

# Vodacom Tanzania Public Limited Company

Annual report

for the year ended 31 March 2017



# Who we are

Vodacom Tanzania Public Limited Company ('Vodacom Tanzania' or 'the Company') is Tanzania's leading mobile operator and mobile financial services provider, with the fastest nationwide data network and the largest mobile money network in the country.

We provide various communication services to more than 12.6 million customers. 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 UK-based Vodafone Group Plc. Our listing on the Dar es Salaam Stock Exchange is expected to occur in the second quarter of the financial year ending 31 March 2018.

## Our Purpose

Why we exist

To lead Tanzania into the digital age, connecting everybody to live a better today and build a better tomorrow

## Our Vision

Where we are going

To be a leading digital company that empowers the digital lives of our customers



## Our Way

How we need to do it

Speed, simplicity and trust in a connected society

## Our Strategic pillars

What we need to do

01

Monetise data and digital opportunities



02

Accelerate customer growth through M-Pesa



03

Continued enhancement of our Enterprise offering



04

Brand leadership. Retain and increase market share



05

Actively managing cost and process efficiency



06

People. Best talent, best practice





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**PCR**

Preliminary consolidated results



**IPO**

Prospectus

(available in English and Kiswahili)

[www.vodacom.co.tz/investor-relations](http://www.vodacom.co.tz/investor-relations)

## Vodacom Tanzania's Annual Report 2017

This is Vodacom Tanzania's first annual report, published in anticipation of our listing on the Dar es Salaam Stock Exchange in the second quarter of the financial year ending 31 March 2018.

Previously, annual reporting of our performance has been provided primarily through the annual integrated reports published by Vodacom Group Limited.

This report provides an overview of our business model and operating environment, and reviews our strategic, operational and governance performance for the financial year ended 31 March 2017. Our reporting process has been guided by the principles and requirements contained in the International Financial Reporting Standards ('IFRS'), the Dar es Salaam Stock Exchange PLC Rules, 2016 and the Companies Act, 2002. PricewaterhouseCoopers ('PwC') assured our annual financial statements and has provided an unmodified opinion (page 40).

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 Board approved this annual report and both the Company and the Group's financial statements on 21 June 2017.

**Signed on the Board's behalf.**

**Vivek Mathur**

Chairman

28 June 2017

**Ian Ferrao**

Managing Director

28 June 2017

# How we performed

Revenue grew

**0.9%** to TZS 931.5 billion


with improved growth trends in the second half of the year.

M-Pesa revenue grew

**11.2%** to TZS 249.6 billion

underpinned by an increase of 936 thousand active M-Pesa customers in the year, up 13.3%.

Active data customers up

**19.4%** 

to 6.5 million customers.

EBITDA of

**TZS 252.6 billion**

achieved, representing an EBITDA margin of 27.1%.

Capital expenditure<sup>3</sup> of

**TZS 150.5 billion**

16.2% of revenue reinvested to provide network capacity for both data and voice.

Operating free cash flow<sup>2</sup> grew by

**36.0%** to TZS 116.8 billion,

mainly due to lower capital expenditure following two years of accelerated investment.

Earnings per share ('EPS')<sup>1</sup> grew by

**63.4%** to TZS 28.3. 

M-Pesa with

**8.0 million** customers

and

M-Pawa with over

**5.0 million** registered customers

are providing money transfer, savings and credit services to Tanzanians.

We launched high speed 4G coverage across Dar es Salaam on

**278 4G** sites 

and produced impressive average download speeds which are over 60% faster than our next-best competitor.

We added **612 3G (+42.9%)** and

**342 2G (+13.5%)** sites to extend our 2G population coverage to 89% and 3G population coverage to 28% of Tanzanians.

Towards the end of the year we launched the **new M-Pesa app** for smartphones.

1. The number of shares in issue as at 31 March 2017 was 1 680 000 200. During the year, Vodacom Tanzania conducted a share split, doubling its number of issued shares and halving the nominal price per share, leaving the share capital unchanged. The EPS growth shown above removes the impact of the share split by applying the number of shares in issue as of 31 March 2017, 1 680 000 200, to the EPS calculation as of 31 March 2016.

2. Operating free cash flow for the year ended 31 March 2016 has been restated to exclude movements in cash balances held on behalf of M-Pesa customers.

3. Capital expenditure excludes the acquisition of Shared Networks Tanzania ('SNT').



# The value we create

## Investing in our people

We distributed over TZS 47 billion to our local employees and call centre agents through salaries, incentives and medical schemes during the year. Vodacom's telecoms and mobile money networks are estimated to have created over 50,000 jobs in Tanzania.

## Deepening financial inclusion

Through increasing our M-Pesa network to over 79 thousand active agents during the year, we have secured our status as Tanzania's No.1 mobile financial services provider, one of the most successful mobile money businesses in Africa.

M-Pesa has transformed lives and each day we are responsible for approximately TZS 100 billion of transactions, equivalent to 33% of Tanzanian GDP. We have enabled customers across both urban and rural Tanzania to become part of the financial system, spurring economic growth in the communities that we serve.

## Our Foundation

The Vodacom Tanzania Foundation committed TZS 600 million during the year, bringing the total amount which we have invested in improving our society to over TZS 15 billion since inception. Our strong local partnerships have allowed us to support in excess of 120 projects, with a focus on mobilising maternal healthcare, digital literacy campaigns and financial inclusion.

## Contribution to government revenues

Vodacom Tanzania remitted over TZS 686 billion in taxes, spectrum and regulatory fees over the last two years.

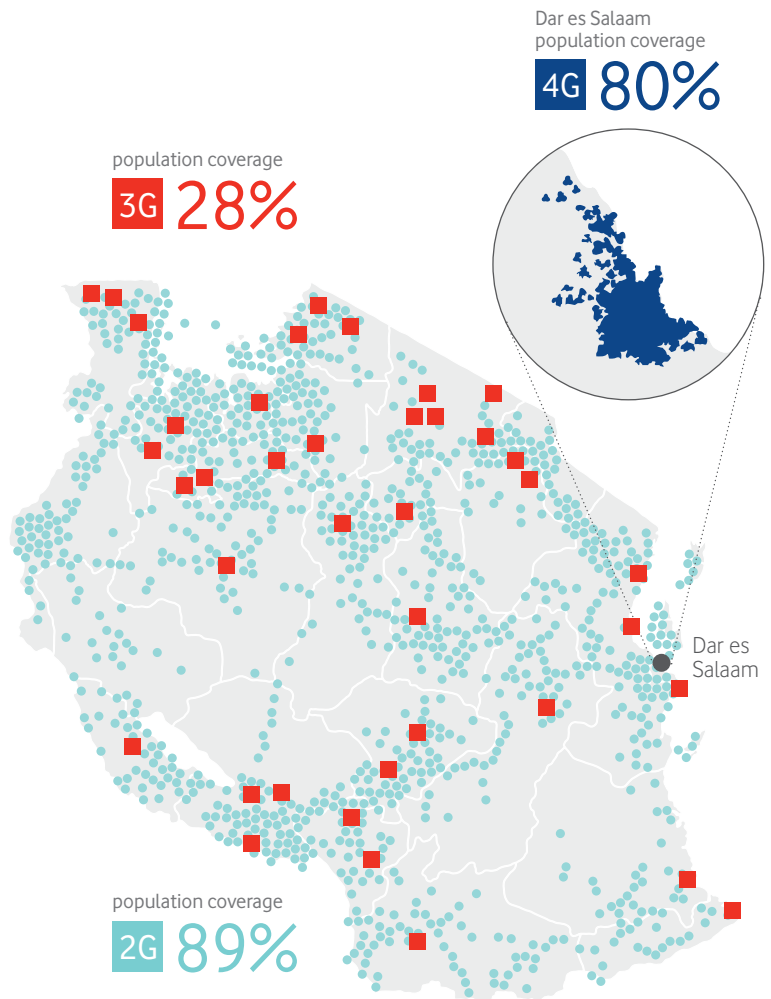
# Vodacom Tanzania at a glance

Vodacom Tanzania is Tanzania's leading mobile operator, with the highest voice population coverage and fastest nationwide data network in the country. We provide a wide range of communication services for consumers and enterprise – including voice, data and messaging, cloud and hosting, as well as mobile financial services – to over 12.6 million customers.

Vodacom Tanzania is majority owned by Vodacom Group Limited, a company registered in South Africa, which in turn is part of the Vodafone group.

Vodacom Tanzania currently has 32% customer market share<sup>1</sup>.

1. Quarterly Communications Statistics Report, March 2017. Tanzania Communications Regulatory Authority ('TCRA').



## Our products and services

We have over 12.6 million customers using our wide range of products and services. We stand out in the market for having been the first to introduce mobile financial services in the country.

### 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 TZS 100 billion of transaction value going through M-Pesa daily.

#### Deposits and withdrawals:

8.0 million M-Pesa customers can deposit and withdraw money from their M-Pesa accounts through over 79 thousand agents across the country at an affordable cost.

#### Person-to-person transfers:

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

#### 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, issuing over 350 thousand loans per month valued at more than TZS 5 billion.

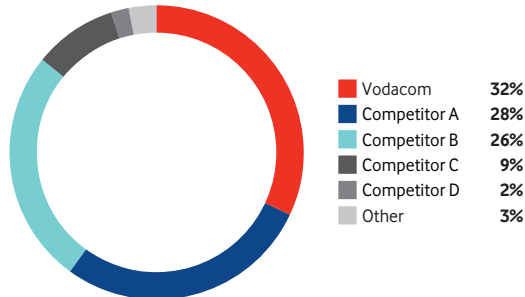
#### International money transfers:

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

#### Business services:

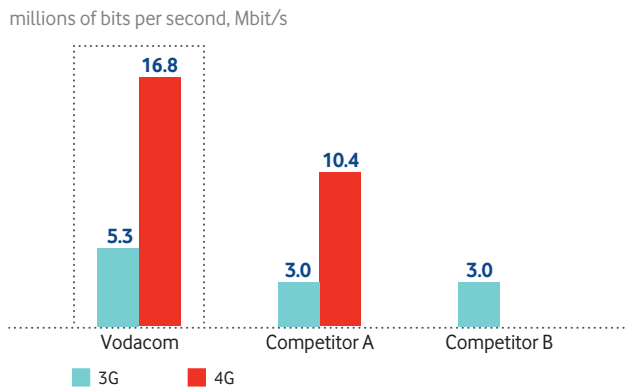
M-Pesa allows businesses to send money to other businesses ('B2B') and consumers (disbursement accounts) for services such as salary payments, and for businesses to receive money through M-Pesa from their customers (collection accounts), for services such as paying bills.

#1 mobile operator in Tanzania with the highest customer market share



Source: Quarterly Communications Statistics Report, March 2017. TCRA.

Fastest data network in Tanzania



Source: Ookla Speed Test Report, April 2017.

# No.1

We are the leading mobile operator and mobile financial service provider in Tanzania.

Over **12.6 million** customers with 32% market share.

# 89%

Superior network covering the largest proportion of the population.

# 8.0 million

M-Pesa customers, transacting over US\$1 billion every month.



## 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, 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 2017, we had 3.3 million smartphones on our network.



## 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 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

On behalf of the Board, it is my pleasure to present Vodacom Tanzania's first annual report in anticipation of our listing on the Dar es Salaam Stock Exchange ('DSE').



Vivek Mathur

The management team's considerable effort in forming the first listing of a telecoms company on the DSE, in compliance with the government's mandatory listing requirements, reflects Vodacom Tanzania's commitment to supporting the growth and development of the country, and to widening financial inclusion among Tanzanians.

Since investing in Tanzania 17 years ago, the Company has made a significant positive contribution to the country's development, with our world-class infrastructure and leading products and services driving affordable connectivity across the country. Our M-Pesa mobile financial service in particular has had a substantial impact on economic empowerment, enabling millions of Tanzanian citizens to transact with confidence on a daily basis. Through our investments, products and services, and our valuable contribution to government revenue in the taxes we pay, we make a material contribution in delivering on the objectives of the government's five year development plan and its national information and communications technology ('ICT') policy.

Looking back over the past year, it has been pleasing to see how the Company has responded to the challenging operating environment experienced at the beginning of the year. The arrival of a new competitor who came in with an aggressive price play, and the negative impact of customer registration requirements on customer growth, was offset by the positive growth in M-Pesa and data revenue, especially over the second half of the year. This progress reflects the significant capital investments the Company has made in expanding the coverage and quality of our network infrastructure, and the steps that have been taken to develop and maintain the strength of the Vodacom brand through our strong emphasis on enhancing customer experience.

As we look to the years ahead, Tanzania's investment outlook remains optimistic. Despite the political, economic and financial challenges globally and across sub-Saharan Africa, the Tanzanian economy over the previous decade has, in aggregate, yielded real GDP growth at approximately 6.5% per annum. With a youthful population, and the relatively low rates of penetration of smart devices and internet connectivity, the country presents exciting opportunities for growth in the demand for data, both in terms of the number of new customers that can still be connected, and in the volume and range of data content that can be consumed.

In this context, I am confident that the Company will continue to deliver strong returns, driven mainly through M-Pesa, data and enterprise services. This will be supported by further streamlining the Group's cost structure, strengthening our customer value

management capabilities and developing personalised offerings at a segmented level. Through these initiatives, I believe the Company will assist in helping to move the industry away from the value erosion that we observed across the sector in recent times.

## Governance

As the Board, our primary responsibility is to provide an effective oversight function, ensuring that the Company is delivering on its fiduciary responsibilities in an ethical and responsible manner, doing the best it can with the resources entrusted to it. This year, a predominant focus of our activities has been to ensure the Company's listing on the DSE and that we have the right governance structures in place to reflect the new shareholder structure and regulatory requirements. We are currently constituting the various new board committees and will be proposing new appointments, with appropriate skills and experience to deliver effectively on our responsibilities. The newly constituted Board will maintain a strong focus on ensuring that the Company targets investments in those areas that will provide the optimal commercial returns from its assets, and that it delivers on these investments in line with the Board-approved strategy.

## Appreciation

Following eight months as Chairman of the Company's Board, and five years within the broader Vodafone group, I announced my decision in May 2017 to resign from the Company and the group. I have been incredibly fortunate to be part of the Company's growth over this period, and to see first-hand the significant contribution that the Company has played in the lives of so many Tanzanians.

I wish to express my sincere appreciation to my colleagues on the Board, and across the Vodacom and Vodafone groups, for their commitment and support. I have every confidence that, through becoming a listed company, Vodacom Tanzania will play a significant role in attracting capital to the country, and that it will continue to deliver effectively on its core purpose of leading Tanzania into the digital age.

A handwritten signature in black ink that reads "Vivek Mathur".

**Vivek Mathur**

Chairman

28 June 2017

# Taarifa ya Mwenyekiti wa Bodi

Kwa niaba ya Bodi ya Wakurugenzi nina furaha kuwasilisha taarifa ya maendeleo ya kampuni ya mwaka katika kipindi cha matarajio ya kuorodheshwa katika Soko la Hisa la Dar es Salaam.



Vivek Mathur

Uongozi wa kampuni unaendelea na jitihada ya kufanikisha mchakato wa kampuni kujisajili na Soko la Hisa la Dar es Salaam ikiwa ni kampuni ya kwanza kutekeleza sheria ya serikali inayoyataka makampuni yote ya mawasiliano kuuza sehemu ya hisa zake kwa umma kupitia Soko la Hisa. Kwa kutekeleza sheria hii, tunadhihirisha dhamira ya kweli ya kampuni ya Vodacom kuchangia kukuza uchumi wa nchi na kukuza wigo wa huduma rasmi za kifedha nchini.

Tangu ilipoanza kutoa huduma zake nchini miaka 17 iliyopita kampuni imeweza kutoa mchango mkubwa wa kuleta maendeleo kupitia huduma bora za mawasiliano ya gharama nafuu kupitia mtandao wake ulioenea nchini nzima sambamba na vifaa bora vya mawasiliano. Huduma yetu imeleta mapinduzi makubwa ya matumizi ya huduma za kifedha na kukuza biashara ikiwa inaaminiwa na kutumiwa na mamilioni ya Watanzania kwenye shughuli zao mbalimbali.

Kupitia uwekezaji wetu wa bidhaa na huduma mbalimbali, kampuni inachangia mapato ya serikali kupitia kukusanya na kulipa kodi mbalimbali. Tumechangia kwa kiasi kikubwa kufanikisha sera ya serikali katika mpango wake wa miaka mitano wa kukuza sekta ya teknolojia ya habari na mawasiliano.

Tukifanya tathmini ya utendaji kwa mwaka uliopita inatia moyo kuona jinsi kampuni ilivyoweza kukabiliana na changamoto za kibiashara katika kipindi cha mwanzo wa mwaka. Kuingia kwa mwekezaji mpya, aliyengeza ushindani wa bei za huduma katika sekta, kuliathiri kwa kiasi kikubwa biashara zetu na mkakati wa kuongeza wigo wa wateja. Pamoja na changamoto hii huduma za M-Pesa na data ziliendelea kufanya vizuri hususani katika kipindi cha pili cha nusu mwaka na kuziba pengo lililotokana na athari za changamoto hiyo. Mafanikio haya yamepatikana kutokana na uwekezaji uliofanywa na kampuni hapo awali katika kuimarisha miundombinu ya kimtandao na hivyo kuendelea kuwa kampuni kinara katika sekta ya mawasiliano nchini ikiongoza kuwa na watumiaji wengi wa huduma zake.

Mbeleni uwekezaji katika huduma za mawasiliano nchini unazidi kutia matumaini makubwa, licha ya changamoto za kiuchumi na kifedha zinazoendelea sehemu mbalimbali duniani na katika nchi zilizopo kusini mwa Jangwa la Sahara. Inatia moyo kuona uchumi wa Tanzania katika kipindi cha miaka 10 iliyopita umekuwa kwa asilimia mpaka 6.5% kwa ujumla. Nchi ya Tanzania ina idadi kubwa ya vijana wanaohitaji kuwa na maisha ya kisasa lakini bado matumizi ya intaneti bado ni madogo. Bado kunahitajika uwekezaji katika vifaa vya kisasa vya mawasiliano na huduma kwa kuwa kuna idadi kubwa ya mahitaji kutoka kwa watumiaji waliopo na watumiaji wapya wanaoongezeka siku hadi siku.

Kutokana na hali hii nina imani kampuni itaendelea kuwekeza katika kuimarisha huduma zake na kupanua mtandao wake hasa huduma za M-Pesa, data na huduma nyinginezo za kurahisisha mawasiliano ya kibiashara kupitia mkakati wake wa kibiashara unaolenga kuboresha miundombinu yake na ubunifu na uimarishwaji wa huduma ambao utaondoa changamoto zilizojitokeza katika miaka ya karibuni.

## Utawala katika biashara

Jukumu kuu la bodi ya kampuni ni kusimamia na kuhakikisha shughuli za kampuni zinaendeshwa kwa kukidhi malengo ya kibiashara yaliyokusudiwa ndani ya kanuni bora za biashara. Mwaka huu mtazamo wetu mkubwa upo katika kufanikisha mchakato wa kujisajili na Soko la Hisa la Dar es Salaam na kuangalia jinsi ya kuendesha biashara kuendana na matakwa na taratibu za kushirikiana na wabia wapya ndani ya kampuni zinavyoelekeza. Hivi sasa tuna kamati mbalimbali katika Bodi yetu na tutafanya uteuzi wa wajumbe wengine ambao watakuwa na taaluma na juzi katika fani mbalimbali lengo kubwa likiwa ni kukuza biashara yetu kutokana na mkakati wa uwekezaji ulioidhinishwa na Bodi.

## Shukrani

Kufuatia kipindi cha miezi minane ya Uenyekiti wa Bodi ya kampuni na kipindi cha miaka mitano nikiwa mjumbe wa Bodi ya Vodafone, natangaza rasmi uamuzi wangu wa kujizulu kuanzia mwezi Mei 2017, kutoka kwenye shughuli za kampuni ya Vodacom na Vodafone kwa ujumla. Najivunia mno kuwa sehemu ya mafanikio ya ukuaji wa biashara za kampuni katika kipindi hicho na kushuhudia mchango wa kampuni katika kuleta maendeleo na mapinduzi ya kuboresha mawasiliano kwa Watanzania wengi.

Napenda kutoa kutoa shukrani zangu za dhali kwa wenzangu wote niliokuwa nao kwenye bodi ya Vodacom Tanzania na Vodafone kwa ushirikiano wao katika kutekeleza majukumu ya kazi. Nina imani kwa kusajiliwa katika soko la hisa, Vodacom Tanzania itakuza mtaji wake na kufanikisha dhamira yake kuu ya kutoa huduma bora zaidi sambamba na kufanikisha dhamira yake ya kuwaongoza Watanzania katika ulimwengu wa kidigitali.

Vivek Mathur  
Mwenyekiti

28 Juni 2017

# Managing Director's review

Ian Ferrao



For Vodacom Tanzania, this will be one of the most significant years in our proud 17-year history as it will culminate in our listing on the Dar es Salaam Stock Exchange ('DSE'). I look forward to welcoming on board our new shareholders and beginning a long and prosperous relationship.

Being the country's first telecommunications company to form an Initial Public Offering ('IPO'), in response to the government's mandatory listing requirements, is a testament to our long-standing commitment to Tanzania's growth and development. It also fully aligns with our vision and purpose of leading Tanzanians into the digital age by using our technology to empower the lives of our customers.

I firmly believe that our industry plays a transformational role in the communities in which we operate. By connecting people, our products and services change lives, making it easier for people and businesses to operate and providing better access to information. It is an industry that also drives positive social change in key areas such as education, health, agriculture and financial inclusion. For us to fully realise this potential, it is essential that we continue to succeed as a company and that we identify and deliver on the opportunities for growth in an increasingly competitive environment.

## Solid progress in a tough competitive context

I am very pleased with the solid progress that we have made this year, with our results exceeding both the profitability and operating free cash flow targets that were included in our prospectus<sup>1</sup> to investors. In the context of a highly competitive environment and some tough regulatory challenges, we performed well against our strategic priority areas, gaining customer market share after a particularly strong performance

in the second half of the financial year. Our continued investments in data, M-Pesa and enterprise paid dividends by lifting customer and revenue growth, with each of these areas providing a significant platform for sustainable growth.

Total revenue grew 0.9% this year to TZS 931.5 billion, with service revenue marginally down 0.4% to TZS 912.7 billion. The entry of a new competitor in 2015, accompanied by a very aggressive price play, negatively impacted growth during the first six months. This was offset in the second half through the strong commercial execution of our turnaround strategy. Our active customer base recovered in the second half of the year, reaching 12.6 million customers, up 2.2%. Average revenue per user ('ARPU') growth was further enhanced by our focus on customer segmentation and our successful personalised "Just 4 You" offers.

M-Pesa continued to be our standout performer, seeing revenue growth of 11.2% to TZS 249.6 billion, despite the negative impact of excise duty increases introduced in July 2016. This growth was driven by a 13.3% increase in the M-Pesa customer base to 8.0 million customers, and by higher transaction volumes and customer spend, aided by the expansion of our mobile money ecosystem. The launch of our new merchant payment solution continues to gain momentum, with over two thousand merchants transacting every month after only a five-month rollout period. M-Pesa customers now make up 63.0% of our active customer base, while M-Pesa revenues account for 27.3% of service revenue. We see exciting potential for further growth in M-Pesa, with the roll-out of our merchant payment systems, and our partnerships with financial institutions. This gives customers more reasons to hold an M-Pesa wallet.

We also experienced impressive growth this year in the number of data bundles sold and the volume of data traffic – growing by more than 20% and 50% respectively. Additionally, there was a 19.4% increase in active data customers, who now make up more than half of our active customer base. Despite this uptake, mobile

1. Our Initial Public Offering ('IPO') prospectus is available online at [www.vodacom.co.tz/investor-relations](http://www.vodacom.co.tz/investor-relations).

data revenue growth was relatively muted, increasing 1.1% to TZS 105.1 billion as revenue growth was offset by a migration from integrated bundles to voice-only bundles, and a reduction of out-of-bundle spend, coupled with greater competitive pressures that led to a reduced effective price per megabyte. Our focus in the year ahead will be to improve the monetisation of the data opportunity with our customers.

We continue to drive the adoption of data bundles through various targeted data propositions – such as our free text-based Facebook offering, SIMU.tv portal, Mzikii music app and Vodacom M-Paper. At the same time we will also make data services more accessible through our focused strategy on device subsidy and low-cost smartphones. As at March 2017, there were 1.7 million 3G users on our network, representing a 55% year-on-year increase in consumer migration from 2G to 3G. We expect continued acceleration in data usage over the medium term as we drive up the number of smartphones and provide users with a strong incentive to fully realise the potential of their devices through targeted offers and compelling data content.

In line with our vision of leading Tanzania into the digital age, our accelerated capital expenditure of TZS 417.9 billion over the previous two years has resulted in expanded coverage and a superior data network experience, placing Vodacom at the forefront of securing growth in mobile data. This year, our capital expenditure<sup>3</sup> of TZS 150.5 billion was predominantly directed at providing network capacity for both data and voice, 4G deployment, 3G network expansion and increasing 2G population coverage.

During the year we added 342 new 2G sites, expanded our 3G population coverage to about 28% of the population, and launched high-speed 4G coverage across Dar es Salaam, producing impressive average download speeds that are more than 60% faster than our next-best competitor<sup>2</sup>. Through investments made as part of a consortium, we deployed 1 500 km of backbone fibre, as well as 150 km of our own metro fibre, enabling us to cater for further significant data usage growth. Following our recent acquisition of additional spectrum access through our purchase of Shared Networks Tanzania, we are exploring additional spectrum acquisition opportunities that will enable us to take 4G into other regions in the country.

Our investment and management focus on enhancing our network experience and customer service has differentiated ourselves from our competitors. Our resulting brand leadership is evidenced by Vodacom Tanzania attaining the highest weighted net promoter score, a key indicator of customer satisfaction within our industry.

## Outlook

Looking ahead, we aim to maintain the encouraging momentum experienced in the second half of this year, by focusing our investments across our key strategic drivers: data, M-Pesa, and enterprise services. Despite the competitive environment, I believe that our superior data network, secure M-Pesa platform



**In the context of a highly competitive environment and some tough regulatory challenges, we performed well against our strategic priority areas, gaining customer market share after a particularly strong performance in the second half of the financial year. Our continued investments in data, M-Pesa and enterprise paid dividends by lifting customer and revenue growth, with each of these areas providing a significant platform for sustainable growth.**



and segmented consumer propositions will yield strong growth in the coming year, with the substantial investments we have made in previous years providing a solid foundation to monetise these opportunities.

We will seek to further enhance the customer experience through our network advantage, strong customer service and superior product offerings, while simultaneously driving cost efficiencies through our “Fit for growth” initiative.

Given the number of players in the market, and the level of investment required, we anticipate that there will be some consolidation in the Tanzanian telecoms sector in the foreseeable future. In this context, we will explore various options, including acquisition opportunities, in the belief that exciting potential for further growth and to drive greater efficiencies to the benefit of both operators and customers, remains across the sector.

I am confident that these approaches will ensure our resilience in a tough market, and enable us to deliver effectively on our core purpose: leading Tanzania into the digital age and changing lives through technology.

## Appreciation

In closing, I wish to thank my colleagues on the Vodacom Tanzania Board and executive team, as well as management and employees across the company, for their hard work and support over the course of this challenging year. The quality of the Vodacom team remains a significant source of our competitive positioning, and the foundation for our anticipated growth into the future.

