	3 334

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
Comprising of:				
Legal provision	**2 712**	3 334	**2 712**	3 334
Marketing fees	**5 199**	–	**5 199**	–
Others	**–**	391	**–**	–
Closing balance	**7 911**	3 725	**7 911**	3 334

Notes to the consolidated annual financial statements *continued*

33. Contingent liabilities and other matters

a) 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 reform introduced in Tanzania and the resolution of open tax disputes with the TRA. The Group is routinely subject to audit by the TRA and the additional assessments received as a result of the audit are usually resolved through the Tanzanian legal system if the Group is not in agreement with the TRA findings. The Group is committed to acting with integrity and transparency in all tax matters including a policy of full transparency to the tax authorities and the payment of all taxes properly due under the Tanzanian tax laws. The tax laws are in some instances subject to a broad range of interpretations. To address and manage this tax uncertainty good governance is fundamental to the Group's business sustainability. All major tax positions taken are subject to review by executive management and reported to the board of directors. The Group have support from external advisors supporting the positions taken in respect of the significant tax matters which confirms the application and interpretation of the tax legislation. The Group have considered all matters in dispute with the TRA and has accounted for any exposure identified, if required. The following open tax disputes are material and may have a significant impact on the profit of the company if these disputes are not resolved favourably.

Capital Allowances

The open tax disputes in relation to the classification of telecommunication equipment are currently in the tax 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

Another dispute currently in the court process is the assessments received by the company in respect of withholding tax on satellite services, international roaming and undersea cable services provided by foreign suppliers. The company did not apply the withholding tax on foreign services for 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.

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 31 March 2019.

b) Other matters

Customer registration

In December 2017, the TCRA issued a compliance order against Vodacom Tanzania with 57 offences found during an audit conducted during September 2017. Vodacom Tanzania filed its defence for all 57 offences and no ruling has been made by the TCRA on this compliance order to date. During the year, we continued to invest in enhanced registration processes and take actions to improve our compliance with the TCRA's customer registration requirements.

New mobile termination rates

The TCRA published new mobile termination rates ('MTRs') on 29 December 2017. The TCRA's "glide path" reduces the MTR annually until it becomes TZS 2.00 in January 2022. MTRs declined further from TZS 15.60 to TZS 10.40 from January 2019, which had an impact on interconnect revenue and expenses in the final quarter of the year. In the spirit of protecting our shareholders' interests, we have filed an appeal against the TCRA's new mobile termination rates with the Fair Competition Commission primarily on the grounds that new MTRs were informed by a study which used data that is unrepresentative of actual costs incurred by operators. The resultant "glide path" includes MTRs which are below cost, which contradicts applicable law.

Acquisition of Mirambo Shares

The Group's biggest shareholders, Vodacom Group Limited, Mirambo Limited ('Mirambo'), and certain of Mirambo's shareholders, have entered into an agreement in the terms of which Vodacom Group Limited will acquire all of Mirambo's 588 million shares in Vodacom Tanzania PLC. This will result in Vodacom Group Limited increasing its total interest in Vodacom Tanzania PLC from 61.6% (direct and indirect) to 75% (direct). The transaction close is subject to conditions precedent, including requisite regulatory approvals.

33. Contingent liabilities and other matters *continued*

b) Other matters *continued*

Government electronic payment gateway ('GePG')

On 01 April 2018, the state introduced a government electronic payment gateway ('GePG') where all mobile money payments to state-owned companies are to be routed for an incremental service fee borne by the customer. Furthermore, commercial arrangements governing payments between Vodacom M-Pesa and Tanzania Electric Supply Company Limited ('TANESCO'), where Vodacom received a payment facilitation fee, were terminated.

Post-employment benefits

Subject to eligibility all employees of the Group are members of the National Social Security Fund of Tanzania ('NSSF'), Parastatal Pensions Fund ('PPF') and Local Authority Provident Fund ('LAPF') defined contribution pensions schemes for which both the Group and each employee contribute 10% of gross remuneration per month.

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

34. Related parties

The Group's related parties are its ultimate parent, its parent, its non-controlling shareholder, all its other related companies and key management including directors.

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
Balances with related parties				
Trade and other receivables				
Vodafone Group Plc (Ultimate parent)	**6 445**	8 460	**6 445**	8 460
Vodacom Group Limited (Parent)	**2 214**	6 101	**2 213**	6 101
Shared Network Tanzania Limited	**–**	–	**26 110**	22 182
Vodacom Trust Limited	**–**	–	**–**	12 765
	8 659	14 561	**34 768**	49 508
Trade payables				
Vodafone Group Plc (Ultimate parent)	**(19 875)**	(16 265)	**(19 875)**	(16 265)
Vodacom Group Limited (Parent)	**(2 714)**	(4 798)	**(2 714)**	(4 798)
Shared Network Tanzania Limited	**–**	–	**–**	(1 128)
Safaricom Limited	**–**	(2 141)	**–**	(2 141)
	(22 589)	(23 204)	**(22 589)**	(24 332)
HTT operating lease liability[12]	**–**	(39 967)	**–**	(39 967)
Borrowings				
Mirambo Limited (Shareholder)	**–**	(285)	**–**	(285)
		(285)		(285)
Transactions with related parties				
Vodafone Group Plc and its subsidiaries				
Revenue	**4 250**	320	**4 250**	320
Direct costs	**(971)**	(1 175)	**(971)**	(1 175)
Other operating expenses	**(28 029)**	(21138)	**(28 029)**	(21 138)
Donation to Vodacom Tanzania Foundation	**(600)**	(600)	**(600)**	(600)
	(25 350)	(22 593)	**(25 350)**	(22 593)
Vodacom Group Limited subsidiaries – Mozambique, DRC and Lesotho				
Revenue	**546**	487	**546**	487
Direct costs	**(33)**	(22)	**(33)**	(22)
Other operating expenses	**(4 465)**	(774)	**(4 465)**	(774)
	(3 952)	(309)	**(3 952)**	(309)

12. Helios Towers Tanzania Limited (HTT) ceased to be a related party in prior year

34. Related parties *continued*

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
Transactions with related parties *continued*				
Vodacom Group Limited-South Africa				
Revenue	**10 199**	7 138	**10 199**	7 138
Direct costs	**(3 190)**	(3 623)	**(3 190)**	(3 623)
Finance costs	**–**	(6 341)	**–**	(6 341)
Secondee expenses and other operating expenses	**(11 888)**	(12 337)	**(11 888)**	(12 337)
	(4 879)	15 163	**(4 879)**	15 163
Mirambo Limited				
Finance costs	**9**	(29)	**9**	(29)
Shared Networks Tanzania Limited				
Revenue	**–**	–	**3 221**	280
Direct costs	**–**	–	**(1 072)**	(1 340)
	–	–	**2 149**	(1 060)
Helios Towers Tanzania Limited				
Operating expenses	**–**	(161 990)	**–**	(161 990)
Key management compensation				
Short-term employee benefits	**(6 322)**	(7 557)	**(6 322)**	(7 557)
Post-employment benefits	**–**	(5)	**–**	(5)
Long-term employee benefits	**(483)**	(701)	**(483)**	(701)
	(6 805)	(8 263)	**(6 805)**	(8 263)
Non-executive directors' fees				
Non-executive directors' fees	**(265)**	(380)	**(265)**	(380)
Executive directors				
Short-term employee benefits	**(3 810)**	(3 603)	**(3 810)**	(3 603)
Long-term employee benefits	**(408)**	(634)	**(408)**	(634)
	(4 218)	(4 237)	**(4 218)**	(4 237)

