Vodacom Tanzania PLC
Prospectus

Caution

The definitions provided under the "definitions and abbreviations" section of this prospectus apply throughout the document unless indicated otherwise.

This Prospectus has been prepared in compliance with the Capital Markets and Securities Act, Cap. 79 of the Laws of the United Republic of Tanzania (ACT No. 5 of 1994) and the Companies Act, Cap. 212 of the Laws of United Republic of Tanzania (Act No. 12 of 2002).

A copy of this Prospectus has been delivered to the Capital Markets and Securities Authority (CMSA) for approval and to the Registrar of Companies (BRELA) for registration. Approval of this Prospectus by the CMSA is not undertaken as indication of the merits of the Vodacom Tanzania Plc or its shares. The securities offered in this Prospectus have not been approved or disapproved by the CMSA.

Prospective investors should carefully consider the matters set forth under the caption "Risk Factors" in part 9 of this Prospectus. If you are in doubt about the contents of this Prospectus, you should consult your investment advisor, stockbroker, lawyer, banker, dealer or any other financial consultant.

Prospectus in respect of an initial public offer of **560 000 100** ordinary shares of Vodacom Tanzania Public Limited Company at **TZS 850 per share**, representing after their issue, **25%** of Vodacom Tanzania Public Limited Company issued share capital of **2 240 000 300** ordinary shares with a par value of **TZS 50** each.

Vodacom Tanzania Public Limited Company

Vision 2020

Our journey towards a leading digital company...

Our Way

Speed,
Simplicity & Trust

Our Mission

Empowering the digital lives of our customers

Connecting everybody to live a better today and build a better tomorrow

...in a connected society

Important notice

This prospectus is important and should be read in its entirety. If you are in doubt about the contents of this prospectus or what action to take, you are advised to contact your stockbroker, investment advisor, financial advisor, banker or other relevant professional advisor, who specialises in advising on the acquisition of shares and other securities.

This prospectus contains information that is provided in compliance with the requirements of the Companies Act, the Capital Markets and Securities Act and Regulations, and the DSE Rules.

This prospectus is issued by Vodacom Tanzania and has been prepared in respect of the issue of and subscription for the offer shares and the subsequent listing of the shares on the Main Investment Market Segment (MIMS). This follows approval of the offer by the Board and the existing shareholders of Vodacom Tanzania through resolutions dated 7 November 2016 and 16 November 2016 respectively.

The offer shares applied for pursuant to the public offer will rank pari passu in all respects with the existing issued shares following their date of issue.

All references in this prospectus to times are to East African Time (EAT).

Prospective investors should read the whole of the text of this prospectus. Their attention is specifically drawn to the discussion of certain risks and other factors that should be considered in connection with an investment in the offer shares, as set out in the section titled "Risk factors" in Part A, section 9 of this prospectus.

Directors' responsibility

The directors, whose profiles are provided in Part A, section 8.8 of this prospectus, have taken all reasonable care to ensure that the facts stated and the opinions expressed herein are true and accurate in all material aspects, and there are no other material facts, the omission of which would make any statement herein, whether of fact or opinion, misleading. The directors accept responsibility for the information contained in this prospectus in relation to Vodacom Tanzania.

Reporting accountant's report

This prospectus contains an opinion provided by the reporting accountant, which constitutes a statement made by an expert in terms of Chapter V of the Companies Act. The reporting accountant has given and not withdrawn its consent to the issue of the said statement in the form and context in which it is included in this prospectus as set out in Part B of this prospectus.

Legal advisor's opinion

The legal advisor has given and not withdrawn its written consent to the inclusion of its opinion in this prospectus, provided in Part C.

Forward looking statements

This prospectus contains forward-looking statements, which have not been reviewed or reported on by the auditors of Vodacom Tanzania, with respect to its financial condition, results of operations and business, forecast profit, EPS, PE multiples and certain of its plans and objectives. In particular, such forward-looking statements include: statements relating to Vodacom Tanzania's future performance, future capital expenditure, acquisitions, divestitures, expenses, revenues, financial conditions, dividend policy and future prospects; business and management strategies relating to the expansion and growth of Vodacom Tanzania; the effects of regulation on its business by the Government; Vodacom Tanzania's expectations regarding the launch and rollout dates for products, services or technologies; expectations regarding the operating environment and market conditions; growth in terms of customers and usage; and the rate of dividend growth by Vodacom Tanzania.

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". 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 will occur in the future, involve known and unknown risks, uncertainties and other facts or factors which may cause the actual results, performance or achievements of Vodacom Tanzania, or its industry to be materially different from any results, performance or achievement expressed or implied by such forward-looking statements. Forward-looking statements are not guarantees of future performance and are based on assumptions regarding present and future business strategies of Vodacom Tanzania and the environments in which it operates now and in the future.

All subsequent oral or written forward-looking statements attributable to Vodacom Tanzania or any member thereof or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statements. Vodacom Tanzania expressly disclaims any liability in respect of the content of any forward-looking statement and also expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein or to reflect any change in their expectations with regard thereto or any change in events, conditions or circumstances on which any such forward-looking statement is based, after the date of this prospectus, except as may be required by law.

Directors' declaration

We hereby declare that the Board has taken reasonable care to ensure that the information contained in this prospectus relating to Vodacom Tanzania is in accordance with the Capital Markets and Securities Act Regulations and that the Directors take responsibility for the accuracy of such information.

We certify that to the best of our knowledge and belief, there are no other facts the omission of which would make any statement within this prospectus relating to Vodacom Tanzania false or misleading and that we have made all reasonable enquiries to ascertain such facts and that this prospectus contains all the information required by law.

We confirm that none of the directors individually or with others, or in a company of which they were directors, has been involved in bankruptcy, liquidation or other regulatory prohibitions.

The Board confirms that, in its opinion, the working capital available to Vodacom Tanzania is sufficient for its requirements for a period of 18 months following the allotment of the offer shares.

As directors, (being the persons set out in Part A, section 8 of this prospectus under the heading "Corporate governance, board of directors and senior management"), we collectively and individually accept full responsibility for the accuracy of the information provided in this prospectus (but only insofar as it relates to Vodacom Tanzania and only to the extent that the Board is required to accept such responsibility in terms of the Companies Act and the DSE Listings Requirements), and that all reasonable enquiries to ascertain such facts have been made and that this prospectus contains all information relating to Vodacom Tanzania as required by law Capital Markets and Securities Act and the DSE Listing Requirements.

Signed by:

Vivek Mathur
Chairperson

12 February 2017

Jean Jacques Marais
Secretary

12 February 2017

Definitions and abbreviations

3G	Third generation of wireless mobile telecommunications technology
4G	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
APN	Access Point Name
applicant	A person who applies for offer shares pursuant to the offer
application form	The application form incorporated in this prospectus
application money	The amount paid in TZS to the receiving bank or authorised collecting agent (which amount the authorised collecting agent shall pay to the receiving bank), by an applicant in consideration for the issue and allotment of the offer shares, which is the offer price multiplied by the number of offer shares issued pursuant to the offer
ARPU	Total ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period
authorised collecting agent	Dealers or brokers who are licenced by the CMSA and banks authorised by Vodacom Tanzania to facilitate distribution of this prospectus and the application form and to procure subscriptions for offer shares; agents' details are set out under Part E of this prospectus
Board	The Board of directors of Vodacom Tanzania
CAGR	Compound annual growth rate
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
Capital Markets and Securities Act Regulations	Capital Markets Securities Act (Prospectus Requirements) Regulations of 1997, as amended from time to time
closing date	The date of closing of the offer, which is Wednesday 19 April 2017
CMSA	Capital Markets and Securities Authority, the regulator of the capital markets in the URT
Contribution margin	Revenue less direct expenses as a percentage of revenue
Companies Act	Companies Act, Cap. 212 of the Laws of the URT (Act No. 12 of 2002), as amended from time to time
CSD	Central Securities Depository
directors	The directors of Vodacom Tanzania, collectively the Board
DIT	Dar es Salaam Institute of Technology
DSE or Exchange	Dar es Salaam Stock Exchange
DSE Listing Requirements	The listing rules for the main investment market segment (MIMS) stipulated under Part IV of the DSE Rules, 2016
DSE PLC	Dar es Salaam Stock Exchange Public Limited Company, a Company incorporated under the Companies Act, 2002 (Cap. 212) of the Laws of the URT
DSE Rules	The Dar es Salaam Stock Exchange PLC Rules, 2016
DTT	Digital Terrestrial Television
EAC	East African Community (comprising Burundi, Kenya, Rwanda, Tanzania and Uganda)
EBIT	Earnings before interest, taxation, impairment losses, profit/loss on disposal of investments, profit/loss from associate and restructuring cost

Definitions and abbreviations continued

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
Gb/s	Gigabit per second
GDP	Gross domestic product
Government	Government of URT
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
HSDPA	High Speed Downlink Packet Access
ICT	Information and communications technology
IDC	International Data Corporation
IP	Internet protocol
IPO	Initial public offering
IT	Information technology
lead transaction advisor	Orbit Securities Company Limited, an investment advisor licensed by the CMSA
legal advisor	ENSafrica Tanzania Attorneys
listing date	Tuesday 16 May 2017, the date on which the offer shares will be admitted to the MIMS
LTE	Long-term evolution
M2M	Machine-to-machine
MFS	Mobile financial services
MIMS	Main investment market segment (of a securities exchange)
minor	A person who has not attained the age of 18 years
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 customer	Number of unique customers who have generated revenue related to M-Pesa in the past 90 days
non-executive director	A director who is not involved in the administrative, managerial or day-to-day operations of Vodacom Tanzania
Normalised growth (*)	Adjusted for trading foreign exchange and at a constant currency (using current year as base) from ongoing operations
offer	An initial public offer of the offer shares by Vodacom Tanzania as described in this prospectus
offer period	The period of 27 business days during which the offer will be open for acceptance; the period opens at 09:00 am on Thursday 9 March 2017 and closes at 15:00 on Wednesday 19 April 2017
offer price	TZS 850 per offer share
offer shares	The 560 000 100 shares that are to be issued by Vodacom Tanzania pursuant to the offer

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
PABX	Private automatic branch exchange
PAMI	Pan-African mHealth initiative
PAT	Profit after tax
PE	Price earnings
PLMN	Public land mobile network services
public	Tanzanians and Tanzanian institutions
prospectus	This public offer prospectus and accompanying appendices
R&D	Research and development
Lead receiving bank	National Bank of Commerce Limited (NBC)
Registrar of Companies	Registrar of companies refers to the business registration and licensing agency
reporting accountant	Ernst & Young
RMC	Risk Management Committee
SME	Small and medium-sized enterprise
SoHo	Small office-home office
Tanzanians	Natural persons who are citizens of the URT under the Tanzania Citizenship Act, No. 6 of 1995 or corporate entities incorporated in Tanzania in which Tanzanians have a majority (over 50%) beneficial ownership
Tanzanian institutions	Institutions formed and controlled by the Tanzanians, with a mandate to make investments
Tbps	Terabytes per second
TCRA	Tanzania Communications Regulatory Authority
TISS	Tanzania Interbank Settlement System, the system owned by the Bank of Tanzania that facilitates settlement of interbank fund transfers, cheques and electronic funds transfers
TTCL	Tanzania Telecommunications Company Limited
TZS	Tanzanian Shilling, the currency which is legal tender in Tanzania
URT or 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
VoIP	Voice over Internet protocol
VPN	Virtual private network
Vodacom Tanzania	Vodacom Tanzania Public Limited Company
VTL Group	Vodacom Tanzania and each of its subsidiary companies
WiMAX	Worldwide Interoperability for Microwave Access

Chairperson's statement

Dear Investor,

On behalf of the Board it is my pleasure to present this prospectus in respect of Vodacom Tanzania's public offer of shares and subsequent listing on the main investment market segment of the DSE.

The offer is in line with the global best practice for Capital Markets and is aimed at achieving good corporate governance practices, enhancing the efficiency and effectiveness of Vodacom Tanzania, and further strengthening its strategic and operational practices.

Vodacom Tanzania's capital raising and listing is in line with the Government's intention to strengthen the country's telecommunications sector to play a key role as the engine of economic growth and socio-economic development. This process also aims to widen financial inclusion among Tanzanians, and to economically empower the people of Tanzania.

A capable stock market is critical to the growth and development of the country. We believe that upon completion of the listing, Vodacom Tanzania will be able to play a significant role in attracting local and foreign capital to the country, as well as facilitating a saving and investment culture among Tanzanians.

Vodacom Tanzania has been in existence for 17 years, and has provided exceptional telecom services by providing extensive infrastructure in the country aimed at bringing affordable connectivity to customers. We are a significant contributor to Government revenue through the taxes that we pay both directly and indirectly. We seek to empower each Tanzanian citizen on a daily basis, by enabling them to stay connected and transact with confidence through our financial services platforms. Through our investment and services, we are committed to making a significant contribution to the objectives of the Government's Five Year Development Plan for 2016 to 2021 and the National ICT Policy 2016.

The listing is a further endorsement of Vodacom Tanzania's commitment to Tanzania and its long-term growth potential.

This prospectus provides a significant amount of pertinent information on the offer and I therefore urge you to read it carefully before investing.

On behalf of the Board I look forward to welcoming you as a potential shareholder of Vodacom Tanzania.

Yours faithfully

Vivek Mathur

12 February 2017

Managing director's statement

Dear Investor,

On behalf of the management and staff of Vodacom Tanzania, I welcome you as a potential shareholder in Vodacom Tanzania. We are delighted that you are considering an investment in Vodacom Tanzania.

Vodacom Tanzania is majority owned by Vodacom Group Limited headquartered in South Africa, which in turn is majority owned by Vodafone Group Plc, one of the world's leading telecommunications groups, with a significant presence in Europe, the Middle East, Africa and Asia Pacific through the company's subsidiary undertakings, joint ventures, associated undertakings and investments. Being part of a global network gives Vodacom Tanzania access to best practices, knowledge transfer and leverage global procurement, allowing Vodacom Tanzania to provide innovative and affordable products and services to its customers, and the highest standards of corporate governance.

Vodacom Tanzania's vision is 'to lead Tanzania into the digital age and change lives through technology'. Over the years, Vodacom Tanzania has successfully delivered on this vision by providing high quality services to Tanzanians, in both rural and urban areas. This has enabled Vodacom Tanzania to become the leading telecoms service provider in the country. Vodacom Tanzania's commitment to ensuring that Tanzania is connected on a global scale is evidenced through its investments and expansion strategies. This investment has enabled Vodacom Tanzania to bring voice services to 87% of the population and high speed 3G and 4G data services to a large percentage of the population. With over 12 million customers today, I can confidently say that Vodacom Tanzania is well placed to continue to deliver on this commitment.

In recent years, Vodacom Tanzania has taken advantage of opportunities to move from being a purely mobile operator, to transforming into a total communications provider. Today, Vodacom Tanzania delivers a vast mix of communication services including mobile, fixed, video, cloud, and hosting, as well as financial services.

Vodacom M-Pesa, which boasts over seven million customers, has not only been a vital engine of growth for Vodacom Tanzania, but has also been a significant driver of economic activity, with an average of over TZS 2.6 trillion transacted through Vodacom M-Pesa every month. Vodacom M-Pesa is synonymous with quality mobile financial services for our customers. With services such as M-Pawa and international money transfer, Vodacom M-Pesa is, and will continue to be, a key driver of growth for Vodacom Tanzania.

The time has come for Vodacom Tanzania to move to public ownership. This momentous milestone will bring important benefits for our present and future shareholders, our employees, and our customers. The values and principles of excellence that shaped Vodacom Tanzania as a leading private company will continue to shape its future as a public company.

I look forward to a long and prosperous relationship with you, our new potential shareholders.

Yours faithfully

Ian Ferrao

12 February 2017

Corporate information

Registration number of Vodacom Tanzania Public Limited Company
38501

Postal address of Vodacom Tanzania Public Limited Company
First Floor, Building No. 2, Mlimani City Office Park
Mlimani City
Sam Nujoma Road
PO Box 2369
Dar es Salaam, Tanzania

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

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

Auditors
PricewaterhouseCoopers Inc.
Pemba House, 369 Toure Drive
Oysterbay
PO Box 45
Dar es Salaam, Tanzania

Financial year ends
31 March

Transfer secretaries
Dar es Salaam Stock Exchange

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

National Bank of Commerce Limited
Corporate Branch
PO Box 1863
Dar es Salaam, Tanzania

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

Vodacom Tanzania Public Limited Company – Board of Directors

Director	Position
Mr Vivek Mathur	Non-executive chairperson
Mr Rostam Aziz Abdulrasool	Non-executive director
Mr Andries Daniel Jan Delport	Non-executive director
Mr Ian Ferrao	Managing director
Mr Michael Joseph	Non-executive director
Mr Jean Jacques Marais	Finance director
Mr Sitholizwe Mdlalose	Non-executive director
Ms Nomakhosi Skosana	Non-executive director
Mr Henry JC Surtees	Non-executive director
Vacant	Non-executive director

Transaction advisors

Lead transaction advisor	Orbit Securities Company Limited Stock Brokers/Dealers, Investment Advisers & Fund Managers PO Box 70254, Dar es Salaam, Tanzania	Tel: +255 22 211 1758 Fax:+255 22 211 3067 Email: orbit@orbit.co.tz Website: http://www.orbit.co.tz
Receiving Bank	National Bank of Commerce Limited Sokoine Drive & Azikiwe Street PO Box 1863, Dar es Salaam, Tanzania	Tel: +255 22 219 9793 +255 768 980 191 Email: contact.centre@nbctz.com Website: http://www.nbctz.com
Legal advisor	ENSafrica Tanzania Attorneys Sixth Floor, International House, Cnr. Shaaban Robert Street & Garden Avenue, PO Box 7495, Dar es Salaam, Tanzania	Tel: +255 22 221 2700/221 2701 Fax: +255 22 211 2830/9474 Email: info@ensafrica.com Website: http://www.ensafrica.com
Registrar	Dar es Salaam Stock Exchange PLC Fourteenth Floor, Golden Jubilee Towers, Ohio Street PO Box 70081, Dar es Salaam, Tanzania	Tel: 255 22 2123983, 2128522 Fax: +255 22 2133849 Email: info@dse.co.tz Website: http://www.dse.co.tz
Reporting Accountant	Fourth Floor, Tanhouse Tower Plot 34/1 Ursino South New Bagamoyo Road PO Box 2475, Dar es Salaam, Tanzania	Phone: ++255 22 292 7868 Fax: +255 22 292 7872 Email: info@ey.co.tz Website: http://www.ey.com
Sponsoring Broker	Orbit Securities Company Limited Stock Brokers/Dealers, Investment Advisers & Fund Managers PO Box 70254, Dar es Salaam, Tanzania	Tel: +255 22 211 1758 Fax:+255 22 211 3067 Email: orbit@orbit.co.tz Website: http://www.orbit.co.tz

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PART A

MAIN PROSPECTUS DOCUMENT

1. Salient features of the offer

The following section contains a summary of the offer and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this prospectus for a full appreciation of the offer. A glossary of certain defined terms used herein is provided in the section "Definitions and abbreviations".

1.1 The offer

Vodacom Tanzania is offering a total of 560 000 100 offer shares at TZS 850 under this prospectus.

1.2 Offer statistics

The offer statistics below reflect the existing shareholding of Vodacom Tanzania as at the date of this prospectus.

Particulars	
Offer price per offer share (TZS)	850
Number of offer shares offered for subscription	560 000 100
Gross proceeds of the offer (TZS)	476 000 085 000
Estimated net proceeds of the offer (TZS)	468 875 147 266
Total number of issued Shares following the offer	2 240 000 300
Market capitalisation of Vodacom Tanzania at the offer price (TZS)	1 904 000 255 000
Net asset value per share before the offer (TZS)[1]	689.41
Net asset value per share after the offer (TZS)[2]	258.53

1. Based on net asset value as at 30 September 2016, prior to the share split.
2. Based on net asset value as at 30 September 2016, post the share split and the offer.

1.3 Other key statistics

Particulars	
Total Authorized shares of Vodacom Tanzania	4 000 000 000
Authorized share capital of Vodacom Tanzania (TZS)	200 000 000 000
Par Value of Vodacom Tanzania Share (TZS)	50
Number of issued and fully paid up Vodacom Tanzania Shares before the Offer	1 680 000 200
Issued and fully paid up capital of Vodacom Tanzania before the Offer (TZS)	84 000 010 000
Number of issued but not fully paid up Shares before the Offer	NIL
Total number of Shares outstanding (including those issued but not fully paid up and share options)	1 680 000 200
Number of Offer Shares under the IPO	560 000 100
Offer Price per Share (TZS)	850
Gross proceeds of the offer (assuming full subscription) (TZS)	476 000 085 000
Offer expenses (TZS)	7 124 937 734
Net proceeds of the offer	468 875 147 266
Total number of issued and fully paid up Shares after the Offer	2 240 000 300
Fully paid up share capital of Vodacom Tanzania after the IPO (TZS)	112 000 015 000
Profit for the year ending 31 March 2016 (TZS mil)	29 104
Earnings Per Share (EPS) for the year to 31 March 2016 (TZS)[1]	34.65
Net asset value at 31 March 2016 (TZS mil)	562 553
Net assets value per share on 31 March 2016 (TZS)[1]	669.71
Profit for the six months ending 30 September 2016 (TZS mil)	16 548
Profit for the year ending 31 March 2017 (TZS mil)[2]	47 280
Earnings Per Share (EPS) for the year to March 2017 (TZS)[3]	28.14
PE multiple based on EPS for March 2017	30.21
Projected Net assets value per share on 31 March 2017[3]	353.17

1. Based on 840 000 100 shares in issue as at 31 March 2016.
2. The 2017 full year financials have been extrapolated from the six months ended 30 September 2016 results and reviewed by the reporting accountant.
3. Assumes 1 680 000 200 shares in issue for the full year.

Part A: Main prospectus document continued

1.4 Issue expenses

Total costs and expenses of the issue, exclusive of value added tax, wherever applicable, are estimated at TZS 7 124 937 734 , approximately comprised as follows:

Cost component	Contractor	Total TZS
Lead advisor and sponsoring broker's fees	Orbit Securities Company Limited	650 000 000
Reporting accountant's fees	Ernst & Young	141 076 700
Legal advisor's fees	ENSafrica Tanzania Attorneys	178 891 200
Registrar and transfer agent's fees	Dar es Salaam Stock Exchange Plc	10 000 000
Lead receiving bank's fees	National Bank of Commerce Ltd	872 640 000
CMSA prospectus evaluation and approval fee	Capital Markets and Securities Authority	283 140 028
DSE Listing fees	Dar es Salaam Stock Exchange Plc	1 067 135 597
• Initial Application fee		30 000 000
• DSE Membership Application Fees		2 000 000
• ISIN fee		300 000
• DSE Annual Listing fee		20 000 000
• CSD IPO Processing fee		10 000 000
• Printing of Depository Receipts		1 000 000 000
• CSD Operators Admission Fee		1 000 000
• CSD Issuer's Annual Fee		1 000 000
• Infrastructure		2 835 597
Authorised collecting agents' fees	All authorised collecting agents	3 810 240 449
Printing typesetting and design	Studio 5	33 863 760
Printing of prospectus and application forms	Jamana Printers Ltd	53 950 000
Promotion and marketing costs	Aggrey & Clifford	24 000 000
Total		**7 124 937 734**

1.5 Purpose of the offer

The primary objective of the offer is for Vodacom Tanzania to comply with the EPOCA, which requires telecommunications licensees under its jurisdiction in the country to offer a minimum of 25% of their shares to the public and listed on the DSE. Vodacom Tanzania is proud to invite Tanzanians to become owners of Vodacom Tanzania, and to contribute towards leading Tanzania into the digital age.

1.6 Use of proceeds

Vodacom Tanzania estimates that the total net proceeds from the issue of the 560 000 100 offer shares, after deducting related expenses payable in connection with the offer, and assuming that the offer is fully subscribed will be TZS 468 875 147 266. Vodacom Tanzania intends to apply such net proceeds as follows:

- the execution of inorganic growth opportunities geared towards growing and maintaining Vodacom Tanzania's leading market position;
- working capital augmentation for Vodacom Tanzania; and
- general corporate purposes for Vodacom Tanzania.