**Ian Ferrao**  
Managing Director  
28 June 2017

2. Ookla Speed Test Report, April 2017.

3. Capital expenditure excludes the acquisition of Shared Networks Tanzania (‘SNT’).

# Taarifa ya Mkurugenzi Mtendaji

Ian Ferrao



Kwa Vodacom Tanzania, mwaka huu umekuwa ni kati ya vipindi muhimu katika miaka 17 ya kujivunia historia yetu ambayo itahitimishwa na kujisajili katika Soko la Hisa la Dar es Salaam (DSE). Nina shauku kubwa kuwakaribisha wanahisa watarajiwa katika familia ya Vodacom na ni matumaini yangu kuwa tutakuwa na mahusiano ya muda mrefu na yenye mafanikio.

Uthubutu tulioonyesha, kwa kuwa kampuni ya kwanza ya mawasiliano nchini kutekeleza hatua hii ya serikali inayotaka makampuni yanayotoa huduma za mawasiliano nchini kuuza sehemu ya hisa zake kwa umma kupitia soko la hisa, inadhihirisha tulivyodhamiria kutumia uwekezaji wetu kutoa mchango katika kukua uchumi wa nchi na kufanikisha malengo makubwa ya kampuni ya kuwaongoza Watanania, hususani wateja wetu, katika ulimwengu wa kijiditali na kubadilisha maisha yao kuwa bora na rahisi kupitia mtandao wetu.

Naamini sekta yetu imeleta mabadiliko chanya kwenye jamii nzima tunayoihudumia, kuanzia kunganisha watu kimawasiliano, kupata vifaa bora vya mawasiliano na huduma za kurahisisha maisha kwa kuyafanya kuwa ya kisasa, kurahisisha mawasiliano ya kibiashara, kuboresha huduma za afya, elimu, kilimo na kuwezesha wananchi wengi kuingia katika mfumo rasmi wa kupata huduma za kifedha. Tunajivunia kufanikisha haya yote katika mazingira ya ushindani mkubwa uliopo katika sekta ya mawasiliano nchini na kuendelea kushikilia hatamu ya kuwa kampuni kinara ya mawasiliano nchini.

## Mafanikio thabiti ndani ya ushindani mkubwa

Mafanikio makubwa ya kibiashara tuliyoyapata katika kipindi cha mwaka huu yanatia moyo, ambapo tumeweza kupata faida kama ambavyo vitabu vya Waraka wa Matarajio kwa ajili ya Toleo la Awali la Hisa za Kawaida<sup>1</sup> tulivyotoa katika mchakato wa kuuza hisa vinavyoonyesha. Mafanikio haya katika mazingira ya ushindani mkubwa uliopo na sheria ngumu za kuendesha biashara sambamba na usimamizi wa sekta ni jambo la kujivunia. Mafanikio makubwa ya mkakati kazi katika kipindi cha pili cha mwaka yametokana na ukauji

wa idadi ya wateja, kuimarisha uwekezaji katika huduma za data, M-Pesa, huduma za kurahisisha biashara, vyote vikichangia ongezeko la mapato ya kampuni. Mafanikio haya yote yametujengea uimara na kujiamini kuendelea kusonga mbele kibiashara na kupata mafanikio zaidi.

Mauzo yetu ya mwaka huu yameongezeka kwa asilimia 0.9% kufikia shilingi bilioni 931.5. Mauzo ya huduma yameshuka kwa asilimia 0.4% kufikia shilingi bilioni 912.7. Kuingia kwa mshindani mpya katika biashara mwaka 2015 ambaye alianza kutoa huduma kwa punguzo kubwa la bei kumeathiri ukuaji wa biashara zetu katika kipindi cha miezi 6 ya mwanzo wa mwaka. Pengo hili limezibwa na mkakati wetu mkubwa wa ukuzaji wa biashara tulitekeleza katika kipindi cha pili cha mwaka ambao uliwezesha kongezeka kwa wateja kufikia milioni 12.6 ikiwa ni ongezeko la asilimia 2.2%. Mapato kutoka katika matumizi ya huduma zetu kwa kila mteja yaliongezeka kutokana na mtazamo wetu wa kulenga kumpatia mteja huduma pekee anazohitaji kwa mfano huduma ya ofa iliyojulikana kama "Just 4You" inayompa mteja uhuru wa kupata huduma kadiri ya mahitaji yake.

Huduma ya M-Pesa pia imeendelea kupata mafanikio makubwa ambapo mapato yake yamekuwa kwa asilimia 11.2% kufikia shilingi bilioni 249 licha ya ongezeko la kodi ya ushuru wa bidhaa katika miamala ya huduma za fedha kupitia mitandao ya simu iliyoanza kutumika mwezi Julai 2016. Mapato kutokana na huduma hii yametokana na ongezeko la wateja wanaotumia huduma hii kwa asilimia 13.3% kufikia wateja milioni 8 na ongezeko kubwa la miamala ya wateja wakubwa. Kuanzishwa kwa vituo vya kulipia kwa M-Pesa katika biashara mbalimbali kunaendelea kupata mafanikio makubwa ambapo hadi sasa zaidi ya vituo 2,000 kwa mwezi vinatumia huduma hii ikiwa ni miezi mitano tu tangu huduma hii izinduliwe. Huduma ya M-Pesa inawezesha wateja wanaoendelea kutumia huduma zetu siku hadi siku kufikia asilimia 63.0% wakati mapato yatokanayo na huduma hii yanachangia mapato yetu kwa asilimia 27.3%. Mafanikio haya ya M-Pesa yanadhihirisha kuwa wananchi wengi pamoja na vituo vya biashara na taasisi nyingine, wanaitegemea na kuiamini huduma hii na wengine kuiona kama kibubu cha kuweka fedha zao kwa usalama zaidi.

1. Waraka wa Matarajio kwa ajili ya Toleo la Awali la Hisa za Kawaida wa Vodacom (Prospectus) unapatikana katika tovuta yetu ya [www.Vodacom.co.tz/investor-relations](http://www.Vodacom.co.tz/investor-relations).

Mwaka huu pia kumekuwepo na mafanikio ya ongezeko la wateja wa vifurushi vya data ambapo kumekuwepo na ongezeko la kati ya asilimia 20% na 50%. Ongezeko la wateja wa huduma ya data limepanda kwa asilimia 19.4% ingawa mapato yake yamekuwa na ongezeko dogo la asilimia 1.1% kufikia shilingi bilioni 105.5. Upungufu wa mapato kwenye huduma hii umefidiwa na huduma mbalimbali zilizoanzishwa katika vifurushi vya muda wa maongezi ambazo pia zinaathiriwa na ushindani mkubwa katika soko. Mkakati wetu mkubwa mwaka huu ni kuimarisha zaidi huduma za data na kuwezesha kuwepo kwa fursa nyingi za wateja wetu kuzitumia.

Tunaendelea kubuni huduma mbalimbali za matumizi ya vifurushi vya data kupitia mtandao wetu, na tayari zipo nyingi kama vile Facebook ya bure, programu ya Mziiki, Vodacom M-Paper na SIMU.Tv Portal. Tunao mkakati wa kuingiza kwenye soko simu za intaneti (Smartphones) za gharama nafuu, lengo likiwa ni kuawezesha wateja wetu wengi Zaidi kutumia huduma za data. Hadi kufikia mwezi Machi 2017 kulikuwepo na watumiaji wa intaneti ya 3G ya mtandao wetu wapatao milioni 1.7 ikiwa ni ongezeko la asilimia 55% ya wateja waliohama kutoka intaneti yetu ya 2G. Tuko kwenye mikakati ya kuhakikisha huduma za data zinaboreshwa zaidi kwa kiwango cha juu sambamba na mabadiliko ya teknolojia yanayoendelea kujitokeza kila siku.

Kuhusu utekezaji wa dira yetu kuu ya kuwaongoza Watanzania katika ulimwengu wa kidigitali, uwekezaji mkubwa wa kiasi cha shilingi bilioni 417.9 katika kuboresha huduma za kimtandao katika kipindi cha miaka miwili iliyopita umetuwezesha kuwa mbele kwa kuwa na mtandao mkubwa na bora zaidi wenye kutoa huduma za kiwango cha juu za data yenye kasi kubwa. Mwaka huu tumepanga kufanya uwekezaji<sup>2</sup> wenye thamani ya shilingi 150.5 bilioni ambazo zitaelekezwa kuboresha huduma za maongezi na za data, kutanua mtandao wa 4G, kukuza mtandao wa 3G na kuimarisha zaidi huduma inayotumiwa na wengi ya 2G.

Katika mwaka huu tuliongeza vituo vipya vya kuboresha mawasiliano ya 2G vipatavyo 342, kuongeza mtandao wa 3G na kuweza kuwafikia asilimia 28% ya wateja wetu na kuzindua intaneti yenye kasi kubwa ya 4G jijini Dar es Salaam. Mtandao huu wa 4G wenye kasi ya upakuaji wa nyaraka, video na picha kutoka mitandaoni umezidi kasi ya mitandao ya washindani wanatuafuatia kwa zaidi ya asilimia 60%<sup>2</sup>. Uwekezaji huu umetuwezesha kuwa na mtandao wenye mitambo ya huduma ya kisasa ambapo tumeweza kusambaza mtandao wa huduma hizi kwa kiasi cha urefu wa kilometa 1500 na kuimarisha mtambo wetu wa matumizi ya data ndani ya kampuni uliosambaa kwenye eneo la urefu wa kilometa 150 katika miji. Kutokana na hatua yetu ya kununua kampuni ya Shared Network tumeweza kupata masafa zaidi yanayotuwezesha kupanua mtandao wa intaneti ya 4G hadi katika mikoa mingine nchini zaidi ya Dar es Salaam.

Uwekezaji wetu sambamba na uongozi bora umejikita kuhakikisha wateja wanapata huduma bora tofauti na zinazopatikana kwa washindani wetu katika soko, ndio sababu mtandao wa Vodacom unashikilia hatamu ya kuwa kinara katika sekta ya mawasiliano kwa mujibu wa tafiti za ubora wa viwango vya mtandao ambazo zimekuwa zikifanyika mara kwa mara.

## Malengo ya mbele

Katika kusonga mbele, tunalenga kufanya vizuri zaidi kibiashara katika kipindi cha nusu ya mwaka huu na kutekeleza mkakati wetu wa uwekezaji bora kwa kuboresha zaidi huduma za data, M-Pesa na huduma za biashara kupitia mtandao wetu. Pamoja na ushindani mkubwa uliopo, nina imani mtandao wetu bora wa data, M-Pesa na huduma nyinginezo kwa wateja kutatuwezesha kufanikiwa zaidi



**Mafanikio haya katika mazingira ya ushindani mkubwa uliopo na sheria ngumu za kuendesha biashara sambamba na usimamizi wa sekta ni jambo la kujivunia. Mafanikio makubwa ya mkakati kazi katika kipindi cha pili cha mwaka yametokana na ukuaji wa idadi ya wateja, kuimarisha uwekezaji katika huduma za data, M-Pesa, huduma za kurahisisha biashara, vyote vikichangia ongezeko la mapato ya kampuni. Mafanikio haya yote yametujengea uimara na kujiamini kuendelea kusonga mbele kibiashara na kupata mafanikio zaidi.**



tukisaidiwa na uwekezaji wa mindombinu wa kuimarisha huduma ambao tayari umefanyika.

Tutaendelea kuwa karibu na wateja wetu kwa kuhakikisha wanapata huduma bora za kimtandao sambamba na kuwapatia huduma nzuri na kuzidi kufanya ubunifu wa huduma mpya bila kusahau kuhakikisha wanapata unafuu mkubwa wa gharama za mawasiliano za kutumia mtandao wetu kupitia mkakati wetu wa kukua kibiashara sambamba nao.

Kutokana na kuwepo kwa wawekezaji wengi wa sekta ya mawasiliano katika soko na uwekezaji unaotakiwa kufanywa kukuza sekta hii tuna imani huduma za mawasiliano nchini Tanzania zitazidi kuwa bora katika siku za mbele. Nasi tutatumia fursa zilizopo kuhakikisha tunakuza zaidi biashara zetu kwa manufaa ya kampuni na manufaa ya wateja wetu na watanzania wote kwa ujumla.

Nina imani malengo haya yakikamilika yatatuwezesha kuimarika na kuzidi kuteka soko na kufanikisha lengo letu la kuwaongoza Watanzania katika ulimwengu wa kijigitali na kubadilisha maisha yao kupitia ubunifu wa kiteknolojia.

## Shukrani

Mwisho kabisa nawashukuru wenzangu wote katika Bodi ya Wakurugenzi ya kampuni ya Vodacom, Maafisa Watendaji Wakuu, Wakuu wa vitengo na wafanyakazi wote popote walipo nchini kwa kufanya kazi kwa bidii kuweza na kwa uwezo wao mkubwa wa kukabili changamoto mbalimbali za kibiashara zilizojitokeza katika kipindi cha mwaka huu. Umahiri wa timu nzima ya wafanyakazi wa Vodacom ndio unaotuwezesha kuendelea kufanya vizuri na kukabiliana na ushindani na ndio msingi pekee wa kufanikisha malengo ya kuzidi kukua zaidi katika siku za usoni.



## Ian Ferrao

Mkurugenzi Mtendaji

28 Juni 2017

2. Ripoti ya Ookla kuhusiana na kasi ya mtandao ya Aprili 2017.

3. Uwekezaji katika mtaji ukiondoa ununuzi wa kampuni ya Shared Networks Tanzania (SNT).

# What we do

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

These activities enable us to ensure revenue growth and high growth in cash generation, which is used to reinvest in our business. This virtuous circle of investment, revenue growth, cash conversion and reinvestment generates value across our stakeholder groups, and enables us to deliver on our core purpose: leading Tanzania into the digital age and changing lives through technology.

## Our value chain activities

### 01 Spectrum, network and IT infrastructure



Most of our communication services depend on accessing spectrum, which we strive to secure at a competitive price through 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 TZS 568 billion in expanding and upgrading our mobile infrastructure network; we now have the fastest nationwide data network in the country.

### 02 Procurement activities



We manage a significant supplier landscape with total procurement spend in 2017 of TZS 251 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, over 30% of purchases were processed through the 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, over 65% of total procurement spend (over TZS 170 billion) was with local suppliers.

### 03 Product and service development



To maintain revenue growth, ensure revenue diversity and drive market share, we constantly seek opportunities to develop new products, services and pricing models. We are driving a segmented customer approach to ensure that we cater for all customers' needs, wants and behaviours in both the consumer and enterprise markets. In developing our products and services, we recognise the importance of developing a company culture that fosters innovation and a 'customer first' attitude that empowers our customers.

### 04 Customer service



Recognising that the quality of customer service creates a meaningful and sustainable differentiation, we are committed to providing the best customer experience, by deepening our insights into our customers and their needs across a range of consumer segments and geographic regions, and providing relevant targeted product and service offerings.

### 05 Sales and distribution



We use various sales and distribution channels including wholesale distributors, retailers, franchise stores, direct sales partners, street vendors and informal resellers. We have the largest retail footprint in Tanzania, with over 380 nationwide retail points, more than 17 thousand freelance distributors and 79 thousand 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.

### 06 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 change lives through 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.

# How we create value

We generate profit by efficiently utilising our network and mobile payment system to provide our customers with valued telecommunication and mobile financial services. Our competitive differentiation lies in the reach and quality of our network, the innovative nature and relevance of our products and services, the quality of the relationships we have with key stakeholders, and our proven ability to manage our cost base.

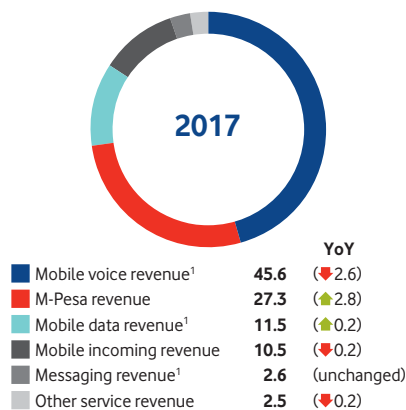
## Our revenues

Most of our revenue is generated from selling mobile voice and data – predominantly on a 'pre-paid' basis – as well as mobile financial services to individual customers and merchants, with the balance coming from messaging and various other communications services to both consumer and enterprise customers. We focus investment across our key strategic drivers – data, M-Pesa, and enterprise – which are expected to yield strong growth, and to combat the declining growth rates in our more mature and traditional revenue streams, such as mobile voice and messaging.

### Key revenue differentiators:

- Globally recognised brand with strong reputation across Tanzania;
- World class network with superior voice and data coverage, and state of the art technology;
- Largest retail footprint in the telecoms sector in Tanzania;
- Leading mobile financial service offering (M-Pesa), supported by a world-class second generation payment platform;
- Personalised offers to customers through our "Just 4 You" platform;
- Leading provider of communications services to the enterprise market in Tanzania with an ability to leverage global relationships as part of the Vodafone group;
- Highly experienced management team; and
- An ability to leverage off our relationships with both Vodacom and Vodafone groups, driving global best practice in performance.

### Service revenue composition (%)



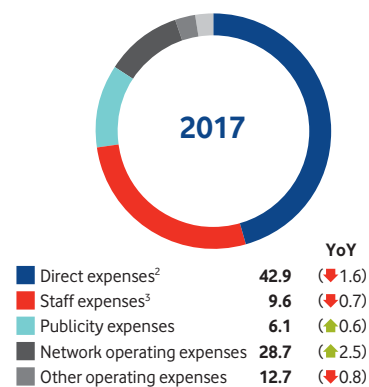
## Our costs

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 year we have realised considerable cost savings by enhancing efficiencies in network operating expenditure, renegotiating support services contracts and commenced the delivery of a leaner, more efficient business through organisational restructuring. Our resulting strong cash flow helps us to continue to upgrade and modernise our network, maintaining our leading position in network coverage, call quality and data speed. We also 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; and
- Robust governance processes for approving new or revised products and investments.

### Total expenses composition (%)



1. A revised allocation of integrated bundle revenue has been consistently applied across both years in alignment with Vodacom Group Limited's disclosure policies.

2. Excluding equipment costs.

3. Excluding restructuring costs.

# Our operating environment

Over the past year there were four trends in our operating environment that have had a material impact on our business. Vodacom's Vision 2020, the new strategy developed by Vodacom Group Limited, is designed to ensure that we are best positioned to manage the risks and realise the opportunities associated with each of these key trends.

## A challenging competitive landscape

Globally, the telecommunications and mobile sector has become highly competitive, not only between the main service providers but also from non-traditional sources such as over-the-top content, messaging and voice providers. The Tanzanian market is no exception, with new operators entering the market, and actively seeking to drive differentiation through a strong price play and capital investment in networks.

- ▶ Tanzania currently has seven mobile network operators, two fixed-line operators and some additional players licensed under a new converged regulatory regime. The four major mobile operators hold 95% of customer market share.
- ▶ The arrival in October 2015 of a new entrant was accompanied by a very aggressive pricing strategy aimed at gaining market share. With Tanzania having some of the lowest effective voice and data prices in Africa, this placed significant pressure on already tight operating margins and heightened the challenge of driving customer growth particularly in the lower-income market.

**Implications for our strategy:** Our ability to compete effectively, and to deliver a differentiated customer experience, still depends on the strength of our network, the quality of our customer care, and the pricing and nature of our services and devices – all areas in which we have already demonstrated very competitive performance, with the best network (as rated by Ookla), one of the best customer service NPS, and competitive pricing in many key product segments. The increasing competition, sometimes from unexpected sources, underlines the importance of remaining fast and flexible, and identifying opportunities for innovation. In addition, we closely monitor the activities of existing and new competitors and are also exploring opportunities for innovative partnerships.

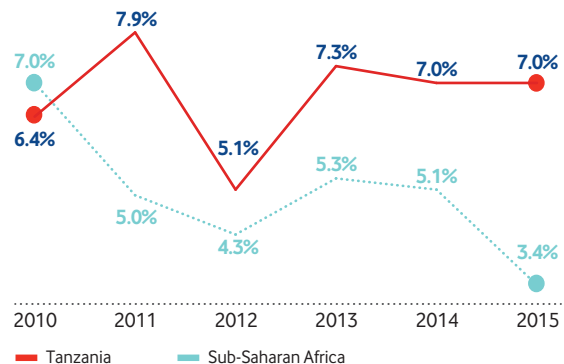
## A stable macro-economic environment, with some longer-term uncertainty

Tanzania is one of the fastest growing economies in sub-Saharan Africa, and is seen to have a generally favourable economic outlook, providing a strong foundation for future growth opportunities. However, there are downside risks, primarily as a result of uncertainty over the impact from the government's new policies on the private sector.

- ▶ Real GDP growth averaged 6.5% per annum between 2005 and 2015, during which time the telecommunications industry has increased its contribution to economic activity and job creation.
- ▶ We maintain a cautiously optimistic macroeconomic outlook, supported by increased investment anticipated for natural gas developments. Consensus short-term forecasts show real GDP growth of approximately 7.0% and headline inflation between the 5 – 7% level; this assumes stable commodity prices, United States dollar liquidity, and no economic shocks to Tanzania's major trading partners, most notably China.
- ▶ Rural consumer spending remains under pressure, with weak growth in the agricultural sector (around 20% of GDP) expected to continue.
- ▶ After remaining relatively stable in 2016, consensus forecasts are biased toward the depreciation of the Tanzanian shilling against major currencies. A weaker harvest and reduced mining activity may lead to reduced United States dollar inflows.

**Implications for our strategy:** Despite the current macro-economic stability, it is nevertheless anticipated that consumer spend will remain under pressure over the medium term. This underlines the importance of providing for this reality through personalised offers that are relevant to our customers' lifestyle and spend. In addition, through continued focus on our "Fit for growth" cost containment programme, we aim to achieve more resilient earnings growth that is less susceptible to short-term macroeconomic shocks.

Tanzania is one of the fastest-growing economies in sub-Saharan Africa



Gross domestic product, percentage change, constant prices.

Sources: National Statistics Office and the International Monetary Fund's World Economic Outlook Database, April 2017.

## Increasing regulatory and policy measures

Given our industry's importance to the country, our business is subject to significant legal and regulatory requirements and a high level of regulatory scrutiny. Government policy and regulatory decisions can have a significant impact on our business model.

**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. In addition, internal governance processes are in place with the aim of ensuring compliance with all regulatory requirements.

### Regulatory framework

The Ministry of Works, Transport and Communications and the Ministry of Finance are the ministries responsible for the industry in which we operate. The main regulators are the Tanzanian Communications Regulatory Authority (with jurisdiction over the telecommunications business) and the Bank of Tanzania (with jurisdiction over the mobile financial services). The Fair Competition Authority has jurisdiction over some anti-competitive matters. Following our listing on the main investment market segment of the Dar es Salaam stock exchange, we will also be subject to the rules of the bourse as well as those of the Capital Markets and Securities Authority on some other matters.

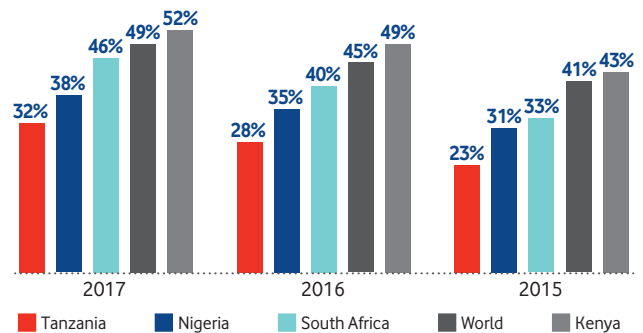
### Significant growth potential in data and related services

Globally, digital technology is disrupting traditional business models and significantly reshaping consumer behaviour, presenting exciting new opportunities for value creation and a potential source of business risk.

- ▶ The so-called 'fourth industrial revolution' – characterised by significant developments in artificial intelligence, big data analytics and the 'Internet of Things' – is being accompanied by increasingly connected consumers, who are significantly increasing their consumption, and expecting highly personalised interactions.
- ▶ In the mobile telecommunications sector, the fastest growth area is in data, driven by greater penetration of smart devices, improved networks and increased availability of data content. Globally, it is anticipated that smartphone users will double and data usage will increase by 7 – 11 times by 2020. The greatest demand for mobile services is coming from emerging markets, where there is a young and growing population base, faster levels of economic growth, less fixed-line infrastructure, and low (but rapidly rising) mobile penetration.
- ▶ We expect tremendous growth in data usage in the Tanzanian market in the medium term, given the current low levels of smartphone adoption (18%), relatively low mobile internet penetration (32%) and the country's young population (44% below the age of 15). It is anticipated that mobile subscriptions

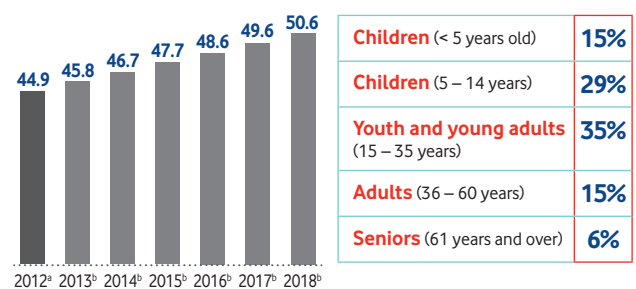
in the country could grow to 52 million by 2020, reaching a penetration rate of 84%. With a growing proportion of these customers using data and mobile money services such as M-Pesa, there are seen to be significant opportunities for the sector to grow the revenue base, particularly in rural areas which is home to around two-thirds of the country's population.

#### Mobile internet penetration<sup>1</sup>



1. Total mobile internet subscribers as of 31 March, expressed as a percentage share of the total market population. Source: GSM Association Intelligence.

#### A young, growing population



Sources: a. 2012 Population and Housing Census, National Bureau of Statistics; b. International Monetary Fund Staff Estimates, March 2017.

**Implications for our strategy:** To succeed in this emerging digital era, our new strategy overtly positions Vodacom to be a leading digital company, empowering a connected society. Digitalisation offers valuable opportunities for us to extend revenue streams beyond connectivity, and requires us to rethink the networks and technology of the future, redefine customer engagement and develop a company culture that attracts the best digital talent. It also presents unparalleled opportunities to drive positive social change in areas such as education, healthcare, financial services and agriculture.

# Our material risks

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

## Customer registration

We are subject to customer registration requirements for both our mobile telecommunications and mobile financial services businesses. These requirements are challenging given the availability of identification documentation in Tanzania. During the year, we have established robust policies and procedures to ensure compliance and enhance customer experience during the registration process. As of August 2016, all customer registration is performed electronically. This change has allowed us to establish improved data validation and verification procedures to ensure that the highest quality customer data, which complies with requirements, are collected by our dealers.

We remain committed to achieving compliance with the customer registration requirements and our continued participation in the Tanzania Communications Regulatory Authority (TCRA)-led steering committee, which seeks to establish a framework to improve customer registration in Tanzania, including the integration of the national identification database to the verification process.

## Increased competition

We are facing 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. Ensuring that we proactively anticipate, and where necessary respond to, changing market conditions is essential to maintaining revenue growth. As a result, we ensure competitor differentiation through our leadership in the quality and speed of our network. We also 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.

## Major network and billing infrastructure failures

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. We have comprehensive business continuity and disaster recovery plans in place, and continue to invest in maintaining and upgrading our networks, as well as ensuring that we maintain adequate redundancy capabilities.