35. Risk management policies and objectives

35.1 Net loss on re-measurement of financial instruments

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
Vodacom Group Limited				
Loans and receivables	**990**	1 353	**990**	1 340
Financial liabilities measured at amortised cost	**(20)**	(4 452)	**89**	(4 376)
Net loss	**970**	(3 099)	**1 079**	(3 036)

35.2 Financial instruments carrying amounts

The Group holds the following financial instruments at amortised cost:

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
Financial assets				
Trade receivables	**74 023**	67 374	**79 240**	67 041
Other receivables	**5 055**	7 191	**2 991**	5 642
Cash and bank balances (Note 24)	**275 513**	384 521	**270 323**	371 541
Interest accrued – Treasury bills	**–**	2 830	**–**	2 830
M-Pesa balances (Note 24)	**3 162**	6 855	**3 162**	6 855
Financial assets	**378 019**	352 876	**–**	–
Short term investment	**219 576**	121 192	**219 576**	121 192
Short term deposits (Note 24)	**117 947**	48 513	**117 947**	48 513
Intergroup receivables	**8 659**	14 561	**34 768**	49 508
	1 081 954	1 005 913	**728 007**	673 122
Financial liabilities				
Trade payables	**(26 054)**	(20 348)	**(29 066)**	(20 122)
Accruals	**(91 119)**	(76 955)	**(89 311)**	(74 119)
Finance lease liability	**(5 801)**	(5 513)	**(5 801)**	(5 513)
Intergroup payables	**(22 589)**	(23 204)	**(22 589)**	(24 332)
Capital expenditure creditors	**(23 744)**	(14 851)	**(23 744)**	(14 851)
Intergroup borrowings	**–**	(285)	**–**	(285)
Other payables	**(22 635)**	(28 137)	**(22 635)**	(28 137)
Deposits due to M-pesa agents and customers	**(349 946)**	(333 220)	**–**	–
Interest due to customers	**(31 577)**	(22 952)	**–**	–
	(573 465)	(525 465)	**(193 146)**	(167 359)

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

Notes to the consolidated annual financial statements *continued*

35. Risk management policies and objectives *continued*

35.3 Interest rate profile

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

TZS m	Fixed rate	Variable rate	No Interest	Total
GROUP				
2019				
Financial assets				
Trade receivables	–	–	**74 023**	**74 023**
Other receivables	–	–	**5 055**	**5 055**
Cash and bank balances	–	–	**275 513**	**275 513**
M-Pesa balance	–	–	**3 162**	**3 162**
Short term investments	**219 576**	–	–	**219 576**
Short term deposits	**117 947**	–	–	**117 947**
Financial assets	**378 019**	–	–	**378 019**
Intergroup receivables	–	–	**8 659**	**8 659**
	715 542	–	**366 412**	**1 081 954**
Financial liabilities				
Trade payables		–	**(26 054)**	**(26 054)**
Finance lease liability	**(5 801)**	–	–	**(5 801)**
Other payables	–	–	**(22 635)**	**(22 635)**
Accruals	–	–	**(91 119)**	**(91 119)**
Capital expenditure creditors	–	–	**(23 744)**	**(23 744)**
Intergroup payables	–	–	**(22 589)**	**(22 589)**
Deposits due to agents	**(349 946)**	–	–	**(349 946)**
Interest due to customers	**(31 577)**	–	–	**(31 577)**
	(387 324)	–	**(186 141)**	**(573 465)**
GROUP				
2018				
Financial assets				
Trade receivables			67 374	67 374
Other receivables			7 191	7 191
Cash and bank balances			384 521	384 521
M-Pesa balance			6 855	6 855
Short term investments	121 192		–	121 192
Interest accrued – treasury bills	–		2 830	2 830
Short term deposits	48 513		–	48 513
Financial assets	352 876		–	352 876
Intergroup receivables	–		14 561	14 561
	522 581		483 332	1 005 913
Financial liabilities				
Trade payables	–	–	(20 348)	(20 348)
Finance lease liability	(5 513)	–	–	(5 513)
Other payables	–	–	(28 137)	(28 137)
Accruals	–	–	(76 995)	(76 995)
Capital expenditure creditors	–	–	(14 851)	(14 851)
Intergroup borrowings	–	(285)	–	(285)
Intergroup payables	–	–	(23 204)	(23 204)
Deposits due to agents	(333 220)	–	–	(333 220)
Interest due to customers	(22 952)	–	–	(22 952)
	(361 685)	(285)	(163 535)	(525 505)

35 Risk management policies and objectives *continued*

35.3 Interest rate profile continued

TZS m	Fixed rate	Variable rate	No Interest	Total
COMPANY				
2019				
Financial assets				
Trade receivables	**–**	**–**	**79 240**	**79 240**
Other receivables	**–**	**–**	**2 991**	**2 991**
Cash and bank balances	**–**	**–**	**270 323**	**270 323**
M-Pesa balance	**–**	**–**	**3 162**	**3 162**
Short term investments	**219 576**	**–**	**–**	**219 576**
Short term deposits	**117 947**	**–**	**–**	**117 947**
Intergroup receivables	**–**	**–**	**34 768**	**34 768**
	337 523	**–**	**390 484**	**728 007**
Financial liabilities				
Trade payables	**–**	**–**	**(29 066)**	**(29 066)**
Other payables	**–**	**–**	**(22 635)**	**(22 635)**
Finance lease liability	**(5 801)**	**–**	**–**	**(5 801)**
Accruals	**–**	**–**	**(89 311)**	**(89 311)**
Capital expenditure creditors	**–**	**–**	**(23 744)**	**(23 744)**
Intergroup payables	**–**	**–**	**(22 589)**	**(22 589)**
	(5 801)	**–**	**(187 345)**	**(193 146)**
2018				
Financial assets				
Trade receivables	–	–	67 041	67 041
Other receivables	–	–	5 642	5 642
Cash and bank balances	–	–	371 541	371 541
M-Pesa balance	–	–	6 855	6 855
Interest accrued – Treasury bills	–	–	2 830	2 830
Short term investments	121 192	–	–	121 192
Short term deposits	48 513	–	–	48 513
Intergroup receivables	–	–	49 508	49 508
	169 705	–	503 417	673 122
Financial liabilities				
Trade payables	–	–	(20 122)	(20 122)
Other payables	–	–	(28 137)	(28 137)
Finance lease liability	(5 513)	–	–	(5 513)
Accruals	–	–	(74 119)	(74 119)
Capital expenditure creditors	–	–	(14 851)	(14 851)
Intergroup borrowings	–	(285)	–	(285)
Intergroup payables	–	–	(24 332)	(24 332)
	(5 513)	(285)	(161 561)	(167 359)

Notes to the consolidated annual financial statements *continued*

35. Risk management policies and objectives *continued*

35.4 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. 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's 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 them.