1.7 Dividend policy

Vodacom Tanzania intends to pay as much of its after tax profits as dividend as will be available after retaining such sums and repaying such borrowings owing to third parties as shall be necessary to meet the requirements reflected in the budget and business plan, taking into account monies required for investment opportunities. There is no fixed date on which entitlement to dividends arises and the date of payment will be recommended by the Board and approved by the shareholders at the time of declaration, subject to the DSE Listing Requirements.

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

1.8 Timetable of principal events

Activity	Date
Offer opens	Thursday 9 March 2017
Offer closes	Wednesday 19 April 2017
Allotment and delivery of a register to the DSE	Friday 28 April 2017
Announcement of results of the offer	Friday 28 April 2017
Electronic crediting of CSD accounts	Monday 15 May 2017
Processing of refunds	Monday 15 May 2017
Printing of CSD Receipts	Monday 15 May 2017
Listing and commencement of trading of issued and fully paid shares on the Exchange	Tuesday 16 May 2017
Annual General Meeting	Thursday 1 June 2017

2. Details of the offer

2.1 Basis of offer price

The offer price is TZS 850 per share. Vodacom Tanzania's directors, together with the lead transaction adviser, has determined the offer price having due regard for a number of factors, including:

- Tanzania's macro-economic outlook;
- The historical and projected financial performance of Vodacom Tanzania;
- The relative values at which the shares of comparable companies on other African exchanges are trading at shortly prior to the Offer; and
- The discounted cash flow of Vodacom Tanzania.

The resulting valuation is based foremost on Vodacom Tanzania's fundamentals and solid business realities which the directors and the lead transaction adviser believe Vodacom Tanzania, based on its historical trading performance, accelerated growth in recent months and past and planned investing activity is in a position to achieve. To supplement the directors' and the lead transaction adviser's detailed valuation analysis, a number of other valuation methodologies were employed. These include a comparable analysis to telecommunication companies in other African jurisdictions, most notably, Kenya and South Africa, given the lack of similar companies trading on the DSE. During this comparable analysis, the directors and the lead transaction adviser were cognisant of adjusting their valuation for factors that include market size, population dynamics and macro-economic factors. Also, a regression analysis of the relationship between forecast growth and comparable trading multiples was used to estimate the value of the shares. A discounted cash flow analysis supported the valuation derived from trading multiples of comparable companies.

The equity value derived from the above computations was divided by the number of shares currently outstanding, post affecting a share split, to arrive at a price per share of TZS 850.

2.2 Terms of the offer

2.2.1 Offer for subscription

Vodacom Tanzania hereby offers to the public a total of 560 000 100 offer shares at the offer price of TZS 850 per offer share payable in full, in accordance with the eligibility criteria provided in this prospectus.

2.2.2 Eligibility

The offer is open to individuals and corporate bodies or institutions. The offer to potential shareholders who are not resident in Tanzania may be affected by the laws of relevant jurisdictions.

2.2.3 Allotment policy

The directors have resolved to adopt the following allotment policy for this issue, subject to CMSA approval:

- all Tanzanians and Tanzanian institutions who applied and qualified for the offer shares shall subject to availability receive the full number of shares applied for;
- In the case of oversubscription by Tanzanians and Tanzanian institutions, the offer shares shall be allocated on a pro rata basis; and
- Allotment of shares shall be in accordance with the laws in the United Republic of Tanzania.

2.2.4 Minimum subscription

The minimum number of offer shares that may be applied for is 100 offer shares and multiples of 10 shares thereafter. There is no restriction on the maximum number of offer shares that may be applied for under this offer.

2.2.5 Central securities depository account

Each applicant must have a CSD account in order to subscribe for the offer shares. Applicants who do not have a CSD account, but wish to subscribe for offer shares, are advised to submit a duly completed and signed CSD account application form with any of the authorised collecting agents. The offer shares will be credited electronically to the holder's respective CSD account as per the timetable of principal events. All transfers of shares must take place through the CSD account. It is the responsibility of the applicant to ensure that their CSD account details are correct.

2.3 Vodacom Tanzania shareholding structure and status of the shares

Vodacom Tanzania, before issuing the shares contemplated under this offer, has issued and paid up share capital of TZS 84 000 010 000 divided into 1 680 000 200 shares of TZ 50 each. The names of the Vodacom Tanzania shareholders are presented in Part A, section 10.6 of this prospectus.

Part A: Main prospectus document continued

In accordance with the Capital Markets and Securities Act and its Regulations and DSE Listing Rules, with effect on and as from the allotment date, all of the shares will be freely transferable and the offer shares will not be subject to any restrictions on marketability or any pre-emptive rights. The entitlement to dividends and other corporate actions in respect of the offer shares will commence from the allotment date. At every general meeting of Vodacom Tanzania, every shareholder present in person or by proxy has one vote on a show of hands, and on a poll, every shareholder present in person or by proxy has one vote for each share they hold or represent.

It is expected that the shares will be listed on the MIMS on the allotment date with trading of shares commencing on the same date.

2.4 Underwriting

The offer is not underwritten.

2.5 Rights attached to the shares

The offer shares are issued subject to the memorandum and articles of association of Vodacom Tanzania and will rank *pari passu* in all respects with the existing ordinary shares.

Shareholders will have the right to receive notice of, and to attend and vote at, any meeting of shareholders. Each shareholder is entitled to attend and be present in person or by proxy at a meeting of the shareholders. Each shareholder present in person or by proxy will have one vote on a show of hands and, on a poll, shall have one vote for each share held by them.

2.6 Restrictions on transferability

The offer shares will be transferrable in accordance with the provisions of the Capital Markets and Securities Act, and its Regulations, the Companies Act, the DSE Listing Rules and any restrictions on the transferability of the shares under any applicable laws or regulations in force from time to time and the offer shares will not be subject to any restrictions on marketability or any pre-emptive rights, save for rights attaching to the shares and restrictions on the transferability of the shares under the articles of association of Vodacom Tanzania or any applicable law. In the event of liquidation, the shareholders shall be entitled to an equal share of any surplus assets for each share held, and any other special rights attached to the shares.

2.7 Admission of application to DSE for listing

Approval has been granted by the DSE for admission of all of Vodacom Tanzania's fully paid up shares for trading on the MIMS. It is expected that admission will become effective and that unconditional dealings will commence at 10:00 on the listing date.

2.8 Currency of the offer shares

The offer shares are denominated in TZS.

2.9 Offer dates

The offer is due to open on Thursday 9 March 2017 and close on Wednesday 19 April 2017. The listing date, being the date upon which trading of the shares on the DSE will commence, is expected to be on Tuesday 16 May 2017. For full details on the timetable, refer to Part A, section 1.8 of this prospectus.

2.10 Application procedure

An applicant wishing to apply for offer shares must complete the application form in accordance with the instructions contained therein and in this prospectus.

An applicant wishing to apply for offer shares must duly complete and sign the accompanying application form and return the same accompanied by proof of payment in TZS, by way of electronic funds transfer, cash or a banker's or authorised selling agent's cheque (as may be applicable) (an "authorised cheque") so that it is received by the receiving bank before the closing date. All such application forms must be accompanied by proof of payment by way of electronic funds transfer and/or mobile money payment, cash or an authorised cheque for the full amount due for the offer shares applied for by that applicant.

For institutional investors applying for offer shares who wish to make payment after the allotment of shares, payment must be secured by an irrevocable on demand bank guarantee.

2.11 Applicant's agreements

By signing an application form, each applicant:

- agrees that neither Vodacom Tanzania, its advisors nor any of the authorised collecting agents shall be liable should an application form not be received by the closing date;
- agrees that having had the opportunity to read this prospectus, they shall be deemed to have had notice of all information and representations concerning Vodacom Tanzania contained herein;
- confirms that in making such application they are not relying on any information or representation in relation to Vodacom Tanzania other than that contained in this prospectus and accordingly agrees that no person responsible solely or jointly for this prospectus or any part thereof shall have any liability for any other information or representation;
- applies for the offer shares on their own account, or on behalf of a minor, will be the beneficial owner of the offer shares, has not represented themselves as a different person in any other application nor applied for the offer shares under a different name. The applicant is not applying for the offer shares on the instructions, or on behalf, of any other person and has not instructed any other person to apply for the offer shares as their nominee; and
- acknowledges that Vodacom Tanzania reserves the right to reject any applicant found to be infringing any of the above paragraphs of this prospectus.

2.12 Application via mobile phone platforms

An applicant may make an application for offer shares through the DSE platform (dialling *150*36#) which has been designed for potential shareholders who may not be able to access normal banking systems or stock brokers. Upon making an application for share purchase, the applicant will receive a reference number, which can then be used to make payments via M-Pesa by dialling *150*00# or other mobile payment platforms.

2.13 Application by/for minors

Minors are permitted to apply for offer shares with the assistance of their parents or a legal guardian who shall be obliged to sign the application form on their behalf.

2.14 Acceptance

- Applications once submitted are irrevocable and may not be withdrawn.
- A duly completed application form must be returned to any authorised collecting agent together with the application money for the number of offer shares applied for by that applicant.
- The application form must be signed so as to be binding.
- The application form and application money should be received by the authorised collecting agent by 15:00 on the closing date.
- Applications sent by any means other than the methods stipulated in this prospectus will not be accepted.
- Application forms may be rejected as per the rejection policy stipulated in Part A, section 2.16 of this prospectus.

2.15 Application money

- All payments to the receiving bank must be made in TZS.
- Payment for offer shares may be made via M-Pesa by dialling *150*00# and entering the business number 236622, followed by the unique DSE reference number supplied either by the Authorised agent or smsed to the applicant from the DSE.
- Payment for the offer shares shall be made in the form of a banker's cheque, ordinary cheque or cash for values that are below TZS 10 million or through TISS for values that are above TZS 10 million. Such banker's cheque for each application must be in TZS and drawn by a licensed bank that is a member of the Bank of Tanzania (BOT) Clearing House.
- Payment may also be made by authorised collecting agents on behalf of applicants or deposited directly by the applicants to a dedicated collection account. Please note that no interest will be payable by Vodacom Tanzania, the authorising agent or the receiving bank on money received in consideration for any offer shares.
- Authorised cheque and cash payment should be made payable to:

Account name:	Vodacom Tanzania Plc IPO – Collections
Bank:	National Bank of Commerce
Branch:	Corporate Branch
Account number:	011139000057
SWIFT:	NLCBTZTX

- Payment of the application money must be made as specified herein by no later than 15:00 on the closing date.

2.16 Rejection policy

Applications may be rejected at the discretion of Vodacom Tanzania, in consultation with the Lead Advisor and CMSA for the following reasons, including but not limited to:

- an incomplete or inaccurate application form, except for applications made via a mobile platform;
- missing signature(s) or inappropriately signed application form;
- the number of offer shares applied for is not in multiples set out in this prospectus;
- insufficient application money received by any authorised collecting agent;
- missing CSD account number;
- missing financing bank details in case of financed application;
- missing or illegible name of primary applicant/joint applicant/ corporate applicant in any application;
- missing or illegible identification number, including company registration number where applicable;
- missing account number or name of nominee applications;
- missing or illegible postal address and postal code;
- missing bank details and verification documents where mode of refund is indicated as electronic fund transfer (the refund will be defaulted to a cheque payment); and
- the application form bears stamps from more than one different authorised collecting agent.

If the application form together with the application money paid in accordance with the sections above is not received by any authorised collecting agent within the dates and times stipulated in this prospectus, the application will be rejected.

2.17 Refund policy

Refunds will be paid by electronic funds transfer to the bank account details noted in the CSD account or on the application form. However, if the electronic transfer is declared unsuccessful or otherwise, a banker's cheque or bank draft may be issued in the name appearing on the application form.

2.18 Trading

Potential shareholders who comply with the procedures for acceptance as set out in this prospectus will receive their fully paid offer shares in electronic form, by way of credit to the respective CSD accounts and will also be issued with depository receipts. It is the responsibility of the potential shareholders to ensure that their CSD account details set out in the application form are correct.

Fully paid offer shares will be admitted to the MIMS on the listing date with dealings of fully paid offer shares commencing at 10:00 on the same date.

2.19 Tax implications

Potential shareholders interested in participating in the offer should consult their tax advisors of any possible tax implications connected with the offer. Therefore, Vodacom Tanzania and its directors consider it inappropriate to provide detailed advice in respect of taxation consequences in connection with the offer save for what is expressly set out in this prospectus. Moreover, any implication deduced from the information herein is based on the law at the date of this prospectus, and may be subject to changes in future.

Neither Vodacom Tanzania nor any of its directors or any of its officers or advisors accepts any liability for any tax implications of applicants and/or other stakeholders in connection with the offer. As at the date of this prospectus, all potential shareholders are subject to withholding tax on dividends at the rate of 5% (five percent) upon listing of the shares on the DSE.

Part A: Main prospectus document continued

2.20 Governing law

This prospectus and any contract resulting from the acceptance of an application to subscribe for the offer shares shall be governed by and construed in accordance with the Laws of the URT.

3. The telecommunications market in Tanzania

3.1 Tanzania's economic overview

The Tanzanian economy continues to deliver a strong performance. Real GDP growth averaged 7% per annum between 2003 and 2015, and reached 7.9% on a year-on-year basis in the second quarter (Q2) of 2016. The robust expansion translates into strong growth in the services and industrial sectors, with the telecommunication subsector being a key policy focus for driving economic activities and job creation.

Tanzania: Annual GDP growth rates (2003 – 2016*)

Source: Ministry of Finance and Planning, URT

* latest forecast

3.2 Inflation

Inflation remained in single digits throughout 2015, averaging 5.6% for the year. In September 2016, the inflation rate was 4.5%, below the monetary authorities' target of 5.0%. Reflecting the trend of inflation, bank deposit and lending interest rates declined, albeit slightly.

Inflation is projected to remain at single digit level, underpinned by continued favourable domestic food supply, subdued oil prices, sustained improvement in domestic power and food supply, and a prudent monetary policy.

3.3 External sector

Tanzania's external sector continues to suffer from persistent deficits. During the year ended on 30 June 2016, the overall balance of payments reflected a deficit of US$ 381.8 million compared to a deficit of US$ 225.9 million in the year ended on 30 June 2015. However, there was significant improvement in the current account whereby the deficit narrowed by more than half, from US$ 4.3 billion to US$ 1.9 billion, during the year ended on 30 June 2015. Gross official foreign reserves amounted to US$ 3.9 billion, sufficient to cover 4.4 months of projected imports of goods and services, compared to the authorities' target of imports cover for four months.

External sector developments have been driven largely by improved performance of non-traditional exports (mainly manufactured goods and gold, diamond, and re-exports) and services (mainly travel and tourism), coupled with a decline in imports, particularly oil.

The Tanzanian Shilling remained relatively stable in 2016, following actions taken by the BOT to align the liquidity situation in the economy with economic trends within and outside the country.

3.4 Economic outlook

The macroeconomic outlook is favourable, supported by the Government's ambitious development agenda outlined in its Second Five-Year Development Plan (FYDP II 2016/17 – 2020/21). Real GDP growth is forecast to continue to grow in 2017/18 at a yearly average of 6.8%, driven by robust inward investment and development of several large infrastructure schemes. Sustaining high growth and implementing the development agenda is being pursued by creating fiscal space for higher infrastructure investment. Public investment is being financed through sustained domestic revenue mobilisation and increased spending efficiency, including in public investment itself.

The Government is according special attention to financial inclusion by supporting private sector efforts to extend services to the unbanked rural and urban populations. Vodacom Tanzania is a leader in this area through its Vodacom M-Pesa platform, where Tanzanians are generating transactions worth more than TZS 100 billion daily. Mobile money transactions are growing rapidly in Tanzania generally, doubling in the last three years to reach about 30% of broad money in mid-2015, and 43% of adults are using these services as of November 2016 to pay bills, make transfers to family and friends and conduct business transactions.

3.5 Telecommunications

In the National ICT Policy 2003, which has recently been replaced with the National ICT Policy 2016, the Government recognises the importance of the telecommunications sector, and more broadly the ICT sector, to promote socio-economic development in Tanzania.

The Government has consequently actively embraced competition in the telecommunications market and encouraged private sector investment. Foreign participation has also been encouraged to promote economic growth and social development. Policy reforms led to the Tanzania telecommunication sector being recognised as one of the leading ICT countries and regulatory regimes in Africa.

The current fixed-line penetration in Tanzania is approximately 0.3%, with mobile penetration at 72% and internet penetration at 26%. Tanzania has two fixed-line operators (Tanzania Telecommunication Company Limited (TTCL) and Zanzibar Telecom Limited (Zantel)), eight mobile network operators, and four additional players (licensed under a new converged regulatory regime). The four major mobile operators – Vodacom Tanzania, Airtel Tanzania Limited (formerly Zain) (Airtel), MIC Tanzania Limited (Tigo) and Zantel – hold 90% of the customer market share, while Benson Informatics Limited (Smart), TTCL, and Viettel Tanzania Limited (Halotel) hold the remaining 10%. Smile Communications Tanzania Limited (Smile), while holding the license for mobile voice and data operations, currently only operates as a data services provider. The estimated customer market share of the main players in Tanzania is shown in the table below:

Mobile operator	Customer market share
Vodacom Tanzania	31%
Tigo	29%
Airtel	26%
Halotel	7%
Zantel	4%
Smart Telecom	2%
TTCL	1%

Source: TCRA Quarterly Communications Statistics Report, June 2016

Operators initially held 2G (900MHz and 1 800 MHz) spectrum and were subsequently allocated 3G (2 100 MHz). In the last two years 4G services were launched in Dar es Salaam either through obtaining additional spectrum through acquisition of licensees with 4G spectrum or through re-farming of existing 1 800 MHz spectrum.

The limited availability of radio spectrum, which is critical for the provision of mobile communications services, is one of the key challenges facing the sector, especially for the provision of internet services. The Tanzania Communications Regulatory Authority (TCRA) has sought to address this by completing the migration of broadcasters from 700MHz and is planning to auction this spectrum to mobile operators for 4G LTE services. The TCRA has also revoked licenses from operators that were not utilising spectrum and failing to meet their license obligations.

To address low levels of mobile penetration in rural and peri-urban areas of Tanzania, the Government supported the deployment of a national ICT broadband backbone (NICTBB) that spans 10 000 km, by buying back a 25% stake in TTCL from Airtel in 2015. To cover the country, the physical layout is divided into three rings: the northern ring, southern ring, and western ring. In total, over 10 000 km of fibre optic cables have been laid, connecting all of Tanzania's major urban centres and providing access points that reach much of rural Tanzania. The deployment of the NICTBB and the landing of the Eastern Africa Submarine Cable System (EASSy) and Southern and Eastern Africa Communication Network (SEACOM) have enabled a reduction in the cost of accessing the internet in the country of more than 50% compared to in 2010.

As of the year 2015, Tanzania has a high capacity broadband connection to the rest of the world through EASSy, with capacity of 4.72 Tbps, SEACOM with capacity of 1.28 Tbps, and coverage of 7 560 km through the NICTBB optic fibre cable with capacity of 4.8 Tbps. The NICTBB and submarine cables have reduced the cost of backhaul transport bandwidth by about 99% compared to the situation in 2009. By leveraging its unique geographical position, Tanzania now serves neighbouring landlocked countries by extending the benefits of high-capacity submarine cables through the NICTBB infrastructure – in the process, fulfilling its aspirations of being a regional ICT hub.

In 2014, a "consortium" was formed, comprising four mobile network operators (MNOs) in Tanzania – Tigo, Airtel, Zantel (scope limited to only Dar es Salaam) and Vodacom Tanzania. The consortium is governed by the Construction and Maintenance Agreement (C&MA) signed in 2010, the Memorandum of Agreement (MOA) signed in 2011 between the mobile network operators and the Ministry of Communications, Science and Technology (MSCT) and the Supplementary Agreement to the C&MA signed in 2014.

The consortium was created in order for the mobile network operators to jointly and in equal partnership construct, maintain and exploit metro and backbone optical fibre infrastructure and facilities. The MSCT is fully responsible for procuring the necessary Rights of Way (RoW) for construction of the fibre facilities, while the mobile network operators are responsible for funding construction and maintenance of the fibre infrastructure. Through the provisions of the MOA, ownership of the fibre infrastructure is granted to the MCST, while all participating mobile network operators are granted dark fibre Indefeasible Right of Use (IRU) for 30 years.

Part A: Main prospectus document continued

The consortium aims to avoid duplication of investment by mobile network operators and to leverage economies of scale thereby reducing or optimising the cost of construction and maintenance of fibre networks through equalised cost sharing. This will ultimately accelerate the expansion of fibre infrastructure to support rollout of broadband services and improve quality of service. To date, the consortium has constructed about 400 km of metro fibre, in Dar es Salaam (250 km), Dodoma (35 km), Morogoro (20 km), Mwanza (35 km) and Arusha (60 km), as well as over 1 300 km of backbone fibre linking the major cities of Dar es Salaam, Dodoma, Arusha and Moshi. Construction of an additional 815 km of backbone fibre to connect Dodoma, Tabora and Mwanza is currently underway and is expected to be completed in the first quarter of 2017.

The Government has maintained strategic cooperation at regional and international levels to further enhance knowledge sharing and collaboration. For the past ten years, Tanzania has been at the forefront of regional integration initiatives championed by the New Partnership for African Development (NEPAD), East African Community Broadband ICT Network (EACBIN) and other initiatives under the Southern African Development Community (SADC). These efforts have increased Tanzania's contribution in the region especially through linking the landlocked countries to submarine cables and contributing towards the implementation of international agreements on migration towards digital broadcasting.

The introduction of 3G and 4G mobile services and wireless broadband networks, is boosting the internet sector, which has been hampered by the low level of development of the traditional fixed-line network. Following the launch of 3G and 4G broadband services, mobile networks have become the leading internet service providers.

The fixed-line market has contracted by 5.6% year-on-year with just over 143 000 lines in 2015, owing to a lack of investment and fixed-to-mobile substitution. This downward trend is unlikely to reverse as most mobile companies continue to increase their focus on mobile business and grow mobile penetration.

While mobile penetration and the telephony market have grown significantly, rural areas are still underserved by 3G connectivity. In an effort to remedy this, in 2016, GSMA, together with Vodacom Tanzania, Airtel and Tigo, launched the first active infrastructure sharing initiative in East Africa. The MNOs have committed to launch six 3G pilots across the country to test sustainable provision of mobile broadband services to 13 million under-served citizens across the rural areas of Tanzania. The pilots are structured around a replicable methodology to roll out mobile broadband networks, providing critical access to the unconnected.

The telecommunications sector in Tanzania contributed 2.1% to the GDP in 2015, with about US$ 1 billion, representing an increase of almost 100% on the US$ 513 million contributed in 2009. The growth rate was attributed to an increase in airtime used by mobile phone customers and the expansion of broadcasting and internet services in Tanzania.

3.6 Outlook

The International Data Corporation (IDC) has estimated that the Tanzanian telecommunications market will be worth approximately US$ 996 million in 2016, and is expected to grow at an average of 6% over the next five years. The table below shows the estimated contribution of each service to the telecommunications market growth over the five-year period.

Total market	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	CAGR 2016 – 2020 (%)
M2M	0. 7	0. 8	1. 0	1. 1	1. 3	1. 5	21. 8
IT services	1. 1	1. 4	1. 8	2. 2	2. 7	3. 2	31. 0
Traditional fixed voice	2. 9	2. 6	2. 3	2. 0	1. 8	1. 5	(7. 2)
IP voice	0. 1	0. 1	0. 1	0. 1	30. 1	0. 1	2. 2
Fixed data	5. 5	5. 8	6. 1	6. 5	6. 9	7. 2	11. 8
Mobile voice	61. 6	57. 3	53. 1	49. 0	45. 1	41. 5	(2. 2)
Mobile data	28. 0	32. 0	35. 7	39. 1	42. 2	45. 1	15. 5

Source: IDC, June 2016

Looking ahead, the extent to which Tanzania can position itself as one of Africa's major transit hubs (servicing a large part of East Africa) will be a key determinant of the country's development trajectory. The inability to improve the country's fiscal profile, either through increasing revenue generation or through reducing current expenditure, would put negative pressure on the country's credit rating. In turn, if Government finances improve, and if public investment continues to enhance the general business environment and position Tanzania as a preferred regional trade and services hub, the country could receive positive rating actions going forward.