## Fraud and money laundering

It is vital that the social benefits of both our network and mobile financial services are not compromised through criminal abuse. We continue to invest in systems that detect and minimise any impact from unauthorised use of our networks on both our customers and our business. As Tanzania's leading mobile financial services provider, we take our anti money laundering responsibilities very seriously, and continue to invest in robust systems and processes that are constantly monitored.

## Cyber security

We ensure that we maintain superior security programmes to protect, monitor and react to malicious cyber-attacks, and to ensure that our customers' information is protected. We have a world class monitoring centre to timeously identify attempted cyber attacks and conduct detailed scenario planning on an ongoing basis. Our network has been built with security in mind, and controls have been implemented based on world class industry standards.

### Unpredictable political, economic and legal risks

To navigate through political, economic and legal developments, we have a comprehensive stakeholder relations strategy in place, which proactively engages with both the government and regulators. Where appropriate, we may co-ordinate such engagements with relevant business and industry forums.

### Tax risk

Our industry can often be subject to unpredictable increases to direct and indirect taxes. As a result, we have specialised tax management capabilities, and seek expert tax advice as needed. Tanzanian tax law can be complex and subject to various interpretations. This has resulted in the Group having several tax matters pending in the tax courts. Over the last few budget cycles, the government has increased excise duty and extended the application of value added tax across the services that we provide. Currently, 36% of the value of a Vodacom Tanzania airtime voucher is taxed, which is the highest rate across all countries where Vodacom Group Limited operates.

### Regulatory decisions and changes in regulation

Given our industry's importance to the country, our business is subject to significant legal and regulatory requirements and a high level of regulatory scrutiny. Our business model can be affected by regulatory decisions relating to: the licensing of existing and new operators; the allocation of spectrum and telephone numbers; the setting of regulatory fees and levies; the regulation of retail tariffs and wholesale services; and the enforcement of license and other regulatory obligations. To manage the impact of these issues, we have an established regulatory and government relations team who have access to best practice and international debate through both Vodacom and Vodafone groups. The team actively participates in legislative and regulatory changes through written submissions and formal hearings.

### Quality of service

The TCRA periodically measures the quality of service provided by all operators and compares results to their network performance obligations. Ensuring that we meet the TCRA's expectations remains a top priority for our management team. Recently, the TCRA has heightened their focus on enforcing quality of service standards by penalising operators for poor performance. During the year, we have had productive engagements with the TCRA to clarify measurement methodologies, and we have partnered with world class vendors to further optimise our network, ensuring that the best possible customer experience is achieved.

### Spectrum availability

As recognised by the government, there are significant challenges regarding the availability of spectrum. To meet our quality of service obligations over future years, we will need additional spectrum. We support the government's plans to allocate additional spectrum under their "digital dividend" spectrum auction.

01 **Monetise data and digital opportunities**

Given the current low smartphone penetration, the country's young population, and the rapidly growing demand for digital media and services, we believe that there is significant potential for data growth. We aim to monetise these growth opportunities through three key areas: further expanding network capacity; providing innovative and differentiated data-centric propositions; and increasing smartphone penetration.

**Our 2017 performance**

We have seen encouraging performance this year in each of these areas, and in so doing have been delivering on our vision of leading Tanzania into the digital age and changing lives through technology.

**Network expansion**

- ▶ This has been a good year in terms of expanding network capacity in both voice and data. We added 342 2G sites, bringing the total to 2 879 sites nationwide, covering 89% of the population with GSM, GPRS and EDGE services. We expanded our 3G sites to 2 038, adding 612 sites over the year, expanding our 3G coverage to around 28% of the population. We also launched our commercial 4G services, with 278 4G sites providing the fastest data speeds in Dar es Salaam, and we successfully migrated the legacy M-Pesa platforms to the new second generation 'G2' Vodafone financial services platforms, providing improved stability, availability and performance.
- ▶ Our network rollout and optimisation initiatives contributed to significant improvements in network quality. On voice, the network is available more than 99% of the time, with very low dropped-call rates (less than 0.6%) and high call-setup success rates (greater than 99%). In terms of data, we have overtaken a key competitor in terms of both data speed and coverage for 3G.
- ▶ Pending the government's spectrum auction, we have re-farmed some of our existing spectrum for deployment of our 4G services in Dar es Salaam, acquired spectrum access through our purchase of Shared Networks Tanzania, and have been exploring additional spectrum acquisition opportunities.

**Segmented data-centric propositions**

- ▶ We have placed a strong focus this year on our pricing transformation strategy and developing targeted personalised customer offerings, aimed at providing customers with greater value. We have seen good uptake of the personalised price offerings available through our "Just 4 You" platform, which currently has more than two million monthly users.
- ▶ We have increased the number of data-active customers and increased data consumption by providing personalised data bundles and by increasing the availability of compelling digital content, such as our SIMU.tv portal, Mzikii music app, Vodacom M-Paper and our free text based Facebook offering.
- ▶ The uptake of our data bundles and content offerings has been boosted by our very successful marketing campaign, highlighting the positive impact of digital services and positioning the Vodacom brand as an important part of our customers' lives. This has been supported by our strong on-the-ground presence with more than 17 thousand freelance sales distributors country-wide.

**Smart device penetration**

- ▶ We have continued to increase the uptake of 3G and 4G smart devices by increasing the availability of lower-cost devices through targeted procurement and by developing our own affordable Vodacom-branded devices. By year-end, there were 1.7 million 3G and 43 thousand 4G<sup>1</sup> users on our network, representing a 55% year-on-year increase in consumer migration from 2G to 3G.

1. Following our 4G network launch in May 2016.



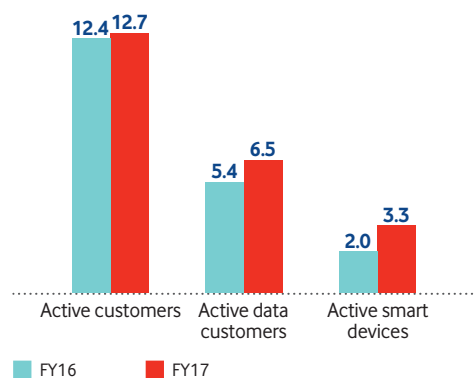
## Our focus areas

We have a clearly defined strategy that is aligned with the Vodacom Group's Vision 2020 ambitions for driving significant data growth, with commitments relating to network expansion, developing personalised data-centric propositions, and maintaining a strong focus on enhancing the customer experience.

- ▶ We will be further expanding and upgrading our 2G and 3G population coverage countrywide, and (subject to spectrum availability) we will be expanding our 4G coverage in the coastal region and major cities, to ensure that we remain competitive in voice and data services.
- ▶ In upgrading our transmission network capacity, we will be investing in fibre, both as part of the country's national information and communications technology ('ICT') broadband backbone in a consortium with three other mobile network operators, as well as to support our 3G/4G rollout in the major cities. As part of our commitment to developing new Enterprise solutions, we will be deploying technologies such as network function virtualisation ('NFV') and software-defined networking ('SDN'), driving Enterprise Unified Communications, cloud solutions, and Internet of Things ('IoT') applications, and further improving our cyber security measures.
- ▶ In line with our goal of becoming a digital organisation, we will be investing in data analytics, and IT-based customer engagement and management tools, to deepen our insights of customers' expectations and behaviour, and inform the development of personalised propositions.
- ▶ We will be working to further enhance the customer experience, with a particular priority being on training call centre staff and our sales representatives throughout the country.

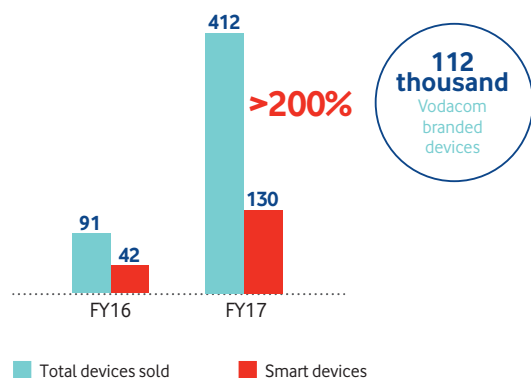
### Data customers and smart devices

(million)



### Device sales

(thousand)



02 

## Accelerate customer growth through M-Pesa



Launched in Tanzania in 2008, Vodacom's mobile money service, M-Pesa, has been a catalyst for the affordable, safe and convenient movement of money for individual customers and businesses across the country. Today, we have over 8.0 million M-Pesa customers, supported by over 79 thousand agents, with approximately TZS 100 billion of transaction value going through M-Pesa each day. The dramatic uptake of mobile money transactions has been a phenomenal success story, significantly increasing financial inclusion and economic opportunities across Tanzania, while serving as an important revenue and reputation driver for Vodacom Tanzania. With M-Pesa integral to the Tanzanian economy, we believe that there remains exciting further growth potential.



**M-Pesa is Tanzania's leading mobile money service that transformed the lives of millions of our customers and significantly enhanced financial inclusion across the country. ”**

### Our 2017 performance

- ▶ This has been a successful year for our M-Pesa activities, with M-Pesa revenue growing 11.2% to TZS 249.6 billion despite the negative impact of the recent increase in excise duty on M-Pesa commissions. This revenue growth was underpinned by an increase of 936 thousand active new customers, up 13.3% year-on-year, and an 18.0% increase in the number of transactions. M-Pesa customers now make up 63% of our active customer base, with M-Pesa revenue accounting for 27.3% of service revenue, up from 24.5% in 2016.
- ▶ During the year we launched our innovative new merchant payment solution, enabling customers to pay via M-Pesa at over two thousand merchants across Tanzania, and providing business owners with full control of their electronic accounts. This service offering is free to both the customer and the merchant, and provides merchants with the ability to use the collected funds to pay other businesses, make bank deposits, withdraw from an agent or send to his or her mobile number. The merchant solution is also fully interoperable with other mobile network operators and mobile banking services.
- ▶ We successfully completed the migration to our second-generation ('G2') M-Pesa payment platform, which has improved service availability, and given us the capability to roll out new products and services faster, ensure better integration with our partners, and enable Tanzanian software developers to innovate using the platform.
- ▶ We have continued to develop and roll-out a range of new services, including: our M-Pawa savings and loans platform, which allows our more than 5.0 million registered customers to gain access to a savings account and draw a loan for a small fee payable through M-Pesa; and our international money transfer service, enabling M-Pesa customers to send money to Kenya for a small fee through their M-Pesa accounts.
- ▶ Towards the end of the year we launched our exciting new M-Pesa app that has unique innovative features to improve our customers' experience, such as QR code payments, easier access to contacts and predefined amounts.
- ▶ The continued strong uptake in M-Pesa has also benefitted from being fully interoperable with the mobile financial services offered by our competitors Tigo and Airtel, as well as by the further growth in the number of M-Pesa transacting agents across the country, who are benefitting from a new commission structure.



### Our focus areas

Despite the increasingly competitive market, we anticipate continued strong growth in M-Pesa revenue and transaction volumes, with the roll-out of our M-Pesa merchants, and our partnerships with financial institutions, further incentivising customers to hold an M-Pesa wallet. We have various initiatives in place to realise the growth opportunities that M-Pesa presents.

- ▶ Our immediate focus will be to continue to increase the product penetration across our base, increasing revenues from our core M-Pesa offering while controlling costs and growing margins.
- ▶ We will target our product offerings at specific customer segments to ensure that our pricing offers customers the best value and rewards customer loyalty.
- ▶ We will be placing particular focus on our M-Pesa-related offerings for business, which we believe will significantly increase the volume of transactions and provide a scalable platform from which to offer services such as savings and loans products; this will include the launch of an innovative M-Pesa app specifically for our business customers.
- ▶ We will also further increase our distribution network to ensure that M-Pesa and related services are available throughout Tanzania.

#### Large ecosystem

**>79 thousand agents**

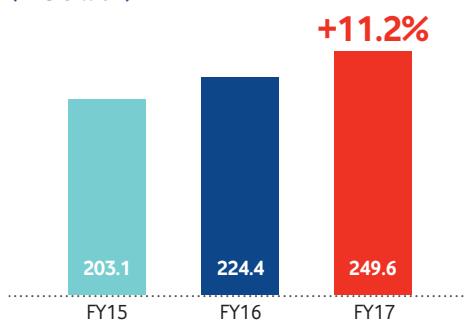
**>two thousand merchants**

**63%** of customers use M-Pesa;  
**8.0 million** customers

**>5.0 million** M-Pawa customers with  
**>TZS200 billion** received in deposits since launch

#### M-Pesa revenue

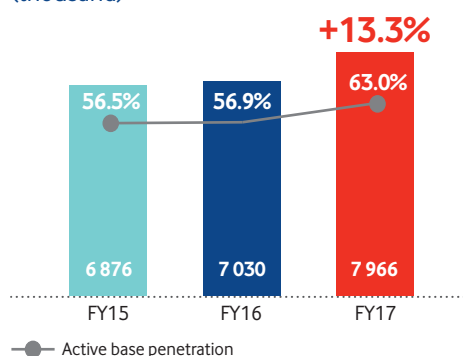
(TZS billion)



- ▶ **27.3%** of service revenue
- ▶ **18.0%** growth in billable transactions
- ▶ **5.5%** growth in average customer spending

#### M-Pesa customers

(thousand)



● Active base penetration

03



## Continued enhancement of our Enterprise offering



Vodacom Tanzania is the leading provider of communications services to the large enterprise market in Tanzania.

### Our 2017 performance

We made solid progress this year in growing the enterprise business, scaling our converged services offerings in mobile voice and data and fixed line services, including virtual private networks, multiprotocol label switching ('MPLS'), cloud and hosting solutions, and the Internet of Things ('IoT'). We service multiple industry segments, using targeted solutions to meet the customer needs, and we are complementing this by building multiple sales and services channels.

- ▶ Although our enterprise business currently makes up a relatively small proportion of service revenue, we are encouraged by the trends we are seeing and believe enterprise to be a key strategic driver of future growth.
- ▶ During the year we continued to deploy state of the art technology to enhance our product portfolio and position ourselves as market leader for all communication solutions relating to voice, data, leased lines, PABX connectivity, international connectivity, WiMAX solutions, remote communication solutions over satellite and banking solutions.
- ▶ We have secured exciting new business partnerships in which we are using M-Pesa to drive the uptake of cashless (digitalised) value chains.
- ▶ We have made further progress in developing the right capabilities and culture needed to be an effective enterprise-led player, both through our internal skills development initiatives and in the recruitment of relevant new skills in areas such as data analytics.



**We believe that there is significant potential for further revenue and customer growth across the sector, building on our existing processes, systems and reputation as a mobile player as we move to becoming a total communications solutions provider.**

### Our focus areas

To deliver on our growth ambitions for the enterprise business we will be looking to maintain our leadership in mobile, while expanding our presence in fixed and next generation networks. We will be developing segmented propositions to enhance our product portfolio for business customers in areas such as cloud, fibre and hosting solutions, and will seek to take these to scale through new business partnerships and alternative business models.

- ▶ We see particular opportunities in the small and medium-sized enterprises ('SME') and small office, home office ('SoHo') segment, where we aim to become the digitalisation partner of choice by developing insight-lead, tailored propositions with a strong focus on cloud-based apps and converged solutions.
- ▶ We will seek to gain market share among larger business customers by providing managed services – such as outsourcing and hosted infrastructure and applications – which we see as key growth drivers in the Tanzanian market. We will also continue to pursue opportunities in providing tailored services to universities, schools, embassies and other public enterprises, as well as realising the significant growth opportunities in multinational corporations with offices in Tanzania, leveraging off our existing capabilities, network leadership and strengths as being part of both Vodacom and Vodafone groups.
- ▶ Over the medium and longer term we aim to scale up our IoT offerings, harnessing Vodafone's expertise in this area and its extensive resources in Africa, such as its dedicated IoT platform, automotive capabilities and remote monitoring and control services platform.
- ▶ We will be developing our customer relationship management ('CRM') platform, and enhancing our skills in data analytics, needed to understand our customers, develop appropriate segmented propositions, and ensure leadership in customer experience.

## 04

### Maintain brand leadership, and retain and increase market share



Vodacom Tanzania has developed a strong reputation with key stakeholders – including customers, regulators, the media and the general public. We have one of the most recognisable brands in the country that frequently leads reputational rankings. Our goal is to ensure that Vodacom remains the customer brand of choice, with a brand that reflects our core purpose of leading Tanzania into the digital age and changing lives through technology.

#### Our 2017 performance

- ▶ We have continued to engage regularly with our stakeholders, using a structured communication plan for each stakeholder group to ascertain and seek to address their priority interests. Priority engagements this year included our Initial Public Offering ('IPO') and continuing engagements on regulatory, policy and taxation matters.
- ▶ We track Vodacom's reputation and levels of stakeholder trust through various means. In addition to monitoring our weighted customer net promoter score ('weighted NPS'), we commission 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. Our latest survey shows that we have maintained our overall reputational leadership, and increased our lead relative to our telecoms competitors. 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 performance, ethics, innovation and network reliability by most stakeholders.
- ▶ Our globally recognised brand has gained further strength following our decision to become the official sponsor of the Tanzanian premier football league (the 'Vodacom Premier League'), which has led to more widespread coverage of the league and ushered in a new era in the most popular sport in Tanzania.

“ We aim to build trust with our stakeholders by ensuring operational excellence and nurturing our reputation for playing a transformational role in the communities in which we operate. ”

#### Our focus areas

To further strengthen our competitive position across our mobile business, we are introducing market differentiated, personalised offerings, seeking to provide consistently high-quality customer service, and creating new platforms for communicating with customers. Over the medium term, we intend to leverage and expand our distribution network through new channels such as additional direct sales points and new franchise shops in order to consistently reach our customers.

## 05



## Actively managing cost and process efficiency



Our aim is to improve operating leverage and maintain resilient earnings growth through our focus on cost containment. We have a strong track record of driving operational efficiencies through our “Fit-for-growth” programme, a Vodafone group-wide initiative that allows us to leverage global best practice on optimising costs.



**This year, we realised savings of over 10% of our total expenses as a direct result of our focused efficiency drive across the company.** ”

### Our 2017 performance

This year, we realised savings of over 10% of our total expenses as a direct result of our focused efficiency drive across the company.

- ▶ **Network related cost optimisation**  
We optimised our network rollout to expand only in those areas that will be most impactful from a coverage perspective. In addition, we unlocked significant savings through sharing network infrastructure with other operators, consolidating tower leases and increasing various lease tenures to yield cost benefits. We reduced operating lease rental costs by 29.8% during the year.
- ▶ **Distribution**  
As the market leader in mobile financial services, we were able to unlock greater savings through increasing the proportion of airtime sales made through M-Pesa to above 40%.
- ▶ **Support services**  
We have reviewed all support services arrangements and re-negotiated the scope and rates where possible.
- ▶ **Global purchasing power**  
As part of Vodafone, we continued to benefit from the global purchasing power of the Vodafone Procurement Company (‘VPC’), and have expanded the number of categories in which we utilise this centralised procurement function.

### Our focus areas

We will continue to drive savings through our focus on enhancing the above initiatives, as well as achieving further savings through introducing various new initiatives, including:

- ▶ **People efficiency**  
We will secure valuable savings by streamlining our administrative functions and implementing a leaner, more efficient employee structure. Our move to a new head office and workspace digitalisation drive will promote improved efficiencies and facilitate greater collaboration, as well as delivering material financial savings over the medium term.
- ▶ **Publicity cost optimisation.**  
We aim to gain significant savings after having optimised our media spend, primarily through a migration from traditional to digital media.
- ▶ **Foreign exchange risk management**  
As part of our broader foreign exchange risk management policies, we will continue to place a significant focus on localising our expenditure and reducing our foreign-denominated operating expenditure as far as possible.

# 06



## People. Best talent, best practice



We pride ourselves on being an employer of choice. Since our inception, we have focused on attracting and retaining the best employees. Furthermore, we promote cross-functional engagement to improve team effectiveness and drive a culture of high performance and operational excellence.

### Our 2017 performance

Having delivered an organisational turnaround during the previous financial year, our focus was predominantly on the following four areas this year:

- ▶ **Building employee and leadership capabilities**  
We have continued to invest in employee training and leadership development across each of our divisions, strengthening our existing core capabilities and developing the necessary new skills to be a leading digital enterprise. This included developing new technical skills in areas such as customer value management. As part of our talent management programme, we sent six of our high potential employees on various assignments within the Vodafone group, and provided leadership and management training to more than half of our total employees.
- ▶ **Attracting and retaining key skills**  
In addition to developing skills internally, we have been attracting skills from outside our traditional business areas to ensure that we have the right talent for our new business activities. We recruited 10 graduates in the year, of which the majority are proficient in data analytics, a core skill needed to develop our customer value management capability.
- ▶ **Engaging employees and building the employee brand**  
We make it a priority to engage with our employees to understand their views. As well as benchmarking levels of staff engagement with other high performing companies (including those within the Vodacom and Vodafone groups) on an annual basis. We also participated in this year's Top Employer Institute's global certification and benchmarking process, where we were certified as a 'Top Employer'.



**Through the Vodacom and Vodafone groups, we are able to leverage from global best practice and provide our employees with access to global career development opportunities, including regional and international assignments, short-term rotational secondments, structured mentoring programmes and ongoing education and leadership development opportunities.**

### Our safety performance

No fatalities occurred during the year ended 31 March 2017. Road-related accidents remain the highest causal factor of safety incidents with 6 high potential road accidents and 1 minor accident all without injuries. To encourage improved road safety, we have revised our occupational driving standard, which also applies to all suppliers.

### Our focus areas

In line with the Vodacom's Vision 2020, our longer-term objective is to build an organisation of the future, driven by a culture of innovation, agility and new skills. In the short and medium term, we will be focusing on the following areas:

- ▶ Leading the transition to a more collaborative, high performance work environment as we move to our new head office.
- ▶ Driving our localisation and gender diversity strategy, 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.
- ▶ Continuing to drive customer-obsessed and brand-ambassador mind-sets across all our employees.
- ▶ Maintaining and further improving Vodacom's strong employer brand and reputation.





# The Vodacom ❤️ Tanzania Foundation

The Vodacom Tanzania Foundation (‘the Foundation’) is the corporate social investment arm of the Group. The Foundation leverages on our technological capabilities to improve people’s lives in Tanzania. Since its establishment, the Foundation has invested over TZS 15 billion in more than 130 projects, partnering with a range of stakeholders to deliver pioneering projects aimed at promoting healthcare, education and social innovation, making a remarkable contribution to the communities we operate in.

## Our 2017 activities

The Foundation leverages technology to create a better society, partnering with the government and various other organisations that are making significant improvements to healthcare, education and financial inclusion across the country.

During the year, the Foundation supported and invested in various projects across each of its key focus areas.

## HEALTHCARE

- ▶ Tanzania has some of the highest rates of maternal mortality in the world, with an estimated 454 women dying per 100 000 births in the country, and around 66 000 babies dying within their first month. The number of women suffering complications during childbirth is high, with an estimated 3 000 new cases of obstetric fistula each year. Since 2010, the Foundation, through its “Moyo” campaign, has been working closely with the Comprehensive Community Based Rehabilitation in Tanzania (‘CCBRT’) hospital in Dar es Salaam to facilitate free travel and treatment for women with obstetric fistula. Our “text-to-treatment” project assists doctors and over 400 community ambassadors across Tanzania to raise awareness, identify and refer patients for treatment. Through this initiative, the hospital sends funds via M-Pesa to pay for the patient’s bus fare. Since the Foundation started supporting the programme, over 2 200 women from across the country have been treated.
- ▶ The success of this initiative is now being replicated in mobilizing maternal health in Tanzania, starting in the rural areas in Sengerema and Shinyanga. Using a network of more than 100 taxi drivers, the Foundation responds to emergency calls, taking pregnant women on what is often a three hour journey to reach the nearest hospital. Once women arrive at the hospital, the emergency taxi drivers are paid using M-Pesa. The ambulance taxi service is complemented by a mobile application that has been developed for the community health workers, which enables them to maintain a register of pregnant women and keep track of those who are deemed to be subject to a high risk of complications occurring during childbirth.
- ▶ Our “hakuna wasichoweza” partnership, aimed at curbing girls’ truancy in schools through the provision of sexual health education and female hygiene products continues to yield positive results, benefitting over 10 000 girls across the country since its launch in 2014. This partnership with the Tanzania Marketing and Communications Company (‘TMARC’) was initiated in the southern Tanzanian region of Mtwara, and has since moved to the neighbouring region of Lindi, with the aim of delivering innovative communications which invoke behavioral change across more communities and improve people’s lives across Tanzania.
- ▶ In addition, we continue to support efforts to reduce infant mortality through the provision of free pregnancy and early childcare advice via SMS through our “healthy pregnancy, healthy baby” partnership programmes. To date, 55 million free SMS messages have been sent, with over one million women registered to this service.

## EDUCATION

- ▶ We are making an important contribution to support the government's efforts to introduce the information and communication technology ('ICT') curriculum and provide children across the country with access to technology. In addition, we are pioneers of free online education and actively promote digital literacy among primary and secondary schools throughout Tanzania. Through our "smart schools" project, in partnership with Samsung, we have installed "smart classrooms" in schools which 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. Thus far we have provided more than 6 000 students and 150 teachers with devices, connectivity and online education.



## OTHER PARTNERSHIPS

We have established various partnerships across a number of programmes relating to health, education, sanitation and agriculture.

- ▶ In Sub-Saharan Africa, access to financial services can be extremely challenging and women often find it harder than men to access land, equipment and other assets that would enhance their capacity to grow their businesses and improve their livelihoods. Our programme in Tanzania, "Business Women Connect" ("BWC"), uses our mobile money services, M-Pesa and M-Pawa, to help women micro-business owners increase revenue and access loans via their mobile. BWC was launched in 2016 in a partnership between TechnoServe, Vodacom, ExxonMobil Foundation, the World Bank and the Centre for Global Development. Since its launch, the programme has trained nearly 3 000 women in the use of M-Pawa while nearly 2 000 participants have also received business skills training.
- ▶ Our innovative "M-Kopa solar" partnership provides customers, who have no access to the electricity grid, with solar powered lighting which uses M-Pesa as a means of payment.



## Looking forward

According to the United Nations Educational, Scientific and Cultural Organization ('UNESCO'), there are two million children in Tanzania that do not attend school. Furthermore, reports from Twaweza and HakiElimu indicate that, in certain areas, this problem applies to as high as 41% of children which are of school age.

To support the government's digital literacy initiatives, the Foundation is leveraging mobile technology through Vodacom's "instant schools" platform, which provides students with study resources for mathematics and science in order to encourage self-study. Consequently, hundreds of thousands of students and teachers across Tanzania will be able to access high quality study resources through our high speed data network. The Foundation is supporting the global goals for sustainable development through this initiative, promoting inclusive and more equitable learning environments for all.

In the year ahead, over and above the current healthcare and education initiatives, the Foundation will focus on an e-learning platform for both primary and secondary school students in Tanzania. This will be developed in partnership with the government, academic content providers and development finance institutions. Use of this service will be zero-rated for all Vodacom Tanzania customers.

This initiative is of paramount importance to our country, which has more than ten million students attending primary and secondary schools with high student-to-teacher ratios. The Foundation will launch this programme this year and will continue to work with various partners to provide multifaceted learning resources in multiple languages.

We strongly believe that connectivity and online content provide the stepping stone for improved education across Tanzania. We are committed to delivering real and sustainable positive changes to the lives of as many people as possible, by leveraging our technology to connect people and address issues of national importance.