The Group's activities expose it to the risks of fluctuations in foreign currency exchange rates and interest rates. Market risk exposures are measured using sensitivity analyses which show how profit for the year would have been affected by a little 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 31 March 2019.

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 ('€'), Great British pound ('£') and South African rand ('R').

	31 March 2019			
TZS m	**US$**	**€**	**£**	**R**
GROUP				
Assets				
Trade and other receivables	**8 439**	**104**	**–**	**–**
Cash and cash equivalents	**60 094**	**2 262**	**–**	**4 050**
	68 533	**2 366**	**–**	**4 050**
Liabilities				
Trade and other payables	**(2 885)**	**(2 180)**	**–**	**(15 884)**
	(2 885)	**(2 180)**	**–**	**(15 884)**
Net gap	**65 648**	**186**	**–**	**11 834**

	31 March 2018			
TZS m	US$	€	£	R
GROUP				
Assets				
Trade and other receivables	25 427	437	–	–
Cash and cash equivalents	148 259	22 064	–	227
	173 686	22 501	–	227
Liabilities				
Trade and other payables	(9 530)	(16 236)	(48)	(2 395)
Borrowings	(285)	–	–	-
	(9 815)	(16 236)	(48)	(2 395)
Net gap	163 871	6 265	(48)	(2 168)

35. Risk management policies and objectives *continued*

35.4 Financial risk management continued

Foreign currency risk continued

	31 March 2019			
TZS m	**US$**	**€**	**£**	**R**
COMPANY				
Assets				
Trade and other receivables	**8 439**	**104**	**–**	**–**
Cash and cash equivalents	**60 094**	**2 262**	**–**	**4 050**
	68 533	**2 366**	**–**	**4 050**
Liabilities				
Trade and other payables	**(2 885)**	**(2 180)**	**–**	**(15 884)**
Borrowings	**–**	**–**	**–**	**–**
	(2 885)	**(2 180)**	**–**	**(15 884)**
Net gap	**65 648**	**186**	**–**	**11 834**

	31 March 2018			
TZS m	US$	€	£	R
COMPANY				
Assets				
Trade and other receivables	25 427	437	–	–
Cash and cash equivalents	148 259	22 064	–	227
	173 686	22 501	–	227
Liabilities				
Trade and other payables	(9 530)	(16 236)	(48)	(2 395)
Borrowings	(285)	–	–	–
	(9 815)	(16 236)	(48)	(2 395)
Net gap	163 871	(6 265)	(48)	(2 168)

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 interest rate differentials. This analysis includes outstanding foreign-denominated monetary items only and adjusts their translations at the reporting date with the specified percentage change.

35 Risk management policies and objectives *continued*

35.4 Financial risk management continued

Foreign currency risk continued

	€	US$	£	R
GROUP				
2019				
% change	**8.2**	**3.8**	**3.8**	**2.5**
Profit after tax–(TZS m)	**10.7**	**1 746.2**	**–**	**207.1**
2018				
% change	3.0	6.4	1.5	15.1
Profit/(loss) after tax–(TZS m)	132	7 341	(1)	(229)

	€	US$	£	R
COMPANY				
2019				
% change	**8.2**	**3.8**	**3.8**	**2.5**
Profit/(loss) after tax–(TZS m)	**10.7**	**1 746.2**	**–**	**207.1**
2018				
% change	3.0	6.4	1.5	15.1
Profit/(loss) after tax–(TZS m)	132	7 341	(1)	(229)

Interest rate risk

The Group's interest rate profile consists of short term investments, finance lease liability, deposits due to Vodacom Trust Limited (M-pesa) customers and agents, loans receivables and bank balances, which exposes the Group to interest rate risk and may be summarised as follows:

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
Financial assets	**378 019**	352 876	**–**	–
Short term investments	**219 576**	121 192	**219 576**	121 192
Short term deposits	**117 947**	48 513	**117 947**	48 513
	715 542	522 581	**337 523**	169 705
Deposits due to M-pesa agents and customers	**(349 946)**	(333 220)	**–**	–
Interest due to customers	**(31 577)**	(22 952)	**–**	–
Finance lease liability	**(5 801)**	(5 513)	**(5 801)**	(5 513)
	(387 324)	(361 685)	**(5 801)**	(5 513)
Shareholders loan				
Shareholders' loans linked to USD LIBOR	**–**	285	**–**	285
	–	285	**–**	285

35. Risk management policies and objectives *continued*

35.4 Financial risk management continued

Interest rate sensitivity analysis

As per the interest rate profile, the group is not exposed to interest rate risk due to having its financial instruments at a fixed rate.

The analysis below shows the Group's sensitivity to change in a market rate it is exposed to. Management's assessment of a reasonable possible change in market rates are based on economic forecasts from various sources.

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
One-month USD LIBOR				
Basis point increase	**50**	50	**50**	50
Profit/(loss) post tax		–	–	–

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 17.3 % (2018: 27.3 %) of the total trade receivable 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 on trade receivables is 30 days (2018: 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 below is the aging analysis of trade and other receivables (excluding prepayments, deposits and deferred costs) that are past due but not impaired for this financial year.

TZS m	**30–60 days**	**60–90 days**	**90–120 days**	**Over 120 days**	**Total**
GROUP					
2019					
Total	**38 596**	**2 342**	**82**	**65 886**	**106 906**
2018					
Total	25 561	1 123	1 806	27 054	55 544

TZS m	**30–60 days**	**60–90 days**	**90–120 days**	**Over 120 days**	**Total**
COMPANY					
2019					
Total	**38 596**	**2 342**	**82**	**38 219**	**79 239**
2018					
Total	24 169	2 251	1 806	54 965	83 191

Notes to the consolidated annual financial statements *continued*

35. Risk management policies and objectives *continued*

35.4 Financial risk management continued

Liquidity management

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 discounted cash flow at the year end. The Group does not manage liquidity based on undiscounted cash-flows and hence the disclosure is based on discounted cash flows.

TZS m	0 – 1 Year	2 – 5 Years	5+ years	Total
GROUP				
2019				
Financial liabilities				
Finance lease liability[12]	**420**	**(1 242)**	**(4 979)**	**(5 801)**
Accruals	**(91 119)**	**–**	**–**	**(91 119)**
Intergroup payables	**(22 589)**	**–**	**–**	**(22 589)**
Capital expenditure creditors	**(23 744)**	**–**	**–**	**(23 744)**
Deposits due to M-pesa agents and customers	**(349 946)**	**–**	**–**	**(349 946)**
Interest due to customers	**(31 577)**	**–**	**–**	**(31 577)**
Trade and other payables	**(48 689)**	**–**	**–**	**(48 689)**
	(567 244)	**(1 242)**	**(4 979)**	**(573 465)**
Financial assets				
Trade and other receivables	**79 078**	**–**	**–**	**79 078**
Intergroup receivables	**8 659**	**–**	**–**	**8 659**
Cash and cash equivalents	**275 513**	**–**	**–**	**275 513**
Financial assets	**378 019**	**–**	**–**	**378 019**
Short term investments	**219 576**	**–**	**–**	**219 576**
M-pesa balances	**3 162**	**–**	**–**	**3 162**
Short term deposits	**117 947**	**–**	**–**	**117 947**
	1 081 954	**–**	**–**	**1 081 954**
2018				
Financial liabilities				
Intergroup borrowings	(285)	–	–	(285)
Finance lease liability[13]	159	(218)	(5 454)	(5 513)
Accruals	(76 955)	–	–	(76 955)
Intergroup payables	(23 204)	–	–	(23 204)
Capital expenditure creditors	(14 851)	–	–	(14 851)
Deposits due to M-pesa agents and customers	(333 220)	–	–	(333 220)
Interest due to customers	(22 952)	–	–	(22 952)
Trade and other payables	(48 485)	–	–	(48 485)
	(519 793)	(218)	(5 454)	(525 565)
Financial assets				
Trade and other receivables	74 565	–	–	74 565
Intergroup receivables	14 561	–	–	14 561
Cash and cash equivalents	384 521		–	384 521
Financial assets	352 876	–	–	352 876
Interest accrued – Treasury bills	2 830	–	–	2 830
Short term investments	121 192	–	–	121 192
M-pesa balances	6 855	–	–	6 855
Short term deposits	48 513	–	–	48 513
	1 005 913	–	–	1 005 913