4. Telecommunications regulatory environment in Tanzania

4.1 Policy overview

In May 2016, the Government announced the new information and communications technology (ICT) sector policy. The main objective of the policy is to utilise ICT to accelerate Tanzania's social-economic development. This includes objectives relating to: ICT and broadband infrastructure; allocation of spectrum and numbers; access and affordability of broadband services; safety and security of ICT services; ICT skills and expertise; and growing the ICT local value chain. The Ministry of Works, Transport and Communications has commenced a consultation with other ministries, regulators and industry on an implementation plan for the sector policy. Vodacom Tanzania is participating in this process.

4.2 Establishment and function of the Tanzania Communications Regulatory Authority

The Tanzania Communications Authority Act, 2003 (TCAA) established the Tanzania Communications Regulatory Authority (TCRA) as the regulator responsible for the communications sector.

TCAA sets out the following key functions of the TCRA:

- to perform the functions conferred on the TCRA by sector legislation;
- subject to sector legislation:
  - to issue, renew and cancel licenses;
  - to establish standards for regulated goods and regulated services;
  - to establish standards for the terms and conditions of supply of the regulated goods and services;
  - to regulate rates and charges; and
  - to make rules for carrying out the purposes and provisions of the TCAA and the sector legislation;
- to monitor the performance of the regulated sectors including in relation to
  - levels of investment;
  - availability, quality and standards of services;
  - the cost of services;
  - the efficiency of production and distribution of services, and other matters relevant to the TCRA; and
- to facilitate the resolution of complaints and disputes.

The TCAA also sets out the following duties of TCRA in performing its functions:

- promote effective competition and economic efficiency;
- protect the interest of consumers;
- protect the financial viability of efficient suppliers;
- promote the availability of regulated services to all consumers including low income, rural and disadvantaged consumers; and
- enhance public knowledge, awareness and understanding of the regulated sectors including
  - the rights and obligations of consumers and regulated suppliers;
  - the ways in which complaints and disputes may be initiated and resolved; and
  - the duties, functions and activities of the TCRA.

4.3 Sector legislation

EPOCA is the sector legislation that provides for a comprehensive regulatory regime for electronic communications service providers and postal communications service providers.

Several regulations have been enacted under EPOCA, namely:

- EPOCA (Consumer Protection) Regulations, 2011;
- EPOCA (Tariffs) Regulations, 2011;
- EPOCA (Electronic Numbering and Addressing) Regulations, 2011;
- EPOCA (Licensing) Regulations, 2011;
- EPOCA (Radio Frequency Spectrum) Regulations, 2011;
- EPOCA (Quality of Service) Regulations 2011;
- EPOCA (Mobile Number Portability) Regulations, 2011;
- EPOCA (Central Equipment Identification) Regulations, 2011;
- EPOCA (Fair Competition) Regulations, 2011; and
- EPOCA (Telecommunication Traffic Monitoring Systems) Regulations, 2013.

Together, EPOCA and these regulations provide the powers and procedures of the TCRA, and the obligations and requirements on licensees and other participants in the sector. EPOCA assigns the Minister of Communications with authority to set rules, guidelines and regulations necessary to implement the provisions of EPOCA.

4.4 Summary of key provisions of EPOCA

4.4.1 Licensing

EPOCA gives the TCRA the power to issue licenses and regulate electronic communications services, which includes mobile voice and data telecommunications, fixed voice and data telecommunications services, and broadcasting services. This makes it mandatory for persons seeking to operate electronic communications services to apply for necessary licenses from the TCRA. The TCRA is empowered to review the applications and grant such licenses. The procedure for applying for licenses is provided under EPOCA (Licensing Regulations), 2011.

The license regime is a technology neutral license regime and there are four categories of licenses that the TCRA can issue: (1) network services license, (2) network facilities license, (3) application services license and (4) radio frequency spectrum license. These four categories are further divided into four geographic market segments:

- international;
- national;
- regional; and
- district market segment.

Licenses issued by TCRA contain terms and conditions that licensees are required to comply with. The TCRA is empowered to enforce measures against a licensee who contravenes a license, regulations or any provisions of EPOCA. Such measures include but are not limited to the following sanctions:

- order a licensee to take remedial action to comply;
- order a licensee to pay a penalty. EPOCA sets different minimum fines for different breaches of the license and offences under the EPOCA; and
- suspend or cancel licenses.

4.4.2 Fair competition

The TCRA has powers to monitor and enforce fair competition in the communications sector. All licensees are restricted from engaging in anti-competitive practices and conduct. Anti-competitive practices include:

- price abuses or anti-competitive pricing;
- any conduct to exploit customers or suppliers through excessively high or discriminatory prices or terms;
- limiting production, supply of services, markets or technical development;
- applying dissimilar conditions to equivalent transactions with other parties;
- predatory network alteration where the dominant licensee effects alteration that causes high costs to other licensees;
- refusal to supply or grant access to facilities;
- refusal to interconnect or act in good faith during negotiations; and
- engaging in unfair methods of competition including the following:
  - false or misleading claims;
  - degradation of services;
  - provision of false or misleading information to competitors; and
  - interference with end user or supplier relationship.

The TCRA has powers to declare a licensee dominant using criteria set out under EPOCA. A dominant licensee is defined to be a licensee who has been determined by the TCRA to have more than 35% of the electronic communication or postal services market segment. Currently there is no licensee who has been declared dominant in any market segment by the TCRA.

Additional regulatory requirements are imposed against licensees who have been declared dominant. These include, but are not limited to, prohibitions from taking the following advantages of the dominant position in the market:

- eliminating or substantially damaging another licensee in the market in which it operates or in any other market;
- preventing the entry of any other person in that market or any other market; and
- deterring any other licensee from engaging in competitive conduct in that or any other market.

The TCRA can investigate complaints of anti-competitive practices and has powers upon completion of the investigation, and on establishing breach, to impose sanctions. See Part A, section 4.5 of this prospectus below on requirements for the TCRA and Fair Competition Commission to work together in relation to competition matters in the electronic communications sector.

4.4.3 Spectrum management and allocation

The TCRA is empowered to manage and control all radio communication frequencies spectrum or frequency channels, and provides mechanisms governing the allocation and assignment to licensees. In maintaining its control over radio communication frequencies spectrum or frequency channels, the TCRA is empowered to allocate, reallocate, assign, reassign, issue, reissue, redistribute, retrieve, suspend, cancel, or otherwise modify the distribution amongst users or licensees of any radio communication frequencies or frequency channels.

Licensees are obliged to:

- not utilise frequency for purposes other than originally permitted;
- utilise frequency effectively or efficiently;
- not misuse, abuse or hoard frequency;
- not engage in practices intended to drive competition out of business;
- not carry out actions intended or likely to hurt, injure, infringe, harm or interfere with frequencies of other users/licensees; and
- not use frequency without being licensed.

The TCRA is very active in its responsibilities on spectrum. In recent years it has revoked licenses due to a licensees failure to use its allotted spectrum and have engaged on future spectrum management policy.

On 24 October 2014, the TCRA enacted EPOCA (Licensing Procedures) Rules, 2014, to set out the process for allocation of spectrum, including the use of auctions and competitive tender process. Although not yet announced, it is understood that the TCRA intends to auction "digital dividend spectrum" to be made available for mobile services following the migration of broadcasters from 700MHz spectrum band.

4.4.4 Registration of customer information

All licensees are obliged to ensure that all SIM cards sold are registered in accordance with the requirements of EPOCA. Also, all persons who own or intend to use SIM cards (customers) are obliged to register such SIM cards with a licensee. A licensee is required to obtain and keep record of the requisite information and documentation from customers for the registration process. For individuals this includes but is not limited to the full names of the customer, customer form of identification, customer's occupation and contact address. For legal persons this includes but is not limited to a certificate of incorporation, business license, and tax payer identification.

The TCRA has powers to conduct audits on compliance by licensees with customer registration requirements, and upon establishing breach of these requirements, impose sanctions against a licensee.

4.4.5 Interconnect and access

The TCRA has the powers to regulate all wholesale interconnect and access (including co-location and infrastructure sharing) arrangements between licensees where there is market failure. It is empowered to: issue interconnect and access agreement negotiation procedures and guidance on approval or rejection of interconnect and access agreements; place all interconnect and access agreements in the public register; and arbitrate or appoint an arbitrator to arbitrate on interconnect and access disputes.

In 2013, the TCRA issued Interconnect Rates Determination Notice no. 3 of 2013 which sets out cost based interconnect rates to be applied among licensees for telecommunication network interconnections in Tanzania between 1 March 2013 and 31 December 2017. The TCRA has powers to review and revise these rates at any time.

4.4.6 Tariffs

The TCRA and the Minister of Communications have powers to set rules and regulations on retail and wholesale rates and charges under the EPOCA.

In terms of EPOCA, licensees are authorised to set and revise prices in accordance with the following principles:

- be transparent, based on objective criteria, and non-discriminatory;
- not contain discounts that unreasonably prejudice the competitive opportunities of other licensees providing applications services and content services to the public; and
- take account the regulations and recommendations of the international organisations of which the URT is a member.

The TCRA is empowered to carry out reviews of the prices to ensure compliance with these principles.

All licensees are required to file notification of tariffs with the TCRA and publish them in public media prior to their introduction, in accordance with timelines set out in EPOCA. A licensee declared dominant is further required to seek TCRA approval prior to introducing tariffs.

4.4.7 Quality of services

All licenses issued by the TCRA include terms and conditions relating to quality of service obligations that are required to be observed by all licensees throughout the licensing period. EPOCA (Quality of Service) Regulations, 2011 provide specific quality of service targets and parameters for all mobile telephone services, international telephone services, and internet services.

These targets and parameters are intended to create conditions to ensure customer satisfaction by making known the quality of service which the service provider is required to provide and the user can expect to receive, measure quality of service provided by the service provider from time to time, and protect the interest of consumers of electronic communications services.

The TCRA is empowered to conduct periodic investigations to measure compliance with quality of service parameters. TCRA can also create criteria for launching and restructuring services to ensure compatibility of quality of service requirements.

4.4.8 Consumer protection

All licenses issued by the TCRA include terms and conditions relating to consumer protection obligations that are required to be observed by all licensees throughout the licensing period. EPOCA (Consumer Protection) Regulations, 2011 provide specific licensee obligations. These include: providing consumers with information on products and services that is complete, accurate and up to date in a simple and clear language for free; protection of consumer information against improper or accidental disclosure to third parties except as permitted by any terms and conditions agreed with the consumer, as permitted by any permission or approval of the TCRA, or as otherwise permitted or required by other applicable laws or regulations; establishing consumer complaint handling processes; and establishing a call centre that is free of charge and accessible twenty four hours a day, seven days a week.

4.4.9 National security and law enforcement

EPOCA provides a duty of secrecy on licensees, prohibiting disclosure of customer information except where the information is required by any law enforcement agency, court of law or other lawfully constituted tribunal. Licensees are also obliged to cooperate with the TCRA with implementation of emergency plans in the event of an emergency or crises related to national security. These obligations on licensees contribute to supporting national security and law enforcement activities.

4.4.10 Shareholding requirements

EPOCA sets out the minimum requirement for local shareholding of licensees. The Finance Act, 2016 amended section 26 of EPOCA. The effect of this amendment is that all existing licensed telecommunication operators are required to have a minimum local shareholding of 25% of their issued share capital (as an on-going obligation during the life of its license), through public offer and listing on the DSE. Section 26 requires that the public offer and subsequent listing take place within six months of 1 July 2016. It should be noted that the TCRA on 13 January 2017 issued a letter notifying Vodacom Tanzania and other licensees that they must comply with Section 26 of EPOCA within 30 days. Vodacom Tanzania has responded to TCRA providing a status update of its progress toward the commencement of the public offer, subject to regulatory approvals.

4.5 Mobile financial services legislation

Mobile finance services regulation is overseen by the Central Bank of Tanzania (BOT).

In December 2015, the Government enacted new legislation and regulations to govern and provide a comprehensive regulatory framework for payment systems including mobile financial services (MFS) in Tanzania, namely: the National Payment Systems Act, 2015 (NPS Act); the Payment Systems (Licensing & Approval)

Regulations, 2015, and the Payment Systems (Electronic Money) Regulations, 2015, respectively. The new MFS laws provide a comprehensive regulatory framework for all payment systems including electronic money issuance.

Under the new MFS laws, non-bank payment service providers (including telecommunications licensees) are required to:

- apply directly to the Bank of Tanzania for National Payment System (NPS) and Electronic Money Issuer (EMI) licenses;
- establish a separate legal entity to carry out MFS business; and
- set up a new entity responsible for management of the MFS trust funds.

Prior to the NPS Act, Vodacom Tanzania provided MFS under a letter of no objection issued by the BOT. Vodacom Tanzania is currently going through application procedures for the NPS license and EMI licenses. In the interim, the BOT has approved that Vodacom Tanzania may continue to provide MFS pending compliance of the license applications.

4.6 Establishment of the fair competition commission

The Fair Competition Commission (FCC) is established under the Fair Competition Act, No. 8 of 2003. The FCC's function is to promote and protect effective competition in trade and commerce, protect consumers from unfair and misleading market conduct, and increase efficiency in the production, distribution and supply of goods and services.

Where the FCC encounters matters related to electronic communications, including anti- competitive behaviour enforcement in the sector, mergers and acquisitions, it is required under EPOCA to request advice from the TCRA. The TCRA is empowered to provide advice to the FCC on such matters. Decisions taken by the TCRA may be taken on appeal to the FCC.

4.7 Universal communications service access fund

The Universal Communications Service Access Fund (UCSAF) was established under the Universal Communications Service Access Act, 2007. The Government established UCSAF to facilitate access to communications service in areas where this was not economically viable. UCSAF works with licensees on projects aimed at improving rural access connectivity.

4.8 Cyber security legislation

In 2015, the Government enacted the Cybercrimes Act and the Electronic Transactions Act. The TCRA expects the two acts to improve the confidence of financial institutions in ICT, since the law is addressing e-services and cyber defence. The TCRA cites banks as the prime beneficiaries of the acts as their activities are highly dependent on ICT.

5. Telecommunications market analysis

5.1 Tanzania voice subscriptions

Tanzania is the second largest telecommunications market in East Africa after Kenya, and in 2015 had 40 million users and a penetration of 79% of the total population. In the past five years, landline subscriptions decreased by 22%, from 174 511 in 2010 to 142 819 in 2015, while mobile subscriptions increased by 89%, from 21 million in 2010 to almost 40 million in 2015.

5.2 Internet services in Tanzania

Internet services users in Tanzania reached 17.3 million in 2015 (34% of total population), compared to only 5.3 million in 2011. The number of mobile wireless users has increased significantly in the last five years, from 3.7 million in 2011 to 16.2 million in 2015, accounting for more than 90% of the total number of internet users.

5.3 Broadcasting services in Tanzania

The number of paid television services customers in Tanzania increased from 152 216 in 2010 to almost one million in 2014. Accordingly, the number of decoders sold increased from 120 188 in 2010 to over one million in 2014, with Digital Terrestrial Television (DTT) accounting for around 70% of these sales. In 2015, there were 46 broadcasting service providers; 25 of these are Free to Air (FTA) television providers, 15 are cable television providers, three are satellite television providers, and three are pay DTT. Tanzania was the first country in Africa to start the migration from analogue to digital television transmission, which commenced in December 2012.

5.4 The broadband market in Tanzania

Tanzania's internet sector remains underdeveloped due to the limited reach of the traditional fixed-line network and the lack of international fibre connections. Until the arrival of the first international submarine fibre optic cable in mid-2009, the country relied entirely on satellite links for its international internet bandwidth. This resulted in high retail prices that were unaffordable to the majority of the population. Nearly all internet customers now use broadband technologies, and the vast majority (around 95%) gain access through mobile networks, following the introduction of 3G broadband services.

Although internet cafés and public tele-centres have contributed to internet usage to some degree, Tanzania still lags behind other countries in the region (with similar GDP per capita and literacy levels) in terms of internet penetration.

The arrival of the first fibre optic international submarine cables in 2009 and 2010 led to a reduction in the cost of international internet bandwidth, albeit not by as much and not as quickly as expected. International internet bandwidth stood at 3.5 Gb/s in 2010, of which 2 Gb/s were fibre and 1.5 Gb/s satellite. By 2014, bandwidth had increased to 15 Gb/s.

The mobile network operators have become key players in internet service provision with their extensive national infrastructure, following the introduction of mobile data via 3G and 4G networks.

In late 2013, the Government reviewed the 2003 ICT Policy, to introduce security provisions to tackle cybercrime, leading to the enactment of the Cybercrime Act, 2015.

5.5 Competitive trends in the market

The Tanzania communications industry is extremely competitive, but, there is still room for growth in mobile services in Tanzania, particularly in rural areas, where around two-thirds of the country's population reside. It is expected that mobile subscriptions could grow to 52 million by 2020, reaching a penetration rate of 83.5%. With a growing proportion of these customers using data and mobile money services, it is expected that the industry will continue to grow its revenue base.

Vodacom Tanzania, Tigo, Zantel, TTCL and Smile have all launched 4G services, which provide for faster data speeds and better customer experience. Investment in 4G technology will continue and will enable new services to be launched for consumers and businesses and with 4G smartphone prices falling, there will be a strong focus on conversion or acquisition of 4G customers by all operators in the coming years.

Tanzania remains one of the world's most advanced mobile money ecosystems. Mobile money services have increased financial inclusion and access to banking services – with over 60% of adults having access to banking through mobile money services. The success of mobile money has underpinned economic development in Tanzania and services are offered by Vodacom Tanzania (Vodacom M-Pesa), Tigo (Tigo-Pesa), Airtel (Airtel Money) and Zantel (Ezypesa). Vodacom Tanzania, Tigo, and Airtel have made their MFS systems fully interoperable i.e. customers of either mobile money platform can now send and receive money from the other's platform –also known as account-to-account interoperability. The eco-system for MFS is expected to expand with new products and services becoming available, such as savings and loans platforms and merchant services. With this expansion, it is expected that MFS subscriptions and transaction volumes will continue to grow.

5.6 Digital services: e-Health and e-Education

Mobile digital services are delivering significant benefits for Tanzania. This promotes digital inclusion (enabling millions more to benefit from the exchange of information for business and social purposes), increased productivity, and improved access to education, healthcare and Government services.

East African Community (EAC) member states – Burundi, Kenya, Rwanda, Tanzania, and Uganda – are working to establish a regional integrated e-Health information network. An initial goal is to effectively disseminate information on outbreaks of communicable diseases. The GSMA mHealth programme launched the Pan-African mHealth Initiative (PAMI). PAMI supports the scale-up of mHealth in nutrition and maternal and child health.

Tanzania's e-Education initiatives include IBM signing a collaboration agreement with the Ministry of Education and Vocational Training aimed at supporting the adoption of information technologies in key areas such as education and R&D. The Dar es Salaam Institute of Technology (DIT) has also introduced e-learning. Vodacom Foundation is a leader in this area with the work done in collaboration with Samsung to bring e-learning to primary and secondary schools.

Tanzania had more than 500 000 Facebook users by mid-2012 and two million by mid-2014, aided in part by the availability of the service in Kiswahili. Availability of content in the local language is key to driving internet penetration and adoption across the country, especially since a large percentage of the population communicates primarily in Kiswahili.

6. Overview of Vodacom Tanzania

6.1 Background

Vodacom Tanzania is a subsidiary of Vodacom Group Limited, a company registered in the Republic of South Africa, which in turn is a subsidiary of Vodafone Group Plc, a company registered in the United Kingdom. Vodacom Group Limited is the beneficial owner of 82.15% of the issued and paid up shares of Vodacom Tanzania, with 65% being held directly by Vodacom Group Limited and the remaining 17.15% of its interest in Vodacom Tanzania 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 Vodacom Tanzania.

As Tanzania's leading mobile operator, Vodacom Tanzania's vision is "to lead Tanzania into the digital age and change lives through technology". Vodacom Tanzania has invested in rolling out a network to connect over 12 million Tanzanians, and today covers 88% of the Tanzanian population. Having already rolled out more than 2 700 2G sites, by the end of 2016 more than 2 000 3G sites will be spread across the country. 4G was launched in May 2016 and today Vodacom Tanzania is delivering broadband connectivity through 278 4G sites, providing the fastest 4G network in Dar es Salaam. Every month, Vodacom Tanzania is responsible for carrying over two petabytes of data traffic, growing at an exponential rate as we continue to drive levels of internet penetration in the country.

For Vodacom Tanzania, it is not just about getting Tanzanians connected; Vodacom Tanzania believes in the power of its technology to transform societies and create new possibilities.

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6.2 Operational milestones

1999

Vodacom Group Limited won a bid to operate a GSM cellular network and provide Public Land Mobile Network Services (PLMN) in the URT and formed the subsidiary company Vodacom Tanzania.

2000

Vodacom Tanzania went live with its state of the art GSM infrastructure. Within the first four months of operations, 50 000 customers were connected.

2004

One million customers connected and Vodacom Tanzania continued to grow rapidly.

2005

The Government introduced the converged licensing framework, to enhance the provision of communication services in the country and introduce the concept of technology neutrality.

2006

Vodacom Tanzania opted to convert its PLMN license into the new licensing framework. Vodacom Tanzania was granted three major service licenses in the communications sector: Network Facilities License, Network Services License and Application Services License.

2007

Three million customers connected and Vodacom Tanzania became the first mobile network in Tanzania to post such a huge customer base.

2008

Vodacom M-Pesa launched to provide a total payments solution for the millions of unbanked people.

2010

Vodacom Tanzania was named the best Mobile Money Transfer (MMT) operator in the world through its Vodafone M-Pesa services during the world's first Mobile Money Awards at the MMT Global Conference and Exposition.

2011

Vodacom Tanzania followed the global Vodafone branding, embracing the Vodafone Red and unveiling a new brand signifying a transformation of Vodacom Tanzania's future operations in Tanzania, together with a stronger connection to its global roots.

2013

Vodacom Tanzania was named the Tanzanian employer of the year by the Association of Tanzania Employers (ATE) and also won in the following categories: best large enterprise, leadership and governance, human resource and management, workforce focus and best performance management systems.

Vodacom M-Pesa was declared a super brand.

2014

M-Pawa, a savings and loans facility, was launched. Over four million customers have since subscribed to this service with over TZS 3 billion loans disbursed every month.

Vodacom Tanzania topped the telecoms sector in its contribution to Government revenues and was awarded the top tax payer award by the Tanzania Revenue Authority, emerging third overall and first runner up in 2014 and 2015 respectively.

2016

Vodacom Tanzania launched its 4G/LTE network across Dar es Salaam. With 278 sites, the network is the fastest in Tanzania.

Seventeen years after commencing operations in the country, Vodacom Tanzania has approximately 12 million customers (equivalent to 31% of the market) and continues to grow.

6.3 Network and coverage

Vodacom Tanzania has deployed state of the art technology, thereby enhancing its product portfolio and positioning itself as the market leader for any communication solution. Vodacom Tanzania addresses the need for voice, data, leased lines, PABX connectivity, international connectivity, WiMAX solutions, remote communication solutions over satellite and banking solutions.

Technologies available to customers, both individuals and corporate, through Vodacom Tanzania include:

- 2 730 x 2G sites covering about 88% of the population with GSM/GPRS/EDGE services;
- 2 014 x 3G sites providing broadband coverage to about 28% of the population;
- 278 x 4G sites providing the fastest LTE network in Dar es Salaam; and
- 75 x TDD-LTE base stations for Enterprise and home fixed internet connectivity in all major cities.