# Our financial performance



This section provides a succinct review of our financial performance with commentary for the year ended 31 March 2017.

	Year ended 31 March		Year-on-year % change
<b>Consolidated, TZS m</b>	<b>2017</b>	<b>2016</b>	<b>16/17</b>
<b>Service revenue</b>	<b>912 715</b>	916 003	(0.4)
of which			
<b>Mobile voice revenue<sup>1</sup></b>	<b>416 349</b>	441 213	(5.6)
<b>M-Pesa revenue</b>	<b>249 600</b>	224 394	11.2
<b>Mobile data revenue<sup>1</sup></b>	<b>105 118</b>	103 930	1.1
<b>Mobile incoming revenue</b>	<b>95 981</b>	97 821	(1.9)
<b>Messaging revenue<sup>1</sup></b>	<b>23 383</b>	24 093	(2.9)
<b>Revenue</b>	<b>931 515</b>	923 345	0.9
<b>EBITDA</b>	<b>252 591</b>	285 643	(11.6)
EBITDA margin (%)	<b>27.1</b>	30.9	(3.8) ppts
<b>EBIT</b>	<b>95 238</b>	120 429	(20.9)
<b>Capital expenditure</b>	<b>150 537</b>	216 480	30.5
Capital intensity <sup>2</sup> (%)	<b>16.2</b>	23.4	(7.2) ppts
<b>Customer market share<sup>3</sup> (%)*<sup>1</sup></b>	<b>31.7</b>	31.3	0.4 ppts
<b>Active customers<sup>4</sup> (thousand)</b>	<b>12 653</b>	12 375	2.2
<b>M-Pesa customers<sup>5</sup> (thousand)</b>	<b>7 966</b>	7 030	13.3
<b>Active data customers<sup>6</sup> (thousand)</b>	<b>6 463</b>	5 415	19.4
<b>MoU per month<sup>7</sup></b>	<b>157</b>	124	26.6
<b>ARPU<sup>8</sup> (shillings per month)</b>	<b>6 003</b>	5 972	0.5
<b>Number of employees</b>	<b>525</b>	546	(3.8)
<b>Number of sites</b>	<b>2 914</b>	2 572	13.3
4G	<b>278</b>	–	n/a
3G	<b>2 038</b>	1 426	42.9
2G	<b>2 879</b>	2 537	13.5
<b>Weighted NPS<sup>9</sup> (position relative to competitors)</b>	<b>1st</b>	2nd	

#### Notes:

1. A revised allocation of integrated bundle revenue has been consistently applied across both years in alignment with Vodacom Group Limited's disclosure policies.
2. Capital expenditure as a percentage of revenue.
3. Quarterly Communications Statistics Reports, Tanzania Communications Regulatory Authority ('TCRA').
4. 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.
5. M-Pesa customers are the number of unique customers who have generated billable transactions during the last three months.
6. 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.
7. 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.
8. ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period.
9. 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.

## Our 2017 performance

- ▶ **Service revenue** for the year was marginally down 0.4% to TZS 912.7 billion, with an improved growth trend in the second half of the year, while **Revenue** grew 0.9% to TZS 931.5 billion, supported by equipment revenues from smartphone promotions designed to invoke greater 2G to 3G migration. During the period we have sold more than 441 thousand devices. The entry of a new competitor in 2015 continued to weigh pressure on the industry and impacted performance during the financial year, albeit with recovery being seen during the second half of the year. Through strong commercial execution, we were able to successfully combat these pressures, increasing our **customer market share** to 31.7% during the year<sup>10</sup>.
- ▶ **Service revenue** growth recovered to 1.5% in the second half of the year as we leveraged our superior network and customer value management capabilities to successfully differentiate ourselves through data speeds, personalised offers and value. Through optimising incentives and efficiency within our channels, our **active customer** base recovered in the second half of the year, reaching 12.6 million customers, up 2.2% for the year. **Average revenue per user** ('ARPU') growth was further enhanced by our focus on customer segmentation and personalised "Just 4 You" offers.
- ▶ **Mobile voice**<sup>11</sup> revenue decreased 5.6% to TZS 416.3 billion. **Minutes of use** ('MoU') per month has increased 26.6% as a result of greater adoption of voice-only bundles.
- ▶ **M-Pesa** revenue grew 11.2% to TZS 249.6 billion as we continued to see strong base growth of 13.3% during the period to 8.0 million customers, as well as higher transaction volumes and customer spend as we continue to expand the mobile payment ecosystem. **M-Pesa customers**<sup>12</sup> now make up 63.0% of our active customer base, an improvement of 6.1ppts from the prior year, and M-Pesa revenues now account for 27.3% of service revenue, an improvement of 2.8ppts from the prior year.
- ▶ **Mobile data**<sup>11</sup> revenue increased 1.1% to TZS 105.1 billion. The number of data bundles sold and data traffic grew by more than 20% and 50% respectively. However, revenue growth was offset by migration from integrated bundles, inclusive of data, to voice-only bundles, as well as a reduction in out-of-bundle spend during the year. We continued to drive the adoption of data bundles through targeted data propositions, such as our free Facebook offerings, while ensuring customers have access to attractive low cost smart devices in order to facilitate greater 2G to 3G migration. As a result, we have seen demand for mobile data services accelerate and have gained 1.0 million additional customers during the period to reach 6.5 million, up 19.4%. **Active data customers** now make up 51.1% of our active customer base, an improvement of 7.3ppts from the prior year.
- ▶ **Mobile incoming** revenue declined by 1.9% to TZS 96.0 billion as a result of incoming international minutes declining by 17.1% and 6% mobile termination rate ('MTR') reductions in January 2016 and 2017.
- ▶ **Messaging**<sup>11</sup> revenue declined by 2.9% to TZS 23.4 billion. The number of short message service ('SMS') messages transmitted increased by 52.8% to 21.3 million primarily as result of the success of SMS-only bundles launched at the end of the first half of the year, which has assisted in recovery to growth in the second half of the year.
- ▶ **EBITDA** declined by 11.6% to TZS 252.6 billion with a margin of 27.1%, contracting by 3.8ppts during the period. The impact from slower revenue growth and greater network operating costs was limited by our vigorous focus on cost containment through our "Fit for growth" programme, which improved operating leverage during the period, protecting EBITDA margin from further compression. In addition, an increase in device subsidy and channel incentives to promote the quality of customer registration and support our data acceleration initiatives, as well as higher growth in interconnect where the market continues to demand all-net offerings, also contributed to the growth of total expenses.
- ▶ **Capital expenditure**<sup>13</sup> of TZS 150.5 billion, representing 16.2% of revenue. Spend was predominantly directed at providing network capacity for both data and voice, 4G deployment, 3G network expansion and increased 2G coverage. We increased the number of 2G and 3G sites to 2 879 and 2 038 respectively (an additional 342 2G and 612 3G sites during the period). We also launched 4G on 278 sites in Dar es Salaam with high capacity fibre and microwave backhaul to all sites. Through investments made as part of a consortium we deployed 1 500km of backbone fibre, as well as deploying 150km of our own metro fibre, enabling us to cater for continued exponential data usage growth.

10. Quarterly Communications Statistics Reports, Tanzania Communications Regulatory Authority ('TCRA').

11. A revised allocation of integrated bundle revenue has been consistently applied across both years in alignment with Vodacom Group Limited's disclosure policies.

12. Number of unique customers who have generated revenue related to M-Pesa in the past 90 days, of these 6.2 million have been active in the past 30 days.

13. Capital expenditure excludes the acquisition of Shared Networks Tanzania ('SNT').

Our financial performance *continued*

## Summarised Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 March 2017

TZS m	2017 Audited	2016 Audited	
<b>Revenue</b>	<b>931 515</b>	923 345	The entry of a new competitor in 2015 continued to weigh pressure on the industry and impacted performance during the financial year, albeit with recovery being seen during the second half of the year. Revenue grew 0.9%, supported by equipment revenues from smartphone promotions designed to invoke greater 2G to 3G migration, while service revenue for the year was marginally down 0.4%.
Other operating income	–	5 802	
Direct expenses	(310 114)	(301 179)	Total expenses increased 6.0%. This was mainly attributable to greater network operating costs as a result of our accelerated network investments made over the last two years. In addition, an increase in device subsidy and channel incentives to promote the quality of customer registration and support our data acceleration initiatives, as well as higher growth in interconnect where the market continues to demand all-net offerings, also contributed to the growth.
Staff expenses	(66 205)	(64 496)	
Publicity expenses	(40 057)	(34 557)	A decrease of 5.3% as a result of a review of the useful lives of assets performed during the year.
Other operating expenses	(272 869)	(249 890)	
Depreciation and amortisation	(150 182)	(158 596)	In Q3 of the financial year ended 31 March 2016, our investment in Helios Towers Tanzania Limited ('HTT') was re-classified as a non-current asset held for sale.
Share of loss from associate	–	(39 262)	
<b>Operating profit</b>	<b>92 088</b>	81 167	The average cost of debt increased to 10.0% from 9.2% mainly due to an average 90 basis points increase in 1-month JIBAR <sup>13</sup> and 30 basis points increase in 1-month USD LIBOR <sup>13</sup> .
Finance income	50 045	41 664	
Finance costs	(52 233)	(44 338)	This relates to the South African rand and United States dollar denominated loans provided by Vodacom Group Limited.
Net loss on translation of financial instruments	(18 560)	(4 008)	
<b>Profit before tax</b>	<b>71 340</b>	74 485	The 47.6% decrease is primarily due to the decrease in taxable profits of the Company (unconsolidated, excluding share of loss from associate) as well as a decrease in the non-deductible interest and penalties compared to the prior year. In the prior year, penalties and fines of TZS 3 billion, relating to open tax disputes with the tax authorities, were provided for.
Income tax expense	(23 786)	(45 381)	
<b>Net profit</b>	<b>47 554</b>	29 104	63.4% growth is in line with that of net profit after tax. During the year, the Company conducted a share split, doubling its number of outstanding shares and halving the nominal price per share, leaving the share capital unchanged.
Other comprehensive income	–	–	
<b>Total comprehensive income</b>	<b>47 554</b>	29 104	
Basic and diluted earnings per share <sup>14</sup> (TZS)	<b>28.3</b>	17.3	

13. Johannesburg Interbank Agreed Rate ('JIBAR')/United States dollar London Interbank Offered Rate ('USD LIBOR') are the average of interest rates estimated by each of the leading banks in Johannesburg/London that they would be charged were they to borrow South African rand/United States dollars from other banks.

14. The basic and diluted earnings per share growth shown above removes the impact of the share split by applying the number of shares in issue as of 31 March 2017, 1 680 000 200, to the basic and diluted earnings per share calculation as of 31 March 2016.

## Summarised Consolidated Statement of Financial Position

as at 31 March 2017

TZS m	2017 Audited	Restated 2016 Audited	
<b>Assets</b>			
<b>Non-current assets</b>	<b>814 368</b>	757 519	
Goodwill	1 988	–	In July 2016, Vodacom Tanzania acquired 100% of Shared Networks Tanzania's issued share capital, gaining access to a license for usage of spectrum in the 900MHz band in rural Tanzania.
Property, plant and equipment	656 241	646 214	
Intangible assets	40 152	9 980	
Operating lease prepayments	40 855	35 361	
Trade and other receivables	11 324	365	
Deferred loss	63 808	65 599	
<b>Current assets</b>	<b>614 779</b>	545 913	
Operating lease prepayments	7 557	2 847	Greater inventory levels as at 31 March 2017 are a result of ongoing smartphone promotions designed to invoke greater 2G to 3G migration.
Inventory	13 653	6 020	
Trade and other receivables	124 681	143 748	A 13.3% decrease is a result of improved collections and the settlement of historical disputes with a few of our trading partners.
Income tax receivable	13 621	5 228	
Financial assets <sup>15</sup>	314 354	254 986	
Bank and cash balances	140 913	133 084	
Non-current assets held for sale	18 768	87 522	Consists of our investments in HTT. The TZS 68.8 billion reduction relates to partial repayment of a shareholder loan provided by the Group to HTT.
<b>Total assets</b>	<b>1 447 915</b>	1 390 954	
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>	<b>593 593</b>	562 553	During the year we repaid amounts owed under legacy financing arrangements in line with our goal to optimise our capital structure. Our balance sheet remains strong, providing us with sufficient capacity for leverage thereby enabling us to execute our growth strategy and realise possible future M&A opportunities where these contribute to adding shareholder value
Share capital	84 000	84 000	
Capital contribution	22 974	22 974	
Retained earnings	486 619	455 579	
<b>Non-current liabilities</b>	<b>86 387</b>	74 523	
Deferred tax liabilities	57 214	54 449	
Trade and other payables	29 173	20 074	
<b>Current liabilities</b>	<b>767 935</b>	753 878	
Borrowings	201 494	221 290	A 9.9% increase is a result of greater M-Pesa activity and includes growth in the level of deposits held in trust on behalf of our M-Pesa customers.
Trade and other payables	529 488	481 595	
Interest due to customers <sup>17</sup>	24 075	41 717	
Government grant	9 469	8 076	
Provision	3 409	1 200	
<b>Total liabilities</b>	<b>854 322</b>	828 401	
<b>Total equity and liabilities</b>	<b>1 447 915</b>	1 390 954	

15. Financial assets represent restricted bank balances from M-Pesa deposits.

16. Debt includes interest bearing debt and bank overdrafts.

17. Represents interest gained through investing M-Pesa customer deposits, net of any interest amount paid to M-Pesa customers during the period.

### Net debt

TZS m	Year ended 31 March 2017	2016	Movement 16/17
Bank and cash balances	140 913	133 084	7 828
Borrowings	(201 494)	(221 290)	19 796
Net debt <sup>16</sup>	(60 581)	(88 206)	27 624
Net debt <sup>16</sup> /EBITDA (times)	0.2	0.3	(0.1)

Our financial performance *continued*

## Summarised consolidated statement of cash flows

for the year ended 31 March 2017

TZS m	2017 Audited	2016 Audited	
<b>Cash flows from operating activities</b>			
Cash generated from operations	322 147	358 952	
Income taxes paid	(44 377)	(42 600)	■ The 4.2% increase in tax paid primarily relates to an TZS 11 billion top-up payment, required as part of our 2016 tax return. This was partially offset by lower provisional tax payments made during the year, due to a decrease in taxable income.
<b>Net cash generated from operating activities</b>	<b>277 770</b>	<b>316 352</b>	
<b>Cash flows from investing activities</b>			
Additions to property and equipment and intangible assets	(169 384)	(250 228)	■ Primarily a result of lower capital expenditure as large-scale coverage investments, such as those made in the previous 2 years, become less significant to revenue growth in Tanzania.
Acquisition of subsidiary	(20 609)	–	
Proceeds from insurance companies	–	5 802	
Proceeds from sale of property and equipment	1 252	27	
Government grant received	1 393	6 105	
Finance income received	23 867	10 424	
Cash held in restricted deposits	(59 368)	(34 741)	
Repayment/(granting) of loan receivable	50 053	(353)	■ In July 2016, Vodacom Tanzania acquired 100% of Shared Networks Tanzania's issued share capital, gaining access to a license for usage of spectrum in the 900MHz band in rural Tanzania.
Interest received from M-Pesa deposits	31 470	22 599	
<b>Net cash utilised in investing activities</b>	<b>(141 326)</b>	<b>(240 365)</b>	
<b>Cash flows from financing activities</b>			
Dividend paid	(16 514)	–	
Bank overdraft interest and other finance costs paid	(1 565)	(471)	
Repayment of bank borrowings	(3 869)	–	
Repayment of interest on shareholder loan	(54 901)	(42 149)	■ Includes partial repayment of a shareholder loan provided by the Group to HTT.
Interest paid to M-Pesa customers	(49 008)	(13 634)	
<b>Net cash utilised in financing activities</b>	<b>(125 857)</b>	<b>(56 254)</b>	
<b>Net increase in cash and cash equivalents</b>	<b>10 587</b>	<b>19 733</b>	
Cash and cash equivalents at the beginning of the year	129 215	116 952	
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	1 111	(7 470)	■ Higher debt service payments during the year, relating to the repayment of interest on shareholder loans.
<b>Cash and cash equivalents at the end of the year</b>	<b>140 913</b>	<b>129 215</b>	

# Consolidated annual financial statements

for the year ended 31 March 2017

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## Report of the directors

For the year ended 31 March 2017

The directors report below forms part of the audited consolidated and separate annual financial statements of Vodacom Tanzania Public Limited Company ('the Company'), formerly known as Vodacom Tanzania Limited and its subsidiaries (together, 'the Group') for the year ended 31 March 2017.

### Nature of business

The nature of the business of the Group is:

To conduct the business of cellular network operations in Tanzania, which includes the establishment, management, and maintenance of a cellular network, as well as the provision of other communication related services. Including but not limited to fixed line services, internet services, electronic commerce services, international services and satellite services.

To provide mobile financial services through the Group's mobile network facilities, including digital money transfers, mobile payments of goods and services, mobile banking, mobile micro-finance services and every kind of mobile financial services or any other services of similar nature.

### Operating and financial review

The results for the year are set out in the financial statements pages 44 to 47.

Revenue for the year grew by 0.9% to TZS 931 515 million (2016: TZS 923 345 million). Operating profit increased by 13.5% to TZS 92 088 million (2016: TZS 81 167 million) Net profit for the year grew by 63.4% to TZS 47 554 million (2016: TZS 29 104 million).

Earnings before interest, taxation, depreciation, amortisation, impairment charges, profit or loss on disposal of property, plant and equipment and intangible assets ('EBITDA') declined by 11.6% to TZS 252 591 million (2016: TZS 285 643 million) with a margin of 27.1%, representing 3.8ppts decrease year on year.

The customer base increased to 12 653 thousand (2016: 12 375 thousand) representing an increase of 2.2% comparing to the prior year.

### Dividends

An ordinary dividend of TZS 16 514 million (2016: TZS nil) was declared on 20 October 2016 and paid on 7 November 2016.

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 2017 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 liabilities of TZS 153 156 million as at 31 March 2017 (2016: TZS 207 965 million). The Board believes that the Group's cash flows are sufficient for it to be able to meet its obligations as they fall due and in accordance with all terms contained in the Group's material borrowing agreements. The Group utilises bank facilities to manage short-term liquidity needs.

## Report of the directors *continued*

### Capital structure and shareholding

The Group's issued share capital of TZS 84 000 million (2016: TZS 84 000 million) is held in the percentages as outlined below:

	2017 %	2016 %
Vodacom Group Limited	65	65
Mirambo Limited	35	35
	100	100

Vodacom Group Limited is the beneficial owner of 82.15% of the issued and paid up shares of the Company, with 65% being held directly by Vodacom Group Limited and the remaining 17.15% of its interest in the Company being held indirectly through its holding in Mirambo Limited. Mirambo Limited directly holds the remaining 17.85% of the issued and paid up shares of the Company.

During the year, the Company conducted a share split, effectively doubling its number of issued shares and halving the nominal price per share, leaving the share capital unchanged.

As at 31 March 2017, the Group's authorised share capital was TZS 200 000 million comprising of 4 000 million ordinary shares with a par value of TZS 50.

### Capital expenditure and commitments

During the year, the Group invested TZS 191 512 million (2016: TZS 216 479 million) in property, plant and equipment and intangible assets. The capital expenditure was funded by internally generated cash and suppliers' credit. Further information on the investment in property, plant and equipment and intangible assets of the Group is presented in Notes 16 and 17. Information about the commitments of the Group is presented in Note 30.

### Business plans and future developments

The Group plans to focus future investment across data, M-Pesa, and enterprise services, which are expected to yield strong growth. A period of accelerated capital expenditure over the previous two years has resulted in expanded network coverage and a superior data network experience, placing the Group in the best possible position to monetise these growth opportunities.

### Subsidiaries

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

The principal activity of M-Pesa Limited is to act as bona fide trustees in order to protect and safeguard M-Pesa cellular phone money transfer service and invest amounts owed to M-Pesa customers in accordance with its investment mandate for the benefit of the users of the said service.

Vodacom Tanzania Foundation's principal activities are to improve education and health services, enhance economic welfare and participate in community and social welfare.

SNT has a license for usage of spectrum in the 900MHZ band in rural Tanzania.

## Report of the directors *continued*

### Borrowings

#### Vodacom Group Limited

Vodacom Group Limited provided loans to the Group in United States dollar ('US\$') and South Africa rand ('R') as follows:

Loans with principal amounts of US\$ 12 million (bearing interest at one-month LIBOR plus 2.5%) and R469 million (bearing interest at one-month JIBAR plus 4.0%) were repayable originally on 31 March 2017. Vodacom Group Limited and the Group have agreed during the current financial year to extend the maturity date to 30 June 2017.

#### Mirambo Limited

As at 31 March 2017, a loan provided by Mirambo Limited had a total outstanding balance (including accrued interest) of US\$ 240 870 (2016: US\$ 560 031) and bears interest payable quarterly at one-month US\$ LIBOR plus 5.0%. The loan shall be repaid on approval by shareholders holding at least 60% of voting rights.

### Directors and company secretary

The directors of the Company who served during the year and as at 31 March 2017, are:

In office as at 1 April 2016	Executive/ Non-executive	Resignation date	In office at the date of this report	Appointment date
<b>Directors</b>				
Mwanaidi S Maajar <sup>1</sup>	Non-executive	22-11-2016	–	–
Hon. Rostam Aziz	Non-executive	–	Hon. Rostam Aziz	–
Henry Surtees <sup>^</sup>	Non-executive	–	Henry Surtees <sup>^</sup>	–
Michael Joseph <sup>**</sup>	Non-executive	–	Michael Joseph <sup>**</sup>	–
Sitholizwe Mdlalose <sup>^</sup>	Non-executive	–	Sitholizwe Mdlalose <sup>^</sup>	–
Nomakhosi Skosana <sup>*</sup>	Non-executive	–	Nomakhosi Skosana <sup>*</sup>	–
Vivek Mathur <sup>***</sup> (Chairperson)	Non-executive	–	Vivek Mathur <sup>***2</sup>	–
Andries Delpoort <sup>*</sup>	Non-executive	–	Andries Delpoort <sup>*</sup>	–
Sateesh Kamath <sup>***3</sup>	Executive	30-06-2016	Jacques Marais <sup>*</sup>	01-07-2016
Ian Ferrao <sup>^</sup>	Executive	–	Ian Ferrao <sup>^</sup>	–
<b>Company Secretary</b>				
Sateesh Kamath <sup>***3</sup>	Executive	30-06-2016	Jacques Marais <sup>*</sup>	01-07-2016
<b>Alternate directors</b>				
Pierre Bezuidenhout <sup>*</sup>	Alternate	–	Pierre Bezuidenhout <sup>*</sup>	–
Matimba Mbungela <sup>*</sup>	Alternate	–	Matimba Mbungela <sup>*</sup>	–

On 10 April 2017, Caroline Mduma had been appointed as Company Secretary replacing Jacques Marais.

\* South African    ^ British    \*\* USA    \*\*\* Indian

All the other directors are Tanzanian Nationals.

1. Resigned on 16th November 2016 as chairperson and on 22nd November 2016 as board member.
2. Appointed as Chairperson of the board on 16 November 2016.
3. Resigned on 30th June 2016 as board member and company secretary.

### 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 82.15% of the Group. The Group's ultimate parent is Vodafone Group Plc, incorporated and domiciled in the United Kingdom.

## Report of the directors *continued*

### Related party transactions

Transactions with related parties were conducted in the normal course of business. Details of transactions and balances with related parties are included in Note 34 to the 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.

**Board of Directors:** The Board takes overall responsibility for the Group 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 Board has the mandate to delegate any of its powers to committees consisting of not less than three members of the board or of such other persons the board may deem fit, provided that they conform to the regulation imposed by the Board. The Board has two committees with specified delegated activities as follows:

**Remuneration and Nomination Committee:** the Remuneration and Nomination committee serves to assist the Board performing certain activities including but not limited to the following: 1) determining and agreeing the remuneration and compensation for executives; 2) determining and developing the overall policy on remuneration; 3) review and recommend to the board the relevant criteria necessary to measure the performance of executives; 4) review promotions, transfers and termination policies; 5) ensure compliance with applicable laws and regulations; 6) Approving the nomination of individuals to the board; and 7) Reviewing the structure of the organisation from time to time to ensure that it is fit for purpose of delivering the strategy and long term objectives of the business.

**Audit, Risk and Compliance Committee ('ARCC'):** the ARCC is responsible for the following: 1) co-ordinating and overseeing the performance and effectiveness of management and the internal and external auditor in financial risk management; 2) monitoring compliance with all legal, taxation and statutory requirement; and 3) ensuring compliance with ethics and governance standards.

### Political and charitable donations

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

### Corporate social responsibility

The Group established and registered Vodacom Tanzania Foundation ('the Foundation'), a company incorporated on 29 October 2007 under the Companies Act, No 12 of 2002 as a company limited by guarantee.

The Foundation is the corporate social responsibility arm of the Group. Its aim is to leverage its technology to create a better society. The Foundation has partnered with the Government to pioneer projects that have significantly enhanced healthcare, education and financial inclusion efforts. To date the Foundation has invested over TZS15 000 million in more than 130 projects.

### Auditors

PricewaterhouseCoopers ('PwC'), has expressed their willingness to continue to be the Group's auditors in accordance with section 170(1) of the Companies Act, No 12 of 2002.

## Report of the directors *continued*

### Contingent liabilities and other matters

#### Tax matters

The Group is regularly subject to an evaluation by tax authorities of its direct and indirect tax filings. The consequence of such reviews is that disputes can arise with tax authorities over the interpretation or application of certain tax rules applicable to the Group's business. These disputes may not necessarily be resolved in a manner that is favourable to the Group. Additionally, the resolution of the disputes could result in an obligation to the Group. The Group has made sufficient provision for any losses arising from tax exposures that are more likely to occur than not.

#### Legal contingencies

The Group is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the expected 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 2017.

#### Initial Public Offering ('IPO'): Listing on Dar es Salaam Stock Exchange ('DSE')

Under Section 26 of the Electronic and Postal Communication Act, 2010 (as amended by the Finance Act 2016), licensed telecommunications operators are required to issue 25% of their share capital through an initial public offering ('IPO') and thereafter list the said shares on the DSE. The Company expects to list its shares on the DSE under the Main Investment Market Segment ('MIMS') of the bourse during the second quarter of the financial year ending 31 March 2018.

#### Customer registration

In August 2016, the Tanzania Communications Regulatory Authority ('TCRA') set up a joint industry-regulator steering committee, of which the Company is a member, in order to establish a framework to improve customer registration in Tanzania. The Company remains committed to proactively participating in the TCRA-led steering committee and achieving compliance with the customer registration requirements. In April 2017, the TCRA issued the Company with a non-compliance order following a SIM card registration audit conducted in December 2016. The audit found that 209 SIM cards had not been registered in accordance with the TCRA's requirements. Vodacom Tanzania has provided a response to the non-compliance order and is awaiting the TCRA's ruling.

#### Tower equipment verification

During October 2016 Helios Towers Tanzania Limited ('HTT') requested the Group to assist with the verification of the Group's equipment located on each HTT owned site in order to compare the actual space utilized with the space allowed under the site lease contract. The project is still underway and should be completed during the 2018 financial year. It will only be possible to determine whether any liability will arise after full verification and reconciliation of all site data.

### Events after reporting period

The Board is not aware of any matter or circumstances arising since the end of the financial year, not otherwise dealt with in the annual financial statements, which significantly affected the financial position of the Group as at 31 March 2017 and the results of its operations.