12. The positive means the finance costs elements are paid earlier than the future minimum payments.
13. The positive means the finance costs elements are paid earlier than the future minimum payments.

35. Risk management policies and objectives *continued*

35.4 Financial risk management continued

Liquidity management continued

TZS m	0 – 1 Year	2 – 5 Years	5+ years	Total
COMPANY				
2019				
Financial liabilities				
Finance lease liability[14]	**420**	**(1 242)**	**(4 979)**	**(5 801)**
Accruals	**(89 311)**	**–**	**–**	**(89 311)**
Intergroup payables	**(22 589)**	**–**	**–**	**(22 589)**
Capital expenditure creditors	**(23 744)**	**–**	**–**	**(23 744)**
Trade and other payables	**(51 701)**	**–**	**–**	**(51 701)**
	(186 925)	**(1 242)**	**(4 979)**	**(193 146)**
Financial assets				
Trade and other receivables	**82 231**	**–**	**–**	**82 231**
Intergroup receivables	**34 768**	**–**	**–**	**34 768**
Cash and cash equivalents	**270 323**	**–**	**–**	**270 323**
M-pesa balances	**3 162**	**–**	**–**	**3 162**
Short term investments	**219 576**	**–**	**–**	**219 576**
Short term deposits	**117 947**	**–**	**–**	**117 947**
	728 007			**728 007**
2018				
Financial liabilities				
Intergroup borrowings	(285)	–	–	(285)
Finance lease liability[15]	159	(218)	(5 454)	(5 513)
Accruals	(74 119)	–	–	(74 119)
Intergroup payables	(24 332)	–	–	(24 332)
Capital expenditure creditors	(14 851)	–	–	(14 851)
Trade and other payables	(48 259)	–	–	(48 259)
	(161 687)	(218)	(5 454)	(525 465)
Financial assets				
Trade and other receivables	72 683	–	–	72 683
Intergroup receivables	49 508	–	–	49 508
Cash and cash equivalents	371 541	–	–	371 541
Interest accrued – Treasury bills	2 830	–	–	2 830
M-pesa balances	6 855	–	–	6 855
Short term investments	121 192	–	–	121 192
Short term deposits	48 513	–	–	48 513
	673 122	–	–	673 122

14. The positive means the finance costs elements are paid earlier than the future minimum payments.
15. The positive means the finance costs elements are paid earlier than the future minimum payments.

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 (2018: US$15.5 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.

Notes to the consolidated annual financial statements *continued*

36. Capital management

The Group finances its operations through a mixture of internally generated cash-flows as well as shareholder and other external loans. The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising return to shareholders. Capital is monitored on the basis of net debt to equity.

Adjusted equity comprises of share capital, retained earnings and other reserves.

The Group's strategy is to maintain an optimal net debt to adjusted equity ratio. This internal ratio establishes levels of debt that the Group should not exceed other than for relatively short periods of time and it is reviewed on a semi-annual basis to ensure it is being met. The Group is not subject to externally imposed capital requirements.

The following table summarises the capital of the Group:

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
Borrowings (Note 26)	**–**	285	**–**	285
Cash and bank balances – (Note 24)	**(396 622)**	(439 889)	**(391 432)**	(426 909)
Equity	**1 263 844**	1 210 454	**1 263 843**	1 231 342
Net debt to adjusted equity ratio	**–**	–	**–**	–

37. Parent and ultimate parent

The Group is controlled by its parent Vodacom Group Limited, which is incorporated and domiciled in the South Africa, owns, as at 31 March 2019, 48.75% (2018: 61.61%) of the Group's shares directly and 12.86% (2018: 12.86%) indirectly. The ultimate parent is Vodafone Group Plc., which is incorporated and domiciled in the United Kingdom.

38. Cash generated from operations

	GROUP		COMPANY	
TZS m	**2019**	**2018**	**2019**	**2018**
Profit before tax	**134 887**	216 336	**114 404**	230 482
Adjusted for:				
Finance income	**(38 475)**	(44 768)	**(20 062)**	(20 172)
Finance cost	**19 891**	34 485	**159**	8 386
Net (profit)/loss on translation of financial instruments	**(970)**	3 099	**(1 079)**	3 036
Impairment charges	**349**	–	**25 802**	–
Operating Profit	**115 682**	209 152	**119 224**	221 732
Adjusted for:				
Depreciation and amortisation	**165 834**	164 594	**163 409**	156 858
Share based payment charges	**–**	6 608	**–**	6 608
Amortisation of Government grant	**–**	(2 396)	**–**	(2 396)
Gain on disposal of HTT investment	**–**	(120 251)	**–**	(120 251)
Amortisation of deferred loss	**7 024**	6 490	**7 024**	6 490
Gain/(loss) on disposal of property, plant and equipment	**115**	(223)	**115**	(223)
Cash-flow from operations before working capital changes	**288 655**	263 974	**289 772**	268 818
Increase/(decrease) in Inventory	**(160)**	11 668	**(160)**	11 668
Increase in trade and other receivables	**(12 313)**	(10 975)	**(10 295)**	(37 160)
Increase/(Decrease) in trade and other payables and provisions	**42 359**	4 372	**28 771**	(25 571)
Cash generated from operations	**318 541**	269 039	**308 088**	217 755

38. Cash generated from operations *continued*

TZS m	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Increase)/decrease in trade and other receivables:				
(Increase) in operating lease prepayments	**(13 366)**	(8 134)	**(13 366)**	(8 134)
Decrease/(increase) in trade and other receivables	**1 053**	(3 128)	**3 071**	(29 313)
Decrease in non-current assets held for sale	**–**	287	**–**	287
	(12 313)	(10 975)	**(10 295)**	(37 160)

TZS m	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Increase/(Decrease) in trade and other payables and provisions:				
Increase/(decrease) in trade and other payables	**38 173**	4 056	**24 194**	(25 496)
Increase/(decrease) in provisions	**4 186**	316	**4 577**	(75)
	42 359	4 372	**28 771**	(25 571)

39. Earnings per share

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

	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Basic earnings per share (TZS)	**40.52**	83.81	**31.19**	90.56
Earnings attributable to equity shareholders (TZS m)	**90 761**	170 240	**69 872**	183 965
Weighted average number of ordinary shares outstanding (million)[16]	**2 240**	2 031	**2 240**	2 031
Dividends per share (TZS)	**17.33**	12.74	**17.33**	12.74

16. A weighted average for the year ended 31 March 2018 incorporates the number of shares outstanding as at 01 April 2017, 1 680 000 200, plus additional shares that were issued as part of the Company's initial public offering and subsequent listing on the Dar es Salaam stock exchange on 15 August 2017, 560 000 100. No shares were bought back during the year ended 31 March 2018 and the year ended 31 March 2019.