Competition has increased significantly over the last year in Tanzania, with new operators entering the Tanzanian market and all operators expanding their network coverage footprint. In addition to network coverage, network quality is a key competitive factor. Vodacom Tanzania has therefore partnered with world-class vendors to operate and optimise the network to ensure the best possible network quality.

6.4 Licenses

Vodacom Tanzania holds the following licenses:

License category	Issue date	Expiry date	Renewal
Network facilities	26 July 2006	25 July 2031	Automatic right of renewal to be exercised one year before expiry of the license tenure.
Network services	26 July 2006	25 July 2031	Automatic right of renewal to be exercised one year before expiry of the license tenure.
National applications services	12 February 2013	12 February 2023	Automatic renewal every 10 years with no additional obligations until 25 July 2023.
International applications services	26 July 2016	25 July 2026	Automatic renewal every 10 years with no additional obligations until 25 July 2026.
Radio frequency spectrum*	26 July 2006	25 July 2031	Automatic right of renewal to be exercised one year before expiry of the license tenure.

* Radio frequency spectrum and microwave assigned to Vodacom Tanzania are as shown in the table below:

Frequency band (MHz)	Bandwidth (MHz)
900	2 x 7.5
1 800	2 x 10
2 100	2 x 15
3 500	2 x 14
7 000	4 x 28
8 000	4 x 29.65
10 000/11 000	6 x 14
15 000	4 x 28
18 000	4 x 28
23 000	4 x 28

6.5 Vodacom M-Pesa

Vodacom M-Pesa is Tanzania's leading mobile money service that has not only transformed the lives of Vodacom Tanzania's customers but has significantly enhanced financial inclusion. Launched in 2008, Vodacom M-Pesa has been a catalyst for affordable, safe and convenient movement of money for our customers as well as businesses. Today Vodacom Tanzania has over 7 million customers who use the service supported by over 85 000 agents spread across the country.

6.5.1 Relevant products

Vodacom M-Pesa continues to be the leader in providing innovative products and services to make the lives of its customers simpler and better. The platform enables Vodacom Tanzania's customers to send money to each other, make merchant payments, business to business payments, receive money from over 100 countries worldwide through its international money transfer service, pay over 200 vendors, withdraw and deposit money to over 40 banks, and pay most local and international airlines such as KLM and Qatar Airways.

Part A: Main prospectus document continued

6.5.2 Transforming lives

Through its social innovation programmes Vodacom Tanzania has partnered with several organisations to rollout services that make a significant impact on the lives of its customers. For example, the M-Kopa Solar partnership initiative provides Vodacom Tanzania's customers who are off the grid with the means to access solar powered lights through a pay-as-you-go model via Vodacom M-Pesa. Vodacom Tanzania also has collaborative partnerships with the World Food Programme as well as programmes related to health, education, sanitation and agriculture among others. Vodacom M-Pesa has enabled the creation of over 85 000 jobs directly and over 150 000 jobs indirectly.

6.5.3 Financial Inclusion

Every day, around TZS 100 billion of transaction value goes through Vodacom M-Pesa, equivalent to 33% of Tanzania's GDP. Revolutionary services such as our M-Pawa savings and loans platform, have enabled over five million customers across both urban and rural areas of Tanzania to become part of financial systems, spurring economic growth in the communities it serves. Vodacom Tanzania has enabled millions of its customers to save in a secure way and earn interest while being able to secure affordable loans to cater for their needs. The product issues over 350 000 loans per month valued at more than TZS 5 billion. Vodacom Tanzania committed to supporting Tanzanians in achieving their full potential.

6.5.4 Innovation and technology

Vodacom M-Pesa has recently migrated from the first generation platform to the second generation platform (G2). This has provided Vodacom Tanzania with a world class payment platform that enables it to enhance existing products as well as roll out new products and services. The new platform enables seamless connectivity for any business that wants to use Vodacom M-Pesa and will aid Vodacom Tanzania in expanding its digital eco-system.

6.5.5 Focus

The opportunities for payments in Tanzania are enormous as cash transactions account for 98% of transactions. Vodacom Tanzania's focus will therefore be to continue evolving Vodacom M- Pesa into a payments platform, drive savings and loans, enhance cashless payments and have deeper and more collaborative partnerships to enhance business growth. In compliance with BOT regulations, Vodacom Tanzania has established Vodacom M-Pesa Limited, a wholly owned subsidiary of Vodacom Tanzania, focusing exclusively on the mobile money transfer business. Financial results from this line are included in the historical and forecast financials reported in this prospectus.

6.6 Products and services

Vodacom Tanzania has been a leader in the market for many reasons, and stands out for having been the first to introduce new products and services in the country. Following is a range of some the products that Vodacom Tanzania currently offers to its customers.

6.6.1 Vodacom Tanzania consumer prepaid

As a leader in telecommunications, Vodacom Tanzania builds products that will make communication better and faster for its customers. Vodacom Tanzania offers a wide variety of innovative products and offerings across voice, data and messaging services.

6.6.2 Voice, Data and SMS

- Voice, data and SMS bundles: Vodacom Tanzania offers a variety of voice, data and SMS bundles across various price points, valid for 24 hours, seven days and 30 days. These bundles can be a combination of voice, data and SMS, or can be voice and SMS only.
- "Nipige Tafu" advance credit facility: allows customers to borrow airtime from Vodacom Tanzania for a service fee, to make calls, send an SMS or top up their account to buy a bundle. The fee is deducted from a customer's next top up.
- Buddy recharge: enables Vodacom Tanzania prepaid customers to transfer airtime to other Vodacom Tanzania prepaid customers.
- Vodacom Red: allows customers to enjoy a one-rate calling tariff to multiple international destinations. The tariff also comes with exclusive benefits and services such as 10% cash back on Vodacom M-Pesa for money spent on domestic calls.

6.7 Value Added Services (VAS)

Vodacom offers a wide array of value added services to cater to all market segments. These include:

- Vodacom M-Paper: acting as a personal digital newsstand, this allows users to read all Tanzanian newspapers on their mobile phone for a small subscription fee.
- "Mzikii" application: enables customers to catch up on their favourite East African artists, and create their own personalised playlist. Users can share their favourite tracks with friends and family on Facebook, Twitter and various other social media platforms.
- Ring back tone subscription: allows customers to set their favourite songs to play for someone that calls them.

6.8 Vodacom M-Pesa (Mobile Money)

- Deposits and withdrawal: customers can deposit and withdraw money from their Vodacom M-Pesa accounts through 85 000 agents across the country at an affordable cost.
- Person-to-person transfers: allows Vodacom Tanzania's customers to send money to customers across selected mobile networks.
- M-Pawa: is Vodacom Tanzania's 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 Vodacom M-Pesa. In a country where the majority of the population is unable to gain access to formal banking services, M-Pawa provides financial inclusion across the country.
- International money transfers (IMT): Vodacom M-Pesa customers can send money to Kenya, Rwanda and Uganda for a small fee through their Vodacom M-Pesa accounts, instantly and at competitive exchange rates.

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

6.9 Vodacom Enterprise

Vodacom Enterprise offers 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 products and offerings form the core of Vodacom Enterprise, and are aimed at enabling all businesses – from entrepreneurs to large corporates – to enhance their productivity.

6.9.1 Fixed solutions

- Wireless solutions: from metropolitan areas to remote locations, clients can connect to the internet with a network of WiMAX and satellite base stations across Tanzania, without having to rely on fixed line infrastructure,
- Fixed line solutions: fixed leased line is part of the broader Vodacom Tanzania business access services portfolio. Vodacom Tanzania offers fixed, dedicated connectivity and bandwidth that can transport digital speech and video.
- VPN Solutions: VPN allows connectivity within a business, suitable for both site-to-site VPN connectivity and remote access to an existing VPN. IP security protocol provides protection for IP packets by allowing network designers to specify the traffic that needs protection, define how that traffic is to be protected and control who can receive the traffic.

6.9.2 Mobile solutions

- Machine to machine (M2M): technology allows both wireless and wired systems to communicate with other devices of the same ability. M2M connects devices to the internet, transforming them into intelligent devices that exchange real time information.
- Corporate APN: at its simplest, an APN is a virtual private network with all the advantages of cellular mobility. It enables a company's employees to connect to Vodacom Tanzania's private network and download emails or browse the internet, and even operate remote field machinery using the corporate internet connection.
- Mobile voice and data packages: Vodacom Enterprise offers tailor made mobile voice and data packages and product bundles to cater for business and individual needs. The voice and data solutions offer a diverse product range that addresses the needs of on-the-move users from corporate and large businesses, through offering competitive voice and data tariffs for both international and local usage applications allowing them to always stay in touch.

6.10 Vodacom Tanzania Foundation

Vodacom Tanzania Foundation, the corporate social responsibility arm of Vodacom Tanzania, aims to leverage its technology to create a better society. The Foundation has partnered with the Government to pioneer projects that have significant enhanced healthcare, education and financial inclusion efforts.

To date, the Foundation has invested over TZS 15 billion in more than 130 projects. Vodacom Tanzania's Moyo "text to treatment" project uses the Vodacom M-Pesa payment platform to donate transportation costs to allow fistula afflicted patients to travel to CCBRT Hospital in Dar es Salaam to receive treatment. The project has provided transportation costs for over 2 200 fistula patients, and has played a crucial role in reducing the number of fistula cases, particularly in rural Tanzania.

The success of this programme is now being replicated in "mobilising maternal health" in Tanzania, starting in the rural areas of Sengerema and Shinyanga. Using a network of over 100 taxi drivers, Vodacom Tanzania 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 Vodacom M-Pesa. The "ambulance taxi" service is complemented by a mobile application that has been developed for the community health workers to flag high-risk pregnancy cases.

In promoting education, the Foundation uses technology to impart digital literacy to primary and secondary school students and teachers, pioneering free online education. Through a partnership with Samsung, the Smart Schools project has provided 6 000 students with the infrastructure and content for digital learning. We strongly believe that connectivity and online content provide the stepping-stone for improved education across Tanzania.

6.11 Key strengths

Vodacom Tanzania believes that the following strengths will enable it to execute its strategy see Part A, section 6.12 of this prospectus.

6.11.1 Leading mobile operator in a high-growth market

Tanzania has experienced strong growth in its telecommunications market, largely as a result of the rapid adoption of mobile telephony. Based on data provided by the TCRA, the total number of mobile subscriptions reached approximately 39.1 million as at 30 June 2016. In comparison, the fixed line market is significantly smaller, with only 139 000 fixed line subscriptions. As a result, mobile is the primary driver of tele-density in the country. Combined fixed line and mobile internet penetration in Tanzania is estimated to be 34% which compares with 85% in Kenya and 40% in Uganda. Tanzania is a country with a relatively young population (an estimated 50. 1% of the population is under 17 years of age) and high literacy rates (an estimated 83% for males and 73% for females)[2]. The combination of these factors underpins the potential for strong growth in adoption rates for mobile and related services.

Telecommunications remains a strong strategic priority for the country. Currently, 63% of all Tanzanians have access to a mobile telephone but penetration rates remain one of the lowest across the continent, with potential for further growth. If Tanzania was to

2. Tanzania Census 2012, National Bureau of Statistics.

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achieve the same level of penetration that Kenya has today, there would be an incremental 5.5 million mobile connections in the market; this would represent a growth rate of 14% on current subscriber numbers.

Over the five year period ended on 31 December 2015, the Vodacom Tanzania customer base increased at a compound annual rate of 13.7%. Whilst there are still further opportunities for growth from new customers, increasingly the growth drivers for Vodacom Tanzania will derive from increasing consumption of data services, and further adoption of mobile financial services which were introduced first by Vodacom Tanzania in 2008.

Across all product lines, Vodacom Tanzania has strived to be a market leader. From a customer perspective, Vodacom Tanzania recorded its millionth customer just over a year after the launch of operations, and currently commands approximately 31% of the market (as at June 2016). Vodacom Tanzania believes that its market position, size, brand and distribution network will enable it to capitalise on the anticipated growth opportunities in this market.

Vodacom Tanzania's focus on offering data through innovative tariff solutions, increasing smartphone penetration, and continuing to develop a world class network, has driven the exceptional growth in data traffic. Vodacom Tanzania currently has 7.3 million data capable devices on its network, however, smartphone penetration constitutes less than 15% of its current customer base leaving significant potential for it to continue to monetise this critical revenue stream.

Mobile financial services have been a revolutionary product in Tanzania, mostly due to the large proportion of the population that remains unbanked. Vodacom M-Pesa has been a particular success. Vodacom Tanzania currently has 43.1% of the mobile money subscriber market share and Vodacom M-Pesa represents the largest platform in the market. Since its launch in 2008, Vodacom M-Pesa makes up in excess of 20% of Vodacom Tanzania's service revenues, with its projections for this contribution to continue increasing.

6.11.2 Winning customer proposition

Part of the strength of Vodacom Tanzania's customer proposition is built on a powerful brand and extensive distribution channels.

Vodacom Tanzania has a solid reputation with key stakeholders including its customers, regulators, the media and the general public. Vodacom Tanzania's customers readily identify the brand as one of the most recognisable in the country. The brand also leads reputational rankings when surveyed across a number of brands in Tanzania, and with various stakeholder groups. Vodacom Tanzania's brand recognition is further complemented by its sponsorship of key events (such as the Tanzania Premier League), at its retail points of representation and across its various distribution channels.

Vodacom Tanzania's customers also benefit from its extensive distribution channels. Vodacom Tanzania's retail footprint, which is the largest in Tanzania, provides a primary point of interaction with customers. Vodacom Tanzania's current network comprises 189 nationwide retail points, in excess of 17 000 freelance distributors and 75 000 mobile money 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.

6.11.3 Total communication solutions for enterprises

Vodacom Tanzania is the leading provider of communications services to the large enterprise market in Tanzania, and has strong market positions across all segments of the market. Vodacom Tanzania's customer base includes 90% of all scaled enterprises, 76% of public sector enterprises, and 19% of large enterprises. Vodacom Tanzania estimates that it commands 43% of the mobile voice market and 11% of the fixed data market in terms of revenue shares.

Vodacom Tanzania's enterprise offering is evolving to a total communications solutions provider allowing it to offer mobile voice and data, fixed line services including IP VPN, MPLS, internet, cloud and hosting solutions. It services multiple industry segments, using targeted, specific solutions to meet the needs of its customers. Vodacom Tanzania is complementing this by building multiple sales and services channels to engage with its customers.

6.11.4 World class network with superior coverage

A key strategic pillar for Vodacom Tanzania is to ensure that its customers have the best network experience. Over the past three years, Vodacom Tanzania has invested TZS 664 billion (US$291 million) in expanding and upgrading its entire mobile infrastructure network. These investments have ensured that Vodacom Tanzania has some of the highest network statistics. Independently monitored statistics show that Vodacom Tanzania's network is available more than 99% of the time with very low drop call rates (<0.6%) and high call setup success rates (>99%).

Vodacom Tanzania operates a state-of-the-art network with nationwide 2G coverage exceeding 89% of the Tanzanian population. It has intensified its efforts on its 3G network and has launched 4G.

6.11.5 Highly experienced management team

Vodacom Tanzania has a highly experienced and skilled management team that combines international and regional talent. The management team has a proven track record of successfully launching and bringing to market new and innovative mobile product offerings, and of driving sustainable growth and cash flow generation for Vodacom Tanzania.

A number of the key executives of Vodacom Tanzania have a long history within the broader Vodafone Group/Vodacom Group Limited, serving in various executive capacities. This makes the breadth and depth of Vodacom Tanzania's management team's expertise a valuable asset to continue to drive its growth and operational excellence.

6.11.6 Benefits from being part of the Vodafone Group

Upon completion of the planned offering, Vodacom Tanzania will benefit from access to the capital markets and from operating as a public company. Vodacom Tanzania will, however, remain part of the Vodafone Group through its parent company, Vodacom Group Limited, and will continue to benefit from their scale of operations and expertise. These benefits extend across many areas but include access to innovative technological research and development, customer management insight, marketing and centralised procurement of telecommunications equipment. Vodacom Tanzania is able to benchmark itself against other operating companies in the Vodafone Group, and share best practices.

Vodacom Tanzania's 570 employees have access to global career development opportunities, including international assignments that will ensure they are at the forefront of global trends. In addition, Vodacom Tanzania's association with the Vodafone brand has resulted in it being one of the most recognisable brands on the African continent.

6.11.7 Committed to improving the lives of Tanzanians

In addition to Vodacom Tanzania's strong brand equity, Vodacom Tanzania allocates funds for the purpose of community development. Vodacom Tanzania supports development, focusing particularly on initiatives aimed at youth education, health and increasing financial inclusion. Examples include providing greater access to technology to school learners and teachers alike to increase learning outcomes, and through the use of Vodacom M- Pesa, offering women access to zero interest loans to support enterprise projects. These projects are managed through the Vodacom Foundation. Working with local organisations and partners, the Vodacom Foundation has supported in excess of 120 projects, and invested over TZS 15 billion to improve the lives of Tanzanians.

6.12 Strategy

Vodacom Tanzania aims to leverage its existing assets to retain its leading position whilst maintaining and growing its profitability. To this end, the key elements of our strategy are to:

6.12.1 Retain market leadership and increase customer share

Vodacom Tanzania's management team intends to strengthen its competitive position across its mobile business by introducing initiatives to maximise customer retention. To achieve this, Vodacom Tanzania plans to bring onto the market differentiated, exclusive and unique offers both on its handsets and tariffs. Vodacom Tanzania is a customer centric organisation; it strives to provide its customers with consistently high-quality customer service, continually develop innovative loyalty initiatives, and create new platforms for communicating with customers. Additionally, Vodacom Tanzania intends to leverage and expand its distribution network through new channels such as additional direct sales points and new franchise shops in order to consistently reach its customers.

6.12.2 Accelerate customer growth through Vodacom M-Pesa

Data published by the Financial Sector Deepening Trust in 2015, shows that the usage of non-bank financial services (i.e. mobile financial services) increased from less than 7% in 2009 to 44% by 2013, increasing the rate of financial inclusion from approximately 16% to 58%. This has been the phenomenal success story of mobile financial services, where Vodacom Tanzania remains the market leader in terms of customer share, and has significant brand equity.

Vodacom Tanzania's immediate focus will be to continue to increase the product penetration across its base, and meaningfully increase revenues from Vodacom M-Pesa whilst sustaining costs and growing margins. Vodacom Tanzania's product offering will be targeted at specific customer segments to ensure that its pricing not only offers customers the best value, but also rewards customer loyalty and in so doing manage customer churn. A particular opportunity for Vodacom Tanzania will be through Vodacom M-Pesa for business, which will significantly increase the volume of transactions and offer a scalable platform from which to continue to offer innovative services such as savings and loans products. Vodacom Tanzania also plans to increase its distribution network to ensure Vodacom M-Pesa is available throughout Tanzania.

6.12.3 Monetise data opportunities by leveraging our world class network

Vodacom Tanzania aims to monetise the growth opportunity in data through innovative product offerings and the rollout of its LTE network. Vodacom Tanzania believes that there is significant growth potential due to low smartphone penetration, coupled with a marked increase in the demand for digital media. Vodacom Tanzania will continue to differentiate its offerings to its customers by delivering the best content and differentiated data propositions.

6.12.4 Continued enhancement of our Enterprise offering

Vodacom Tanzania believes that there is significant potential to grow revenues from business customers, in particular SoHos and SMEs. Vodacom Tanzania aims to gain market share among larger business customers through providing managed services, which it sees as a key growth driver in the Tanzanian telecommunications market. Such managed services will include outsourcing and hosted infrastructure and applications. This business is expanding and scaling up fixed line is not only to expand Vodacom Tanzania's market share and share of customers' expenses, but is fundamental to achieving its vision of being an end to end telecommunications provider.

Vodacom Tanzania is continuously expanding its product offering to business customers to include selective cloud, fibre and hosting IP based solutions. Through specialised and tailored

Part A: Main prospectus document continued

service offerings to wholesale partners, Vodacom Tanzania aims to increase its fibre for fixed line, cloud and hosting IP based solutions.

6.12.5 Attract and retain the best people

Vodacom Tanzania prides itself on being an employer of choice. Since the inception of its operations, Vodacom Tanzania has focused on attracting and retaining the best Tanzanian and expatriate employees. Through its ultimate parent company, Vodafone Group Plc, Vodacom Tanzania is able to suitably reward its top performing employees through an inclusive system of employee engagement, which includes the potential for regional and international assignments, short term rotational assignments, structured mentoring programmes and ongoing education. Vodacom Tanzania seeks to break down silos across functions to improve team effectiveness and drive cultural change by focusing on what matters most to its employees.

6.12.6 Actively managing costs

Vodacom Tanzania's aim is to be the most efficient infrastructure based operator in Tanzania. It is driving a number of key initiatives to achieve this goal including:

- Optimising network rollout to expand only in those areas that will be most impactful from a coverage perspective. In other areas, the potential for partnering or infrastructure sharing may be considered to optimise network costs.
- Improving the efficiency of its sales channels by increasing the levels of electronic and other automated processes.
- Streamlining administrative functions by paying close attention to fixed cost contract renegotiation and right sizing our workforce.

6.13 Acquisition of additional spectrum

In February 2016 and July 2016, Vodacom Tanzania received approval from the TCRA and the Fair Competition Commission respectively for acquisition of Shared Network Tanzania Limited (SNT), which had 2x5 900MHz spectrum for rural areas. Vodacom Tanzania will use this spectrum to support provision of 3G services in such areas. Vodacom Tanzania is currently working towards completion of this transaction following receipt of the regulatory approvals.

6.14 Financial highlights for financial years 2014 to 2016

	Year ended 31 March			% change	% change
TZS 'm	**2016**	**2015**	**2014**	**15/16**	**14/15**
Service revenue	**916 003**	899 975	900 064	1.8	–
Revenue	**923 345**	908 957	920 899	1.6	(1.3)
EBITDA	**285 643**	250 208	306 276	14.2	(18.3)
EBIT	**120 429**	119 425	164 227	0.8	(27.3)
Operating profit	**81 167**	86 373	164 227	(6.0)	(47.4)
Net profit after tax	**29 104**	32 055	128 202	(9.2)	(75.0)
Operating free cash flow	**120 659**	152 496	136 727	(20.9)	11.5
Free cash flow	**54 827**	123 781	38 051	(55.7)	>200.0
Capital expenditure	**216 480**	201 441	223 377	7.5	(9.8)
Basic earnings per share (TZS)[1]	**34.6**	38.2	152.6	(9.4)	(75.0)
Contribution margin (%)	**67.4**	61.6	64.2	5.8pp	(2.6pp)
EBITDA margin (%)	**30.9**	27.5	33.3	3.4pp	(5.8pp)
EBIT margin (%)	**13.0**	13.1	17.8	(0.1pp)	(4.7pp)
Operating profit margin (%)	**8.8**	9.5	17.8	(0.7pp)	(8.3pp)
Effective tax rate (%)	**60.9**	59.3	23.1	1.6pp	36.2pp
Net profit margin (%)	**3.2**	3.5	13.9	(0.3pp)	(10.4pp)
Net debt/EBITDA (times)	**0.3**	0.5	0.5	(0.2)	–
Capital intensity (%)	**23.4**	22.2	24.3	1.2pp	(2.1pp)

1. Based on 840 million shares.

	Year ended 31 March			% change	% change
TZS 'm	**2016**	**2015**	**2014**	**15/16**	**14/15**
Active customers ('000)	**12 375**	12 172	10 284	1.7	18.4
M-Pesa customers ('000)	**7 030**	6 876	5 596	2.2	22.9
Active data customers ('000)	**5 415**	5 265	3 788	2.8	39.0
MOU per month (min)	**124**	149	125	(16.8)	19.2
ARPU (TZS)	**5 972**	6 530	7 213	(8.5)	(9.5)

6.15 Operational performance overview: 2016

Service revenue consists of revenues from mobile telecommunications services (voice, data and messaging) and mobile financial services (MFS) – Vodacom M-Pesa. Total revenue includes revenues from the sales of devices (handsets and accessories), SIM cards and starter packs. All references to 2016, 2015 and 2014 imply financial years ended 31 March.