### Consolidated financial statements

The Group's and the Company's financial statements for the year ended 31 March 2017 were approved and authorised for issue by the Board on 21 June 2017.

By order of the Board



**Vivek Mathur**  
Chairperson

28 June 2017



**Ian Ferrao**  
Managing Director

28 June 2017

## Statement of directors' responsibility

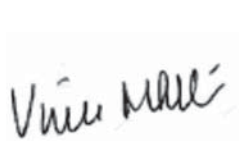
For the year ended 31 March 2017

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 Group and of the Company and 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:



**Vivek Mathur**  
Chairperson

28 June 2017



**Ian Ferrao**  
Managing Director

28 June 2017

## Declaration of the head of finance

For the year ended 31 March 2017

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 39.

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 March 2017 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

28 June 2017

# Independent auditor's report

For the year ended 31 March 2017

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 2017, and 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

The Vodacom Tanzania Public Limited Company Group and Company financial statements set out on pages 44 to 98 comprise:

- ▶ the Group and Company statements of financial position as at 31 March 2017;
- ▶ the Group and Company statements of profit or loss and other comprehensive income for the year ended 31 March 2017;
- ▶ the Group and Company statements of changes in equity for the year ended 31 March 2017;
- ▶ the Group and Company statements of cash flows for the year ended 31 March 2017; 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 ('IAS'). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Group and Company financial statements* section below.

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 in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the '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	
<p>As explained in Notes 3(d), 5(c) and 6 of the financial statements, the company derives revenue from multiple streams with different tariff structures and with changing pricing models. The company relies on complex information technology systems and applications for capturing and recording revenue with manual intervention between the billing systems and the general ledger.</p> <p>Our audit focused on responding to the risk that automated application controls and the related IT dependent controls for manually recording revenue in the general ledger are not designed and operating effectively.</p>	<p>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.</p> <p>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.</p> <p>We performed independent reviews of the work done by the Revenue Assurance function regarding the completeness and accuracy of revenue.</p>

## Independent auditor's report *continued*

### Report on the audit of the Group and Company financial statements *continued*

#### Key audit matters *continued*

##### Key audit matter

##### How our audit addressed the key audit matter

#### Contingent liabilities relating to unresolved tax disputes

As disclosed in Notes 3(r), 5(d), 5(j), 31 and 32, the company has unresolved disputes with Tanzania Revenue Authority relating to additional tax assessments. The company has objected to the tax assessments based on advice from its external tax and legal advisors.

The directors have applied significant judgement, using the best available information, at 31 March 2017 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.

We tested management's process for identification and evaluation of exposures from revenue authority assessments.

We performed audit procedures regarding 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 advisor regarding the pending revenue authority assessment.

We performed audit procedures regarding the recording of provisions for tax exposures based on management's own assessment and the advice provided by the group's tax advisor.

#### Other information

The directors are responsible for the other information. The other information includes the report of the directors, statement of directors' responsibility and declaration of the head of finance, which we obtained prior to the date of this report and the Annual Report which is expected to be made available to us after the date of this report. Other information does not include the Group and Company financial statements and our auditor's report thereon.

Our opinion on the Group and Company 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 Group and Company 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 Group and Company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on auditor's work we have performed on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and request them to take appropriate corrective measures.

#### Responsibilities of the directors for the Group and Company financial statements

The directors are responsible for the preparation and fair presentation of the Group and Company financial statements 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 the 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.

## Independent auditor's report *continued*

### Report on the audit of the Group and Company financial statements *continued*

#### 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:

- ▶ 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 on 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 the 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 matters were of most significance in the audit of the Group and Company financial statements of the current period, and have 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.

## Independent auditor's report *continued*

### Report on the audit of the Group and Company financial statements continued

#### 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

28 June 2017

## Statements of profit or loss and other comprehensive income

For the year ended 31 March

TZS m	Notes	Group		Company	
		2017	2016	2017	Restated <sup>4</sup> 2016
<b>Revenue</b>	6	931 515	923 345	932 474	923 345
Other operating income	7	–	5 802	–	5 802
Direct expenses	8	(310 114)	(301 179)	(311 853)	(301 179)
Staff expenses	9	(66 205)	(64 496)	(65 585)	(64 496)
Publicity expenses		(40 057)	(34 557)	(40 057)	(34 557)
Other operating expenses	10	(272 869)	(249 890)	(268 220)	(249 821)
Depreciation and amortisation	16, 17	(150 182)	(158 596)	(146 306)	(158 596)
Share of loss from associate		–	(39 262)	–	(39 262)
<b>Operating profit</b>		92 088	81 167	100 453	81 236
Finance income	12	50 045	41 664	17 697	19 065
Finance costs <sup>4</sup>	13	(52 233)	(44 338)	(20 806)	(21 808)
Net loss on re-measurement of financial instruments	14	(18 560)	(4 008)	(18 560)	(4 008)
<b>Profit before tax<sup>4</sup></b>		71 340	74 485	78 784	74 485
Income tax expense <sup>4</sup>	18	(23 786)	(45 381)	(24 067)	(45 381)
<b>Net profit<sup>4</sup></b>		47 554	29 104	54 717	29 104
Other comprehensive income		–	–	–	–
<b>Total comprehensive income</b>		47 554	29 104	54 717	29 104
Basic and diluted earnings per share (TZS) <sup>5</sup>	39	28.3	17.3	32.6	17.3

**Notes:**

4. Refer to Note 43.

5. The weighted average number of shares are based on the number of shares outstanding as at 31 March 2017 following a share split conducted during the year. The share split doubled the number of outstanding shares and halved the nominal price per share.

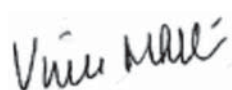
# Statements of financial position

As at 31 March

TZS m	Notes	Group			Company		
		2017	Restated <sup>6</sup> 2016	Restated <sup>6</sup> 2015	2017	Restated <sup>6,7</sup> 2016	Restated <sup>6,7</sup> 2015
<b>Assets</b>							
<b>Non-current assets</b>		<b>814 368</b>	757 519	800 466	<b>799 162</b>	757 519	800 466
Goodwill	11	1 988	–	–	–	–	–
Property, plant and equipment <sup>6</sup>	16	656 241	646 214	605 622	641 943	646 214	605 622
Intangible assets <sup>6</sup>	17	40 152	9 980	18 704	16 986	9 980	18 704
Operating lease prepayments	19	40 855	35 361	12 546	40 855	35 361	12 546
Loan receivables <sup>7</sup>		–	–	45 144	–	–	45 144
Investment in subsidiaries	11	–	–	–	24 246	–	–
Investment in associate		–	–	46 730	–	–	46 730
Trade and other receivables	20	11 324	365	305	11 324	365	305
Deferred loss	21	63 808	65 599	71 415	63 808	65 599	71 415
<b>Current assets</b>		<b>614 779</b>	545 913	551 942	<b>304 971</b>	250 882	297 792
Operating lease prepayments	19	7 557	2 847	1 613	7 557	2 847	1 613
Inventory	23	13 653	6 020	6 068	13 653	6 020	6 068
Trade and other receivables <sup>7</sup>	20	124 681	143 748	177 547	135 198	143 748	178 577
Income tax receivable <sup>7</sup>	18(d)	13 621	5 228	13 895	10 093	1 700	10 367
Financial assets <sup>8</sup>		314 354	254 986	220 245	–	–	–
Bank and cash balances	24	140 913	133 084	132 574	138 470	96 567	101 167
Non-current assets held for sale <sup>7</sup>	22	18 768	87 522	14 394	18 768	87 522	14 394
<b>Total assets</b>		<b>1 447 915</b>	1 390 954	1 366 802	<b>1 122 901</b>	1 095 923	1 112 652

TZS m	Notes	Group			Company		
		2017	Restated <sup>9</sup> 2016	Restated <sup>9</sup> 2015	2017	Restated <sup>9,10</sup> 2016	Restated <sup>9,10</sup> 2015
<b>Equity and liabilities</b>							
<b>Capital and reserves</b>		<b>593 593</b>	562 553	533 449	<b>600 756</b>	562 553	533 449
Share capital	25	84 000	84 000	84 000	84 000	84 000	84 000
Capital contribution	15	22 974	22 974	22 974	22 974	22 974	22 974
Retained earnings <sup>10</sup>		486 619	455 579	426 475	493 782	455 579	426 475
<b>Non-current liabilities</b>		<b>86 387</b>	74 523	164 627	<b>79 543</b>	74 523	164 627
Borrowings	26	–	–	94 491	–	–	94 491
Deferred tax liabilities <sup>10</sup>	18(e)	57 214	54 449	59 405	50 370	54 449	59 405
Trade and other payables	27	29 173	20 074	10 731	29 173	20 074	10 731
<b>Current liabilities</b>		<b>767 935</b>	753 878	668 726	<b>442 602</b>	458 847	414 576
Borrowings	26	201 494	221 290	155 369	201 494	221 290	155 369
Trade and other payables <sup>10</sup>	27	529 488	481 595	473 634	228 230	228 281	255 834
Interest due to customers	27	24 075	41 717	36 350	–	–	–
Government grant	28	9 469	8 076	1 971	9 469	8 076	1 971
Provisions	31	3 409	1 200	1 402	3 409	1 200	1 402
Total liabilities		854 322	828 401	833 353	522 145	533 370	579 203
<b>Total equity and liabilities</b>		<b>1 447 915</b>	1 390 954	1 366 802	<b>1 122 901</b>	1 095 923	1 112 652

The financial statements on pages 44 to 98 were approved and authorised for issue by the Board of Directors on 21 June 2017 and were signed on its behalf by:



**Vivek Mathur**  
Chairperson  
28 June 2017



**Ian Ferrao**  
Managing Director  
28 June 2017

**Notes:**

6. Refer to Note 42.
7. Refer to Note 43.
8. Financial assets represent restricted bank balances from M-Pesa deposits, previously referred to as Bank balance – Restricted.
9. Refer to Note 42.
10. Refer to Note 43.

## Statements of changes in equity

For the year ended 31 March

### Group

TZS m	Share capital	Capital contribution	Retained earnings	Total
<b>31 March 2015</b>	84 000	22 974	426 475	533 449
Total comprehensive income for the year	–	–	29 104	29 104
Profit for the year	–	–	29 104	29 104
Other comprehensive income	–	–	–	–
Dividend declared	–	–	–	–
<b>31 March 2016</b>	<b>84 000</b>	<b>22 974</b>	<b>455 579</b>	<b>562 553</b>
Total comprehensive income for the year	–	–	47 554	47 554
Profit for the year	–	–	47 554	47 554
Other comprehensive income	–	–	–	–
Dividend declared and paid	–	–	(16 514)	(16 514)
<b>31 March 2017</b>	<b>84 000</b>	<b>22 974</b>	<b>486 619</b>	<b>593 593</b>

### Company

TZS m	Share capital	Capital contribution	Retained earnings <sup>11</sup>	Total
<b>31 March 2014 (Restated)</b>	84 000	22 974	394 420	501 394
– As previously reported	84 000	22 974	415 417	522 391
– Prior year restatement <sup>11</sup>	–	–	(20 997)	(20 997)
Total comprehensive income for the year	–	–	32 055	32 055
Profit for the year (Restated)	–	–	32 055	32 055
– As previously reported	–	–	49 634	49 634
– Prior year restatement <sup>11</sup>	–	–	(17 579)	(17 579)
Other comprehensive income	–	–	–	–
Dividend declared	–	–	–	–
<b>31 March 2015 (Restated)</b>	84 000	22 974	426 475	533 449
– As previously reported	84 000	22 974	465 051	572 025
– Prior year restatement <sup>11</sup>	–	–	(38 576)	(38 576)
Total comprehensive income for the year	–	–	29 104	29 104
Profit for the year (Restated)	–	–	29 104	29 104
– As previously reported	–	–	25 353	25 353
– Prior year restatement <sup>11</sup>	–	–	3 751	3 751
Other comprehensive income	–	–	–	–
Dividend declared	–	–	–	–
<b>31 March 2016 (Restated)</b>	<b>84 000</b>	<b>22 974</b>	<b>455 579</b>	<b>562 553</b>
– As previously reported	<b>84 000</b>	<b>22 974</b>	<b>490 404</b>	<b>597 378</b>
– Prior year restatement <sup>11</sup>	–	–	(34 825)	(34 825)
Total comprehensive income for the year	–	–	54 717	54 717
Profit for the year	–	–	54 717	54 717
Other comprehensive income	–	–	–	–
Dividend declared and paid	–	–	(16 514)	(16 514)
<b>31 March 2017</b>	<b>84 000</b>	<b>22 974</b>	<b>493 782</b>	<b>600 756</b>

#### Note:

11. Refer to Note 43.

## Statements of cash flows

For the year ended 31 March

TZS m	Notes	Group		Company	
		2017	2016	2017	Restated 2016
<b>Cash flows from operating activities</b>					
Cash generated from operations	38	322 147	358 952	279 253	328 066
Income taxes paid	18	(44 377)	(42 600)	(44 377)	(42 600)
Net cash generated from operating activities		277 770	316 352	234 876	285 466
<b>Cash flows from investing activities</b>					
Additions to property and equipment and intangible assets		(169 384)	(250 228)	(169 384)	(250 228)
Acquisition of subsidiary	11	(20 609)	–	(20 609)	–
Proceeds from insurance companies	7	–	5 802	–	5 802
Proceeds from sale of property and equipment		1 252	27	1 252	27
Government grant received	28	1 393	6 105	1 393	6 105
Finance income received		23 867	10 424	23 867	10 424
Cash held in restricted deposits		(59 368)	(34 741)	–	–
Repayment/(granting) of loan receivable	22	50 053	(353)	50 053	(353)
Interest received from M-Pesa deposits	12	31 470	22 599	–	–
Net cash used in investing activities		(141 326)	(240 365)	(113 428)	(228 223)
<b>Cash flows from financing activities</b>					
Dividends paid		(16 514)	–	(16 514)	–
Bank overdraft interest paid		(54)	(471)	(54)	(471)
Finance costs paid		(1 511)	–	(1 449)	–
Repayment of bank borrowings		(3 869)	–	(3 869)	–
Repayment of interest on shareholder loan		(54 901)	(42 149)	(54 901)	(42 149)
Interest paid to M-Pesa customers		(49 008)	(13 634)	–	–
Net cash used in financing activities		(125 857)	(56 254)	(76 787)	(42 620)
<b>Net increase in cash and cash equivalents</b>					
		10 587	19 733	44 661	14 623
Cash and cash equivalents at the beginning of the year		129 215	116 952	92 698	85 545
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies		1 111	(7 470)	1 111	(7 470)
<b>Cash and cash equivalents at the end of the year</b>	24	<b>140 913</b>	<b>129 215</b>	<b>138 470</b>	<b>92 698</b>

# Notes to the consolidated annual financial statements

For the year ended 31 March 2017

## 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 106.

## 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. Summary of 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

#### 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.

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

## Notes to the consolidated annual financial statements *continued*

### 3. Summary of significant accounting policies *continued*

#### b) Consolidation *continued*

##### **Business combinations** *continued*

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.

##### **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, M-Pesa Limited, Vodacom Tanzania Foundation and Shared Networks Tanzania Limited, companies limited by guarantee and having share capital.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

#### c) Operating segments

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

Segment information is prepared in conformity with the measure that is reported to the Group Executive Committee and 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.

#### d) Revenue recognition

Revenue is recognised to the extent the Group has delivered goods or rendered services under an agreement, 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, mobile financial services, 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 with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods 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. Summary of significant accounting policies *continued*

#### d) Revenue recognition *continued*

Revenue from interconnect fees is recognised at the time the services are performed. Revenue from data services and information provision is recognised when the Group has performed the related service.

Revenue from mobile financial services is recognised as the services are provided to the customers.

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.

Revenue from the sale of equipment is recognised when the equipment is delivered to the end-customer and the sale is considered complete. For equipment sales made to intermediaries, revenue is recognised if the significant risks and rewards associated with the device are transferred to the intermediary and the intermediary has no general right of return. If the significant risks and rewards are not transferred, revenue recognition is deferred until sale of the device to an end-customer by the intermediary or the expiry of the right of return.

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: (i) The deliverable has value to the customer on a stand-alone basis; and (ii) 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.

#### 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.

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

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

## Notes to the consolidated annual financial statements *continued*

### 3. Summary of significant accounting policies continued

#### 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**

Licences 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 pretax 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.

##### **Property, plant 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.

## Notes to the consolidated annual financial statements *continued*

### 3. Summary of significant accounting policies *continued*

#### 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, plant 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 and other comprehensive income 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 and other comprehensive income.

#### 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. A lease of land and buildings is classified by considering the land and buildings elements separately. Minimum lease payments are allocated between the land and buildings elements in proportion to the relative fair values of the leasehold interest in the land and buildings elements of the lease at inception of the lease.

##### 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.

## Notes to the consolidated annual financial statements *continued*

### 3. Summary of significant accounting policies continued

#### j) Leases continued

##### Group as lessee continued

##### Operating leases

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

##### 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. Each entity in the Group determines its own functional currency 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.

##### 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.

## Notes to the consolidated annual financial statements *continued*

### 3. Summary of significant accounting policies *continued*

#### m) Employee benefits

##### Share-based payments

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

##### Equity-settled share-based payments

Equity-settled share-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 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 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 18.

## Notes to the consolidated annual financial statements *continued*

### 3. Summary of significant accounting policies continued

#### 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 financial liabilities are initially measured at fair value, including transaction costs except for those classified as at fair value through the statement of comprehensive income 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 at fair value through profit or loss and available-for-sale are subsequently stated at fair value. Where securities are held for trading, gains and losses arising from changes in fair value are included in profit or loss. For available-for-sale financial assets, gains and losses arising from changes in fair value are recognised directly in other comprehensive income, until the security is disposed of, it is determined to be impaired or the equity interest is increased, resulting in the asset no longer being accounted for as an available-for-sale financial asset, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss. The net gain or loss recognised in profit or loss incorporates any gains or losses on re-measurement transferred from other comprehensive income to profit or loss, dividends and finance income on the financial asset.
- ▶ Loans and receivables are subsequently stated at amortised cost using the effective interest rate method, less any impairment losses. The terms of loans granted are renegotiated on a case-by-case basis if circumstances required renegotiation.
- ▶ Trade receivables (excluding assets created by statutory requirements, prepayments, deferred cost and operating lease receivables) do not carry any interest and are subsequently stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.
- ▶ Other receivables are subsequently stated at their nominal values.
- ▶ Finance lease receivables are subsequently stated at amortised cost using the effective interest rate method, less any impairment losses.

#### 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, the amount of the impairment loss is the irrecoverable amount estimated by management.

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.

## Notes to the consolidated annual financial statements *continued*

### 3. Summary of significant accounting policies *continued*

#### o) Financial instruments *continued*

##### **Financial liabilities, excluding derivative financial instruments, and equity instruments**

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

Subsequent to initial recognition, 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.

#### 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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Borrowing costs include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The portion of exchange differences to be capitalised is estimated based on interest rates on similar borrowings in the entity's functional currency. Foreign exchange gains and losses are assessed cumulatively over the construction period. Other borrowing costs are expensed as they are incurred.

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.

## Notes to the consolidated annual financial statements *continued*

### 3. Summary of significant accounting policies continued

#### t) Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Group's consolidated financial statements using the equity accounting method. Under the equity method, investments in associates or joint ventures are carried in the statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of the investment. Losses of an associate or joint venture in excess of the Group's interest in that associate are not recognised.

Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

The Group's share of intra-group unrealised profits or losses, with associate entities are eliminated upon equity accounting of the entities.

#### u) 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.

#### v) 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.

## Notes to the consolidated annual financial statements *continued*

### 4. New accounting pronouncements

#### Accounting pronouncements adopted

On 1 April 2016, the Group adopted the following new accounting policies to comply with amendments to IFRS:

- ▶ Amendments to IAS 1: Presentation of financial statements;
- ▶ Amendments to IAS 16: Property, Plant and Equipment and IAS 38: Intangible Assets, clarification of acceptable methods of depreciation and amortisation;
- ▶ Amendments to IAS 27: Separate Financial Statements, equity method in separate financial statements;
- ▶ Amendments to IFRS 11: Joint Arrangements, accounting for acquisitions of interests in joint operations; and
- ▶ Improvements to IFRS 2012 to 2014 Cycle.

These changes have no material impact on the results, financial position or cash flows of the Group.

#### New accounting pronouncements to be adopted on 1 April 2017

The Group has not yet adopted the following pronouncements, which have been issued by the IASB. The Group does not currently believe the adoption of these pronouncements will have a material impact on its results, financial position or cash flows:

- ▶ Amendments to IAS 12: Income Taxes, recognition of deferred tax assets for unrealised losses, effective for annual periods beginning on or after 1 January 2017;
- ▶ Amendments to IAS 7: Statement of Cash Flows, disclosure initiative, effective for annual periods beginning on or after 1 January 2017; and
- ▶ Amendments to IFRS 12: Disclosure of Interests in other entities (part of Improvements to IFRS 2014 to 2016 Cycle).

#### New accounting pronouncements to be adopted on or after 1 April 2018

The Group is currently assessing the impact of the following new pronouncements, which have been issued by the IASB. Unless otherwise stated, the Group does not currently believe the adoption of these pronouncements will have a material impact on its results, financial position or cash flows:

- ▶ Amendments to IFRS 2: Share-based Payment, classification and measurement of Share-based Payment transactions;
- ▶ Amendments to IFRS 4: Insurance Contracts, applying IFRS 9: Financial Instruments with IFRS 4: Insurance Contracts for annual periods beginning on or after 1 January 2018;
- ▶ Amendment to IAS 28: Investments in Associates and Joint Ventures (part of Improvements to IFRS 2014-2016 Cycle), applicable for annual periods beginning on or after 1 January 2018;
- ▶ IFRIC 22: Foreign Currency Transactions and Advance Consideration, applicable for annual periods beginning on or after 1 January 2018;
- ▶ IFRS 15: Revenue from Contracts with Customers, which is effective for annual periods beginning on or after 1 January 2018.

IFRS 15 will have a material impact on the Group's reporting of revenue and costs as follows:

IFRS 15 will require the Group to identify deliverables in contracts with customers that qualify as separate "performance obligations". The performance obligations identified will depend on the nature of individual customer contracts, but might typically be identified for mobile handsets, other equipment provided to customers and for services provided to customers such as mobile and fixed line communications services. The transaction price receivable from customers must be allocated between the Group's performance obligations under the contracts on a relative stand-alone selling price basis. Revenue will then be recognised either at a point in time or over time when the respective performance obligations in a contract are delivered to the customer.

Currently, revenue allocated to deliverables is restricted to the amount that is receivable without the delivery of additional goods or services; this restriction will no longer be applied under IFRS 15. The primary impact on revenue reporting will be that when the Group sells subsidised devices together with airtime service agreements to customers, revenue allocated to equipment and recognised at contract inception, when control of the device typically passes to the customer, will increase and revenue subsequently recognised as services are delivered during the contract period will reduce. Where additional up-front unbilled revenue is recorded for the sale of devices, this will be reflected in the consolidated statement of financial position as a contract asset.

Under IFRS 15, certain incremental costs incurred in acquiring a contract with a customer will be deferred on the consolidated statement of financial position and amortised as revenue is recognised under the related contract; this will generally lead to the later recognition of charges for some commissions payable to third party dealers and employees; and

## Notes to the consolidated annual financial statements *continued*

### 4. New accounting pronouncements continued

#### New accounting pronouncements to be adopted on or after 1 April 2018 *continued*

Certain costs incurred in fulfilling customer contracts will be deferred on the consolidated statement of financial position under IFRS 15 and recognised as related revenue is recognised under the contract. Such deferred costs are likely to relate to the provision of deliverables to customers that do not qualify as performance obligations and for which revenue is not recognised; currently such costs are generally expensed as incurred.

The combined impact of the changes above is expected to increase the gross profit, or reduce the gross loss, recorded at inception on many customer contracts; in such cases, this will typically reduce the gross profit reported during the remainder of the contract; however, these timing differences will not impact the total gross profit reported for a customer contract over the contract term.

The transactions impacted by IFRS 15 are high in volume, value and complexity, therefore the Group is continuing to assess the impact of these and other accounting changes that will arise under IFRS 15 and cannot reasonably estimate the impact; however, the changes highlighted above will have a material impact on the consolidated income statement and consolidated statement of financial position after the Group adopts IFRS 15 on 1 April 2018. The Group expects to be in a position to estimate the impact of IFRS 15 early in the first quarter of the year commencing 1 April 2018.

When IFRS 15 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative retrospective impact of IFRS 15 applied as an adjustment to equity on the date of adoption; when the latter approach is applied it is necessary to disclose the impact of IFRS 15 on each line item in the financial statements in the reporting period. The Group will reflect the cumulative impact of IFRS 15 in equity on the date of adoption.

IFRS 9: Financial Instruments was issued in July 2014 to replace IAS 39: Financial Instruments: Recognition and Measurement. The standard is effective for accounting periods beginning on or after 1 January 2018 and will be adopted by the Group on 1 April 2018.

IFRS 9 will impact the classification and measurement of the Group's financial instruments and will require certain additional disclosures. The primary changes relate to the assessment of hedging arrangements and provisioning for potential future credit losses on financial assets; the Group is continuing to analyse the impact of these changes which are not currently considered likely to have any major impact on the Group's current accounting treatment or hedging activities.

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

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; lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a loan obligation for future lease payables. Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability. Lessee accounting under IFRS 16 will be similar in many respects to existing IAS 17 accounting for finance leases, but will be substantively different to existing accounting for operating leases where rental charges are currently recognised on a straight-line basis and no lease asset or lease loan obligation is recognised.

Lessor accounting under IFRS 16 is similar to existing IAS 17 accounting and is not expected to have a material impact for the Group.

The Group is assessing the impact of the accounting changes that will arise under IFRS 16; however, the following changes to lessee accounting will have a material impact as follows:

- ▶ Right-of-use assets will be recorded for assets that are leased by the Group; currently no lease assets are included on the Group's consolidated statement of financial position for operating leases.
- ▶ Liabilities will be recorded for future lease payments in the Group's consolidated statement of financial position for the 'reasonably certain' period of the lease, which may include future lease periods for which the Group has extension options. Currently liabilities are generally not recorded for future operating lease payments, which are disclosed as commitments. The amount of lease liabilities will not equal the lease commitments reported on 31 March 2017 but may not be dissimilar.
- ▶ Lease expenses will be for depreciation of right-of-use assets and interest on lease liabilities; interest will typically be higher in the early stages of a lease and reduce over the term. Currently operating lease rentals are expensed on a straight-line basis over the lease term within operating expenses.
- ▶ Operating lease cash flows are currently included within operating cash flows in the consolidated statement of cash flows; under IFRS 16 these will be recorded as cash flows from financing activities reflecting the repayment of lease liabilities (borrowings) and related interest.

## Notes to the consolidated annual financial statements *continued*

### 4. New accounting pronouncements continued

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

A high volume of transactions will be impacted by IFRS 16 and material judgements are required in identifying and accounting for leases. Therefore, the Group is continuing to assess the impact of these and other accounting changes that will arise under IFRS 16 and cannot reasonably estimate the impact; however, the changes highlighted above will have a material impact on the consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows after the Group's adoption on 1 April 2019.