No dilutive instruments exist at the reporting date.

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 financial statements. There are no revenues from transactions with a single external customer that amount to 10% or more of the group's revenues

Notes to the consolidated annual financial statements *continued*

41. Current net asset position

The Group had net current asset of TZS506 253 million as at 31 March 2019 (2018: net current asset TZS500 549).

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 telecom

42. Investment and loan receivable impairment testing – Company

The carrying amount of the investment in Shared Networks Tanzania Limited (SNT) and loan were as follows:

TZS m	2019	2018
Investment in SNT	–	24 246
Loan	**26 111**	21 968

Movement during the year

	Investment in SNT	Loan Receivable
Opening balance 31 March 2018	24 246	21 968
Additions	–	4 272
Interest accrued	–	1 427
Impairment charge during the period	(24 246)	(1 556)
Closing balance 31 March 2019	**–**	**26 111**

The recoverable amounts of the loan are based on value in use calculations.

Key assumptions used in value in use calculations

The key assumptions, applied by the management to validate the sustainability of the SNT investment and recoverability of loan using its cash flow projections for the five period (the horizon period) are:

(i) Revenue, direct costs and other operating expenses growth

The revenue growth of SNT is aligned to the long range revenue growth projections of Vodacom Tanzania Public Limited Company (VTPLC). The Group long-range plan has been used since most of the revenue for SNT will be generated from VTPLC under the wholesale national roaming arrangement. The year on year growth rates for each of the years are:

	31 March 2020	31 March 2021	31 March 2022	31 March 2023	31 March 2024
Revenue (%)	78.16	6.54	21.7	20.26	20.28
Direct costs (%)	47.63	2.30	2.46	2.89	3.00
Other operating expenses (%)	53.65	1.19	4.62	4.65	4.67

SNT did not carry out significant business activities during the year ended 31 March 2019 following the acquisition during the year ended 31 March 2017. The focus was still on resolving the transfer of spectrum to VTPLC with the Tanzania Communications Regulatory Authority (TCRA).

42. Investment and loan receivable impairment testing – Company *continued*

(ii) No new capital investments

There will be no future additional capital investment requirements to sustain the projected operation levels.

(iii) Conversion of loan to equity

The Group intends to convert the outstanding loan balance into equity. This change would ensure no further charge and payment of interest on loan. Future Cash-flow will equate to EBITDA less tax in line with the above two assumptions; without additional Capital investment and borrowing cost, future cash-flow is expected to be the same as EBITDA less tax payment.

(iv) Future operating cost to remain in the current levels

Future costs are not expected to change significantly since the material service agreements in place are fixed for the long term.

(v) Discount rates used

The discount rate of 18.8% applied to the cash flows is based on the capital asset pricing model, which includes the risk-free rate computed based on 10 year yield bond issued by the government adjusted for a risk premium to reflect the risk associated with investing in equities, and the beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole.

(vi) Long term growth rate

The long-term growth rate into perpetuity has been determined as the lower of the long-term real GDP rate, and the five-year compound annual growth rate in EBITDA estimated by management as 6%.

(vii) Evaluation period

Business case based on the technology horizon of five years.

Sensitivity considerations

Management believes that no reasonable possible change in any of the above assumptions that would cause the carrying amount of investment in the entity and the receivable Group loan balance to exceed the expected Shared Networks Tanzania's enterprise value. The sum of the value of the investment in SNT and the loan before impairment charges would equal the value in use if individually (i.e. all other factors held constant), the discount rate reduced by 47% and the terminal growth rate increased by 121%.

43. Events after reporting date

The Board is not aware of any matter or circumstance arising since the end of the reporting period, not otherwise dealt with herein, which significantly affects the financial position of the Group or the results of its operations or cash flows for the period other than as stated below:

Alleged illegal use of network facilities

In April 2019, several of Vodacom Tanzania Plc's (Vodacom Tanzania) employees, including the Managing Director, were arrested by the Tanzanian Police in relation to a customer's alleged illegal use of network facilities. These employees were charged with a number of offences, including economic crimes which are non-bailable offences under Tanzania's Economic Organised Crime Act ("EOCA"). Vodacom Tanzania paid a fine of TZS 30 million as well as an amount of TZS 5.3 billion, as compensation for the financial losses occasioned to the Tanzanian Communication Regulatory Authority ("TCRA"), after pleading guilty to the offences of occasioning pecuniary loss to a specified authority and permitting use of network services in contravention of the Electronic and Postal Communications Act ("EPOCA"). Vodacom Tanzania, its parent companies Vodacom Group Limited and Vodafone Group Plc are committed to upholding the highest standards of business integrity, ethics and good corporate governance. The companies have retained global law firm, Squire Patton Boggs to assist it with an internal investigation into the underlying facts in line with the companies' legal and corporate governance principles and to safeguard the company.

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 annual general meeting of the Company for the year ended 31 March 2019 will be held on Friday 20 September 2019, at the Mlimani City Hall, Mlimani City Park, Sam Nujoma Road, Dar es Salaam, Tanzania at 10:00AM to conduct the following business:

1. Confirmation of minutes

To approve by way of separate resolutions, minutes of the second annual general meeting held on 1 October 2018 and extraordinary general meeting held on 14 November 2018.

Ordinary resolution number 1

"RESOLVED THAT the minutes of the second annual general meeting held on 1 October 2018 be and are hereby confirmed."

Ordinary resolution number 2

"RESOLVED THAT the minutes of the extraordinary general meeting held on 14 November 2018 be and are hereby confirmed."

Copies of the minutes are obtainable from the Company's website **www.vodacom.co.tz/investor-relations**

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 2019.

Ordinary resolution number 3

"RESOLVED THAT the audited consolidated annual financial statements of the Company and its subsidiaries, together with the independent auditors' report and directors' report for the year ended 31 March 2019, be and are hereby received and adopted."

Copies of the full audited consolidated annual financial statements for the year ended 31 March 2019 are obtainable from the Company's website **www.vodacom.co.tz/investor-relations**

3. Election and re-election of a director

3.1 To elect Mr Hisham Hendi who was appointed pursuant to article 86 of the Company's articles of association to fill casual vacancies on the Board to hold office only until the next ordinary meeting.

Profile of Mr Hisham Hendi is shown below.

Hisham Hendi (39)
Managing Director – Vodacom Tanzania
Bachelor of Business Administration, University of Cairo.
Vodafone's Global Leadership Program (Inspire), London Business School.
Certificate in Commercial Excellence, IMD University in Lausanne, Switzerland.