6.15.1 Overview

The revenue performance of 2016 signified a recovery from the flat performance of 2015, establishing Vodacom M-Pesa and data as the key growth engines. This recovery was despite the weakening of the Tanzanian Shilling against major currencies, slower growth in the agricultural sector and a slowdown in economic activities due to the presidential and general elections in October 2015.

Service revenue grew by 1.8%, driven by a 10.2% growth in average 90 day active customers. This was off-set by a decline in mobile customer ARPU of 8.5% as competition intensified following the entry of a new mobile operator to the market, which priced its product offering/services aggressively in order to gain market share.

Voice revenue declined by 4.0% primarily driven by lower minute use, the effect of which was partially off-set through the rationalisation of integrated bundles.

Data revenue grew by 23.7%, contributing 12.9% of service revenue, up from 10.7% a year ago. This growth was driven by an increase in active data customers and strong growth in average megabyte per user of 40.4% in spite of a high single digit decline in price per megabyte.

Vodacom M-Pesa revenue grew by 10.5% and accounted for 24.5% of service revenue, up from 22.6% in the prior year. Growth is driven by the expansion of the VTL Group extensive mobile financial services ecosystem which continues to be a competitive advantage. New and innovative products such as the international money transfer service launched in 2016 reinforce Vodacom M-Pesa's position as a market leader in Tanzania.

6.15.2 Profitability

The EBITDA growth of 14.2% to TZS 285.6 billion and margin expansion of 3.4pp, to 30.9% was driven primarily by cost management initiatives. Such initiatives included changing bundles to optimise interconnect costs, reducing handset subsidy and improving debt collection. These initiatives were successful in setting-off foreign dominated cost pressures as a result of a weaker Tanzanian Shilling as well as higher network operating costs from rapid network expansion in the prior year.

Net profit after tax decreased by 9.2% impacted by increases in depreciation and amortisation, loss from associate and loss from translation of financial instruments, offset by decreases in net finance costs.

The loss from VTL Group's share of the operating results of its associate, Helios Towers Tanzania, increased by 18.8% to TZS 39.3 billion primarily as a result of a weaker Tanzanian Shilling against the United States Dollar. Refer note 18 of the VTL Group's consolidated annual financial statements for further information relating to Vodacom Tanzania's investment in Helios Towers Tanzania Limited.

Net finance cost reduced by 67.9% from TZS 8.3 billion to TZS 2.7 billion driven by a TZS 4.8 billion increase in interest received on bank balances and a TZS 3.5 billion increase in interest on loans receivable from Helios Towers Tanzania, partly offset by an increase in interest due on shareholders' loans amounting to TZS 1.9 billion.

Tax expense of TZS 45.4 billion is 2.7% lower due to the lower profitability. The difference in the effective tax rate of 60.9% and the statutory tax rate of 30% is mainly due to the share of loss from the associate of TZS 11.8 billion (15.8%) and the deferred loss on the sale and leaseback of towers to Helios of TZS 10.4 billion (13.9%).

Operating free cash flow declined 20.9%, primarily as a result of increased capital expenditure and settlement of capital creditors from investments made by Vodacom Tanzania in its network in the previous year, partially offset by a favourable movement in working capital. Free cash flow in the 2016 financial year included a TZS 42.1 billion repayment of interest on shareholder loans.

Capital investments for 2016 were channelled towards network projects with emphasis on widening data coverage on the 3G network. The remainder was spent on building IT capabilities to support commercial initiatives, mainly on the G2 Vodacom M-Pesa platform. The G2 platform allows for improved efficiency and flexibility in the delivery of products and services, thereby enhancing Vodacom M-Pesa as VTL Group's key competitive differentiator.

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7. Financial projections summary: 2017 and 2018

TZS 'm	Year ended 31 March 2018	2017	2016	% change 17/18	% change 16/17
Service revenue	**973 424**	915 540	916 003	**6.3**	**(0.1)**
Revenue	**994 353**	934 480	923 345	**6.4**	**1.2**
EBITDA	**282 055**	249 030	285 643	**13.3**	**(12.8)**
EBIT	**108 233**	94 222	120 429	**14.9**	**(21.8)**
Operating profit	**107 891**	90 669	81 167	**19.0**	**11.7**
Net profit after tax	**95 869**	47 280	29 104	**102.8**	**62.5**
Operating free cash flow	**161 760**	139 857	120 659	**15.7**	**15.9**
Free cash flow	**39 271**	65 290	54 827	**(39.9)**	**19.1**
Capital expenditure	**152 915**	146 446	216 480	**4.4**	**(32.4)**
Basic earnings per share (TZS)[1]	**42.8**	28.1	34.6	**52.3**	**(18.8)**
Contribution margin (%)	**68.0**	66.6	67.4	**1.4pp**	**(0.8pp)**
EBITDA margin (%)	**28.4**	26.6	30.9	**1.8pp**	**(4.3pp)**
EBIT margin (%)	**10.9**	10.1	13.0	**0.8pp**	**(2.9pp)**
Operating profit margin (%)	**10.9**	9.7	8.8	**1.2pp**	**0.9pp**
Effective tax rate (%)	**30.1**	42.2	60.9	**(12.1pp)**	**(18.7pp)**
Net profit margin (%)	**9.6**	5.1	3.2	**4.5pp**	**1.9pp**
Net debt/EBITDA (times)	**n/a**	0.2	0.3	**n/a**	**(0.1)**
Capital intensity (%)	**15.4**	15.7	23.4	**(0.3pp)**	**(7.7pp)**

1. 31 March 2018 based on 2 240 million shares. 31 March 2017 based on 1 680 million shares. 31 March 2016 based on 840 million shares.

	Year ended 31 March 2018	2017	2016	% change 17/18	% change 16/17
Active customers ('000)	**12 816**	12 247	12 375	**4.6**	**(1.0)**
Active data customers ('000)	**6 541**	6 049	5 415	**8.1**	**11.7**
MOU per month (min)	**183**	163	124	**12.3**	**31.5**
ARPU (TZS)	**6 330**	6 045	5 972	**4.7**	**1.2**

The Tanzanian mobile communications industry is expected to remain highly competitive and face persistent regulatory and macroeconomic risks. The challenging macro environment is anticipated to keep customer spend under pressure over the medium term. Customer registration initiatives will continue to dampen customer growth over the short term, with recovery expected over the medium term. Accelerated depreciation of the Tanzanian Shilling against major currencies may lead to inflationary shocks as the cost of imported goods and services would be impacted.

Vodacom Tanzania expects a more competitive industry landscape to place pressure on its share of net additions. As a result, Vodacom Tanzania's market share is expected to be stable with a possibility of a marginal decrease over the medium term. Retail tariffs are likely to experience downward pressure over the short to medium term, offset by increased usage which should increase ARPU for the overall industry. Significant growth is also expected in data usage and mobile money services which would benefit ARPU and revenue growth. In addition, the expected increase in overall promotional, marketing and acquisition efforts may disrupt current market dynamics, potentially resulting in higher customer churn levels and higher acquisition and retention costs for all of the industry players.

Vodacom Tanzania will continue to focus on developing growth areas in its enterprise business by expanding "fibre to the business" and also "fibre to the home". Vodacom Tanzania is confident that through the implementation of its strategies to differentiate its network experience, to proactively change its pricing strategies, to improve in-bundle spend and offer customers more value through segmented and personalised pricing, it will continue to sustain its revenue growth and remain the market leader in Tanzania.

Service revenue is expected to remain relatively in line with 2017 due to the adverse impact of customer registration initiatives on customer base growth, as well strong competition on customer acquisition following the launch of a new entrant. Nevertheless, and considering Vodacom Tanzania's strategies which are already bearing results, service revenue is expected to grow by 6.3% in 2018 on the back of customer base growth, fuelled by data demand continuing to grow strongly as smart devices become more accessible and the 3G and 4G networks reach more customers. Vodacom Tanzania has proactively accelerated its investment in its networks over the past two years in order to capitalise on this future demand. Vodacom M-Pesa revenue is expected to continue growing at double digit levels as it continues to expand its eco-system, deliver new products and services, grow the merchant's network and leverage the new G2 system capabilities.

EBITDA is expected to decrease by 12.8% in 2017 underpinned by revenue pressures, customer registration initiatives dampening customer base growth and higher interconnect and acquisition and retention costs. EBITDA for 2018 is expected to grow at 13.3% as a result of strong customer and revenue growth and a strong focus on cost efficiencies, with margin expansion of 1.8pp. Total operating expenses are expected to grow by 4.7%, below revenue growth of 6.4%, as a result of good progress achieved from various cost efficiency programmes.

Capital expenditure will increase by 4.4% in 2018 to TZS 152.9 billion or 15.4% intensity. This is consistent with Vodacom Tanzania's strategy to expand its GSM coverage footprint in rural areas and capacity levels in the key urban and semi-urban areas. Vodacom Tanzania expects to roll out more 4G sites in Dar es Salaam and possibly in other cities, increase 3G coverage across the country and further enhance 2G coverage. These capital investments will enhance Vodacom Tanzania's ability to protect its share of gross customer additions, improve voice quality and increase data speed as well as capitalising on the high growth potential of the data market.

8. Corporate governance, board of directors and senior management

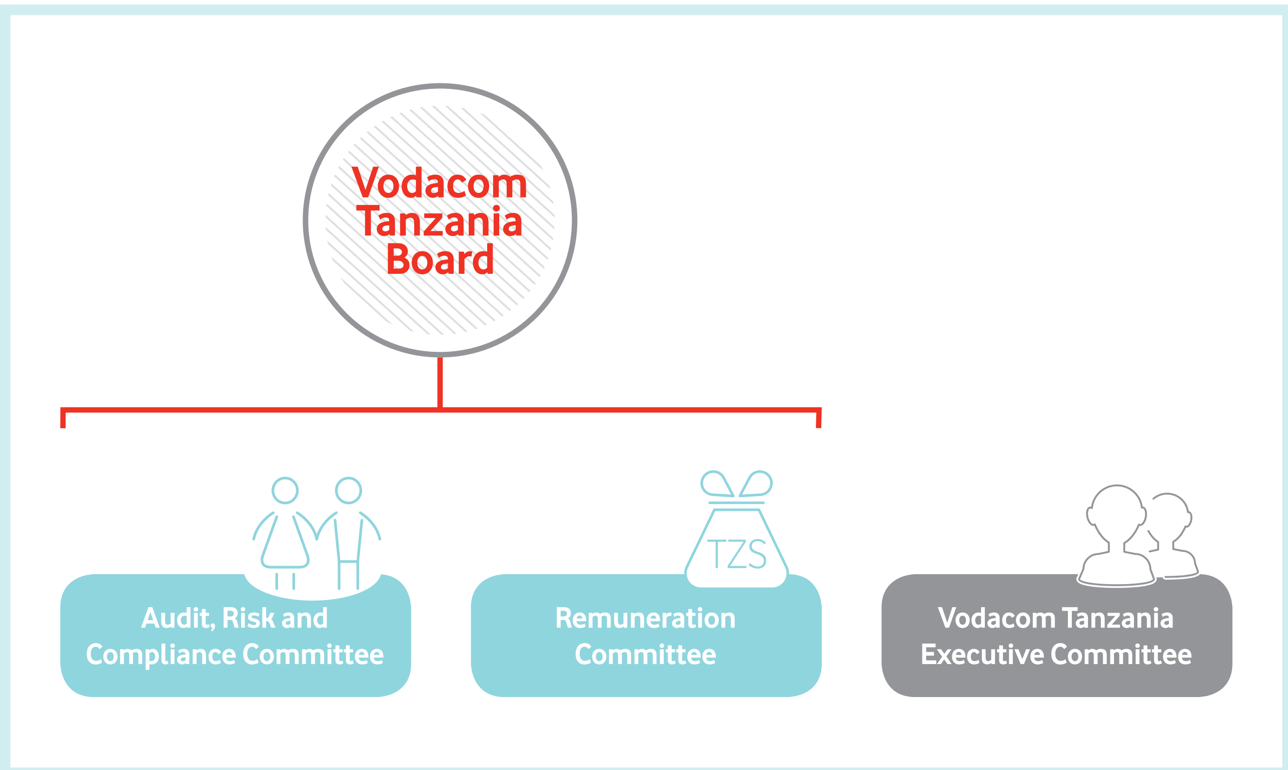
8.1 Statement of compliance

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.

Many of these principles are entrenched in Vodacom Tanzania's internal controls and policy procedures governing corporate conduct.

8.2 Corporate governance structure

The following diagram shows Vodacom Tanzania's governance structure:



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8.3 Board leadership and committees

8.3.1 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 who has been appointed by Vodacom Group Limited.

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

Post the IPO, 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 Listing Requirements and Vodacom Tanzania's Memorandum and Articles of Association.

8.3.2 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 shareholders.

A board charter has been adopted which details the responsibilities of the Board. These include:

- oversight of Vodacom Tanzania's strategic direction;
- approving major capital projects, acquisitions or divestments;
- exercising objective judgement on Vodacom Tanzania's business affairs independent from management;
- ensuring that appropriate governance structures, policies and procedures are in place;
- ensuring the effectiveness of the internal controls;
- reviewing and evaluating the risks facing the business;
- approving the annual budget and operating plan; and
- ensuring the integrity of the management information systems.

8.3.3 Committees

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 person the Board may deem fit, provided that they conform to the regulations imposed by the Board.

The Board has two committees with specified delegated activities. Each committee is responsible for the review and oversight of the activities within its defined terms of reference. Each committee consists of not 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. The two Board committees are the Remuneration Committee and the Audit Risk and Compliance Committee.

8.3.3.1 Remuneration Committee

The remuneration committee serves to enable and assist the Board to discharge its responsibilities by:

- determining and agreeing the remuneration and overall compensation packages of executives, with the exception of seconded employees;
- determining, agreeing and developing Vodacom Tanzania's overall policy on remuneration;
- 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 for disclosure to enable a reasonable assessment of reward practices and governance process to be made by shareholders;
- considering other special benefits or arrangements of a substantive financial nature;
- reviewing the promotions, transfers and termination policies for Vodacom Tanzania;
- ensuring compliance with applicable laws and codes; and
- comprising of at least four non-executive directors.

8.3.3.2 Audit, Risk and Compliance committee (ARCC)

The ARCC is responsible for:

- co-ordinating and overseeing the performance and effectiveness of management and the internal and external auditors in financial and risk management;
- monitoring compliance with all legal, taxation and statutory requirements; and
- ensuring compliance with ethics and governance standards.

The ARCC has been established based on best practice in corporate governance. The committee comprises at least three non-executive directors. The chairperson is appointed by the Board. A representative of the external auditors is always present at committee meetings.

The ARCC's report includes reports from the following areas that are discussed in committee meetings:

- risk management;
- internal control;
- internal audit;
- compliance; and
- ethics.

8.3.3.3 Risk management

Management continuously develops and enhances its risk and control procedures to improve risk identification, assessment and monitoring. The directors consider 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 line management. The RMC, which meets four times a year, is chaired by the managing director and currently comprises the executive committee members.

The RMC duties include:

- to analyse and identify strategically high and critical risks and to present these risks to the Board yearly; and;
- to oversee and monitor the various projects and structures designed to manage specific identified risks, for example, business continuity management.

Risks are identified and managed at five levels within the Vodacom Group Limited, namely: project, process, operational, tactical and strategic levels. Risks are periodically reviewed and updated. For strategic risks, a filtering and reporting process ensures that the relevant items are reported to the RMC and are reviewed by the Board.

8.3.3.4 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. Reliance is placed on the Vodacom Group Limited internal audit team, which provides independent, objective assurance of the system of internal controls to the Board.

8.3.3.5 Internal audit

The Vodacom Group Limited internal audit function operates under a defined charter, as approved by the Vodacom Group Audit, Risk and Compliance Committee. The charter conforms to the International Standards for the Professional Practice of Internal Auditing and 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 the Vodacom Group's management and is approved by the ARCC during March of every year. Special assignments may also be conducted upon request with appropriate arrangements made to ensure that these do not compromise the achievement of the overall audit plan for the year.

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The internal audit function conducts the following types of audit:
- financial systems audits;
- computer systems audits;
- network operational audits; and
- safety, health and environmental audits.

8.4 Compliance
Vodacom Tanzania works actively to comply with relevant laws, regulations and company policies applicable across its various jurisdictions. The legal compliance programme includes a compliance management framework that sets target dates for full compliance with legal obligations, guides the implementation of internal controls, and manages the implementation and monitoring of the framework together with compliance owners. High-risk compliance areas such as competition, anti-corruption, anti-money laundering and terrorist financing and privacy law are emphasised.

The risk of non-compliance exposes Vodacom Tanzania to fines, civil penalties, interest, payment of damages, and the voiding of contracts. The risk evolves from non-compliance with the regulatory guidelines, which is the current and prospective risk to earnings or capital arising from violations of, or non-compliance with laws, regulations, prescribed internal policies and procedures, or ethical standards.

Vodacom Tanzania may also exposed to tax compliance risk. This is the risk associated with not meeting the organisation's tax compliance obligations and includes the following:
- failure to comply with existing tax legislation and tax regulations, failure to keep track of changes in tax rates and tax laws and tax regulations and its implications on VTL Group, and misinterpretation of tax laws and regulations which could have an adverse impact on Vodacom Tanzania and its customers;
- non-compliance with tax registration requirements;
- late filing or lodgement of requisite taxation information;
- reporting of incomplete and inaccurate tax information (incorporating record keeping); and
- late payment of taxation obligations.

To manage these risks, Vodacom Tanzania has set up a compliance function that oversees the policies governing the detection, prevention, monitoring and reporting of tax compliance risk for both regulatory and internal tax controls. In addition, Vodacom Tanzania operates within the Vodacom Group tax risk management framework, which sets out clearly defined principles and behaviours. These are aligned with the Vodacom Group code of conduct and the values set out in "The Vodacom Way". In line with Vodacom Group's overall corporate governance strategy Vodacom Tanzania continues to ensure that its tax governance structures support effective decision-making and robust control, and are aligned with changing requirements as well as with local and international best practice.

Vodacom Tanzania also runs a compliance programme on anti-money laundering (AML) which focuses on the prevention, detection and reporting of money laundering and terrorist financing. Vodacom Tanzania has risk-based systems and controls in place, supported by regular monitoring. These include, but are not limited to:
- Vodacom Tanzania's formally appointed and qualified money laundering reporting officer;
- know your customer (KYC) controls;
- conducting due diligence on our agents;
- conducting transaction monitoring and watch list screening (against applicable legislation and the Dow-Jones watch list);
- regular training for our agents and employees on their AML responsibilities; and
- investigating and reporting suspicious activity.

8.5 Ethics programme
Vodacom Tanzania is an ethical company that believes in and adheres to a set of values and principles aimed at ensuring that its business activities have a positive impact on the economies, societies and environments in which it operates.

Vodacom Tanzania has an ethics programme that includes conducting periodic risk assessments, formulating appropriate risk management strategies, publishing and championing its values and ethical codes of conduct, providing awareness training and advisory services to employees, maintaining registers for gifts and entertainment and declarations of interests, and ultimately enforcing these policies and processes.

While the general programme is supported by a specialist function at Vodacom Group level, the managing director and senior executives are responsible for the establishment and chairing of Vodacom Tanzania's ethics committees that tailor and guide the implementation of the programme for Vodacom Tanzania.

A detailed code of conduct forms part of the overall employee policies within Vodacom Tanzania. All executives and employees are required to maintain the highest ethical standards to ensure that Vodacom Tanzania's business practices are conducted in a manner that is above reproach.

The 11 business principles underlying the code of conduct are:

1	complying with all relevant laws, standards and principles
2	basing business decisions on economic, social and environmental criteria and maintaining financial integrity
3	voicing our opinions on industry issues while taking an apolitical stance
4	communicating openly with stakeholders while maintaining commercial confidentiality
5	valuing our customers' trust and safeguarding their personal information
6	basing employee relationships on respect for individuals and their human rights
7	protecting the environment and improving the environmental and social benefits of products and services
8	building trust within communities and investing in social improvement
9	protecting the health and safety of our customers, employees, partners and communities
10	acting with honesty, integrity and fairness in all our dealings
11	ensuring adherence to the "Vodacom Way" and code of conduct

8.6 Vodacom Tanzania Executive Committee

During the year, the team included the Managing Director (Chairman), 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, Sales & Distribution Director, Marketing Director, Enterprise Business Unit Director. The team is responsible for managing the Vodacom Tanzania's operations, developing strategy and policy proposals for the Board's consideration, and implementing the Board's directives.

The team'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.

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8.7 Directors' shareholding

The directors do not hold any shares in Vodacom Tanzania.

8.8 Board of Directors' profiles

The directors are appointed by the shareholders as provided in the articles of association of Vodacom Tanzania. None of the directors mentioned in this prospectus have been the subject of bankruptcy or convicted in a criminal proceeding of a court. As of the date of this prospectus, the issuer has not entered into contract with any of the directors, other than their respective contracts of service with Vodacom Tanzania. Following is a brief profile of each of Vodacom Tanzania's directors at the date of this prospectus:

Vivek Mathur (52)
Appointed: 23 February 2016
B-Tech in Mechanical Engineering from the Indian Institute of Technology, Kanpur
Post graduate qualification in Management from Indian Institute of Management Kolkata

Vivek was appointed as the Chairperson of the Board from 7 November 2016, and has been a member of the Board since 23 February 2016. Vivek is Vodacom Group's Chief Operating Officer – International Business, responsible for Vodacom Group's mobile communications operations outside South Africa. He joined Vodacom in November 2015. Vivek was previously the Chief Commercial Officer: Consumer Business of Vodafone India since 2012, where he successfully led the commercial function to double-digit revenue growth and improving revenue market share. Prior to joining Vodafone, Vivek was the Chief Executive Officer of PizzaExpress India. Before PizzaExpress, Vivek was executive director and president with Godrej Consumer Products. He had also served as the Managing Director of Godrej Hershey and Chief Operating Officer of Godrej Sara Lee in addition to senior level assignments with Tata Global Beverages and Hindustan Unilever. Vivek currently sits as a non-executive director on the boards of Vodacom DRC, Vodacom Mozambique and Vodacom Lesotho and is also the remuneration committee Chairman in Mozambique, DRC and Tanzania.

Ian Ferrao (34)
Appointed: 8 September 2015
B.Sc Management Sciences (Warwick Business School)

Ian began his career in the United Kingdom in strategy consulting with Deloitte. In 2006, he moved to Zambia to join AfriConnect, a start-up broadband company, which went on to become Zambia's market leader for corporate and residential internet services. In 2010, Ian led the sale of AfriConnect to Vodacom Group and subsequently joined Vodacom South Africa in 2011 as Chief Commercial Officer for Vodacom Business Africa. In 2013, Ian was appointed as Managing Director for Vodacom Lesotho, launching Vodacom M-Pesa, 4G services and FTTx offerings, leading Vodacom Lesotho back to double-digit revenue growth. Ian was appointed Managing Director of Vodacom Tanzania in September 2015.

Jean Jacques Marais (51)
Appointed: 1 July 2016
Bachelor of Commerce (Hons), in Accountancy, University of Pretoria
Chartered Accountant (SA)

Jacques was appointed as the Finance Director in July 2016. He began his career with Vodacom in 2001 as Finance Manager with Vodacom South Africa where he worked for three years. He then transferred to work in Vodacom Lesotho as the Finance Director, a position he held until 2007. Jacques then took on a different challenge when he moved to Vodacom Congo in the DRC and took on various roles including General Manager Finance and Chief Finance Officer. In 2012, he relocated to Vodacom Mozambique as Finance Director, a position he held until recently when he moved to Tanzania. Jacques is a Chartered Accountant (SA) and holds a Bachelor of Commerce (Hons) in Accountancy from the University of Pretoria, SA.