When IFRS 16 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative retrospective impact of IFRS 16 applied as an adjustment to equity on the date of adoption; when the latter approach is applied it is necessary to disclose the impact of IFRS 16 on each line item in the financial statements in the reporting period. Depending on the adoption method that is utilised, certain practical expedients may be applied on adoption. The Group has not yet determined which adoption method will be adopted or which expedients will be applied on adoption.

### 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.

#### 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.

## Notes to the consolidated annual financial statements *continued*

### 5. Critical accounting judgements and estimates *continued*

#### b) Impairment reviews *continued*

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.

#### c) Revenue recognition and presentation

##### 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 judgments impact the amount of reported revenue and operating expenses but do not impact reported assets, liabilities or cash flow.

#### d) Direct and indirect taxes

The Group's tax charge on ordinary activities is the sum of the current and deferred tax charges. The calculation of the Group's total taxation charge necessarily involves judgements, 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 final resolution of uncertain tax positions some of these items may give rise to material profits, losses and/or cash flows.

The complexity of the Group's structure, considering its geographic presence, makes the degree of judgement more challenging. 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.

#### e) 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.

#### f) 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 2017, intangible assets with finite useful lives amounted to TZS 40 152 million (2016: TZS 9 980 million) and represented 2.8% (2016: 0.7%) of the Group's total assets.

Notes to the consolidated annual financial statements *continued*

## 5. Critical accounting judgements and estimates continued

f) Intangible assets with a finite useful life *continued***Estimation of useful lives**

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

**Licenses**

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

**Computer software**

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

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

Years	2017	2016
Licences	25	25
Computer software	3 – 6	3 – 6

g) **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	2017	2016
Buildings, included in Land and buildings	25	25
Leasehold improvements	0 – 5	0 – 5
Network infrastructure and equipment	3 – 15	3 – 15
Other assets	2 – 5	2 – 5

## Notes to the consolidated annual financial statements *continued*

### 5. Critical accounting judgements and estimates *continued*

#### h) Non-current assets held for sale

The Group exercises judgement in estimating the amount of time that a sales 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.

#### i) Provisions and contingent liabilities

The Group exercises judgments in measuring the exposure to contingent liabilities relating to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities (Note 32). 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.

#### j) Business combinations

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

Allocation of the consideration transferred affects the Group's results as property, 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.

#### k) 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. 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.

Notes to the consolidated annual financial statements *continued*

## 6. Revenue

TZS m	Group		Company	
	2017	2016	2017	2016
Service revenue	912 715	916 003	913 674	916 003
Non-service revenue	18 800	7 342	18 800	7 342
	<b>931 515</b>	<b>923 345</b>	<b>932 474</b>	<b>923 345</b>

## 7. Other operating income

Insurance proceeds – business interruption	–	1 779	–	1 779
Insurance proceeds – loss of property, plant and equipment	–	4 023	–	4 023
	<b>–</b>	<b>5 802</b>	<b>–</b>	<b>5 802</b>

## 8. Direct expenses

Interconnect costs	(61 651)	(53 804)	(61 651)	(53 804)
Business managed services costs	(1 050)	(4 703)	(3 741)	(4 703)
Bad debt provision charge (Note 20)	(5 727)	(4 458)	(5 727)	(4 458)
Mobile prepaid airtime commission costs	(170 130)	(156 393)	(170 130)	(156 393)
Regulatory fees	(33 593)	(22 549)	(32 951)	(22 549)
Mobile other costs	(2 647)	(36 365)	(2 337)	(36 365)
Inventory provisions (charge)/reversal (Note 23)	(1 421)	904	(1 421)	904
Acquisition costs	(27 906)	(21 805)	(27 906)	(21 805)
Retention costs	(2 706)	(2 088)	(2 706)	(2 088)
Stock obsolescence (charge)/reversal (Note 23)	(3 283)	82	(3 283)	82
	<b>(310 114)</b>	<b>(301 179)</b>	<b>(311 853)</b>	<b>(301 179)</b>

## 9. Staff expenses

Wages and salaries, including other termination benefits	(53 616)	(56 747)	(53 454)	(56 747)
Share based compensation (Note 9.1)	(839)	(650)	(839)	(650)
Pension costs – defined contribution plans	(3 026)	(2 751)	(2 973)	(2 751)
Restructuring costs	(3 150)	–	(2 746)	–
Skills and Development Levy	(1 363)	(1 385)	(1 363)	(1 385)
Bonus expense	(4 211)	(2 963)	(4 210)	(2 963)
	<b>(66 205)</b>	<b>(64 496)</b>	<b>(65 585)</b>	<b>(64 496)</b>

## Notes to the consolidated annual financial statements *continued*

### 9. Staff expenses continued

#### 9.1 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, 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 Group. 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. Market conditions are adjusted for.

##### Share awards

Prices are stated in the currency in which Vodacom Group Limited shares are traded, being South African rand ('R').

R/Number of shares	Weighted average fair value at grant date 2017	Number of shares 2017	Weighted average fair value at grant date 2016	Number of shares 2016
1 April	123.94	428 887	122.80	236 914
Granted	162.58	75 499	129.91	133 370
Forfeited	122.23	76 445	116.00	54 011
Vested	111.82	13 428	102.50	4 592
31 March	128.23	594 259	123.94	428 887

### 10. Other operating expenses

TZS m	Group		Company	
	2017	2016	2017	2016
Network operating expenses <sup>12</sup>	(183 609)	(164 853)	(179 893)	(164 853)
Office administration expenses <sup>12</sup>	(42 842)	(43 066)	(41 933)	(43 066)
Other recoveries and expenses	(7 227)	–	(7 227)	–
Amortisation of operating lease prepayments (Note 19)	(7 790)	(1 615)	(7 790)	(1 615)
Auditors' remuneration	(678)	(422)	(654)	(353)
Audit fees	(538)	(275)	(514)	(251)
Other charges	(140)	(147)	(140)	(102)
Gain on disposal of property, plant and equipment	189	–	189	–
Operating lease rentals	(22 952)	(32 716)	(22 952)	(32 716)
Amortisation of deferred loss (Note 21)	(7 360)	(6 618)	(7 360)	(6 618)
Donation to Vodacom Tanzania Foundation	(600)	(600)	(600)	(600)
	(272 869)	(249 890)	(268 220)	(249 821)

##### Note:

12. Refer to Note 44.

Notes to the consolidated annual financial statements *continued***11. Business combination**

On 19 July 2016, the Company acquired 100% of Shared Networks Tanzania Limited ('SNT'). A cash payment of TZS 20 609 million (85%) was made in August 2016. The remaining 15% of the consideration may be offset against any future claims made under any relevant warranty or indemnity having an adverse impact on the Company.

TZS m	Group 2017
<b>Consideration transferred</b>	
Cash consideration	20 609
Deferred consideration <sup>13</sup>	3 637
Net consideration	24 246
<b>Assets acquired and liabilities assumed at the date of acquisition</b>	
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)
<b>Goodwill arising on acquisition</b>	
Consideration (cash and deferred)	24 246
Less fair value of identifiable assets acquired	(22 258)
Goodwill arising on acquisition	1 988
<b>Net cash outflow on acquisition</b>	
Cash consideration	20 609

**12. Finance income**

TZS m	Group		Company	
	2017	2016	2017	2016
Interest income from bank balances	6 062	10 424	6 062	10 424
Interest income from HTT loan (Note 22)	11 635	8 641	11 635	8 641
	17 697	19 065	17 697	19 065
Interest income from M-Pesa deposits	31 470	22 599	–	–
SNT accrued interest released by HTT	878	–	–	–
	50 045	41 664	17 697	19 065

**Note:**

13. 15% of the purchase price is reserved for future claims, warranty and indemnity.



Notes to the consolidated annual financial statements *continued*

## 16. Property plant and equipment

Group

TZS m	Leasehold land & buildings	Network infra- structure & equipment	Other assets	Total
<b>Net book value as at 1 April 2015 (Restated)<sup>15</sup></b>	15 939	587 254	2 429	605 622
Cost	20 451	1 033 366	11 680	1 065 497
Accumulated depreciation	(4 512)	(446 112)	(9 251)	(459 875)
Reclassification from intangible assets – cost (Note 17)	–	11 163	–	11 163
Reclassification from intangible assets – accumulated depreciation (Note 17)	–	(4 446)	–	(4 446)
Additions <sup>15</sup>	1 542	198 057	5 232	204 831
Disposal costs	–	(142 268)	(6 232)	(148 500)
Accumulated depreciation on disposed assets	–	142 421	6 232	148 653
Depreciation <sup>15</sup>	(910)	(143 106)	(1 104)	(145 120)
Transfer to non-current assets held for sale (Note 22)	–	(25 989)	–	(25 989)
<b>Net book value as at 31 March 2016 (Restated)<sup>15</sup></b>	<b>16 571</b>	<b>623 086</b>	<b>6 557</b>	<b>646 214</b>
Cost	21 993	1 074 329	10 680	1 107 002
Accumulated depreciation	(5 422)	(451 243)	(4 123)	(460 788)
Additions	287	133 638	2 758	136 683
Business combination (Note 11)	–	17 238	–	17 238
Disposals costs	(653)	(7 419)	(50)	(8 122)
Accumulated depreciation on disposed assets	2	7 010	50	7 062
Depreciation	(767)	(143 640)	(637)	(145 044)
Other adjustments (Note 17)	2 210	–	–	2 210
<b>Net book value as at 31 March 2017</b>	<b>17 650</b>	<b>629 913</b>	<b>8 678</b>	<b>656 241</b>
	<b>23 837</b>	<b>1 217 786</b>	<b>13 388</b>	<b>1 255 011</b>
	<b>(6 187)</b>	<b>(588 053)</b>	<b>(4 710)</b>	<b>(598 770)</b>
<i>Assets under construction as at 31 March 2017</i>		7 743	–	7 743
<i>Assets under construction as at 31 March 2016</i>		57 150	–	57 150

**Note:**

15. Refer to Note 42.

## Notes to the consolidated annual financial statements *continued*

### 16. Property plant and equipment continued

#### Company

TZS m	Leasehold land & buildings	Network infra- structure & equipment	Other assets	Total
<b>Net book value as at 1 April 2015 (Restated)<sup>16</sup></b>	15 939	587 254	2 429	605 622
Cost	20 451	1 033 366	11 680	1 065 497
Accumulated depreciation	(4 512)	(446 112)	(9 251)	(459 875)
Reclassification from intangible assets – cost (Note 17)	–	11 163	–	11 163
Reclassification from intangible assets – accumulated depreciation (Note 17)	–	(4 446)	–	(4 446)
Additions <sup>16</sup>	1 542	198 057	5 232	204 831
Disposal costs	–	(142 268)	(6 232)	(148 500)
Accumulated depreciation on disposed assets	–	142 421	6 232	148 653
Depreciation <sup>16</sup>	(910)	(143 106)	(1 104)	(145 120)
Transfer to non-current assets held for sale (Note 22)	–	(25 989)	–	(25 989)
<b>Net book value as at 31 March 2016 (Restated)<sup>16</sup></b>	<b>16 571</b>	<b>623 086</b>	<b>6 557</b>	<b>646 214</b>
Cost	21 993	1 074 329	10 680	1 107 002
Accumulated depreciation	(5 422)	(451 243)	(4 123)	(460 788)
Additions	287	133 653	2 742	136 682
Disposals costs	(653)	(7 418)	(50)	(8 122)
Accumulated depreciation on disposed assets	2	7 010	50	7 062
Depreciation	(767)	(140 714)	(623)	(142 104)
Other adjustments (Note 17)	2 210	–	–	2 210
<b>Net book value as at 31 March 2017</b>	<b>17 650</b>	<b>615 617</b>	<b>8 676</b>	<b>641 943</b>
	<b>23 837</b>	<b>1 200 564</b>	<b>13 372</b>	<b>1 237 773</b>
	<b>(6 187)</b>	<b>(584 947)</b>	<b>(4 696)</b>	<b>(595 830)</b>
<i>Assets under construction as at 31 March 2017</i>	–	7 743	–	7 743
<i>Assets under construction as at 31 March 2016</i>	–	57 150	–	57 150

No property and equipment are pledged against borrowings during the year ended 31 March 2017.

**Note:**

16. Refer to Note 42.

Notes to the consolidated annual financial statements *continued*

## 16. Property plant and equipment continued

TZS m	Group		Company	
	2017	2016	2017	2016
<b>Leasehold land and buildings – Cost</b>				
Plot 49-53, Block M, Mbezi Juu, Dar es Salaam, Tanzania, Certificate of Title No. 49468 (acquired in May 2007)	13 557	11 911	13 557	11 911
43 Kwale Road, Dar es Salaam, Tanzania, Certificate of Title No. 186031/10 (acquired in May 2001)	3 900	3 879	3 900	3 879
Plot 1 & 2, Block B, NCC Link Area, Dodoma Municipality (acquired in July 2005)	2 650	2 590	2 650	2 590
Plot no. 1999, Block M, Forest Area, Mbeya Municipality (acquired in April 2000)	1 272	1 155	1 272	1 155
Nyegezi Hill, Mwanza (acquired in October 2009)	1 360	1 360	1 360	1 360
Moshono Hill, Arusha (acquired in July 2009)	1 098	1,098	1 098	1,098
	<b>23 837</b>	<b>21 993</b>	<b>23 837</b>	<b>21 993</b>

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 17 and 73 years.

## 17. Intangible assets

## Group

TZS m	Licences	Computer software	Total
<b>31 March 2015 (Restated)<sup>17</sup></b>	244	18 460	18 704
Cost	1 817	26 126	27 943
Accumulated amortisation	(1 573)	(7 666)	(9 239)
Reclassifications to property, plant and equipment – cost (Note 16)	–	(11 163)	(11 163)
Reclassifications to property, plant and equipment – accumulated depreciation (Note 16)		4 446	4 446
Additions <sup>17</sup>	–	11 649	11 649
Amortisation charge <sup>17</sup>	(69)	(13 407)	(13 476)
Other adjustments	–	(180)	(180)
<b>1 April 2016 (Restated)<sup>17</sup></b>	175	9 805	9 980
Cost	1 817	26 432	28 249
Accumulated amortisation	(1 642)	(16 627)	(18 269)
Additions	1 157	12 333	13 490
Business combination (Note 11)	24 101	–	24 101
Amortisation	(1 012)	(4 127)	(5 138)
Other adjustments	(254)	(2 027)	(2 281)
<b>31 March 2017</b>	24 167	15 984	40 152
Cost	26 821	36 738	63 559
Accumulated amortisation	(2 654)	(20 754)	(23 408)

## Note:

17. Refer to Note 42.

Notes to the consolidated annual financial statements *continued*

## 17. Intangible assets continued

## Group continued

TZS m	Licences	Computer software	Total
<b>Analysis of disposals</b>			
<b>Year ended 31 March 2016</b>			
Cost	–	4 747	4 747
Accumulated amortisation	–	(4 747)	(4 747)
<b>Net book amount</b>	–	–	–
<b>Year ended 31 March 2017</b>			
Cost	127	20	147
Accumulated amortisation	(127)	(20)	(147)
<b>Net book amount</b>	–	–	–
<b>Company</b>			
<b>31 March 2015 (Restated)<sup>18</sup></b>	244	18 460	18 704
Cost	1 817	26 126	27 943
Accumulated amortisation	(1 573)	(7 666)	(9 239)
Reclassifications to property, plant and equipment – cost (Note 16)	–	(11 163)	(11 163)
Reclassifications to property, plant and equipment – accumulated depreciation (Note 16)	–	4 446	4 446
Additions <sup>18</sup>	–	11 649	11 649
Amortisation charge <sup>18</sup>	(69)	(13 407)	(13 476)
Other adjustments	–	(180)	(180)
<b>1 April 2016 (Restated)<sup>18</sup></b>	<b>175</b>	<b>9 805</b>	<b>9 980</b>
Cost	1 817	26 432	28 249
Accumulated depreciation	(1 642)	(16 627)	(18 269)
Additions	222	13 197	13 419
Amortisation charge	(76)	(4 127)	(4 203)
Other adjustments	680	(2 890)	(2 210)
<b>31 March 2017</b>	<b>1 001</b>	<b>15 985</b>	<b>16 986</b>
Cost	2 719	36 739	39 458
Accumulated depreciation	(1 718)	(20 754)	(22 472)
<b>Analysis of disposals</b>			
<b>Year ended 31 March 2016</b>			
Cost	–	4 747	4 747
Accumulated amortisation	–	(4 747)	(4 747)
<b>Net book amount</b>	–	–	–
<b>Year ended 31 March 2017</b>			
Cost	127	20	147
Accumulated amortisation	(127)	(20)	(147)
<b>Net book amount</b>	–	–	–

## Note:

18. Refer to Note 42.



Notes to the consolidated annual financial statements *continued*

## 18. Income tax continued

TZS m	Group			Company	
	2017	2016	2017	Restated <sup>20</sup> 2016	Restated <sup>20</sup> 2015
<b>d) Income tax receivable</b>					
Opening balance	5 228	13 895	1 700	10 367	14 145
Current tax expense	(28 146)	(50 337)	(28 146)	(50 337)	(53 494)
Interest payable	(682)	(930)	(620)	(930)	(164)
Withholding tax deducted at source	447	–	385	–	–
Tax deposits	3 393	–	3 393	–	–
Tax paid	44 377	42 600	44 377	42 600	49 880
Closing balance	24 617	5 228	21 089	1 700	10 367
Timing					
Non-current (Note 20)	10 996	–	10 996	–	–
Current	13 621	5 228	10 093	1 700	10 367
	24 617	5 228	21 089	1 700	10 367

TZS m	Group			Company	
	2017	2016	2017	Restated <sup>20</sup> 2016	Restated <sup>20</sup> 2015
<b>e) Components of deferred tax liabilities</b>					
Analysed in the statement of financial position after offset as follows:					
Deferred tax liabilities	81 529	85 928	74 685	85 928	88 584
Property and equipment	79 990	85 928	73 146	85 928	88 584
Unrealised foreign exchange gains	1 539	–	1 539	–	–
Deferred tax assets	(24 315)	(31 479)	(24 315)	(31 479)	(29 179)
General provisions and deferred income	(24 315)	(25 717)	(24 315)	(25 717)	(23 062)
Unrealised foreign exchange losses	–	(5 762)	–	(5 762)	(6 117)
Net deferred tax liabilities	57 214	54 449	50 370	54 449	59 405
<b>f) Reconciliation of net deferred tax balance</b>					
At the beginning of the year	54 449	59 405	54 449	59 405	66 620
Acquisition of Shared Networks Limited	7 125	–	–	–	–
Credit to consolidated statement of profit or loss and other comprehensive income	(4 360)	(4 956)	(4 079)	(4 956)	(6 855)
At the end of the year	57 214	54 449	50 370	54 449	59 405

**Note:**

20. Refer to Note 43.

Notes to the consolidated annual financial statements *continued***19. Operating lease prepayments**

The Group entered into long term (10 year) leases 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.

During the financial year ended 31 March 2016, NICTBB, Seacom, Zantel and Vodacom group fiber company ('PanSA') leased line contracts for the provision of undersea fiber capacity were converted from short to long term whereby the Group made an upfront payment for services over a 10 year period.

The movements in operating leases prepayments are shown below:

TZS m	Group		Company	
	2017	2016	2017	2016
<b>Non-current</b>				
At 1 April	35 361	12 546	35 361	12 546
Addition	13 791	25 664	13 791	25 664
Amortisation of operating lease prepayments	(5 303)	–	(5 303)	–
Transfer to operating leases: current	(2 994)	(2 849)	(2 994)	(2 849)
As at 31 March	40 855	35 361	40 855	35 361
<b>Current</b>				
At 1 April	2 847	1 613	2 847	1 613
Addition	4 201	–	4 201	–
Transfer from operating leases: non-current	2 994	2 849	2 994	2 849
Amortisation of operating lease prepayments	(2 487)	(1 615)	(2 487)	(1 615)
	7 557	2 847	7 557	2 847

**20. Trade and other receivables**

TZS m	Group		Company	
	2017	2016	2017	2016
<b>Non-current</b>				
Tax deposit	10 996	365	10 996	365
Other prepayments	328	–	328	–
	11 324	365	11 324	365
<b>Current</b>				
Trade receivables	109 958	122 370	110 267	123 038
Prepayments	9 428	12 618	9 428	12 618
Other receivables	5 295	8 760	15 503	8 092
	124 681	143 748	135 198	143 748

## Notes to the consolidated annual financial statements *continued*

### 20. Trade and other receivables continued

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:

TZS m	Group		Company	
	2017	2016	2017	2016
At 1 April	(54 204)	(49 746)	(54 204)	(49 746)
Bad debt written off	10 335	–	10 335	–
Charge to profit or loss (Note 8)	(5 727)	(4 458)	(5 727)	(4 458)
At 31 March	(49 596)	(54 204)	(49 596)	(54 204)

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

### 21. Deferred loss

The Group continued to sell and leaseback passive equipment to Helios Towers Tanzania Limited ('HTT') during the year ended 31 March 2017. Proceeds from these 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.

TZS m	Group		Company	
	2017	2016	2017	2016
At 1 April	65 599	71 415	65 599	71 415
Loss on assets sold during the year	1 958	802	1 958	802
Fair value adjustment for assets not yet sold (Note 22)	3 611	–	3 611	–
Amortisation charged to profit or loss	(7 360)	(6 618)	(7 360)	(6 618)
31 March	63 808	65 599	63 808	65 599

### 22. 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, second and third closings occurring before 31 March 2014, fourth, fifth, sixth and seventh closings before 31 March 2015 and eighth and ninth closing before 31 March 2016. The tenth and eleventh closing took place in the current financial year and a total of 1 553 towers and the related equipment such as generators and shelters have been sold and transferred to HTT as at the end of the reporting period. The remaining towers and related equipment held for sale are expected to be transferred during the year ending 31 March 2018.

Also included in non-current assets held for sale are the Group's investments in HTT which consist of both an equity stake, previously accounted for as an investment in associate and the related shareholder loan. As at 31 March 2017, the Group held 24.06% (2016: 23.78%) equity interest in HTT, an independent telecommunications tower operator. This holding was acquired as part of the sale and leaseback transaction of the Group's telecommunications towers. During the year ended 31 March 2016, the Board approved a plan to exit its investment in HTT through sale of shares which is expected to be completed during the year ending 31 March 2018.

Notes to the consolidated annual financial statements *continued***22. Non-current assets held for sale continued**

The investment was classified as non-current asset held for sale and the associated shareholder's loan was classified to current assets. Subsequently, the Group has not recognised any impairment losses in respect of its investment since the proceeds are expected to exceed the carrying amounts of the investment.

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

TZS m	Group		Company	
	2017	2016	2017	Restated 2016
At 1 April	87 522	14 394	87 522	14 394
Transfer from property and equipment (Note 16)	–	25 989	–	25 989
Assets sold and leased back	(3 601)	(24 395)	(3 601)	(24 395)
Fair value adjustment for assets not yet sold	(3 611)	–	(3 611)	–
Transfer to other receivables	(7 392)	–	(7 392)	–
Transfer from loan receivables	–	62 525	–	62 525
Interest income from HTT	11 635	–	11 635	–
Transfer from investment in associate	–	9 009	–	9 009
HTT equity received for assets sold and leased back	1 321	–	1 321	–
Repayment of loan principle	(50 053)	–	(50 053)	–
Repayment of loan interest	(17 053)	–	(17 053)	–
At 31 March	18 768	87 522	18 768	87 522

**23. Inventory**

TZS m	Group		Company	
	2017	2016	2017	Restated 2016
Goods held for resale	13 653	5 900	13 653	5 900
Consumables	–	120	–	120
	13 653	6 020	13 653	6 020
<b>Inventory valuation allowance included above</b>				
At beginning of year	(275)	(1 261)	(275)	(1 261)
Stock obsolescence (Note 8)	(3 283)	82	(3 283)	82
Inventory provisions (charges)/reversals (Note 8)	(1 421)	904	(1 421)	904
At the end of the year	(4 979)	(275)	(4 979)	(275)

The cost of inventories recognised as an expense during the year ended 31 March 2017 was TZS 30 259 million (2016: 17 489 million).

**24. Cash and cash equivalents**

TZS m	Group		Company	
	2017	2016	2017	2016
Cash at bank and on hand	64 846	80 057	62 403	43 540
M-Pesa balances	9 055	3 027	9 055	3 027
Short-term deposits	67 012	50 000	67 012	50 000
Bank and cash balances presented in the statement of financial position	140 913	133 084	138 470	96 567
Bank overdrafts and other borrowings	–	(3 869)	–	(3 869)
Cash and cash equivalents presented in the cash flow statement	140 913	129 215	138 470	92 698

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

## Notes to the consolidated annual financial statements *continued*

### 25. Share capital

TZS m	Group		Company	
	2017	2016	2017	2016
4 000 000 000 ordinary shares of TZS 50 each (2016: 2 000 000 000 ordinary shares of TZS 100 each)	200 000	200 000	200 000	200 000
<b>Issued</b> 11 680 000 200 <sup>21</sup> ordinary shares of TZS 50 each (2016: 840 000 100 ordinary shares of TZS 100 each)	84 000	84 000	84 000	84 000

### 26. Borrowings

TZS m	Group		Company	
	2017	2016	2017	2016
<b>Non-current</b> Vodacom Group Limited (Parent)	–	–	–	–
<b>Current</b> Vodacom Group Limited (Parent)	200 956	216 119	200 956	216 119
Mirambo Limited (Shareholder)	538	1 302	538	1 302
Bank overdraft	–	3 869	–	3 869
	<b>201 494</b>	<b>221 290</b>	<b>201 494</b>	<b>221 290</b>

The fair value of the Group's loan liabilities approximate their carrying value. The effective interest rates for term loans and bank overdrafts were 10.0% (2016: 9.2%) and 5.1% (2016: 4.4%) respectively.

#### Vodacom Group Limited

Vodacom Group Limited provided loans to the Group in United States dollar ('US\$') and South Africa rand ('R') as follows:

Loans with principal amounts of US\$ 12 million (bearing interest at one-month LIBOR plus 2.5%) and R469 million (bearing interest at one month JIBAR plus 4.0%) were provided by Vodacom Group Limited. The maturity dates of both loans were extended from 31 March 2017 to 30 June 2017 during the year ended 31 March 2017.

Vodacom Group Limited's loans are subordinate to all other creditors, including trade creditors.

#### Mirambo Limited

The loan balance as at 31 March 2017 was US\$ 240 870 (2016: US\$ 560 031) (being interest accrued) bears interest, payable quarterly, at one month LIBOR plus 5.0% and shall be repaid on approval by shareholders holding at least 60% of voting rights of the Group. This loan is unsecured.

#### Bank overdrafts

The Group has unsecured bank overdraft facility with Citibank Tanzania Limited of US\$ 20 million (2016: US\$ 20 million) which attracts interest at six months US\$ LIBOR + 4.0%. The overdraft facility was unutilised as at 31 March 2017 (2016: US\$ nil).

#### Note:

21. The weighted average number of shares are based on the number of shares outstanding as at 31 March 2017 following a share split conducted during the year.