Hisham was appointed as managing director of Vodacom Tanzania in March 2019. Hisham has been serving in the capacity of Acting Managing Director for Vodacom Tanzania since September 2018. Prior to that, in August 2016, Mr Hendi assumed the role of Commercial Business Unit Director for Vodacom Tanzania, where his strategic direction transformed the unit, achieving positive year on year growth. He has over 15 years of experience in telecommunications having worked in various leadership positions across a number of markets including the United Kingdom, Egypt and South Africa.

Ordinary resolution number 4

"RESOLVED THAT Mr Hisham Hendi be and is hereby elected as a director of the Company."

3.2 Mr Henry JC Surtees, Mr Till Streichert, Mr Ali A Mufuruki and Ms Margaret Ikongo 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, Mr HJC Surtees, Mr T Streichert, Mr AA Mufuruki and Ms M Ikongo are eligible for re-election as directors.

Ordinary resolution number 5

"RESOLVED THAT Mr Henry JC Surtees be and is hereby re-elected as a director of the Company."

Ordinary resolution number 6

"RESOLVED THAT Mr Till Streichert be and is hereby re-elected as a director of the Company."

Ordinary resolution number 7

"RESOLVED THAT Mr Ali A Mufuruki be and is hereby re-elected as a director of the Company."

Ordinary resolution number 8

"RESOLVED THAT Ms Margaret Ikongo be and is hereby re-elected as a director of the Company."

Profiles of Mr HJC Surtees, Mr T Streichert, Mr AA Mufuruki and Ms M Ikongo are shown below.

Henry JC Surtees (48)
Non-Executive Director
Member of Audit, Risk & Compliance Committee
Member of Remuneration and Nomination Committee
B.Sc Hons, University of Durham England, UK Chartered Accountant (ICAEW), Certified Public Accountant, NBAA

Henry has been a Vodacom director since May 2011. He also holds the position of the Head of Finance, Finance Controller and Company Secretary at Caspian Limited. Prior to this, Henry has held various positions as directory, advisor and Company Secretary for other professional businesses.

Till Streichert (45)
Chief Financial Officer and Executive Director of Vodacom Group
Member of the Vodacom Group Executive Committee
Non-Executive Director of Vodacom SA
Non-Executive Director of Safaricom
Dr. Phil. University of Hannover, Germany

Till was appointed as the Chief Financial Officer and Executive Director of Vodacom Group in August 2015 after working as the Finance Director at Vodacom South Africa from February 2014. Till was also appointed as non-executive director of Vodacom Tanzania, non-executive director of Vodafone Kenya and as an alternate non-executive director of Safaricom respectively in August 2017. He has more than 15 years' experience supporting financial and operational transformations through expertise in financial strategy, business leadership, revenue and profit growth in international environments. Till has had a broad and successful career within large international corporations including various finance and commercial roles, including CFO and Head of Channel Marketing and Sales Operations at Vodafone Romania. He began his career at T-Mobile Germany before undertaking various roles at T-Mobile UK as well as serving as a strategy consultant at The Boston Consulting Group.

Ali A Mufuruki, (60)
Independent Non-Executive Director
Chairman of Vodacom Tanzania PLC
A Henry Crown Fellow of the Aspen Institute
B.Sc. in Mechanical Design Engineering.

Ali is a founder, Chairman & CEO of Infotech Investment Group Ltd, a family business with interests in ICT, media, telecoms, private equity, retail and real estate across a number of countries in Africa and beyond. He is a Tanzanian entrepreneur, philanthropist, public speaker and leadership coach. Ali also co-founded the Africa Leadership Initiative (ALI) in 2002 whose mission is to engage the energy and talent of emerging leaders in Africa in order to release their potential to build a good society for their nations. He is a co-founder and Chairman of the CEO Roundtable of Tanzania, a policy dialogue forum that brings together more than 150 CEOs of leading companies in Tanzania. In December 2016, he was named by the Rockefeller Foundation as Bellagio Policy Fellow Resident for the year 2017. Previously, Ali served as Chairman of the National Airline of Tanzania ATCL as well as both a director and the first independent chairman of the Tanzania Central Bank's audit committee. He is currently an independent non executive director and Chairman of Vodacom Tanzania PLC, Chairman of the Boards of Msingi East Africa LTD (Kenya), Legacy Capital Partners Ltd (Tanzania); Trademark East Africa (Kenya), Chai Bora Ltd (Tanzania), AMSCO (Netherlands) and the National Environment Trust Fund of Tanzania (NETF). He is also a member of the Council of the Muhimbili University of Health and Allied Sciences (MUHAS) in Dar es Salaam.

Margaret Ikongo (62)
Independent Non-Executive Director
Chairperson of the Audit, Risk and Compliance Committee
Master of Business Administration, Open University, Tanzania.
International Certificate in Risk Management, Institute of Risk Management, United Kingdom.
Associate member of Chartered Insurance Institute, United Kingdom.

Margaret was appointed as an independent non-executive director of Vodacom Tanzania in November 2017. She is also a board member of NMB Bank PLC and AAR Insurance Tanzania. Previously, Margaret sat on the Board of Trustees of the National Social Securities Fund. Margaret has extensive financial and corporate governance expertise which were gained from her career in the insurance industry where she was Managing Director of the National Insurance Corporation for a period of ten years. Margaret was also an advisor to the Commissioner of the Tanzania Insurance Regulatory Authority as well as the Acting Head of the Technical Directorate.

4 Appointment of members of the Audit, Risk and Compliance Committee

To re-elect, by way of separate resolutions and in accordance with article 32(f) of the Company's articles of association, the following members to continue to serve as members of the Audit, Risk and Compliance Committee.

Ordinary resolution number 9

"RESOLVED THAT Ms Margaret Ikongo be and is hereby re-elected to continue to serve as a member of Audit Risk & Compliance Committee."

Ordinary resolution number 10

"RESOLVED THAT Ms Thembeka Semane be and is hereby re-elected to continue to serve as a member of Audit Risk & Compliance Committee."

Ordinary resolution number 11

"RESOLVED THAT Ms Winifred Ouko be and is hereby re-elected to continue to serve as a member of Audit Risk & Compliance Committee."

Profiles of Mesdames Margaret Ikongo, Winifred Ouko and Thembeka Semane are shown below.

Margaret Ikongo (62)
Independent Non-Executive Director
Chairperson of the Audit, Risk and Compliance Committee and considered to be a financial expert for the purpose of this committee
Master of Business Administration, Open University, Tanzania.
International Certificate in Risk Management, Institute of Risk Management, United Kingdom.
Associate member of Chartered Insurance Institute, United Kingdom.

Margaret was appointed as an independent non-executive director of Vodacom Tanzania in November 2017. She is also a board member of NMB Bank PLC and AAR Insurance Tanzania. Previously, Margaret sat on the Board of Trustees of the National Social Securities Fund. Margaret has extensive financial and corporate governance expertise which were gained from her career in the insurance industry where she was Managing Director of the National Insurance Corporation for a period of ten years. Margaret was also an advisor to the Commissioner of the Tanzania Insurance Regulatory Authority as well as the Acting Head of the Technical Directorate.

Winifred Ouko (49)
Independent Non-Executive Director
Chairperson of the Remuneration and Nomination Committee
Member of the Audit, Risk and Compliance Committee and considered to be a financial expert on this committee
Master of Business Administration, Cornell University, United States of America.
Member of the Institute of Certified Public Accountants of Kenya.