Rostam Aziz Abdulrasool (55)
Appointed: 15 December 1999
Bachelors in Economics, Exeter College

Rostam is a Tanzanian politician, entrepreneur and economist. He represented the Igunga constituency in Tabora Region from 1994 until his resignation in 2011. He was the ruling party Chama Cha Mapinduzi (CCM) National Treasurer from 2005 – 2007 and member of the Politburo/Central Committee of CCM from 2006 to 2011. Some of his key achievements as a member of parliament include pioneering community health insurance in East Africa whereby every household in his constituency was provided with health insurance from the Community Health Fund. He also achieved access to water for every resident in his constituency and Igunga Constituency became the first district to have a dispensary in every village and electricity in every ward.

Andries Daniel Jan Delport (52)
Appointed: 1 April 2015
B. Sc (Electronic) (Natal), MBL (Cum Laude) (UNISA)

Andries joined the Vodacom Group in June 1996 and has since held a number of senior positions in the Vodacom Group. He was appointed Chief Technology Officer for Vodacom Group and a member of the Vodacom Group Executive Committee in November 2010. He is also a non-executive director for Vodacom Mozambique. Andries held a number of positions at various organisations including the Council for Science and Industrial Research (CSIR) prior to joining Vodacom.

Michael Joseph (70)
Appointed: 1 April 2013
B.Sc (UCT), Member of the Institute of Electrical Engineering and Electronic Engineers, Honorary Doctorate Letters from Africa Nazarene University

Michael is employed by Vodafone Group Services Limited as the Director of Mobile Money and is the current Chairman of Kenya Airways. Previously, Michael was the CEO of Safaricom Limited from July 2000 when Safaricom was re-launched as a joint-venture between Vodafone Group Plc and Telkom Kenya until his retirement in November 2010. He has extensive international experience in company start-ups, the implementation and operation of large wireless and fixed-line networks, including operations in Hungary, Spain, Brazil, Peru, Argentina, Korea, the USA, Australia and the Middle East. Michael has been the recipient of many awards, including Chief Executive Officer of the year awarded by the Kenya Institute of Management, the Moran of the Order of the Burning Spear and the Elder of the Order of the Burning Spear (awards given by the President of Kenya to those who have made a positive impact in Kenya). He was appointed to the Vodacom Group Limited board in May 2009. Michael is also a non-executive director for Vodacom Mozambique.

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Sitholizwe Mdlalose (36)
Appointed: 30 November 2014
Bachelor of Commerce (Accounting) (UNISA)
ACCA

Sitho studied accounting and completed his articles with Deloitte Zimbabwe in 2003. After working in an operational management role for a non-profit organisation for three years in Zimbabwe and Kenya, he moved to Ernst & Young UK where he carried out finance and business risk consultancy services across large European clients. Sitho then joined Vodafone Group Plc where he held various audit and finance roles. Following the acquisition of Ghana Telecom by Vodafone Group, Sitho was part of the transformation team based in Ghana for three years before returning to a regional finance executive role in Vodafone Group. Sitho has been with Vodacom Group Limited, based in South Africa since 2013 where he has been the managing executive of the Internal Audit function and is currently the Chief Financial Officer of Vodacom International business. He currently sits as a non-executive director on the boards of Vodacom DRC, Vodacom Mozambique and Vodacom Lesotho and is also the Audit Committee Chairman in Mozambique and Lesotho.

Nomakhosi Skosana (46)
Appointed: 1 April 2015
Bachelor of Commerce (Accounting), University of Limpopo
Master of Business Administration (MBA), Thames Valley University, London

Nomakhosi joined Vodacom Group Limited as a managing executive in the International Business unit in April 2012 reporting to the Chief Operation Officer of International Business, a country manager role responsible for Vodacom Mozambique and Vodacom Lesotho. Nomakhosi's role has since evolved to that of a Managing Executive: International Governance and Stakeholder Relations for all the international operating companies, namely: Vodacom Lesotho, Mozambique, Tanzania and Democratic Republic of Congo.
Her career within the telecommunications industry began in 1997 at Vodacom Group Limited. Over the years she has gained invaluable experience and an insight into operations around Africa. Within the South Africa operation, her responsibilities ranged from finance to operations management. Outside of South Africa she was part of the bidding team for Vodacom Mozambique and was involved in setting up both the Vodacom DRC and Vodacom Mozambique operations. She subsequently served as the Chief Financial Officer at Celpay Holdings (Pty) Ltd, a subsidiary of First Rand Africa & Emerging Markets, with operations in Zambia and the DRC, and later as a General Manager: Acquisitions in the rest of Africa division for Telkom Media. From Telkom Media, Nomakhosi was transferred to the Telkom South Africa Head Office. Her position evolved into Executive Corporate & Subsidiary Support for the Telkom International Business Unit (IBU). Her role entailed Operational and Strategic Support to the Managing Director of Telkom IBU and the Telkom subsidiaries. She is also the non-executive director and Audit Committee member of Vodacom DRC, Vodacom Mozambique and Vodacom Lesotho.

Henry JC Surtees (46)
Appointed: 25 May 2011
B.Sc Hons, University of Durham England,
UK Chartered Accountant (ICAEW),
Certified Public Accountant, NBAA)

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

8.9 Senior management team

Ian Ferrao (34)
Appointed: 8 September 2015
B.Sc Management Sciences (Warwick Business School)

Ian began his career in the United Kingdom in strategy consulting with Deloitte. In 2006, he moved to Zambia to join AfriConnect, a start-up broadband company, which went on to become Zambia's market leader for corporate and residential internet services. In 2010, Ian led the sale of AfriConnect to Vodacom Group and subsequently joined Vodacom South Africa in 2011 as Chief Commercial Officer for Vodacom Business Africa. In 2013, Ian was appointed as Managing Director for Vodacom Lesotho, launching Vodacom M-Pesa, 4G services and FTTx offerings, leading Vodacom Lesotho back to double-digit revenue growth. Ian was appointed Managing Director of Vodacom Tanzania in September 2015.

Jean Jacques Marais (51)
Bachelor of Commerce (Hons), in Accountancy, University of Pretoria
Chartered Accountant (SA)

Jacques is the Finance Director since July 2016. He began his career with Vodacom in 2001 as Finance Manager with Vodacom South Africa where he worked for three years. He then transferred to work in Vodacom Lesotho as the Finance Director, a position he held until 2007. Jacques then took on a different challenge when he moved to Vodacom Congo in the DRC and took on various roles including General Manager Finance and Chief Finance Officer. In 2012, he relocated to Vodacom Mozambique as Finance Director, a position he held until recently when he moved to Tanzania. Jacques is a Chartered Accountant (SA) and holds a Bachelor of Commerce (Hons) in Accountancy from the University of Pretoria, SA.

Luis Fedriani (45)
Bachelor in Systems Analysis and Computer Science, Catholic University of Asuncion

Luis has been the IT & Billing Director, since 2012. Before joining Vodacom Tanzania, Luis served as the IT Director at Bharti Airtel Group – Airtel Kenya Operations for four years. Prior to Airtel, Luis has had an illustrious career with Millicom International Cellular across different countries in different capacities. He worked as the Chief Information Officer in their Tanzania Operation for one year and as the IBM Global Data-Warehousing Project Manager for Africa at their Head Office in Luxembourg. Between 2003 and 2005, Luis was also the IT & Billing Director in the Millicom Bolivia Operation and Millicom Paraguay Operation and in 2002 was Revenue Assurance Manager. Luis holds a Bachelor' s Degree in Systems Analysis & Computer Science from the Catholic University of Asuncion, Paraguay.

Hisham Hendi (36)
Bachelor of Commerce, University of Cairo

Hisham Hendi is the Consumer Business Unit Director. Hisham joined Vodacom Egypt in 2003 to work for Digital Services in the Consumer Marketing team. After two years, he joined the prepaid team in Consumer Marketing and then moved to Vodafone Group Plc, in 2007 to manage Consumer Propositions in Partner Networks in London. Hisham returned to Vodafone Egypt in 2009 to manage Prepaid Segments and later went on to head Consumer Marketing, Prepaid Segment in 2009. Hisham moved on to the position of Commercial Director, Vodacom International in South Africa until 2016, when he joined Vodacom Tanzania as Director in Consumer Business Unit. Hisham has previously served on the Boards of Vodacom Tanzania and Vodacom Mozambique.

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Perece Kirigiti (45)
Master of Business Administration, Franklin University
Certification in Consulting and Coaching for Change, HEC/Oxford University

Perece is the Human Resources Director. Perece started her HR career with Barclays Bank Tanzania in 2000 and worked for the bank for seven years in different HR management roles in Tanzania, UK, South Africa and Kenya. She moved back to Tanzania to work as the Human Resources Director with the then Celtel Tanzania Limited in 2007 and was there throughout its transition to Zain and eventually Airtel until 2012. She was transferred by Airtel to work for Airtel Africa based in Nairobi, initially as the Head of Talent Acquisition and Management and later as HR Director M-Commerce & Africa Towers until 2015 when she returned to Tanzania to join Vodacom Tanzania in her current role. Perece holds a Master of Business Administration from Franklin University, Ohio, USA and is HEC/Oxford University certified in the areas of Consulting and Coaching for Change.

Sitoyo Lopokoiyit (40)
M.Sc in Information Technology Management and Organizational Change, Lancaster University, UK.

Sitoyo is the M-Commerce Director. Before joining Vodacom Tanzania in October 2015, he worked for Safaricom (Kenya) for four years as Head of Vodacom M-Pesa Strategy and Business Development. Sitoyo has over 10 years of senior managerial experience from different fields; oil and gas (with both Chevron Kenya and Total Kenya) and in the retail industry with Uchumi Supermarkets in Kenya. He has worked extensively in the East Africa Region as well as in Mauritius and Reunion. Sitoyo holds a Bachelor of Commerce (Hons) degree in Marketing from the University of Nairobi and an MSc in Information Technology Management and Organizational Change from Lancaster University, UK.

Harriet Atweza Lwakatare (39)
M.Sc in Information Systems, Organizations and Management, University of Manchester

Harriet has been the Customer Service Director since 2012. She began her career in Tanzania with Maersk Tanzania as a Marketing Analyst in 2005 where she worked for two years. Before joining Vodacom Tanzania, she worked as Project Coordinator for the Country Level Knowledge Network under the Tanzania Global Learning Agency for one year. Her telecoms experience commenced as the Customer Service Manager for four years at Tigo Tanzania (MIC). These roles increased her experience in the fields of marketing, finance, investor relations, customer service and corporate strategy. Harriet holds an MSc in Information Systems, Organizations and Management from University of Manchester, UK and is an active board member of the Vodacom Tanzania Foundation.

Alec Mulonga (42)
Bachelors in Electrical & Electronics Engineering, University of Zambia
Masters in Telecommunications Engineering, Witwatersrand University

Alec is the Networks Director. Upon graduating from the University of Zambia with a Bachelor's degree in Electrical & Electronics Engineering in 1998, Alec has held various mobile network operations and engineering roles including GSM Radio Engineer, Switch Engineer, Technical Network Planning & Optimization Manager at Airtel Zambia (then Celtel/Zain Zambia) for eight years. He then moved to work for the same organisation in Kenya for two years, first as Operations Director and thereafter as Airtel Kenya Network Director until 2011. Alec joined Vodacom Tanzania in 2012 as Chief Network Officer from Ericsson East Africa where he was the Head of Operations Assurance responsible for managed services and assurance in Zambia, Malawi and Tanzania. He is a registered Engineer by the Engineers Registration Board of Zambia (ERB) and holds a Master' s Degree in Telecommunications Engineering from the University of the Witwatersrand, Johannesburg, South Africa.

Rosalynn Gloria Mworia (37)
Master of Business Administration, Wayne State College, USA

Rosalynn is the Corporate Affairs Director & Head of Vodacom Foundation. She began her career with Maersk Line Tanzania where she served as Marketing Specialist for a year and later as National Sales Manager for four years. Rosalynn joined Vodacom Tanzania in 2008 and has since served in different capacities in the organisation. She started out as Manager: Corporate Solutions – Acquisition within Enterprise Business Unit and she stayed in the function performing various leadership roles for seven years. In 2014 Rosalynn moved to take on the position of Head of PR & Communications until 2016 when she was promoted to her current position. Rosalynn has a Master of Business Administration from Wayne State College, Nebraska, USA and is also a member of the Vodacom Tanzania Foundation Board.

Nina Firyandiana Pendaeli (48)
Bachelor of Laws (Hons), University of Dar es Salaam
Advocate of the High Court of Tanzania and Courts subordinate thereto

Nina is the Legal & Regulatory Affairs Director and studied law at the University of Dar es Salaam, graduating in 1992. She joined the Attorney Generals Chambers from 1992 to 1993 as part of her internship and thereafter as a State Attorney. In September 1993, she joined Standard Chartered Bank Tanzania Limited as a Legal Officer and has held a number of roles concurrently with her Legal Role during her tenure at the Bank. Nina held the role of Company Secretary for the Bank and its subsidiaries and the Compliance portfolio from 1999 to 2013. She also held the role of Business Development Manager from 1994 to 1999 in the Corporate Banking Department. Nina joined Vodacom Tanzania in November 2013 and is currently the Chairperson of Vodacom Tanzania Foundation Board and Company Secretary to Vodacom M-Pesa Limited.

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Ashutosh Tiwary (41)
Bachelor of Commerce, Delhi University, India
Post Graduate in Marketing, Symbiosis Institute of Telecom Management

Ashutosh is the Marketing Director. He has extensive experience in telecommunications in the areas of sales and marketing having served in the field for more than fifteen years. His telecoms journey began at Koshika Telecom, India in 1999 where he was employed as Retail Sales Manager. In 2002, he moved on to Bharti Airtel, India as Product Manager for four years. In 2006, he moved to Nigeria to join Globacom, Nigeria, initially as Head – Enterprise Marketing, taking on the role of Head – Prepaid Marketing in 2008 and thereafter as Head – Consumer Marketing, a position he held until he joined Vodacom Tanzania in 2016. Ashutosh holds a Post Graduate in Marketing from Symbiosis Institute of Telecom Management.

Gregory Verbond (46)
Master in Business Administration

Gregory Verbond is the Enterprise Business Unit Director, since 2014. He started his career in Amsterdam in the Airline industry working for a KLM subsidiary Transavia doing Commercial Administration. He then moved to do product marketing for the IT company Compuware. In 2000 Gregory moved into the mobile telecommunications industry in the Netherlands working for Vodafone where he worked in various roles that encompassed account management, sales management and strategic partnerships. Consequently, Gregory joined Vodafone Group Plc as a Sales Manager in Manufacturing & Retail and Finance & Professional Services and thereafter joined Vodafone Global Enterprise to set up the sales organisation as Country Sales Manager. In 2010 Gregory moved to join Vodacom Group Limited first as Head of Department for Strategy and then as Managing Executive Commercial Marketing. He moved to Vodacom Tanzania in 2014 as Chief Officer: Enterprise in Vodacom Tanzania.

9. Risk factors

The Board has overall responsibility for the establishment and oversight of Vodacom Tanzania's risk management framework. As part of its governance structure, the Board has embedded a comprehensive risk management framework for setting up appropriate risk limits, and identifying, measuring, controlling and monitoring of Vodacom Tanzania's risks.

Investing in equity of any company entails some investment risk. The occurrence of risk in investment can adversely affect Vodacom Tanzania's share price, earnings, market value, financial position and future prospects. Taking into account the risk involved, Vodacom Tanzania made profound developments in identifying and managing risk. Prospective shareholders should carefully consider the risks put forth below, including any other relevant information contained in this prospectus before making an investment decision.

Prior to applying for any offer shares, potential shareholders should carefully consider the risk factors relating to Vodacom Tanzania's business and the mobile telecommunications industry together with all other information contained in this prospectus. These risks and uncertainties are not the only issues that Vodacom Tanzania faces; additional risks and uncertainties not presently known to it or that it currently believes not to be material may also have a material adverse effect on its financial condition or business success. If any or a combination of these risks actually occurs, Vodacom Tanzania's business, financial condition and operating results could be adversely affected. If this occurs, the price of the shares may decline and the shareholders could lose part of or all of their investment.

9.1 Commercial, operational and finance risks

Vodacom Tanzania's management endeavours to ensure that commercial, operational and financial risks are managed effectively to minimise the possible impact on Vodacom Tanzania. It has policies in place and a framework aimed at mitigating these risks. Risk management policies and systems are reviewed regularly to ensure all controls remain adequate in minimising inherent risk. Vodacom Tanzania initiatives aim to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Specific risks include:

9.1.1 Commercial risks

9.1.1.1 Vodacom Tanzania's historical operating results and growth should not be relied upon as an indication of future performance

Vodacom Tanzania's operating results may fluctuate in the future due to a number of factors, many of which may be out of Vodacom Tanzania's control. Accordingly, Vodacom Tanzania's past performance (turnover, costs, customers, tariff levels, usage characteristics or otherwise) should not be relied on as an indication of future performance or growth, especially as market saturation becomes a reality.

9.1.1.2 Vodacom Tanzania may be adversely affected by the significant technological and other changes in the mobile communications industry

The mobile telecommunications market is known for rapid and significant technological change. Vodacom Tanzania's technologies, including its network based on the 2G, 3G and 4G systems, may be overtaken rapidly, requiring it to invest in alternative technologies to remain competitive. As new technologies develop, equipment may need to be replaced or upgraded or a mobile telecommunications network may need to be rebuilt in whole or in part – at a potentially substantial cost to Vodacom Tanzania – to remain competitive. To the extent its equipment or systems become obsolete, Vodacom Tanzania may be required to recognise an impairment charge to such assets, which may have a material adverse effect on performance results at its operations.

The majority of Vodacom Tanzania's customers receive services from it on a prepaid basis and therefore Vodacom Tanzania is exposed to a higher risk of customer churn.

Prepaid customers – those customers that pay for service in advance through the purchase of wireless airtime – represented approximately 99% of Vodacom Tanzania's customers as of 30 September 2016. Prepaid customers who are retail customers do not sign service contracts; Vodacom Tanzania's customer base is thus susceptible to switching to other wireless service providers. Termination of usage of Vodacom Tanzania's services by customers is referred to as churning. To the extent Vodacom Tanzania's competitors offer incentives to Vodacom Tanzania's customers to switch wireless service providers, the risk of churn will increase. Vodacom Tanzania's inability to retain existing prepaid customers and manage churn levels could have a material adverse effect on its business and performance results at its operations.

9.1.1.3 Vodacom Tanzania may consider mergers, acquisitions or strategic investments, which could subject it to integration and other risks

Historically, Vodacom Tanzania has grown its business organically. However, subject to its existing and future contractual obligations, it may consider mergers, acquisitions or strategic investments to obtain increased market share or access to new technology. Risks that Vodacom Tanzania may encounter include the following:

- negotiation of potential acquisitions could result in significant costs;
- potential acquisitions may not contribute to Vodacom Tanzania's business strategy;
- such acquired assets or operations may not result in sales or profits that justify the investments made in such acquisitions;
- have difficulty assimilating the acquired technologies or products into its products and services;
- relationships with current and new employees, customers and distributors could be impaired;
- due diligence processes may fail to identify technical problems, such as issues with the acquired company's product quality or product structure;

- contingencies related to product liability, intellectual property, financial disclosures and accounting practices or internal controls;
- potential acquisitions may result in litigation from terminated employees or third parties;
- potential acquisitions may divert management's attention from Vodacom Tanzania's existing operations;
- potential acquisitions or mergers will be subject to the approval of the CMSA as required by the Capital Markets and Securities (Substantial Acquisitions, Takeover and Mergers) Regulations, 2006; and
- the inability to obtain the timely authorisations from Governmental authorities to the extent required to complete such potential acquisitions.

These potential outcomes could have a material adverse effect on Vodacom Tanzania's business, results of operations, financial condition or cash flows, particularly in the case of the acquisition of a larger company or a high number of acquisitions. To the extent that Vodacom Tanzania issues shares in connection with future acquisitions, existing shareholders may be diluted and earnings per share may decrease.

9.1.1.4 Vodacom Tanzania is subject to increased competition risk

Vodacom Tanzania is facing increased competition in the Tanzanian market. Vodacom Tanzania's ability to compete effectively depends on the quality, capacity and coverage of its network, the quality of its customer services, and the pricing and nature of its services and devices. Vodacom Tanzania proactively anticipates, and where necessary responds to, changing marketing conditions in order to maintain revenue growth.

Vodacom Tanzania also ensures competitor differentiation by investing significantly in network infrastructure to ensure leadership in coverage, call quality and data speed.
Vodacom Tanzania strives to deliver a differentiated customer experience by constantly reviewing the pricing and nature of its products, services and devices, and the quality of customer care.

9.1.1.5 Vodacom Tanzania's shares are subject to price risk

An investment in the share market has no guarantee, as share prices can fluctuate depending on market forces and the risks related to a particular sector of the listed companies. The fluctuations may affect the value of shares. Potential shareholders should consult their Dealer or Broker, investment advisor, financial advisor, banker or other relevant professional advisor who specialises in advising on the acquisition of shares.

9.1.2 Operational risks

9.1.2.1 If Vodacom Tanzania does not successfully execute planned network roll-outs, this could have a negative effect on its business and results of operations

Vodacom Tanzania has made capital expenditure in excess of TZS 485 billion in the last three fiscal years, the majority of which has been used to expand network coverage and capacity. It also plans to make substantial investments for the foreseeable future to expand its business, meet customer expectations with regard to the quality and types of services provided, and to finance its general business plan. From time to time, Vodacom Tanzania has experienced network quality degradation due to insufficient capacity and disruption on third party providers' services such as electricity grid power and fibre optic backbone network.

Failure to have proper planning and implementation of a network roll-out could affect Vodacom Tanzania in various ways:

- inadequate capacity: in order to sell a service, the appropriate technical capacity and ability needs to be planned for, rolled out and maintained on time. This technical capacity needs to be constantly reviewed and updated as necessary.
- lowered quality of service: to attract and retain customers, the services offered need to meet regulatory and customer expectations.

The build-out of Vodacom Tanzania's networks is subject to risks and uncertainties which could delay the introduction of service in some areas, increase the cost of network construction and/or prevent the network build-out altogether. To the extent that Vodacom Tanzania fails to continue to expand or improve its network on a timely basis, it could experience difficulty in expanding or meeting the needs of its subscriber base.

9.1.2.2 Vodacom Tanzania relies on a number of third parties for key equipment and services

Vodacom Tanzania depends upon a number of suppliers to provide it with key equipment and services, notably in infrastructure, international connectivity and roaming, and distribution.

Examples include:

- the bulk of Vodacom Tanzania's network equipment (including radio access network and core switching network hardware and software) as well as network operations is sourced from Nokia (previously Nokia Siemens and Solutions) (Nokia) and its network radio sites from Helios Towers Tanzania (Helios) under framework agreements and managed services agreements respectively. If Nokia and Helios fail to provide equipment or services to Vodacom Tanzania on a timely basis, it may be unable to provide services to its customers in an optimal manner until an alternative source can be found.
- Vodacom Tanzania leases national lines for use in its operations from the Government ICT backbone and international lines from submarine cable providers (i.e. EASSy and SEACOM). The failure of such companies to meet service level agreements may impact the service provided by Vodacom Tanzania to its customers.
- Vodacom Tanzania has interconnection agreements and international roaming agreements with other telecommunications providers which permit customers of Vodacom Tanzania to make calls to other networks in Tanzania and abroad. Vodacom Tanzania's failure to enter into or maintain acceptable agreements with other telecommunications providers could prevent its customers from calling customers

of other providers in a particular market, which may have a material adverse effect on Vodacom Tanzania's business and results of operations.

Managing the performance and relationships of such third parties is a priority for Vodacom Tanzania.

9.1.2.3 Vodacom Tanzania may incur significant costs from fraud, which could negatively affect its operating results

Vodacom Tanzania may incur costs and revenue losses associated with the unauthorised use of its networks, including administrative and capital costs associated with the unpaid use as well as with detecting, monitoring and reducing incidences of fraud. Fraud also impacts interconnect costs, capacity costs, administrative costs and payments to other carriers for unbillable fraudulent roaming charges.