Notes to the consolidated annual financial statements *continued*

## 27. Trade and other payables

TZS m	Group		Company		
	2017	2016	2017	Restated <sup>22</sup> 2016	Restated <sup>22</sup> 2015
<b>Non-current</b>					
Deferred income	327	375	327	375	305
HTT operating lease liability	28 846	19 699	28 846	19 699	10 426
	<b>29 173</b>	20 074	<b>29 173</b>	20 074	10 731
<b>Current</b>					
Trade payables	37 210	36 360	30 337	40 239	36 260
Capital expenditure creditors <sup>23</sup>	10 879	30 161	10 879	30 161	36 947
Local deposits held	–	365	–	365	365
Value-added tax	17 786	16 385	18 873	16 385	7 218
Excise duty	10 074	17 764	10 074	17 764	24 275
Accruals <sup>23</sup>	92 875	85 719	92 651	85 719	111 129
Deposits due to agents	293 551	257 193	–	–	–
Deferred revenue	20 907	25 678	20 907	25 678	25 162
Other payables	14 313	–	12 029	–	–
Related company payables (Note 34)	31 893	11 970	32 480	11 970	14 478
	<b>529 488</b>	481 595	<b>228 230</b>	228 281	255 834
Interest due to customers	24 075	41 717	–	–	–
	<b>553 563</b>	523 312	<b>228 230</b>	228 281	255 834

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

## 28. Government grants

TZS m	Group		Company	
	2017	2016	2017	2016
At the beginning of the year	8 076	1 971	8 076	1 971
Received during the year	1 393	6 105	1 393	6 105
At the end of the year	<b>9 469</b>	8 076	<b>9 469</b>	8 076

During the year, an advance grant of TZS 1 393 million (2016: TZS 6 105 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 2017 all sites are operational.

**Notes:**

22. Refer to Note 43.

23. Refer to Note 44.

## Notes to the consolidated annual financial statements *continued*

### 29. Interest in other entities

The Group has interests in the following entities:

#### M-Pesa Limited

M-Pesa Limited was established and registered on 9 April 2008 under the Companies Act, No. 12 of 2002 as a company limited by guarantee having share capital. The guarantee is limited to TZS 1 000 per guarantor. M-Pesa Limited has two guarantors, of which one is the Company.

M-Pesa Limited's principal activity is to act as bona fide trustees in order to protect and safeguard all and any monies gained from and/or to M-Pesa Limited's cellular phone money transfer service for the benefit of the users of the said service. M-Pesa Limited is consolidated.

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

TZS m	2017	2016
<b>Statement of financial position</b>		
Total assets	320 127	295 041
<b>Statement of profit or loss and other comprehensive income</b>		
Revenue	–	–
Total expenses	(105)	(69)

#### 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 TZS 100 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 TZS 1 000 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	2017	2016
<b>Statement of financial position</b>		
Total assets	838	446
<b>Statement of profit or loss and other comprehensive income</b>		
Donation income	941	999
Total expenses	(551)	(1 343)

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.

Notes to the consolidated annual financial statements *continued*

## 29. Interest in other entities continued

## 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.

Below is an extract taken from the separate financial statements of SNT for the year ended 31 December:

TZS m	2016	2015
<b>Statement of financial position</b>		
Total assets	18 113	22 760
<b>Statement of profit or loss and other comprehensive income</b>		
Revenue	4 414	3 651
Total expenses	(10 496)	(11 728)

## 30. Commitments

TZS m	Group		Company	
	2017	2016	2017	2016
Operating leases (Note 30.1)	624 679	513 530	624 679	513 530
Capital expenditure contracted for but not yet incurred	24 877	22 742	24 877	22 742
Other (including sports and marketing commitments)	130 088	37 865	130 088	37 865
	779 644	574 137	779 644	574 137

## 30.1 Operating leases

Future minimum lease payments under irrevocable operating leases:

TZS m	Group		Company	
	2017	2016	2017	2016
Within one year	65 441	78 580	65 441	78 580
Between one and five years	269 794	178 769	269 794	178 769
More than five years	289 444	256 181	289 444	256 181
	624 679	513 530	624 679	513 530

Operating leases include leases of offices and other accommodation, motor vehicles, sites and others. The remaining lease terms vary between six months and nine 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.

## 30.2 Capital commitments

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

## Notes to the consolidated annual financial statements *continued*

### 31. 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 TZS 3 185 million (2016 TZS 1 200 million). The provisions shown in the statement of financial position includes restructuring cost provision of TZS 224 million (2016: nil).

### 32. Contingent liabilities and other matters

#### a) Contingent liabilities

##### Tax matters

The Group is regularly subject to an evaluation by tax authorities of its direct and indirect tax filings. The consequence of such reviews is that disputes can arise with tax authorities over the interpretation or application of certain tax rules applicable to the Group's businesses. These disputes may not necessarily be resolved in a manner that is favourable to the Group. Additionally, the resolution of the disputes could result in an obligation to the Group. The Group is currently involved in the resolution of significant tax demands arising from assessments by the Tanzania Revenue Authority ('TRA'), a substantial amount of which the Group disagrees with the TRA's interpretation of the tax laws and regulations, and consequently for which no provisions have been recorded. Having considered internal and external expert advice, the Directors believe that the Group has made sufficient provision for any losses arising from tax exposures that are more likely to occur than not. There has been no material increase in exposure during the year.

##### Legal contingencies

No contingent liabilities have been recognised for any legal proceedings.

#### b) Other matters

##### Initial Public Offering ('IPO'): Listing on Dar es Salaam Stock Exchange

In June 2016, the Parliament of Tanzania passed the Finance Act, 2016 which amends listing requirements under the Electronic and Postal Communication Act, 2010 ('EPOCA'), to introduce mandatory listing requirements and require licensed telecommunications operators to list 25% of their authorised share capital through an IPO on the Dar es Salaam Stock Exchange ('DSE').

On 16 November 2016, the Company was converted from a private company to a public company, (Vodacom Tanzania Public Limited Company). On 25 November 2016, the Company submitted its applications for an IPO and listing to the Capital Markets and Securities Authority ('CMSA') and DSE, respectively. The DSE and CMSA approved the applications on 17 February 2017 and 28 February 2017, respectively. The listing of shares is expected to take place during the second quarter of the financial year ending 31 March 2018.

##### Customer registration

The Group is subject to customer registration requirements as issued by the Tanzania Regulatory Communications Authority ('TCRA'). The Group continues to register customers and actively manage its risk, while progressing on action plans to achieve full compliance. The Group also continues to participate in government and industry meetings which oversee the implementation of the registration processes.

##### Tower equipment verification

During October 2016 Helios Towers Tanzania Limited ('HTT') requested the Group to assist with the verification of the Group's equipment located on each HTT owned site in order to compare the actual space utilized with the space allowed under the site lease contract. The project is still underway and should be completed during the 2018 financial year. It will only be possible to determine whether any liability will arise after full verification and reconciliation of all site data.

### 33. 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 both the Group and each employee contribute 10% of gross remuneration to each 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.

Notes to the consolidated annual financial statements *continued***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.

TZS m	Group		Company	
	2017	2016	2017	2016
<b>Balances with related parties</b>				
<b>Trade and other receivables</b>				
Vodafone Group Plc (Ultimate parent)	768	32	768	32
Vodacom Group Limited (Parent)	2 019	4 029	2 019	4 029
Shared Networks Tanzania Limited	–	–	10 519	–
M-Pesa Limited	–	–	2 283	–
	<b>2 787</b>	<b>4 061</b>	<b>15 589</b>	<b>4 061</b>
<b>Trade payables</b>				
Vodafone Group Public Limited Company (Ultimate parent)	(16 039)	(8 208)	(16 039)	(8 208)
Vodacom Group Limited (Parent)	(15 854)	(3 762)	(15 854)	(3 762)
Shared Networks Tanzania Limited	–	–	(587)	–
	<b>(31 893)</b>	<b>(11 970)</b>	<b>(32 480)</b>	<b>(11 970)</b>
<b>Trade payables</b>				
HTT operating lease liability	(28 845)	(19 699)	(28 845)	(19 699)
<b>Borrowings</b>				
Vodacom Group Limited (Parent)	(200 956)	(216 119)	(200 946)	(216 119)
Mirambo Limited (Shareholder)	(538)	(1 302)	(548)	(1 302)
	<b>(201 494)</b>	<b>(217 421)</b>	<b>(201 494)</b>	<b>(217 421)</b>

These outstanding balances are unsecured and will be settled in the ordinary course of business. No guarantees or provision for doubtful debts have been recognised.

## Notes to the consolidated annual financial statements *continued*

### 34. Related parties *continued*

#### Transactions with related parties *continued*

##### Vodafone Group Plc and its subsidiaries:

TZS m	Group		Company	
	2017	2016	2017	2016
Revenue	2 242	8 959	2 242	8 959
Direct costs	(481)	(3 473)	(481)	(3 473)
	1 761	5 486	1 761	5 486
<b>Vodacom Group Limited subsidiaries – Mozambique, DRC and Lesotho</b>				
Revenue	417	418	417	418
Direct costs	(635)	(18)	(635)	(18)
	(218)	400	(218)	400
<b>Vodacom Group Limited – South Africa</b>				
Revenue	1 670	1 992	1 670	1 992
Direct costs	(419)	(473)	(419)	(473)
Finance costs	(20 081)	(20 306)	(20 081)	(20 306)
Internal audit	–	(160)	–	(160)
Secundee expenses and other operating expenses	(11 731)	(15 123)	(11 731)	(15 123)
	(30 561)	(34 070)	(30 561)	(34 070)
<b>Mirambo Limited</b>				
Finance costs	(49)	(101)	(49)	(101)
<b>Shared Networks Tanzania Limited</b>				
Revenue	–	–	717	–
Direct costs	–	–	(2 578)	–
	–	–	(1 861)	–
<b>Helios Towers Tanzania Limited</b>				
Operating expenses	(120 846)	(98 374)	(120 846)	(98 374)
<b>Key management compensation</b>				
Short-term employee benefits	(10 671)	(10 423)	(4 601)	(10 423)
Post-employment benefits	(18)	(34)	(18)	(34)
Long-term employee benefits	(485)	(600)	(485)	(600)
	(11 174)	(11 057)	(5 104)	(11 057)
<b>Non-executive directors</b>				
Non-executive directors' fees	548	2 133	548	2 133
<b>Executive directors</b>				
Short-term employee benefits	(3 266)	(3 215)	(1 919)	(3 215)
Long-term employee benefits	(377)	(50)	(377)	(50)
	(3 643)	(3 265)	(2 296)	(3 265)

The details of directors' emoluments by name will be tabled in the Annual General Meeting.

Notes to the consolidated annual financial statements *continued*

## 35. Risk management policies and objectives

## 35.1 Net loss on re-measurement of financial instruments

TZS m	Group		Company	
	2017	2016	2017	2016
<b>Vodacom Group Limited</b>				
Loans and receivables	1 111	917	1 111	917
Financial liabilities measured at amortised cost	(19 671)	(4 925)	(19 671)	(4 925)
Net loss	(18 560)	(4 008)	(18 560)	(4 008)

## 35.2 Financial instruments carrying amounts

The Group holds the following financial instruments at amortised cost:

TZS m	Group		Company	
	2017	2016	2017	Restated 2016
<b>Financial assets</b>				
Trade receivables	109 958	122 370	110 267	123 038
Sundry debtors	–	50	–	50
Cash and bank balances <sup>24</sup>	64 846	80 057	62 403	43 540
M-Pesa balances	9 055	3 027	9 055	3 027
Financial assets <sup>25</sup>	314 354	254 986	–	–
Short term deposits	67 012	50 000	67 012	50 000
Loan receivable (included in non-current assets held for sale)	7 053	62 525	7 053	62 525
Intergroup receivables	2 787	4 061	15 503	4 061
	575 065	577 076	271 293	286 241
<b>Financial liabilities</b>				
Trade payables	(37 210)	(36 360)	(30 337)	(37 038)
Accruals <sup>25</sup>	(92 875)	(86 653)	(92 651)	(89 854)
Intergroup payables	(31 893)	(11 970)	(32 480)	(11 970)
Capital expenditure creditors <sup>25</sup>	(10 879)	(30 161)	(10 879)	(30 161)
Intergroup borrowings	(201 494)	(217 421)	(201 494)	(217 421)
Other payables	(14 313)	934	(12 029)	934
Bank overdraft	–	(3 869)	–	(3 869)
Deposits due to agents	(293 551)	(257 193)	–	–
Interest due to customers <sup>25</sup>	(24 074)	(41 717)	–	–
	(706 289)	(684 410)	(379 870)	(389 379)

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

**Notes:**

24. The prior year amount for Group has been restated to include cash balances from the subsidiary company M-Pesa.

25. Refer to Note 44.

## 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
<b>Group</b>			
<b>2017</b>			
<b>Financial assets</b>			
Trade receivables	–	–	109 958
Cash and bank balances	–	–	64 846
M-Pesa balance	–	–	9 055
Short term deposits	67 012	–	–
Financial assets	314 354	–	–
Loan receivable (included in non-current assets held for sale)	7 053	–	–
Intergroup receivables	–	–	2 787
	<b>388 419</b>	<b>–</b>	<b>186 646</b>
<b>Financial liabilities</b>			
Trade payables	–	–	(37 210)
Other payables	–	–	(14 313)
Accruals	–	–	(92 875)
Capital expenditure creditors	–	–	(10 879)
Intergroup borrowings	–	(201 494)	–
Intergroup payables	–	–	(31 893)
Deposits due to agents	(293 551)	–	–
Interest due to customers	(24 075)	–	–
	<b>(317 626)</b>	<b>(201 494)</b>	<b>(187 170)</b>
<b>2016</b>			
<b>Financial assets</b>			
Trade receivables	–	–	122 370
Cash and bank balances <sup>26</sup>	–	–	80 057
M-Pesa balances	–	–	3 027
Financial assets <sup>27</sup>	254 986	–	–
Loan receivable (included in non-current assets held for sale)	62 525	–	–
Short term deposits	50 000	–	–
Intergroup receivables	–	–	4 061
	<b>367 511</b>	<b>–</b>	<b>209 515</b>
<b>Financial liabilities</b>			
Trade payables	–	–	(36 360)
Accruals <sup>28</sup>	–	–	(86 653)
Capital expenditure creditors <sup>28</sup>	–	–	(30 161)
Intergroup borrowings	–	(217 421)	–
Deposits due to agents	(257 193)	–	–
Intergroup payables	–	–	(11 970)
Bank overdraft	–	(3 869)	–
Interest due to customers <sup>28</sup>	(41 717)	–	–
	<b>(298 910)</b>	<b>(221 290)</b>	<b>(165 144)</b>

#### Notes:

26. This amount has been restated to include cash balances from the subsidiary M-Pesa.

27. Refer to Note 44.

28. Refer to Note 44.

Notes to the consolidated annual financial statements *continued*

## 35. Risk management policies and objectives continued

35.3 Interest rate profile *continued*

TZS m	Fixed rate	Variable rate	No interest
<b>Company</b>			
<b>2017</b>			
<b>Financial assets</b>			
Trade receivables	–	–	110 267
Cash and bank balances	–	–	62 403
M-Pesa balance	–	–	9 055
Short term deposits	67 012	–	–
Financial assets	314 354	–	–
Loan receivable	7 053	–	–
Intergroup receivables	–	–	15 589
	<b>388 419</b>	<b>–</b>	<b>197 314</b>
<b>Financial liabilities</b>			
Trade payables	–	–	(30 337)
Other payables	–	–	(12 029)
Accruals	–	–	(92 651)
Capital expenditure creditors	–	–	(10 879)
Intergroup borrowings	–	(201 494)	–
Intergroup payables	–	–	(32 480)
	<b>–</b>	<b>(201 494)</b>	<b>(178 376)</b>
<b>2016</b>			
<b>Financial assets</b>			
Trade receivables	–	–	123 038
Cash and bank balances	–	–	43 540
M-Pesa balances	–	–	3 027
Financial assets <sup>29</sup>	254 986	–	–
Short term deposits	50 000	–	–
Loan receivable (included in non-current assets held for sale)	62 525	–	–
Intergroup receivables	–	–	4 061
	<b>367 511</b>	<b>–</b>	<b>173 666</b>
<b>Financial liabilities</b>			
Trade payables	–	–	(37 038)
Accruals <sup>29</sup>	–	–	(89 854)
Capital expenditure creditors <sup>29</sup>	–	–	(30 161)
Intergroup borrowings	–	(217 421)	–
Intergroup payables	–	–	(11 970)
Bank overdraft	–	(3 869)	–
	<b>–</b>	<b>(221 290)</b>	<b>(169 023)</b>

**Note:**

29. Refer to Note 44.

## 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 2017.

##### 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').

##### Group

TZS m	31 March 2017			
	US\$	€	£	R
<b>Assets</b>				
Trade and other receivables	23 399	882	–	–
Cash and cash equivalents	80 623	1 166	–	145
	<b>104 022</b>	<b>2 048</b>	<b>–</b>	<b>145</b>
<b>Liabilities</b>				
Trade and other payables	(37 159)	(12 910)	–	(2 299)
Borrowings	(47 609)	–	–	(153 885)
	<b>(84 768)</b>	<b>(12 910)</b>	<b>–</b>	<b>(156 184)</b>
Net gap	<b>19 254</b>	<b>(10 862)</b>	<b>–</b>	<b>(156 039)</b>
	31 March 2016			
TZS m	US\$	€	£	R
<b>Assets</b>				
Trade and other receivables	35 293	213	–	–
Cash and cash equivalents	18 546	–	–	62
	<b>53 839</b>	<b>213</b>	<b>–</b>	<b>62</b>
<b>Liabilities</b>				
Trade and other payables	(42 207)	(477)	–	(36)
Borrowings <sup>30</sup>	(45 960)	–	–	(171 461)
	<b>(88 167)</b>	<b>(477)</b>	<b>–</b>	<b>(171 497)</b>
Net gap	<b>(34 328)</b>	<b>(264)</b>	<b>–</b>	<b>(171 435)</b>

##### Note:

30. Refer to Note 44.

Notes to the consolidated annual financial statements *continued*

## 35. Risk management policies and objectives continued

## 35.4 Financial risk management continued

## Foreign currency risk continued

## Company

TZS m	31 March 2017			
	US\$	€	£	R
<b>Assets</b>				
Trade and other receivables	23 399	882	–	–
Cash and cash equivalents	80 623	1 166	–	145
	104 022	2 048	–	145
<b>Liabilities</b>				
Trade and other payables	(37 159)	(12 910)	–	(2 299)
Borrowings	(47 609)	–	–	(153 885)
	(84 768)	(12 910)	–	(156 184)
Net gap	19 254	(10 862)	–	(156 039)
	31 March 2016			
TZS m	US\$	€	£	R
<b>Assets</b>				
Trade and other receivables	35 293	213	–	–
Cash and cash equivalents	18 546	–	–	62
	53 839	213	–	62
<b>Liabilities</b>				
Trade and other payables	(42 207)	(477)	–	(36)
Borrowings <sup>31</sup>	(45 960)	–	–	(171 461)
	(88 167)	(477)	–	(171 497)
Net gap	(34 328)	(264)	–	(171 435)

The Group may manage its exposure to fluctuations in foreign currency exchange rates by entering into foreign exchange forward contracts for foreign-denominated transactions above certain monetary levels. The contracts are entered into for specific transactions and are matched with anticipated future cash flows in foreign currencies. The Group did not enter such contract during the financial year ended 31 March 2017.

**Note:**

31. Refer to Note 44.

## Notes to the consolidated annual financial statements *continued*

### 35. Risk management policies and objectives *continued*

#### 35.4 Financial risk management *continued*

##### Foreign currency risk *continued*

The analysis below discloses the Group's sensitivity to the specified percentage change in its functional currency, TZS against the foreign currencies which it is exposed to. The Management's assessment of a reasonable possible change in foreign currency exchange rates is based on estimated 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.

	€	US\$	£	R
<b>Group</b>				
<b>2017</b>				
% change	8.5	6.5	6.3	6.4
Profit/loss after tax – (TZS m)	644	(846)	–	7 569
<b>2016</b>				
% change	2.5	5.2	11.8	5.7
Profit/loss after tax – (TZS m)	65	1 019	–	6 870
<b>Company</b>				
<b>2017</b>				
% change	8.5	6.5	6.3	6.4
Profit/loss after tax – (TZS m)	644	(846)	–	7 569
<b>2016</b>				
% change	2.5	5.2	11.8	5.7
Profit/loss after tax – (TZS m)	65	1 019	–	6 870

Notes to the consolidated annual financial statements *continued*35. Risk management policies and objectives *continued*35.4 Financial risk management *continued***Interest rate risk**

The Group's interest rate profile consists of floating rate borrowings and bank balances, which exposes the Group to interest rate risk and may be summarised as follows:

TZS m	Group		Company	
	2017	2016	2017	2016
Overdrawn bank balance	–	(3 869)	–	(3 869)
	–	(3 869)	–	(3 869)
Deposits due to agents	293 551	257 193	–	–
<b>Shareholders loan</b>				
Shareholders' loans linked to USD LIBOR	47 608	45 960	47 608	45 960
Shareholders' loans linked to JIBAR	153 886	171 461	153 886	171 461
	<b>201 494</b>	<b>217 421</b>	<b>201 494</b>	<b>217 421</b>

The floating rates which the Group is exposed to are the Tanzanian government 364-days T-bill, one-month JIBAR (Johannesburg interbank average rate) and one-month and six-month USD LIBOR (London interbank offered rate) rates.

**Interest rate sensitivity analysis**

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.

TZS m	Group		Company	
	2017	2016	2017	2016
<b>One-month JIBAR rates</b>				
Basis point increase	25	25	25	25
Profit/(loss) post tax	(291)	(300)	(291)	(300)
<b>One-month USD LIBOR</b>				
Basis point increase	5	25	50	25
Profit/(loss) post tax	(16)	(78)	(16)	(78)

## Notes to the consolidated annual financial statements *continued*

### 35. Risk management policies and objectives *continued*

#### 35.4 Financial risk management *continued*

##### Credit risk

The carrying amounts of financial assets, are shown net of any impairment losses, and represent the Group's maximum exposure to credit risk. The Group's policy is to deal with credit worthy counterparties only and to obtain sufficient collateral, where appropriate, to mitigate the risk of financial loss from defaults. The Group uses publicly available financial information, the financial standing of counterparties and the Group's own trading records in order to determine the credit quality of a counterparty. 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 27.9% (2016: 22.1%) 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 (2016: 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
<b>Group</b>					
<b>2017</b>					
Total	6 638	2 086	27 956	4 465	41 145
<b>2016</b>					
Total <sup>32</sup>	10 276	2 930	568	65 534	79 308
<b>Company</b>					
<b>2017</b>					
Total	6 638	2 086	27 956	17 627	54 307
<b>2016</b>					
Total	10 726	2 930	568	65 534	79 308

##### Note:

32. These amounts have been restated to align with current period presentation.

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 and include both estimated interest and principal cash flows.

TZS m	0 – 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	5+ years	Total
<b>Group</b>							
<b>2017</b>							
<b>Financial liabilities</b>							
Intergroup borrowings	(201 494)	–	–	–	–	–	(201 494)
Bank overdraft	–	–	–	–	–	–	–
Trade and other payables	(504 795)	–	(28 844)	–	–	–	(533 639)
	(706 289)	–	(28 844)	–	–	–	(735 133)
<b>Financial assets</b>							
Trade and other receivables	109 958	–	–	–	–	–	109 958
Intergroup receivables	2 787	–	–	–	–	–	2 787
Loan receivable	7 053	–	–	–	–	–	7 053
Cash and cash equivalents	140 913	–	–	–	–	–	140 913
	260 711	–	–	–	–	–	260 711
<b>2016</b>							
<b>Financial liabilities</b>							
Intergroup borrowings	(217 421)	–	–	–	–	–	(217 421)
Bank overdraft	(3 869)	–	–	–	–	–	(3 869)
Trade and other payables	(164 888)	(19 699)	–	–	–	–	(184 587)
	(386 178)	(19 699)	–	–	–	–	(405 877)
<b>Financial assets</b>							
Trade and other receivables	122 420	–	–	–	–	–	122 420
Intergroup receivables	4 061	–	–	–	–	–	4 061
Loan receivable	62 525	–	–	–	–	–	62 525
Cash and cash equivalents <sup>33</sup>	133 084	–	–	–	–	–	133 084
	322 090	–	–	–	–	–	322 090

**Note:**

33. Refer to Note 44.

## Notes to the consolidated annual financial statements *continued*

### 35. Risk management policies and objectives *continued*

#### 35.4 Financial risk management *continued*

##### Liquidity management *continued*

TZS m	0 – 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	5+ years	Total
<b>Company</b>							
<b>2017</b>							
<b>Financial liabilities</b>							
Intergroup borrowings	(201 494)	–	–	–	–	–	(201 494)
Bank overdraft	–	–	–	–	–	–	–
Trade and other payables	(178 376)	–	(28 844)	–	–	–	(207 220)
	(379 870)	–	(28 844)	–	–	–	(408 714)
<b>Financial assets</b>							
Trade and other receivables	110 267	–	–	–	–	–	110 267
Intergroup receivables	15 503	–	–	–	–	–	15 503
Loan receivable	7 053	–	–	–	–	–	7 053
Cash and cash equivalents	138 470	–	–	–	–	–	138 470
	271 293	–	–	–	–	–	271 293
<b>2016</b>							
<b>Financial liabilities</b>							
Intergroup borrowings	(217 421)	–	–	–	–	–	(217 421)
Bank overdraft	(3 869)	–	–	–	–	–	(3 869)
Trade and other payables	(168 089)	(19 699)	–	–	–	–	(187 788)
	(389 379)	(19 699)	–	–	–	–	(409 078)
<b>Financial assets</b>							
Trade and other receivables	123 088	–	–	–	–	–	123 088
Intergroup receivables	4 061	–	–	–	–	–	4 061
Loan receivable	62 525	–	–	–	–	–	62 525
Cash and cash equivalents <sup>34</sup>	96 567	–	–	–	–	–	96 567
	286 241	–	–	–	–	–	286 241

**Note:**

34. Refer to Note 44.

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\$ 20.0 million (2016: US\$ 20.0 million) undrawn foreign-denominated borrowing facilities to manage its liquidity. The Group uses bank facilities and then 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.

##### Insurance risk management

The Group is exposed to insurance risk as a result of its asset base as well as its customer commitments. In terms of its insurance risk profile the Group ensures that there is adequate insurance cover through utilisation of a special purpose insurance vehicle as well as third party insurance.

Notes to the consolidated annual financial statements *continued***36. Capital management**

The Group finances its operations through a mixture of internally generated cashflows 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 a net debt to adjusted equity ratio of below 150%. 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:

TZS m	Group		Company	
	2017	2016	2017	Restated 2016
Term loans (Note 26)	201 494	217 421	201 494	217 421
Bank overdraft and overdrawn bank balances (Note 26)	–	3 869	–	3 869
Cash and bank balances – (Note 24)	(140 913)	(133 084)	(138 470)	(96 567)
Net debt	60 581	88 206	63 024	124 723
Equity	593 593	562 553	600 756	562 553
<b>Net debt to adjusted equity ratio</b>	<b>10.2%</b>	<b>15.7%</b>	<b>10.5%</b>	<b>22.2%</b>

**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 2017, 65% of the Group's shares directly and 17.2% indirectly. The ultimate parent is Vodafone Group Plc., which is incorporated and domiciled in the United Kingdom.