Winnie was appointed as an independent non-executive director of Vodacom Tanzania in November 2017. She is an experienced corporate finance, project finance and strategy professional. As the Managing Director of Lattice Consulting, she offers over 20 years of experience in delivering a variety of corporate finance and strategy services solutions to corporate clients in Africa and the US. Winnie is currently a non-executive director and chairperson of the audit and risk committee of Barclays Bank of Kenya. She is also a board member of the Kenya Pooled Water Fund and a trustee of the World Wide Fund for Nature (Switzerland), where she also is the chairperson of the Audit Committee.

Thembeka Semane (43)
Independent Non-Executive Director
Member of Audit, Risk and Compliance Committee and considered to be a financial expert on this committee
Post Graduate Diploma in Business Administration, University of Pretoria's Gordon Institute of Business Science, South Africa.
Certified Associate of the Institute of Bankers in South Africa.

Thembeka was appointed as an independent non-executive director of Vodacom Tanzania in November 2017. Thembeka is an experienced business executive proficient in corporate strategy development, business systems implementation, high value project financing, compliance and monitoring, corporate governance and financial management. She is a director at Linea consulting (Pty) Ltd, a regulatory committee member of ACASA and ATNS, reporting to South Africa's Minister of Transport, as well as a councillor at ICASA. Thembeka serves as a board member of the Department of Human Settlements' EAAB, where she also serves as the chairperson of its finance and investment committee as well as being a member of the audit and risk committee and human resources and remuneration committee. She is a board member and a member of both the audit & risk management committee and remuneration committee of South African National Parks. Furthermore, Thembeka is a member of the South African Heritage Resource Agency and the Sol Platjie Municipality's audit, risk and performance management committee.

5 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 12

"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."

Explanatory note: PricewaterhouseCoopers Inc., has acted as auditors to the Company for the past 5 years. In terms of best practice, the Audit, Risk and Compliance (ARC) Committee issued a Request for Proposals (RFP) during the year in respect of external audit services. Following the conclusion of the RFP process, it is the recommendation of the ARC Committee, supported by the Board that, subject to shareholder approval at this annual general meeting, Ernst & Young Inc. be appointed as the auditor of the Company for the financial year ending 31 March 2020.

6 Dividend

To approve a final dividend of TZS 24.31per ordinary share for the financial year ended 31 March 2019 as recommended by the directors. The dividend will be paid on or before Friday 18 October 2019 to shareholders recorded in the register as at the close of trading on Monday 19 August 2019.

Ordinary resolution number 13

"RESOLVED THAT the dividend of TZS 24.31per ordinary share for the year ended 31 March 2019 be and is hereby approved."

7 Approval of the directors' remuneration

To approve the non-executive directors' remuneration of US$481 000 from 1 August 2019 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.

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$[1]	Current fee US$	% change
Chairman of the Board	150 000	150 000	0.0
Member of the Board	30 000	30 000	0.0
Chairman of the Audit, Risk & Compliance Committee	15 000	15 000	0.0
Member of the Audit, Risk & Compliance Committee	8 000	8 000	0.0
Chairman of the Remuneration Committee	12 000	12 000	0.0
Member of the Remuneration Committee	4 000	6 000	0.0
Member of the Nomination Committee[2]	3 000	0	0.0

1 These amounts represent gross remuneration, inclusive of all taxes (including withholding tax) and are payable in Tanzanian shillings for local directors, South African rand for South African directors and United States dollar for other directors. Payments are made on a quarterly basis in arrears for a minimum of four ordinary meetings per annum, three special board meetings and an AGM and any EGM as may be required.

2 The Remuneration & Nomination Committee (R&NC) was split in March 2019 to form two committees – Remuneration Committee and Nomination Committee. Total directors' remuneration paid to the three R&NC members was US$18 000. Going forward the two Nomco members will be paid a total of US $6 000 while the three Remco members will be paid a total of US$12 000. Effectively there is no increase in the directors' remuneration.

Record date

The record date for shareholders to be registered in the books of the Company for purposes of being entitled to attend, speak and vote at the annual general meeting is 22 August 2019. Costs associated with attending the annual general meeting shall be borne by the shareholders themselves.

Shareholders attending the annual general meeting will need to present a copy of the DSE Depository Receipt and reasonable satisfactory identification such as national identity, voter's identity, passport or driver's licence. Registration of members and proxies attending the annual general meeting will commence at 07:30AM on Friday 20 September 2019.

Participation by way of electronic means

Shareholders or their proxies may participate in the annual general meeting by way of electronic means. Such shareholder (or proxy) will need to call +255 746 160 516 by no later than 10:00AM on Tuesday 17 September 2019 so that the Company can provide for a teleconference dial-in-facility. Shareholders who intend to participate via teleconference must ensure that the voting proxies are sent through to the Company secretary, by no later than 10:00AM on Tuesday 17 September 2019. Participants must dial five (5) minutes prior to start of the annual general meeting.

Attendance and proxies

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. In the case of a member being a corporate, the form of proxy must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.

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 to be approved at the annual general meeting must be supported by the holders of at least 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.

Unless you advise your custodian or broker, in terms of the agreement between you and your custodian or broker by the cut off time stipulated therein, that you wish to attend the annual general meeting or send a proxy to represent you at this annual general meeting, your custodian or broker will assume that you do not wish to attend the annual general meeting or send a proxy. If you wish to attend the annual general meeting or send a proxy, you must request your custodian or broker to issue the necessary letter of authority to you.

The form of proxy, obtained from the Company's website (**www.vodacom.co.tz/investor-relations**) with a copy of the shareholder's depository receipt, must be deposited for the attention of the Company Secretary at 7 Floor, Vodacom Tower, Ursino Estate, Plot 23, Bagamoyo Road, Dar es Salaam, Tanzania no later than 10:00AM on Tuesday 17 September 2019. Alternatively, duly signed forms of proxy and a copy of the shareholder's depository receipt may be scanned and emailed to **investorrelations@vodacom.co.tz** and submit the original form of proxy on the day of the meeting.

The completion of a form of proxy does not preclude any shareholder attending the annual general meeting.

By order of the Board

Caroline M. Mduma
Company Secretary
30 August 2019

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 Chairman of the annual general meeting as my(our) proxy to attend and speak and vote for me(us) on my(our) behalf at the annual general meeting which will be held at the Mlimani City Hall on Friday, 20 September 2019 for the purpose of considering and, if deemed fit, passing the ordinary and special resolutions to be proposed and at each adjournment of the meeting and to vote for or against the ordinary and special resolutions or to abstain from voting in respect of the shares in the issued capital of the Company registered in my(our) name(s).

Section C
To be completed by all shareholders

Please indicate with an "x" in the applicable space, how you wish your votes to cast.
Unless otherwise directed the proxy specified in Section B above will vote as he or she thinks fit.