9.1.2.4 The costs of maintaining Vodacom Tanzania's network may be higher due to an inconsistent electric power supply

Inconsistent power supply in the country caused by increased national demand and challenges in the power generation and distribution process is likely to affect the cost of maintaining the network. A shortage of power, may lead to increased usage of diesel fuel generators leading to higher operating expenditure costs with a possible adverse effect on profitability.

9.1.2.5 Vodacom Tanzania is subject to cyber security risk

Vodacom Tanzania ensures that it has a superior security programme in place to protect, monitor and react to malicious cyber-attacks. Due care is taken to ensure that the network and customers' information is protected. Vodacom Tanzania has a world-class monitoring centre to timeously identify attempted cyber-attacks and conducts detailed scenario planning on an ongoing basis. The network and infrastructure has been built with security in mind and controls implemented based on world-class industry standards.

9.1.2.6 Vodacom Tanzania is subject to risk related to Vodacom M-Pesa and AML

Vodacom Tanzania takes AML responsibilities very seriously and has invested heavily to ensure Vodacom M-Pesa systems and processes are robust, secure and constantly monitored. Vodacom M-Pesa has many social benefits and is improving financial inclusion in Tanzania and worldwide. It is vital that these benefits are not compromised as a result of the services being abused for criminal purposes.

9.1.2.7 Vodacom Tanzania is subject to key personnel risk

Vodacom Tanzania operates in a highly competitive industry and is subject to potential high staff turnover and departure of key skilled personnel. Loss of technical knowledge and skills may deter organisational effectiveness and increase personnel costs.

Vodacom Tanzania is committed to ensuring that it has the requisite personnel expertise for the long term success of its business. Vodacom Tanzania takes acquisition and retention of key personnel and skills development very seriously, through its robust succession plans and talent development programmes.

9.1.3 Financial risks

9.1.3.1 Vodacom Tanzania is subject to foreign exchange risk

The great majority of Vodacom Tanzania's capital expenditure is denominated in Euros and US Dollars, whereas its revenues are predominantly denominated in Tanzanian Shillings. Vodacom Tanzania cannot assure that fluctuations in the exchange rates of the TZS against the Euro and US Dollar will not have a material adverse effect on its business, financial condition and results of operations. To the extent possible, Vodacom Tanzania uses forward contracts to mitigate these risks. Such hedging arrangements are not used for speculative purposes. Vodacom Tanzania is subject to liquidity risk.

Liquidity risk concerns Vodacom Tanzania not being able to meet its financial obligations as and when they fall due. Vodacom Tanzania's approach to managing liquidity is to ensure that it has sufficient cash balances to meet its liabilities as and when they fall due under both normal and distressed conditions, without incurring unacceptable losses or risking damage to Vodacom Tanzania's reputation. Continuous monitoring of present and future cash flows and financial liabilities maturity is paramount, as it gives Vodacom Tanzania's management assurance in servicing its financial obligations when falling due. However, this excludes the potential impact of extreme circumstances that cannot be reasonably predicted.

9.1.3.2 Vodacom Tanzania is subject to tax risk

The complex tax environment in Tanzania poses a number of challenges to Vodacom Tanzania. Tax laws are complex and subject to different interpretations and as a result Vodacom Tanzania has a number of tax matters and litigations that are pending at various appellate levels. For more details on the open matters, refer to the legal advisor's report contained in Part C of this prospectus under item 6, "Litigation, arbitration, criminal prosecution and tax matters to which Vodacom Tanzania is a party".

The majority of the tax disputes between Vodacom Tanzania and the tax authority stem from tax audits or reviews by the tax authority. The last comprehensive tax audit covers the period up to the 2013 year of income. As a result, some tax matters that have not been fully resolved may re-appear in subsequent tax audits.

Tax laws are subject to change and hence new taxes may be introduced or tax rates changed over time which may in turn affect the future profitability of Vodacom Tanzania.

9.2 Political, legal and regulatory risks

9.2.1 Political, economic and social developments in Tanzania

Tanzania is not expected to face significant threats to its underlying stability, although increasing polarisation among the country's political factions will be a source of some volatility. Broad political stability will be maintained, underpinned by voters' underlying faith in democratic processes.

Part A: Main prospectus document continued

The public debt stock has risen sharply in recent years, but this has coincided with a period of robust economic growth and debt levels remain prudent. Government plans to increase borrowing to finance infrastructure pose modest risks. Nevertheless, creditworthiness is supported by prospects of fairly brisk economic growth. The currency outlook is relatively stable and the BOT (the central bank), which holds a reserve buffer worth around 3.6 months of imports, retains the ability to smooth short-term volatility in the exchange rate.

Low income per head will remain the chief structural constraint in the medium term. Continued reliance on rain-fed agriculture and hydroelectric power has perpetuated the economy's vulnerability to poor weather.

9.2.2 Regulatory environment risks

9.2.2.1 Decisions by Government and regulatory authorities could adversely affect Vodacom Tanzania's business

Given the sector's importance to the country, Vodacom Tanzania's business is subject to significant legal and regulatory requirements and a high level of regulatory scrutiny. The Ministry of Works, Transport and Communications and the Ministry of Finance are the ministries responsible for the sectors in which Vodacom Tanzania operates. The main regulators are the TCRA (with jurisdiction over the telecommunications business) and the BOT (with jurisdiction over the mobile financial services). The Fair Competition Authority has jurisdiction over competition matters in the industry that do not fall under the jurisdiction of the TCRA.

Government policy decisions, changes to regulations and regulatory decisions have a significant impact on the operating environment for Vodacom Tanzania and its competitors.

This includes: decisions on licensing of existing and new operators; allocation of spectrum and numbers; the setting of regulatory fees and taxes; the regulation of retail tariffs and wholesale services; the enforcement of license and other regulatory obligations; the introduction of new legislation and changes to the CMSA and its regulations. The following are such actions that pose a risk to Vodacom Tanzania's business:

- **New National ICT Policy**

  Whilst Vodacom Tanzania supports the release of the National ICT Policy 2016 and its objectives, the implementation of this policy may lead to changes in the regulatory environment that could potentially affect the operations of Vodacom Tanzania.

- **Issuance of new licenses presents a risk to the profitability of the sectors**

  The awarding of a new license to a new operator last year saw the advent of an eighth licensee to an already intensively competitive market. Decisions by Government and the TCRA on the award of licenses and allocation of spectrum have a significant impact on the market structure and the competitive environment, and may adversely impact on Vodacom Tanzania's revenues and profitability.

- **Government's policy to increase domestic fiscal revenue is resulting in increased levels of taxation on the sector**

  Indirect taxes:

  In the last few budget cycles the Government, through the Finance Act, has increased the levels of excise duty and extended the application of VAT on communications services (voice, data and messaging) and mobile financial services (Vodacom M-Pesa). A 2015 GSMA Deloitte study shows that tax accounts for 35% of the total cost of mobile ownership in Tanzania, which is one of the highest in Africa and globally[3]. These increases in taxes on mobile communications and mobile financial services limit the spending power of the customer which in turn adversely impacts Vodacom Tanzania's revenues and profitability.

  Direct Taxes:

  Amendment of Universal Communications Services Access Fund (UCSAF) Regulations may affect Vodacom Tanzania's profitability

  The Government has issued draft amendments to the UCSAF Regulations, which include seeking to increase the service levy from 0.3% of service revenue to 1% of service revenue. This increased levy is effectively an additional tax to an industry that is already heavily taxed and would impact on Vodacom Tanzania's profitability.

  Local Government Finances Act (LGFA) and Local Government Authorities (Rating) Act

  The Government issued a draft revision of the LGFA; this proposes an increase in the rate of service levy charged from the current 0.3% to 1.5% of turnover net of value added tax and excise duty for all businesses. The LGFA further proposes to empower local government authorities to impose levies on telecommunication transmission towers. This would amount to double taxation as these towers provide the infrastructure to deliver the turnover from telecommunication which is subject to a service levy.

  The increased levies would amount to additional tax for the private sector and the telecoms industry that will adversely impact Vodacom Tanzania's profitability.

- **Spectrum auction – additional spectrum required**

  As recognised in the Government's ICT Policy 2016[4], there are significant challenges with the allocation of spectrum, which is impacting the sector. Vodacom Tanzania is on record that it requires additional spectrum to meet quality of service requirements, especially for data services. Vodacom Tanzania supports the Government's stated intention to allocate additional spectrum, notably the so called "digital dividend spectrum" by auction in 2017. The decisions taken by the Government on the timing, fees and allocation of digital

3. http://www.gsma.com/publicpolicy/wp-content/uploads/2015/01/Digital-inclusion-mobile-sector-tax-Tanzania.pdf
4. Page 6 of National Information And Communications Technology Policy 2016 Implementation Strategy 2016/17 – 2020/21, August 2016

dividend and other spectrum will have a major impact on Vodacom Tanzania's ability to serve its customers, compete with other operators, and operate in a cost effective manner going forward, impacting both its revenues and profitability.

- **Implementation of regional initiatives to reduce roaming charges may affect Vodacom Tanzania's profitability**
  Whilst Vodacom Tanzania continues to demonstrate its commitment to reduce roaming charges and increase transparency by introducing new roaming services, the SADC and EAC regions have separate initiatives to regulate roaming services with the objective of reducing roaming charges.

  Should these regulations be implemented in their current form, this would have an adverse effect on Vodacom Tanzania's revenues and profitability because Vodacom Tanzania would be pricing the services below cost. Both initiatives present the additional risk of fraud due to arbitrage as a result of differences in pricing for international incoming calls which will lead to losses on the part of Vodacom Tanzania.

- **The company's MFS are subject to new MFS legislation and regulations**
  Vodacom M-Pesa services are now subject to new statutory financial regulations brought in under National Payment Act, 2015 which introduces a framework that requires Vodacom Tanzania to apply and obtain licenses from the BOT Payment System Provider (PSP) and Electronic Money Issuer (EMI), to be able to continue providing Vodacom M-Pesa services. The new framework also requires Vodacom Tanzania to establish a separate legal entity for purposes of carrying out MFS (EMI) and another distinct trust entity to manage the trust funds.

  The establishment of new entities may come with additional operational costs that would impact profitability from Vodacom M-Pesa services.

  Furthermore, the National Payment Act prescribes a single fine of not less than TZS 500 million for all acts of non-compliance with any requirement. The fine does not distinguish between an infraction and a material breach which is a risk to the business in the event of an act on non-compliance.

- **Further decrease in voice call interconnection rates**
  In 2013, the TCRA issued Interconnection Rates Determination Notice no. 3 of 2013 which sets out cost based voice call interconnection rates to be applied among licensees in Tanzania, for the period 1 March 2013 to 31 December 2017. The current interconnection rates are considered to be one of the lowest in the African region. Revision of the current interconnection rates in 2017 may result in lower rates being implemented by the TCRA, which will impact Vodacom Tanzania's revenues and profitability.

9.2.2.2 Non-compliance with regulations and license terms and conditions could adversely affect Vodacom Tanzania's business

The fifth Government's policy on addressing non-compliance with law has resulted in increased enforcement by regulators. Like other companies, Vodacom Tanzania is adapting to this new environment and has improved processes to ensure compliance.

Following are recent and current examples of Vodacom Tanzania addressing regulatory compliance challenges:

- **Subscriber registration**
  Vodacom Tanzania is currently not fully compliant with subscriber registration requirements. In May 2016, TCRA issued a compliance order against Vodacom Tanzania for non-compliance with subscriber registration regulatory requirements and Vodacom Tanzania was fined for this offence.

  Continued non-compliance presents the risk of further statutory penalties/fines against Vodacom Tanzania. Statutory fines for non-compliance with this requirement is not less than TZS 5 million.

  Vodacom Tanzania is committed to reaching full compliance with subscriber registration requirements. It has put in place processes to address this regulatory compliance challenge and to mitigate the risk of further fines being imposed. Vodacom Tanzania is participating in a joint industry regulator steering committee which was established by the TCRA in August 2016. The objective of this committee is to oversee the actions to enforce compliance and improvements to the registration process. These include transitioning from a paper registration to an electronic registration process, integration with the National Identification Database (NIDA) to make verification processes more effective in terms of compliance and efficiency for the customer, and a joint communications campaign by the TCRA and licensees.

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- **Network operating centre requirements**

  Vodacom Tanzania is currently not compliant with the Network Facilities License and EPOCA requirement that it host and manage its Network Operating Centre (NOC) in-country. Vodacom Tanzania's NOC is partly hosted and managed in-country and partly managed and hosted outside the country at a Global Network Operation Centre in India.

  In June 2016, the TCRA issued a non-compliance order and fined Vodacom Tanzania for non- compliance with NOC requirements, and directed Vodacom Tanzania to repatriate these activities back to Tanzania.

  The risk of continued non-compliance is the imposition of further statutory penalties/fines against Vodacom Tanzania. Statutory fines for non-compliance with this requirement are not less than TZS 5 million.

  Vodacom Tanzania is working on a project plan to migrate all its NOC operations to Tanzania to comply with the in-country NOC requirement.

- **Quality of service (QOS)**

  Vodacom Tanzania is not fully compliant with regulatory QOS requirements. In February 2016, TCRA issued a non-compliance order against Vodacom Tanzania for non-compliance with some of the set QOS parameters and imposed a fine on Vodacom Tanzania. The risk of continued non-compliance is imposition of further statutory penalties/fines against Vodacom Tanzania. Statutory fines for non-compliance with this requirement are not less than TZS 5 million. Vodacom Tanzania has put in place a network investment plan to build LTE radio sites, 3G radio sites and 2G radio sites across the country to improve QOS to its customers. Vodacom Tanzania is also working on network optimisation and modernisation initiatives to ensure we have the best network in the country and ensure compliance with QOS obligations.

9.2.2.3 Vodacom Tanzania is exposed to, and currently is (or may become) engaged in, a variety of litigation and regulatory proceedings

Vodacom Tanzania is subject to numerous risks relating to legal and regulatory proceedings, in which it is currently a party or in which it could be a party in the future. Litigation and regulatory proceedings are inherently unpredictable, and those in which Vodacom Tanzania is, or comes to be, involved in (or settlements thereof) may have a material effect on its operations' results or financial condition. Please refer to section 7 of the legal report found in Part C of this prospectus for further details on Vodacom Tanzania's existing and potential material litigation proceedings.

9.2.2.4 Changes in the Capital Markets and Securities Act and its regulations could affect Vodacom Tanzania's business

Vodacom Tanzania is a public company subject to compliance with Capital Markets and Securities Act and regulations. The Capital Markets and Securities Act and its regulations are subject to being amended by the Capital Markets and Securities Authority from time to time. The Capital Markets and Securities Authority can also issue new regulations regulating the securities market from time to time. Such changes and new regulations may affect Vodacom Tanzania's business.

9.3 Risks relating to this public offering

9.3.1 Settlement of the offer shares may take longer than expected

Applications for offer shares will be processed on a manual and semi-automated basis. This process may take longer than expected due to high subscription rates, limited order processing capacity, mechanical breakdown, delays in opening brokerage accounts, delays in opening CDS accounts and/or clerical error in relation to the foregoing. In addition, whether an applicant is applying for share certificates or immobilised shares through its CDS account, settlement delays may occur for the reasons noted above or because of a general system failure. The settlement period is expected to be 53 days from the closing date.

9.3.2 There is no existing market for the shares and it is uncertain whether one will develop to provide shareholders with adequate liquidity

Prior to this offer, there has not been a public market for the shares. Vodacom Tanzania and its current shareholders cannot predict whether a potential shareholder's interest in Vodacom Tanzania will lead to the development of an active trading market on the DSE or otherwise or how liquid any market that does develop might be. The offer price for the offer shares has been determined in consultation with the lead transaction advisor and may not be indicative of prices that will prevail in the open market following this offer.

10. Statutory and general information

10.1 Incorporation details

Vodacom Tanzania was incorporated in December 1999 under the Companies Act, as a private company and was issued with the registration number 38501. In November 2016, Vodacom Tanzania changed its status to a public company limited by shares and consequently changed its name from Vodacom Tanzania Limited to Vodacom Tanzania Public Limited Company.

10.2 Registered office of Vodacom Tanzania

The registered office of Vodacom Tanzania is situated on Mlimani City Office Park, Mlimani City, Sam Nujoma Road, Dar es Salaam, URT and the postal address is P O Box 2369, Dar es Salaam, URT.

10.3 Authorised and issued share capital

The authorised share capital of Vodacom Tanzania as at the date of this prospectus is TZS 200 billion comprised of 4 billion ordinary shares with a par value of TZS 50 each.

During FY17, the company effected a sub-division of its existing authorised shares of 2 billion to 4 billion and a reduction in the existing nominal share value from TZS 100 to TZS 50 per share. The financial indicators such as net asset value per share and basic earnings per share disclosed in this prospectus are calculated on the basis of 840 million issued shares for the year ended 31 March 2016, 1 680 million for 31 March 2017 and 2 240 million for 31 March 2018.

10.4 Capital of issuer

The issued and paid up share capital is TZS 84 000 010 000 divided into 1 680 000 200 shares of TZ 50 each.

The holders of ordinary shares are entitled to receive dividends declared from time to time.

10.5 Debt of issuer

As at 30 September 2016, Vodacom Tanzania had outstanding borrowings amounting to TZS 220.7 billion. The borrowings include loans granted by Vodacom Group Limited (a total of TZS 210.0 billion) and Mirambo Limited (TZS 0.6 billion) as well as a bank overdraft facility of TZS 10.1 billion.

Both loans were reported under current liabilities in the audited financial statements as at 31 March 2016.

The Vodacom Group Limited debt was made up of a ZAR loan portion bearing interest at one-month JIBAR plus 4% per annum and a US$ loan portion bearing interest at one-month LIBOR plus 2.5% per annum.

The Mirambo Limited loan is in US$ bearing interest at one-month LIBOR plus 5% per annum.

10.6 Shareholders

Pre-listing shareholder structure

Name	Number of shares
Vodacom Group Limited	1 092 000 130
Mirambo Limited	588 000 070
Total	**1 680 000 200**

Vodacom Group Limited owns 65% directly and a further 17.15% indirectly through its holding in Mirambo Limited.

Post-listing shareholder structure

Name	Number of shares
Vodacom Group Limited	1 092 000 130
Mirambo Limited	588 000 070
Public	560 000 100
Total	**2 240 000 300**

There are existing arrangements between Vodacom Group, Mirambo Limited ("Mirambo") and the other indirect shareholders of Mirambo which relate, amongst other things, to the operation of Mirambo and the exercise of the voting rights held by Mirambo in Vodacom Tanzania. Under these arrangements, the direct and indirect shareholders of Mirambo have agreed that 49% of the shares held by Mirambo in Vodacom Tanzania shall be voted in accordance with the instructions of Vodacom Group.

Vodacom Group is desirous, after the listing of Vodacom Tanzania's ordinary shares on the DSE and subject to the provisions of the Capital Markets and Securities Act, of increasing its direct shareholding in Vodacom Tanzania. Vodacom Group has held exploratory discussions with Mirambo in this regard. As at the date of this Prospectus, no agreement has been reached.

10.7 Key features of Vodacom Tanzania's memorandum and articles of association

The principal objectives of Vodacom Tanzania as set out in clause 3 of the memorandum are discussed briefly in this section.

The objectives for which Vodacom Tanzania is established are among others:

- to carry on business of cellular network operators in Tanzania, which business shall include 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 carry on the business of dealers and traders in mobile, wireless and cellular telephones and to become principals or agents of other companies dealing in the trade of telecommunication technology, to erect ladders and towers for easing transmission of sound, electric or electronic waves to facilitate telephone communication and import handsets of any kinds and types and or their spare parts for use of the Company and to become general registered dealers in computerised wireless telecommunication appliances and apparatus;
- to carry on the business of developing and promoting wireless telephone communication technology with a view to serve the people of the United Republic of Tanzania and other peoples of the world by providing a necessary service of mobile cellular telephones at a profit; and
- to carry on business as providers of mobile financial services through the Company'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 and of every description whatsoever.

10.8 Important extracts from the articles of association

10.8.1 Public company

Article 3 – Public company

The Company is a public company and accordingly:

- The Company's shares are freely transferable and will not be subject to any restrictions on marketability or any pre-emptive rights;
- the number of shareholders of the Company is not limited, provided that, where two or more persons hold one or more shares in the Company jointly, they shall, for the purpose of this article, be treated as a single shareholder;

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- the Company has power to make an invitation to the public to subscribe for any shares or debentures of the Company, subject to the provisions of the Act, the CMS Act and the DSE Listing Rules;
- the Company has power to issue share warrants to bearer; and
- once these Articles are approved by the CMSA and the DSE, the Company shall not amend or add to any of these Articles unless prior approval has been sought and obtained from the Exchange for such amendment or addition.

10.8.2 Transfer of securities

Article 15 – Transfer of securities

Securities of the Company shall be freely transferable in accordance with the DSE Listing Rules, and transfers of securities other than traded securities may be effected by transfer in writing in the usual common form or in any other form in writing under hand approved by the DSE subject to compliance to section 77 of the Act, and the DSE Listing Rules.

10.8.3 Increase of capital

Article 20 – Increase of capital

The Company may, from time to time by ordinary resolution, increase its share capital by such sum to be divided into shares of such amount, as the resolution shall prescribe.

Article 23 – Alteration of capital

The Company may by Special Resolution:

- consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- sub-divide its existing shares, or any of them into shares of smaller amounts than as fixed by the Memorandum Of Association subject, nevertheless, to the provision of section 64(1)(d) of the Act;
- cancel any shares which, at the date of passing of the resolution, have not been taken or agreed to be taken by any person;
- reduce its capital or any capital redemption reserve fund or any share premium account in any manner authorised by the Act.

10.8.4 Shareholders' general meetings

Article 25 – Annual general meeting and extraordinary meeting

The Company shall, in each year, hold an Annual General Meeting in addition to any other meeting in the year and shall specify the meeting as such in the notices calling it; and not more than fifteen (15) months shall elapse after the holding of the last preceding Annual General Meeting. The Annual General Meeting shall be held at such time and place as the Directors may determine. All general meetings other than Annual General Meetings shall be called "Extraordinary Meetings".

Article 30 – Notice of general meeting

All meetings of Shareholders shall be called by twenty-one (21) days' notice in writing at the least. The notice shall be exclusive of the day on which it is served or deemed to be served and exclusive of the day for which it is given, and shall specify the place, the day, and the hour of meeting, and in case of special business, the general nature of such business (and in the case of a meeting convened for passing a Special Resolution, the intention to propose such resolution as a Special Resolution), and shall be given to such persons as are under the Act and the DSE Listing Rules and these Articles are entitled to receive such notice from the Company. With the consent in writing of all Shareholders entitled to receive notices from the Company, a shorter notice may convene a meeting and in such manner as such Shareholders may think fit. And in every notice calling a general meeting there shall appear, with reasonable prominence, a statement that a Shareholder entitled to attend and vote thereat is entitled to appoint one or more proxies to attend and vote in his stead and that a proxy need not be a Shareholder.

10.8.5 Proceedings of general meetings

Article 32 – Agenda of the annual general meeting

Each Annual General Meeting of the Company contemplated under article 30 above, shall provide for at least the following business to be transacted:

- the consideration of the directors' report, audited financial statements of the immediately preceding financial year of the Company and the auditors' report;
- the election of Directors, to the extent required by the Act or by these Articles;
- the election of other officers in the place of those retiring by rotation or otherwise;
- voting of remuneration or extra remuneration to the Directors;
- the appointment of an auditor for the following financial year;
- appointment of the Audit Committee pursuant to the DSE Listing Rules;
- the sanctioning of dividend; and
- any other matter raised by the Shareholders, with or without advance notice to the Company.

Article 38 – Extension of time

Provided that the person intended to chair a meeting that cannot begin due to the operation of articles 36 and 37 above, may extend the 15 (fifteen) minutes limit allowed in article 30 for a reasonable period on the grounds that:-

- exceptional circumstances affecting weather, transportation or electronic communication have generally impeded or are generally impeding the ability of Shareholders to be present at the meeting; or
- one or more particular Shareholder having being delayed, have communicated an intention to attend the meeting, and those Shareholders, together with others in attendance would satisfy the requirements of section 36 and 37 above.