**38. Cash generated from operations**

TZS m	Group		Company	
	2017	2016	2017	Restated 2016
<b>Profit before tax</b>				
Adjusted for:	71 340	74 485	78 784	74 485
Finance income	(50 045)	(41 664)	(17 697)	(19 065)
Finance cost	52 233	44 338	20 806	21 808
Net loss on re-measurement of financial instruments	18 560	4 008	18 560	4 008
<b>Operating profit</b>	<b>92 088</b>	<b>81 167</b>	<b>100 453</b>	<b>81 236</b>
Adjusted for:				
Depreciation and amortisation	150 182	158 596	146 306	158 596
Amortisation of operating leases receivables	7 790	1 615	2 172	1 615
Amortisation of deferred loss	7 360	6 618	7 360	6 618
Share of loss in associate undertakings	–	39 263	–	39 263
Gain on disposal of property, plant and equipment	(189)	–	(189)	–
<b>Cash-flow from operations before working capital changes</b>	<b>257 231</b>	<b>287 258</b>	<b>256 102</b>	<b>287 328</b>
(Increase)/decrease in Inventory	(7 633)	48	(7 633)	48
Decrease/(increase) in trade and other receivables	10 673	23 882	(29 800)	44 494
Increase/(decrease) in trade and other payables and provisions	61 876	47 764	60 584	(3 804)
<b>Cash generated from operations</b>	<b>322 147</b>	<b>358 952</b>	<b>279 253</b>	<b>328 066</b>

## Notes to the consolidated annual financial statements *continued*

### 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		Company	
	2017	2016	2017	Restated 2016
Basic earnings per share (TZS)	28.3	17.3	32.6	17.3
Earnings attributable to equity shareholders (TZS m)	47 554	29 104	54 717	29 104
Weighted average number of ordinary shares outstanding (million) <sup>35</sup>	1 680	1 680	1 680	1 680
Dividends per share (TZS)	9.83	–	9.83	–

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, being 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.

### 41. Current net liability position

The Group had net current liabilities of TZS 153 156 million as at 31 March 2017 (2016: TZS 207 965). The Board believes that the Group's cash flows are sufficient for it to be able to meet its obligations as they fall due and in accordance with all terms contained in the Group's material borrowing agreements. The Group utilises bank facilities to manage any short-term liquidity needs.

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.

**Note:**

35. The weighted average number of shares are based on the number of shares outstanding as at 31 March 2017 following a share split conducted during the year.

Notes to the consolidated annual financial statements *continued*

## 42. Prior year restatements

**Intangible assets and Property, Plant and Equipment ('PPE')**

During the financial year ended 31 March 2017 the Group reclassified intangible assets which are integral part of PPE to PPE. The statement of financial position for the year ended 31 March 2016 was restated to reflect the change in classification. The restatement did not affect the statement of profit and loss and other comprehensive income nor the statement of cash flows.

The impact of the restatement on the 2016 and 2015 statements of financial position is as shown below:

Group and Company	After restatement	Before Restatement	Restatement
<b>Property, plant and equipment</b>			
2015	605 622	564 256	41 366
2016	646 214	584 800	61 414
<b>Intangible assets</b>			
2015	18 704	60 070	(41 366)
2016	9 980	71 394	(61 414)

## 43. Prior year restatements – Company

**Income tax**

During the year ended 31 March 2017 the Group revised its income tax computations for the financial years ended 31 March 2014, 2015 and 2016. The impact of the restatement on the statement of profit or loss and other comprehensive income and statement of financial position for the year ended 31 March 2016 is shown below.

TZS m	After restatement 2016	Before restatement 2016	Restatement 2016
<b>Statement of profit or loss and other comprehensive income</b>			
Finance costs	(21 808)	(20 878)	(930)
Income tax expense	(45 381)	(50 062)	4 681
Profit after tax	29 104	25 353	3 751
<b>Statement of financial position</b>			
<b>Non-current assets</b>			
Trade and other receivables	365	375	(10)
<b>Current assets</b>			
Trade and other receivables	143 748	144 416	(668)
Income tax receivable	1 700	9 050	(7 350)
	145 448	153 466	(8 018)
<b>Non-current liabilities</b>			
Deferred income tax	54 449	30 853	23 596
<b>Current liabilities</b>			
Trade and other payables	228 281	225 080	3 201
<b>Equity</b>			
Retained earnings	455 579	490 404	(34 825)
Basic and diluted earnings per share	17.3	15.1	2.2

## Notes to the consolidated annual financial statements *continued*

### 43. Prior year restatements – Company continued

TZS m	After restatement 2015	Before restatement 2015	Restatement 2015
<b>Statement of profit or loss and other comprehensive income</b>			
Finance costs	(19 176)	(19 012)	(164)
Income tax expense	(46 639)	(29 224)	(17 415)
Profit after tax	32 055	49 634	(17 579)
<b>Statement of financial position</b>			
<b>Current assets</b>			
Trade and other receivables	178 577	178 577	–
Income tax receivable	10 367	18 034	(7 667)
	188 944	196 611	(7 667)
<b>Non-current liabilities</b>			
Deferred income tax	59 405	32 375	27 030
<b>Current liabilities</b>			
Trade and other payables	255 834	251 955	3 879
<b>Equity</b>			
Retained earnings	426 475	465 051	(38 576)
Basic and diluted earnings per share	19.1	15.1	4.0

#### Non-current assets held for sale

During the year ended 31 March 2016 the Board approved a plan to exit its investment in HTT. Management reclassified the investment in associates to a non-current asset held for sale. The associated loan was however not classified as current in the Company financial statements and is therefore restated as below. The restatement did not affect net profit, or the presentation of the statement of comprehensive income, nor the statement of cash flows.

The impact of the restatement on the statement of financial position as at 31 March 2017 is shown below:

TZS m	After restatement	Before restatement	Restatement
Loans and receivables – non-current	–	62 525	(62 525)
Non-current assets held for sale	87 522	24 997	62 525

Notes to the consolidated annual financial statements *continued***44. Reclassifications and comparative figures**

Certain prior year amounts included in the notes to the financial statements have been reclassified for consistency with the current period presentation. These reclassifications had no effect on net profit, or the presentation of the statement of comprehensive income, or the statement of cash flows nor the statement of financial position.

The items were reclassified as follows:

TZS m	Group			Company		
	After reclassification 2016	Before reclassification 2016	Reclassification 2016	After reclassification 2016	Before reclassification 2016	Reclassification 2016
<b>Note 10 – Other operating expenses</b>						
Network operating expenses	(164 853)	(149 935)	(15 458)	(164 853)	(149 395)	(15 458)
Office administration expenses	(43 066)	(58 524)	15 458	(43 066)	(58 524)	15 458
<b>Note 27 – Trade and other payables</b>						
Capital expenditure creditors	30 161	8 912	(21 249)	30 161	8 912	(21 249)
Accruals	85 719	106 968	21 249	85 719	106 968	21 249
<b>Note 35.2 – Financial instruments carrying amounts</b>						
Financial assets	254 986	–	254 986	–	–	–
Interest due to customers	(41 717)	(37 838)	(3 879)	–	–	–
HTT operating lease liability	–	(19 699)	19 699	–	(19 699)	19 699
Capital expenditure creditors	(30 161)	(8 912)	(21 249)	(30 161)	(8 912)	(21 249)
Accruals	(85 719)	(106 968)	21 249	(85 719)	(106 968)	21 249
Financial assets	254 986	–	254 986	–	–	–
Interest due to customers	(41 717)	(37 838)	(3 879)	–	–	–
HTT operating lease liability	–	(19 699)	19 699	–	(19 699)	19 699
Capital expenditure creditors	(30 161)	(8 912)	(21 249)	(30 161)	(8 912)	(21 249)
Accruals	(85 719)	(106 968)	21 249	(85 719)	(106 968)	21 249
<b>Note 35.4 – Financial risk management</b>						
Borrowings	(217 421)	(1 220)	(216 201)	(217 421)	(1 220)	(216 201)
Cash and cash equivalents	–	(2 942)	2 942	–	(2 942)	2 942
<b>Liquidity management</b>						
Cash and cash equivalents	133 084	96 567	36 517	96 567	96 567	–

**45. Events after reporting date**

The Board is not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with in the annual financial statements, which may significantly affect the financial position or the results of the operations of both the Group and the Company as at 31 March 2017.




# Governance

# Who governs us

We have a unitary Board with 10 directors, the majority of whom are non-executive directors. Our chairman is a non-executive director. Following our listing on the Dar es Salaam stock exchange, the Board will be reconstituted to reflect a new shareholding structure and regulatory framework.

## Board structure



**Chairman**  
**Vivek Mathur (53)**  
 Appointed February 2016\*

- Corporate and governance expertise
- Brand and distribution knowledge
- Operational expertise

RN

## Non-executive directors



**Rostam Aziz Abdulrasool (56)**  
 Appointed in December 1999

- Government relations experience
- Entrepreneurial flair
- Economist



**Sitholizwe Mdlalose (37)**  
 Appointed in November 2014

- Sound financial governance background
- International operational experience
- Regional insight

RN A



**Andries Daniel Jan Delpont (52)**  
 Appointed in April 2015

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



**Nomakhosi Skosana (46)**  
 Appointed in April 2015

- Sound corporate governance background
- Extensive telecoms knowledge
- Operational expertise

A



**Michael Joseph (71)**  
 Appointed April 2013

- Understands innovation
- Strategy and business leadership experience
- Mobile money experience



**Henry JC Surtees (46)**  
 Appointed in May 2011

- Financial experience
- Corporate governance expertise
- Corporate leadership expertise

RN A

A Audit, Risk and Compliance Committee

RN Remuneration and Nomination Committee

\* In June 2017, Mr. Mathur announced that he intends to resign as both Chairman and a member of the Board.

## Executive directors



**Ian Ferrao (34)**  
 Appointed in September 2015

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



**Jacques Marais (51)**  
 Appointed in July 2016

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

# Who leads us

## Executive Committee



### Managing Director

**Ian Ferrao (34)**  
Joined Vodacom in 2011

#### Finance

**Jean Jacques Marais (51)**  
Finance Director  
Joined Vodacom in 2001



#### Consumer

**Hisham Hendi (37)**  
Consumer Business Unit Director  
Joined Vodacom in 2014, Vodafone in 2005



#### Marketing

**Ashutosh Tiwary (42)**  
Marketing Director  
Joined Vodacom in 2016



#### M-Commerce

**Sitoyo Lopokoiyit (41)**  
M-Commerce Director  
Joined Vodacom in 2015, Safaricom in 2011



#### Enterprise

**Gregory Verbond (46)**  
Enterprise Business Unit Director  
Joined Vodacom in 2012\*



#### Network

**Alec Mulonga (42)**  
Network Director  
Joined Vodacom in 2012



#### Legal and Regulatory

**Nina Firyandiana Pendaeli (48)**  
Legal & Regulatory Affairs Director  
Joined Vodacom in 2013



#### Corporate affairs

**Rosalynn Gloria Mworja (37)**  
Corporate Affairs Director  
Joined Vodacom in 2008



#### Customer operations

**Harriet Atweza Lwakatere (39)**  
Customer Service Director  
Joined Vodacom in 2012



#### Human resources

**Perece Kirigiti (46)**  
Human Resources Director  
Joined Vodacom in 2015



#### IT & billing

**Luis Fedriani (45)**  
IT & Billing Director  
Joined Vodacom in 2012

\* In June 2017, Mr. Verbond announced his resignation as Enterprise Business Unit Director.



For detailed biographies of the Board and the Executive Committee please see our IPO prospectus available at [www.vodacom.co.tz/investor-relations](http://www.vodacom.co.tz/investor-relations)

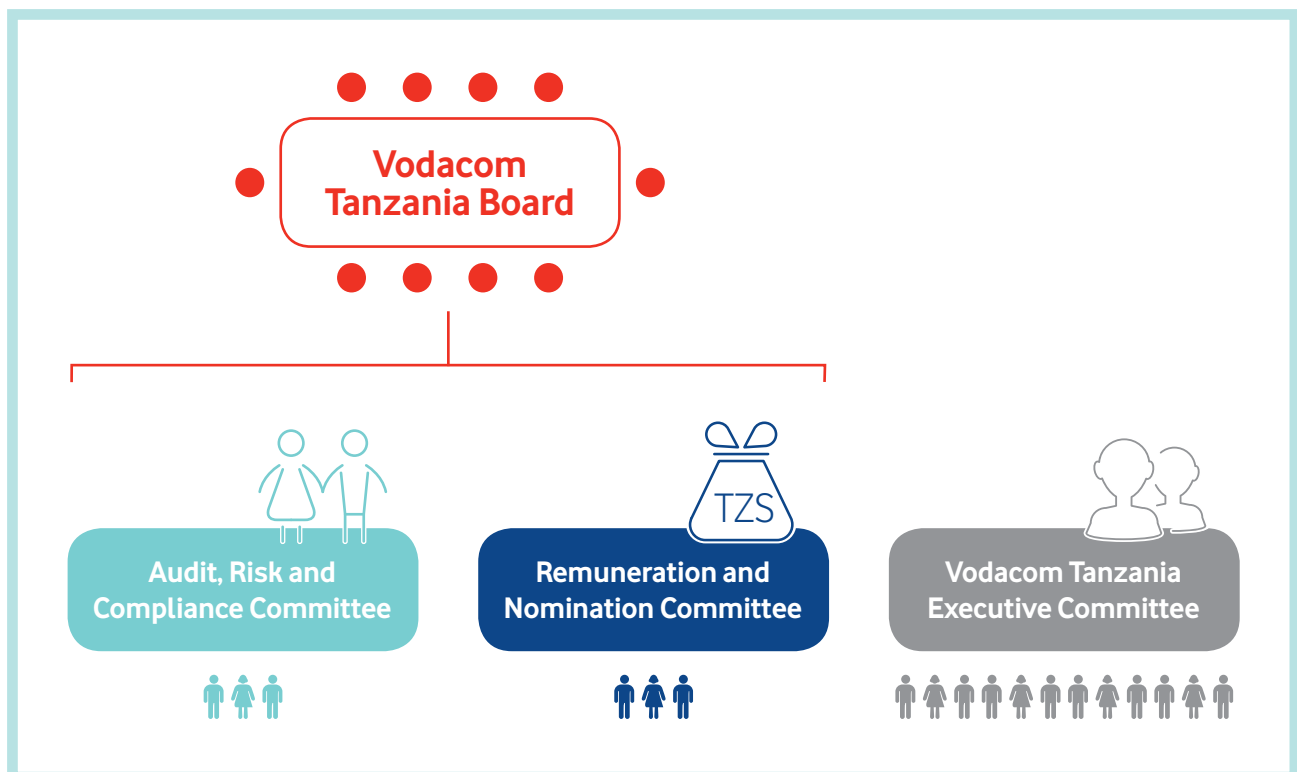
# Corporate governance statement

## 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.

## Corporate governance structure

The following diagram shows Vodacom Tanzania's governance structure:



## Ethical leadership

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

## Board leadership and committees

### Board

Vodacom Tanzania's Board is composed of 10 directors, one of which is currently vacant. The Board is led by a non-executive chairperson. 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.

## Corporate governance *continued*

Following our listing on the Dar es Salaam stock exchange ('DSE'), the Board will be 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.

### 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:

- ▶ 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 annual and interim financial results and shareholder communications;
- ▶ Approving the senior management structure, responsibilities and succession plans; and
- ▶ Ensuring the integrity of the management information systems.

### Directors

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

### Chairman

The articles of association require the Board to re-elect the Chairman annually.

### 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 according to an agreed procedure.

### Board meetings

The Board holds a minimum of three meetings every year. Special Board meetings are convened when necessary. Three special Board meetings were convened during the year.

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

Name of director	1 Jun 2016	26 Aug 2016 Special	20 Oct 2016	7 Nov 2016 Special	16 Nov 2016 Special	8 Mar 2017
Mr. Rostam Aziz Abdulasool	X	X	X	X	X	X
Mr. Andries Daniel Jan Delpont	✓	✓	✓	✓	✓	✓
Mr. Ian Ferrao	✓	✓	✓	✓	✓	✓
Mr. Michael Joseph	✓	✓	✓	✓	✓	✓
Amb. Mwanaidi Maajar <sup>1</sup>	✓	✓	✓	✓	R <sup>1</sup>	R <sup>1</sup>
Mr. Sateesh Kamath	✓	R <sup>3</sup>	R <sup>3</sup>	R <sup>3</sup>	R <sup>3</sup>	R <sup>3</sup>
Mr. Jean Jacques Marais	n/a <sup>4</sup>	✓	✓	✓	✓	✓
Mr. Vivek Mathur <sup>2</sup>	✓	✓	✓	✓	✓	✓
Mr. Sitholizwe Mdlalose	✓	✓	✓	✓	✓	✓
Ms. Nomakhosi Skosana	✓	✓	✓	✓	✓	✓
Mr. Henry Surtees	✓	✓	✓	✓	✓	✓

1. Amb. Mwanaidi Maajar resigned as Chairman on 7 November 2016 and as a Board member on 10 November 2016.

2. Mr. Vivek Mathur was appointed as Chairman on 7 November 2016.

3. Mr. Sateesh Kamath resigned as Finance Director on 30 June 2016.

4. Mr. Jean Jacques Marais was appointed as Finance Director on 1 July 2016.

### 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 its defined terms of reference;
- ▶ Consist of no less than three members of the Board or of such other persons as the Board may deem fit – provided that any committee so formed shall in the powers so delegated 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.

## Corporate governance *continued*

### Audit, Risk and Compliance Committee

**Current members:** Sitholizwe Mdlalose (Chairman), Nomakhosi Skosana and Henry JC Surtees.

The Audit, Risk and Compliance Committee ('ARC Committee') has been established based on best practice in corporate governance. The committee comprises at least three non-executive directors. The ARC Committee chairperson is appointed by the Board. The Managing Director and Finance Director, as well as the external auditors, attend ARC Committee meetings by invitation.

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

The internal and external auditors have unlimited access to the Chairman 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.

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

Name of director	1 Jun 2016	20 Oct 2016	8 Mar 2017
Ms. Sitholizwe Mdlalose	✓	✓	✓
Ms. Nomakhosi Skosana	✓	✓	✓
Mr. Henry Surtees	✓	✓	✓

### Remuneration and Nomination Committee

**Current members:** Vivek Mathur (Chairman), Sitholizwe Mdlalose, Henry JC Surtees and Matimba Mbungela<sup>1</sup>.

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

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

\* In June 2017, Mr. Mathur announced that he intends to resign as both Chairman and a member of the Board.

1. Mr. Matimba Mbungela, the Chief Human Resources Officer of Vodacom Group Limited, is invited to all meetings of the Remuneration and Nomination Committee.

## Corporate governance *continued*

Mr. Matimba Mbungela, Chief Human Resources Officer of Vodacom Group Limited attended the Remuneration and Nomination Committee on 1 June 2016 and 8 March 2017 by invitation.

Name of director	1 Jun 2016	20 Oct 2016	8 Mar 2017
Mr. Vivek Mathur	✓	✓	✓
Mr. Sitholizwe Mdlalose	✓	✓	✓
Mr. Henry Surtees	✓	✓	✓
Mr. Matimba Mbungela	✓	X	✓

### Other Committees

#### Executive Committee

The Executive Committee is not a Board committee. During the year, the Executive Committee included the Managing Director (as chairman of the Executive Committee), Finance Director, Human Resources Director, IT & Billing Director, Consumer Business Unit Director, M-Commerce Director, Customer Service Director, Networks Director, Corporate Affairs Director, Legal & Regulatory Affairs Director, Marketing Director and Enterprise Business Unit Director.

The committee is responsible for managing Vodacom Tanzania's operations, developing strategy and policy proposals for the Board's consideration, and implementing the Board's directives.

The committee's other responsibilities include:

- ▶ Leading executives, management and employees;
- ▶ Developing the annual budget and business plans for the Board's approval; and
- ▶ Developing, implementing and monitoring policies and procedures, internal controls, governance, risk management, ethics and authority levels.

### Risk management

Management continuously develops and enhances its risk and control procedures to improve risk identification, assessment and monitoring. The Board considers business risks when setting strategies, approving budgets and monitoring progress against budgets. Risks are managed through a risk management committee ('RMC') and the risk group as set up by Vodacom Group Limited and the Executive Committee.

### Internal control

Management adopts internal controls, including policies, procedures and processes to provide reasonable assurance in safeguarding assets, preventing and detecting errors, ensuring the accuracy and completeness of accounting records, and ensuring the reliability of financial statements. The Vodacom Group Limited internal audit team provides independent, objective assurance of the system of internal controls to the Board.

### Internal audit

The Vodacom Group Limited internal audit function operates under a defined charter, as approved by Vodacom Group Limited's

own Audit, Risk and Compliance Committee. This committee's charter conforms to the international standards for the professional practice of internal auditing and the code of ethics as set out by the Institute of Internal Auditors.

Vodacom Group Limited's audit methodology and planning follows a risk-based approach. The internal audit plan for Vodacom Tanzania is compiled annually in co-operation with Vodacom Tanzania's Group Limited's management and is approved by the Vodacom Tanzania ARC Committee in March each year.

### Directors' shareholding

The directors do not hold any shares in Vodacom Tanzania.

### Share dealings

Vodacom Tanzania has a share dealing policy requiring all directors and Executive Committee members must give notice to the Company Secretary prior to and after dealing in the Company's shares.

Closed periods are implemented as per the Dar es Salaam stock exchange rules, during which Vodacom Tanzania's directors, executives and employees are not allowed to deal in the Company's shares. Additional closed periods are enforced should Vodacom Tanzania be subject to any corporate activity requiring a cautionary announcement.

### Company Secretary

All directors have access to the advice and services of the Company Secretary, Caroline Mduma, who is responsible to the Board for ensuring compliance with procedures and applicable statute and regulations. For the Board to function effectively, all directors have full and timely access to information that helps them perform their duties. This includes corporate announcements, investor communications and information about developments that may affect Vodacom Tanzania and its operations. Directors have full access to management as required.

The Company Secretary is responsible for director training. The Company Secretary and Managing Director provide new directors with an induction to Vodacom Tanzania's operations as well as briefings on their fiduciary and statutory responsibilities.

### Stakeholder relationships

#### Stakeholder engagement

The Board has delegated to management the responsibility to deal with stakeholder relationships in a proactive and constructive manner.

#### Investor relations

Vodacom Tanzania proactively communicates its strategy and activities to shareholders through a planned investor relations programme which includes:

- ▶ Formal presentations of annual and interim results;
- ▶ Briefing meetings with major institutional shareholders after the release of results; and
- ▶ Hosting investor and analyst sessions.

# Corporate information

## Vodacom Tanzania Public Limited Company

(Incorporated in the United Republic of Tanzania)  
Registration number: 38501

### Directors

V Mathur<sup>1\*</sup> (Chairman), I Ferrao<sup>2</sup> (Managing Director),  
JJ Marais (Finance Director)<sup>3</sup>, RA Abdulrasool<sup>5</sup>, M Joseph<sup>4</sup>,  
ADJ Delpont<sup>3</sup>, S Mdlalose<sup>2</sup>, N Skosana<sup>3</sup>, HJC Surtees<sup>2</sup>

1. Indian 2. British 3. South African 4. American 5. Tanzanian

\* In June 2017, Mr. Mathur announced that he intends to resign as both  
Chairman and a member of the Board.

### Company secretary

Caroline Mduma

### Registered office

First Floor, Building No. 2  
Mlimani City Office Park  
Mlimani City  
Sam Nujoma Road  
PO Box 2369  
Dar es Salaam, Tanzania

### Transfer secretary

Dar es Salaam Stock Exchange  
14th Floor, Golden Jubilee Towers  
Ohio Street  
PO Box 70081  
Dar es Salaam, Tanzania

### Auditors

PricewaterhouseCoopers  
Certified Public Accountants  
369 Toure Drive  
Pemba House  
PO Box 45  
Dar es Salaam, Tanzania

### Main bankers

Citibank Tanzania Limited  
Peugeot House  
36 Upanga Road  
PO Box 71625  
Dar es Salaam, Tanzania

National Bank of Commerce Limited  
Sokoine Drive & Azikiwe Street  
PO Box 1863  
Dar es Salaam, Tanzania

National Microfinance Bank PLC  
NMB House  
Azikiwe/Jamhuri Street  
PO Box 9213  
Dar es Salaam, Tanzania

### External legal counsel

ENS Africa Tanzania Attorneys  
Sixth Floor International House  
PO Box 70081  
Dar es Salaam, Tanzania

### Sponsoring licenced dealing member

Orbit Securities Company Limited

### External communications

Rosalynn Mworira

### Investor Relations

investorrelations@vodacom.co.tz  
www.vodacom.co.tz/investor-relations

# Definition of terms

2G/3G/4G	Second/Third/Fourth generation of wireless mobile telecommunications technology
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 whilst roaming
Active data customers	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
APNs	Access Point Names
ARPU	ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period
Board	The Board of directors of Vodacom Tanzania Public Limited Company
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
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
CSD	Central Securities Depository
directors	The directors of Vodacom Tanzania, collectively the Board
DSE or bourse	Dar es Salaam Stock Exchange
DSE Rules	The Dar es Salaam Stock Exchange PLC Rules, 2016
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
EDGE	Enhanced Data GSM Environment
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
EPS	Earnings per share
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.
GDP	Gross domestic product
government	Government of the United Republic of Tanzania
GPRS	General Packet Radio Service
GSM	Global system for mobile communications
GSMA	GSM Association – representing the interests of mobile operators globally, uniting nearly 800 operators with almost 300 companies in the broader mobile ecosystem
IPO	Initial public offering
IT	Information technology

## Definition of terms *continued*

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
M-Pesa customers	Number of unique customers who have generated billable M-Pesa transactions during the last three months
non-executive director	A director who is not involved in the administrative, managerial or day-to-day operations of Vodacom Tanzania
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 license and spectrum payments and disposals of customer bases. Operating free cash flow excludes movements in amounts owed to M-Pesa customers.
PABX	Private automatic branch exchange
RMC	Risk Management Committee
SME	Small and medium-sized enterprise
SoHo	Small office-home office
TCRA	Tanzania Communications Regulatory Authority
TZS	Tanzanian Shilling, the currency which is legal tender in the United Republic of Tanzania
Tanzania	United Republic of Tanzania
US\$	United States Dollar
Vodacom Group	Vodacom Group Limited and each of its subsidiary companies
Vodafone Group Plc	Vodafone Group Plc and each of its subsidiary companies
VPN	Virtual private network
Vodacom Tanzania/ the Company	Vodacom Tanzania Public Limited Company
the Group	Vodacom Tanzania and each of its subsidiary companies
WiMAX	Worldwide Interoperability for Microwave Access

# Disclaimer

## Non-IFRS information

This report 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.

## Trademarks

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## Forward-looking statements

This annual report, which sets out the annual results of Vodacom Tanzania Public Limited Company ('the Company') and its subsidiaries (together 'the Group') for the year ended 31 March 2017, contains 'forward-looking statements', which, save as is otherwise stated in the Prospectus issued by the Company on 12 February 2017 (a copy of which is available on the Company's website), have not been reviewed or reported on by the Group's auditors, with respect to the Group's financial condition, results of operations and businesses and certain information relating to the Group's plans and objectives. In particular, such forward-looking statements include statements relating to: the Group's future performance; future capital expenditures, acquisitions, divestitures, expenses, revenues, financial conditions, dividend policy, and future prospects; business and management strategies relating to the expansion and growth of the Group; the effects of regulation of the Group's business by the government in the country in which it operates; the Group's expectations as to the launch and roll out dates for products, services or technologies; expectations regarding the operating environment and market conditions; growth in customers and usage; and the rate of dividend growth by the Group.

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



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