		For	Against	Abstain
1.	**Ordinary resolution number 1** Confirmation of minutes of the annual general meeting held on 1 October 2018			
2.	**Ordinary resolution number 2** Confirmation of minutes of the extraordinary general meeting held on 14 November 2018			
3.	**Ordinary resolution number 3** Adoption of consolidates annual financial statements for the year ended 31 March 2019			
4.	**Ordinary resolution number 4** Election of Hisham Hendi as a director			
5.	**Ordinary resolution number 5** Re-election of Henry JC Surtees as a director			
6.	**Ordinary resolution number 6** Re-election of Till Streichert as a director			
7.	**Ordinary resolution number 7** Re-election of Ali A Mufuruki as a director			
8.	**Ordinary resolution number 8** Re-election of Margaret Ikongo as a director			
9.	**Ordinary resolution number 9** Re-election of Margaret Ikongo as a member of Audit Risk & Compliance Committee.			
10.	**Ordinary resolution number 10** Re-election of Thembeka Semane as a member of Audit Risk & Compliance Committee.			
11.	**Ordinary resolution number 11** Re-election of Winifred Ouko as a member of Audit Risk & Compliance Committee.			
12.	**Ordinary resolution number 12** Appointment of Ernst & Young Inc. as auditors of the Company for the year ended March 2020			
13.	**Ordinary resolution number 13** Approval of dividend of TZS .... per share			
14.	**Ordinary resolution number 14** Approval of the non-executive directors' remuneration of US$ 481 000			

Signed this day of September 2019

Signature: Signature:

Completed forms of proxy must be lodged with the Vodacom Tanzania PLC Company Secretary office by no later than 10:00 on Tuesday 17 September 2019.

Notes to the form of proxy

1. A member entitled to attend 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. Forms of proxy together with a copy of the shareholder's depository receipt, must be 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 Tuesday 17 September 2019. Alternatively, duly signed forms of proxy and a copy of the shareholder's depository receipt may be scanned and emailed to investorrelations@vodacom.co.tz. The proxy must submit the original form of proxy on the day of the meeting.

5. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and voting in person at the meeting to the exclusion of any proxy appointed in terms of this form of proxy.

6. Any alterations or corrections made to this form of proxy must be initialled by the signatory/ies.

7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced.

8. 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.

9. 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.

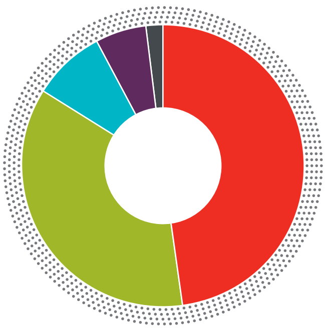
Mduma

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	March 2019 # of shares	% holding[2]
Vodacom Group Limited	1 092 000 130	48.7
Mirambo Limited	588 000 070	26.2
Government Employees Pension Fund (Public Investment Corporation SOC Limited, the Republic of South Africa)	164 503 540	7.3
Institutional investors (East Africa)	244 835 925	10.9
Institutional investors (Rest of World)	45 830 302	2.0
Retail investors	95 833 853	4.3
Other[1]	8 996 480	0.4
	2 240 000 300	100.0

Note:
1. Balance of remaining holdings, including shares below analysis threshold. May include additional institutional/retail shareholdings.
2. There is no material change year on year on the shareholding classification as detailed above.



Decomposition of institutional holdings

	March 2019 % institutional holding
Tanzania	47.9
PIC	36.1
South Africa (excl. PIC)	8.3
Uganda	5.9
United States	1.8
	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
AA Mufuruki[1] (Chairman), H Hendi (Managing Director)[8], JJ Marais (Finance Director)[3], D Gutierrez[4], T Streichert[5], K Gomado[6], M Mbungela[3], ADJ Delport[3], M Ikongo[1], W Ouko[2], T Semane[3], HJC Surtees[7]

1. Tanzanian 2. Kenyan 3. South African 4. Bolivian
5. German 6. Ghanaian 7. British 8. Egyptian

Company secretary
Caroline Mduma

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

External communications
Rosalynn Mworia

Investor Relations
Hilda Bujiku, Robin Kimambo
investorrelations@vodacom.co.tz
www.vodacom.co.tz/investor-relations

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 annual report, which sets out the consolidated financial results of Vodacom Tanzania Public Limited Company ('the Company') and its subsidiaries (together 'the Group') for the twelve months ended 31 March 2019. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work they should obtain a copy of that report together with the accompanying financial information from the registered office of the Company. This announcement contains certain non-IFRS financial measures which has not been reviewed or reported on by the Group's auditors. The Group's management believes these measures provide valuable additional information in understanding the performance of the Group or the Group's businesses because they provide measures used by the Group to assess performance. However, this additional information presented is not uniformly defined by all companies, including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, although these measures are important in the management of the business, they should not be viewed in isolation or as replacements for or alternatives to, but rather as complementary to, the comparable IFRS measures. Refer to the 'Operating and financial review' section of this announcement for details relating to service revenue, EBIT and earnings per share.

Trademarks

Vodafone, the Vodafone logo, M-Pesa, Vodacom, Connected Farmer and Vodafone Supernet are trademarks of Vodafone Group Plc (or have applications pending). M-Fundi, M-Shamba, M-Pawa and Vodacom Faraja are trademarks of Vodacom Tanzania Public Limited Company (or have applications pending). Other product and company names mentioned herein may be the trademarks of their respective owners.

Forward-looking statements

This annual report, which sets out the consolidated financial results of the Group for the year ended 31 March 2019, contains 'forward-looking statements', which have not been reviewed or reported on by the Group's auditors, with respect to the Group's financial condition, results of operations and businesses and certain information relating to the Group's plans and objectives. In particular, such forward-looking statements include statements relating to: the Group's future performance; future capital expenditures, acquisitions, divestitures, expenses, revenues, financial conditions, dividend policy, and future prospects; business and management strategies relating to the expansion and growth of the Group; the effects of regulation of the Group's business by the government in the country in which it operates; the Group's expectations as to the launch and roll out dates for products, services or technologies; expectations regarding the operating environment and market conditions; growth in customers and usage; and the rate of dividend growth by the Group.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "will", "anticipates", "aims", "could", "may", "should", "expects", "believes", "intends", "plans" or "targets" (including in their negative form).

By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following: changes in economic or political conditions in markets served by operations of the Group; greater than anticipated competitive activity; higher than expected costs or capital expenditures; slower than expected customer growth and reduced customer retention; changes in the spending patterns of new and existing customers; the Group's ability to expand its spectrum position or renew or obtain necessary licences; the Group's ability to achieve cost savings; the Group's ability to execute its strategy in fibre deployment, network expansion, new product and service roll-outs, mobile data, Enterprise and 4G network expansion; changes in foreign exchange rates, as well as changes in interest rates; the Group's ability to realise benefits from entering into partnerships or joint ventures and entering into service franchising and brand licensing; unfavourable consequences to the Group of making and integrating acquisitions or disposals; changes to the regulatory framework in which the Group operates; the impact of legal or other proceedings; loss of suppliers or disruption of supply chains; developments in the Group's financial condition, earnings and distributable funds and other factors that the Board takes into account when determining levels of dividends; the Group's ability to satisfy working capital and other requirements; changes in statutory tax rates or profit mix; and/or changes in tax legislation or final resolution of open tax issues. All subsequent written or oral forward-looking statements attributable to the Company, to any member of the Group or to any persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Subject to compliance with applicable law and regulations, the Company does not intend to update these forward-looking statements and does not undertake any obligation to do so.

vodacom