10.8.6 Votes of shareholders

Article 47 – Voting

Voting at a general meeting shall be decided on a show of hands unless (before or on the declaration of the results of the show of hands) a poll is demanded by the chairman of the meeting or by any Shareholder or Shareholders present or represented in accordance with articles 36 and 37 holding not less than 10% (ten) percent of the issued share capital of the Company carrying a right to vote at general meetings present in person or by proxy or, in the case of a corporation, represented in accordance with section 141 of the Act. Unless a poll is so demanded, a declaration by the chairman of the meeting that a resolution has, on a show of hands, been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

Article 50 – Objection of a vote

Any objection to the admissibility of any vote shall be raised:

- at the meeting or adjourned meeting at which the vote objected to was recorded; or
- at the meeting or adjourned meeting at which the result of the poll was announced.

and every vote not then disallowed shall be valid for all purposes. Any objection made timeously shall be referred to the chairman of the meeting, whose decision shall be final and conclusive.

Article 51 – How poll will be taken

A poll shall be taken in such manner as the chairman directs (including the use of ballots or voting papers or tickets), and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. In computing the majority on the poll, regard shall be had to the number of votes to which each shareholder is entitled.

Article 52 – Equality of votes

In the case of an equality of votes the chairman of the meeting shall not be entitled to a second or casting vote.

Article 54 – Voting rights of joint holders

In the case of joint registered holders of a share, any one of such persons may exercise all of the voting rights attached to that share at any meeting, either personally or by proxy, as if she or he were solely entitled thereto. If more than one (1) of such joint holders is present at any meeting, personally or by proxy, the person so present whose name stands first in the Securities Register in respect of such share shall alone be entitled to vote in respect thereof.

Article 55 – Voting rights of corporation by authorised representative

The board of any company or the controlling body of any entity or person that holds any securities of the Company may authorise any person to act as its representative at any meeting of shareholders of the Company, in which event the following provisions will apply:

- the person so authorised may exercise the same powers of the authorising company, entity or person as it could have exercised if it were an individual holder of the shares;
- the authorising company, entity or person shall lodge a resolution of the directors of such company or controlling body of such other entity or person confirming the granting of such authority, and certified under the hand of the chairman or secretary thereof, with the Company before the commencement of any shareholders meeting at which such person intends to exercise any rights of such shareholder, unless excused from doing so by the chairman of such meeting;
- no objection shall be raised to the admissibility of any vote, except at the meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any objection shall be referred to the chairman of the meeting, whose decision shall be final and conclusive.

Article 58 – Appointment of a proxy

Any shareholder may at any time, appoint any natural person (or two or more natural persons concurrently), including a natural person who is not a Shareholder, as a proxy to participate and speak and vote at, a shareholders meeting on behalf of that shareholder; and to give or withhold written consent on behalf of that shareholder to a decision contemplated in section 147 of the Act, Provided that a shareholder may appoint more than one (1) proxy to exercise voting rights attached to different securities held by the shareholder.

10.8.7 Shareholders resolutions

Article 66 – Ordinary resolution

For an ordinary resolution to be approved it must be supported by more than 50% (fifty percent) of the voting rights of Shareholders exercised on the resolution. Notwithstanding anything to the contrary contained in these Articles, to the extent that the DSE Listing Rules require a higher percentage in respect of any particular ordinary resolution, the Company shall not implement such ordinary resolution unless the Company has obtained the support of the applicable percentage prescribed in terms of the DSE Listing Rules.

Article 67 – Special resolution

For a Special Resolution to be approved it must be supported by the holders of at least 75% (seventy five percent) of the voting rights exercised on the resolution, as provided in section 143 of the Act.

10.8.8 Composition of the Board

Article 75 – Minimum Number of directors and audit committee

Unless otherwise determined by the Company at a general meeting, the minimum number of Directors of the Company shall be four (4). In addition to the minimum number of Directors, the Company shall also appoint an audit committee of the Board which must comprise at least three Directors.

Article 76 – Election of directors

All Directors shall be elected by an ordinary resolution of the Shareholders at a general or Annual General Meeting of the Company.

Article 77 – Procedure to elect directors

In any election of Directors, in compliance with the requirement of section 192 of the Act, the election is to be conducted as a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, with the series of votes continuing until all vacancies on the Board have been filled and in each vote to fill a vacancy:

- each vote entitled to be exercised may be exercised once; and
- the vacancy is filled only if a majority of the votes exercised support the candidate.

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Article 79 – If number of directors fall below minimum
If the number of Directors falls below the minimum number fixed in accordance with these Articles, the remaining Directors must as soon as possible and in any event not later than three months from the date that the number falls below such minimum, fill the vacancy/ies in accordance with article 77 or convene a general meeting for the purpose of filling the vacancies, and the failure by the Company to have the minimum number of Directors during the said three month period does not limit or negate the authority of the Board or invalidate anything done by the Board while their number is below the minimum number fixed in accordance with these Articles.

10.8.9 Removal of directors

Article 81 – Removal of directors from office
The Company in a general meeting may by ordinary resolution remove any Director (including a managing director or other Executive Director) before the expiration of his period of office as provided under section 193 of the Act and DSE Listing Rules, and may by ordinary resolution elect another person in his stead. The person so elected shall hold office during such time only as the director in whose place he is elected would have held office.

10.8.10 Powers of directors

The Board has power to:

Article 85 – Directors may fill casual vacancy on the Board

a) Appoint a person as director to fill any casual vacancy on the Board, any director so appointed shall hold office only until the next following ordinary meeting of the Company, and shall then be eligible for re-election.

Article 86

b) Exercise all the powers and perform the functions of the Company, as set out in section 181 of the Act.

Article 88 – Carrying on business by subsidiary
The Directors may arrange that any branch of the business carried on by the Company or any other business in which the Company may be interested shall be carried on by or through one or more subsidiary companies, and they may on behalf of the Company make such arrangements as they think advisable for taking the profits or bearing the losses of any branch or business so carried on or financing, assisting or subsidising any such subsidiary company or guaranteeing its contracts, obligations or liabilities and they may appoint, remove and re-appoint any persons (whether Shareholders of their own body or not) to act as Directors, executive Directors or managers of any such company or any other company in which the Company may be interested, and may determine the remuneration (whether by way of salary, commission on profits or otherwise) of any person so appointed, and any Directors of the Company may retain any remuneration so payable to them.

Article 89 – Power to appoint attorneys
The Directors may from time to time and at any time by power of attorney appoint any company, firm or person or any fluctuating body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit, and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretion vested in him.

Article 90 – Power to keep branch register
The Company, or the Directors on behalf of the Company, may cause to be kept in any part of the world in which the Company transacts business, a branch register or registers of Shareholders resident there and the Directors may (subject to the provisions of the Act) make and vary such regulations as they may think fit respecting the keeping of any such register.

10.8.11 Borrowing powers

Article 91 – Powers to borrow and to give security
Subject to the provisions of article 88, and subject to the maximum limit as prescribed by the Company by an ordinary resolution of the Shareholders at a general meeting, the directors may from time to time, raise or borrow for the purposes of the Company's business such sum or sums of money as they may in their absolute discretion think fit. the Directors may secure the repayment or raise any such sums as aforesaid by legal or equitable mortgage or charge upon the whole or any part of the property and assets of the Company, present and future, including its uncalled capital, or by the issue at such price as they may think fit, of debentures and debenture stock either charged upon the whole or any part of the property and the assets (including its uncalled capital) of the Company or not so charged, or in such other way as the Directors may think expedient.

Article 93 – Signature of cheque, notes and bills of exchange and other negotiable instruments
All cheques, promissory notes, bills of exchange, and other negotiable or transferable instruments and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by resolution determine.

10.8.12 Proceedings of directors

Article 94 – Board meetings
The Directors may meet together for dispatch of business adjourn and otherwise regulate their meetings as they think fit, provided that there shall be at least four (4) Board meetings per annum. A Director may at any time require the secretary to convene a meeting of the Directors. Notice of a meeting shall be given to a Director at the business address of the Director as nominated by the Director. The Directors may determine what period of notice shall be given of meetings of Directors and may determine the medium of giving such notice which may include telephone, telegram, telex, telefax or any other form of electronic communication. Notice shall also be given to all duly appointed alternate Directors.

Article 98 – Quorum
The quorum necessary for the transaction of the business of the Directors shall be a majority in number of the Directors for the time present either personally or by Alternate.

10.8.13 Retiring Director eligible for re-election; Nomination of Directors by Shareholders

Article 105
A retiring Director shall be eligible for re-election. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election in terms of article 77, be eligible for election to the office of Director at any general meeting unless, there shall have been given to the secretary notice in writing:

a) in respect of the Annual General Meeting, within the first two (2) months after the year end of the Company;

b) in respect of any other meeting, not less than six (6) days nor more than fourteen (14) days before the day appointed for the meeting,

by one Shareholder or two (2) or more Shareholders, holding not less than 10% (ten percent) of the issued shares of the Company, stating the intention of such Shareholder or Shareholders to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected, it being recorded that it is the intention that the period to be allowed before the date of the general meeting for the nomination of the new Director must be such to give sufficient time, after the receipt of the notice, for nominations to reach the Company's office from any part in Tanzania.

10.8.14 Dividends

Article 124 – Payment of dividends
Subject to any special rights as to dividend attached to any different class of shares in accordance with these Articles, the profits of the Company available for dividend to be distributed in respect of any financial year or other period for which the Company's accounts are made up and submitted by the Board to the Company in general meeting, shall be apportioned and paid to the Shareholders according to the amounts paid on the shares held by them respectively during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividends as from a particular date, such share shall rank for dividends accordingly.

Article 125 – Dividends to be paid out of profits
No dividend shall be payable except out of the profits of the Company, or in excess of the amount recommended by the Directors.

Article 126 – Payment of dividends in whole or in part
Any general meeting declaring a dividend may resolve that such dividend be paid wholly or in part by the distribution of specific assets, and in particular of paid up shares, debentures or debenture stock of the Company, or paid up shares, debentures or debenture stock of any other company, or in any one or more of such ways.

Article 127 – Payment of interim dividend
If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may pay to the holders of any class of shares interim dividends thereon of such amounts and on such dates as they think fit.

Article 128 – No interest on unpaid dividends or bonus
No unpaid dividend, bonus or interest shall bear interest as against the Company.

Article 129 – Retention of dividends
The Directors may retain any dividends and bonuses payable on shares on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

Article 130 – Unclaimed dividends after 12 years
The payment by the Directors of any unclaimed dividend into an unclaimed dividend account shall not constitute the Company a trustee in respect thereof, and any dividend unclaimed after a period of twelve (12) years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.

Article 131 – Joint holders and receipt of dividend paid
If several persons are registered as joint holders of any share any one of them may give effectual receipts for any dividend or other moneys payable on or in respect of the share.

PART B

REPORTING

Accountants Report

Building a better working world

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The Directors
Vodacom Tanzania Public Limited Company
1st Floor, Building No. 2
Mlimani City Office Park
Sam Nujoma Road
PO Box 2369
Dar es Salaam, Tanzania

Dear Sirs,

Reporting Accountant's Report on the financial information of Vodacom Tanzania Public Limited Company for the years ended 31 March 2014, 31 March 2015 and 31 March 2016

Introduction

We hereby submit our Reporting Accountant's report in accordance with the requirements of Part III, Section 13 of the Capital Markets and Securities (Prospectus Requirements) Regulations of Tanzania and Part IV of the Dar es Salaam Stock Exchange Plc Rules, 2016, hereafter referred to as the "Regulations".

We have examined the audited consolidated financial statements of Vodacom Tanzania Public Limited Company (the "Company") and its subsidiaries (together, the "group") for the following periods:

i) Year ended 31 March 2016
ii) Year ended 31 March 2015
iii) Year ended 31 March 2014

We have also compiled the accompanying financial information of the group based on the audited consolidated financial statements and information you have provided. This financial information comprises the consolidated statements of financial position of Vodacom Tanzania Public Limited Company as at 31 March 2014, 31 March 2015 and 31 March 2016, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information. We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), *Compilation Engagements.*

Deloitte & Touche acted as the auditor of the group for the year ended 31 March 2014 while PricewaterhouseCoopers (PwC) acted as the auditor of the group for the years ended 31 March 2015 and 31 March 2016. The audit reports issued by both auditors did not contain qualifications that would materially impact the balances and disclosures in the compiled financial information for the years ended 31 March 2014, 31 March 2015 and 31 March 2016.

Responsibility of the directors

The directors of the Company are responsible for the preparation of the Prospectus and all the information contained therein and for the fair presentation of the consolidated financial statements and financial information to which this Accountant's Report relates and from which it has been prepared.

Our responsibility

You required us to prepare an Accountant's Report for the purpose of preparing an IPO Prospectus. Our responsibility is detailed in our letter of engagement. The objective of the engagement was to enable us to state whether, on the basis of our review procedures which do not provide all the evidence that would be required in an audit, anything has come to our attention that causes us to believe that the consolidated financial statements were not prepared, in all material respects, in accordance with International Financial Reporting Standards.

Part B: Reporting Accountants Report continued

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Basis of conclusion

The financial information set out in this report was prepared in accordance with the International Standard on Related Services 4410 – Engagement to compile financial statements ("ISRS 4410"), and is based on the audited consolidated financial statements of the group, after making the adjustments considered appropriate to make all the consolidated financial statements compliant with International Financial Reporting Standards.

Further, to enable us prepare an Accountant's Report, we carried out procedures to satisfy ourselves that the information presented in the consolidated financial statements was in accordance with the Regulations.

In compiling the financial information, we have not effected adjustments to the information presented in the audited consolidated financial statements.

In addition to our compilation engagement, we have reviewed the consolidated financial information of the group for the three years presented. We conducted our review in accordance with the International Standard on Review Engagements 2400, Engagements to Review Financial Statements ("ISRE 2400"). This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial information is free of material misstatement. A review is limited primarily to inquiries of management and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention to indicate that the accompanying financial information of Vodacom Tanzania Public Limited Company is not presented fairly, in all material respects, in accordance with International Financial Reporting Standards.

Consent

We consent to the inclusion of this report in the Vodacom Tanzania Limited IPO Prospectus to be issued on or about 12 February 2017 in the form and context in which it appears.

Ernst & Young

Ernst & Young
Certified Public Accountants
Dar es Salaam, Tanzania

Signed by: Julius Rwajekare
(Partner)

Date: 12 February 2017

Consolidated statements of profit or loss and other comprehensive income

For the years ended 31 March 2014, 2015 and 2016

	Note	2016 TZS mil	2015 TZS mil	2014 TZS mil
Revenue	6	**923 345**	908 957	920 899
Other operating income	7	**5 802**	19 152	278
Direct expenses	8	**(301 179)**	(348 766)	(329 734)
Staff expenses	9	**(64 496)**	(59 622)	(57 444)
Publicity expenses		**(34 557)**	(37 119)	(43 911)
Other operating expenses	10	**(249 890)**	(219 293)	(183 947)
Depreciation and amortisation		**(158 596)**	(143 884)	(141 914)
Share of loss from associate	18	**(39 262)**	(33 052)	–
Operating profit		**81 167**	86 373	164 227
Finance income	11	**41 664**	26 748	14 837
Finance costs	12	**(44 338)**	(35 076)	(33 853)
Net (loss)/gain on translation of financial instruments	13	**(4 008)**	649	21 514
Profit before tax		**74 485**	78 694	166 725
Income tax expense	17(a)	**(45 381)**	(46 639)	(38 523)
Net profit for the year		**29 104**	32 055	128 202
Other comprehensive income		**–**	–	–
Total comprehensive income for the year, net of tax		**29 104**	32 055	128 202

		2016 TZS	2015 TZS	2014 TZS
Basic and diluted earnings per share	39	**34.6**	38.2	152.6

Consolidated statements of financial position

As at 31 March 2014, 2015 and 2016

	Note	2016 TZS mil	2015 TZS mil	2014 TZS mil
Assets				
Non-current assets		**757 519**	800 466	686 122
Property and equipment	15	**584 800**	564 256	521 977
Intangible assets	16	**71 394**	60 070	33 032
Investment in associate	18	**–**	46 730	57 080
Operating lease prepayments	19	**35 361**	12 546	2 881
Loans receivable	20	**–**	45 144	10 113
Trade and other receivables	21	**365**	305	1 943
Deferred loss	22	**65 599**	71 415	59 096
Current assets		**545 913**	551 942	476 536
Operating lease prepayments	19	**2 847**	1 613	519
Inventory	24	**6 020**	6 068	9 035
Trade and other receivables	21	**143 748**	177 547	208 098
Income tax receivable	17(d)	**5 228**	13 895	17 673
Bank balance – restricted	25	**254 986**	220 245	179 718
Cash and cash equivalents	25	**133 084**	132 574	61 493
Non-current assets held for sale	20, 23	**87 522**	14 394	88 530
Total assets		**1 390 954**	1 366 802	1 251 188
Equity and liabilities				
Capital and reserves		**562 553**	533 449	501 394
Share capital	26	**84 000**	84 000	84 000
Capital contribution	14	**22 974**	22 974	22 974
Retained earnings		**455 579**	426 475	394 420
Non-current liabilities		**74 523**	164 627	160 573
Borrowings	27	**–**	94 491	93 258
Deferred income tax liabilities	17(e)	**54 449**	59 405	66 260
Trade and other payables	28	**20 074**	10 731	1 055
Current liabilities		**753 878**	668 726	589 221
Borrowings	27	**221 290**	155 369	124 627
Trade and other payables	28	**481 595**	473 634	444 144
Interest due to customers	28	**41 717**	36 350	20 450
Government grant	29	**8 076**	1 971	–
Provision	32	**1 200**	1 402	–
Total liabilities		**828 401**	833 353	749 794
Total equity and liabilities		**1 390 954**	1 366 802	1 251 188

Consolidated statements of changes in equity

For the years ended 31 March 2014, 2015 and 2016

	Share capital TZS mil	Capital contribution TZS mil	Retained earnings TZS mil	Total TZS mil
Year ended 31 March 2016				
At start of the year	**84 000**	**22 974**	**426 475**	**533 449**
Profit for the year	**–**	**–**	**29 104**	**29 104**
Other comprehensive income	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**29 104**	**29 104**
At end of year	**84 000**	**22 974**	**455 579**	**562 553**
Year ended 31 March 2015				
At start of the year	84 000	22 974	394 420	501 394
Profit for the year	–	–	32 055	32 055
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	32 055	32 055
At end of year	84 000	22 974	426 475	533 449
Year ended 31 March 2014				
At start of the year	84 000	22 974	266 218	373 192
Profit for the year	–	–	128 202	128 202
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	128 202	128 202
At end of year	84 000	22 974	394 420	501 394

Consolidated statements of cash flows

For the years ended 31 March 2014, 2015 and 2016

	Note	2016 TZS mil	2015 TZS mil	2014 TZS mil
Cash flows from operating activities				
Cash generated from operations	38	**358 952**	313 636	365 168
Income taxes paid	17(d)	**(42 600)**	(49 880)	(65 305)
Net cash generated from operating activities		**316 352**	263 756	299 863
Cash flows from investing activities				
Additions to property and equipment and intangible assets		**(250 228)**	(170 443)	(266 511)
Loans granted to Helios Towers Tanzania Limited	20	**(353)**	(20 944)	–
Proceeds from insurance companies		**5 802**	7 001	33 754
Proceeds from sale of property and equipment		**27**	331	4 316
Government grant received	29	**6 105**	1 971	–
Cash held in restricted deposits	25	**(34 741)**	(40 527)	(40 233)
Finance income received	11	**10 424**	5 672	1 695
Interest received from M-Pesa deposits	11	**22 599**	15 957	13 142
Net cash used in investing activities		**(240 365)**	(200 982)	(253 837)
Cash flows from financing activities				
Bank overdraft interest paid	12	**(471)**	(430)	(869)
External loan facility fee paid		**–**	(34)	(146)
Repayment of shareholder loans		**(42 149)**	–	(47 193)
Interest paid to M-Pesa customers		**(13 634)**	–	–
Net cash used in financing activities		**(56 254)**	(464)	(48 208)
Net increase/(decrease) in cash and cash equivalents		**19 733**	62 310	(2 182)
Cash and cash equivalents at the beginning of the year		**116 952**	55 986	54 676
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies		**(7 470)**	(1 344)	3 492
Cash and cash equivalents at the end of the year	25	**129 215**	116 952	55 986

Notes to the consolidated financial statements

For the years ended 31 March 2014, 2015 and 2016

1. General information

The consolidated financial statements of Vodacom Tanzania PLC, formerly known as Vodacom Tanzania Limited ("the company") and its subsidiaries (together, the "group") for the years ended 31 March 2014, 2015 and 2016 were authorised for issue in accordance with a resolution of the Board of Directors. The company is incorporated in Tanzania as a limited liability group and is domiciled in Tanzania.

The principal nature of the business of the group is the operation of a cellular telephone network.

The company also owns and controls 23.78% of the shares in Helios Towers Tanzania Limited ("HTT") which is accounted for as an associate. The company has interest in other entities as disclosed in Note 30.

2. Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretation as issued by the International Accounting Standards Board ("IASB")) and those parts of the Tanzania Companies Act 2002 applicable to entities reporting under IFRS. The consolidated financial statements are prepared on a going concern basis.

For purposes of the Companies Act 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 as 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 Mil"), except when otherwise indicated.

3. Significant accounting policies

(a) Consolidation

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 income statement 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 entities controlled by the company.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the company'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.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

(a) Consolidation continued

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 where 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.

(b) Accounting convention

The consolidated financial statements are prepared on a historical cost basis as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

(c) 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, 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.

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.

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 related equipment revenue is deferred and recognised over the period in which services are expected to be provided to the customer.

Revenue for device sales is recognised when the equipment is delivered to the end-customer and the sale is considered complete. For device 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. Interest is recognised on a time proportion basis with reference to the principal amount receivable and the effective interest rate applicable.

3. Significant accounting policies continued

(d) 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.

(f) Intangible assets

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:

Licenses

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

Computer software

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 when the asset is derecognised.

3. Significant accounting policies continued

(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 costs 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.

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.

(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.

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 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 derecognized 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.

3. Significant accounting policies continued

(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

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.

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 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. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value is recognised immediately.

Rentals payable under operating leases, including benefits received and receivable as an incentive to enter into the lease, are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the relevant lease.

Operating lease rental income is recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. Leased assets are included under property and equipment and depreciated in accordance with its accounting policy.

(k) Foreign currencies and translation of foreign currencies

The consolidated financial statements are presented in Tanzanian Shillings, which is the group's functional and presentation 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.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

(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.

(n) Income tax

The income tax expense represents the sum of the current tax and deferred tax.

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

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

Current taxation

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

Deferred tax

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the consolidated 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 17.

3. 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 profit or loss and other 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.

(p) 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.

(q) 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 financial statements continued

3. Significant accounting policies continued

(r) 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 amortized 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.

(s) 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.

(t) 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.

(u) 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.

(v) 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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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 recognized in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

(w) 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 to sell. 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 costs to sell of the asset is only recognised to the extent that it does not exceed the cumulative impairment loss that has been recognised.

3. Significant accounting policies continued

(x) 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.

(y) 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.

In the event that a capital grant becomes repayable, the cost of the related assets are increased by the amount of the repayment and cumulative depreciation that would have been recognised in profit or loss had the repaid amount not originally been recorded will be recognised immediately in the profit or loss.

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

4. New accounting pronouncements

Accounting pronouncements adopted

The group has applied the following standards and amendments in the current year:

- Annual improvements to IFRSs – 2010-2012 cycle and 2011-2013 cycle.
- Defined Benefits Plan: Employee Contributions – Amendments to IAS 19.

These changes had no material impact on the consolidated financial statements of the group.

New accounting pronouncements not yet adopted

The group is currently assessing the impact of the following new pronouncements, which have been issued by the IASB but are not applicable in the current year. 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:

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The group is assessing the impact of IFRS 15.

Notes to the consolidated financial statements continued

4. New accounting pronouncements continued

New accounting pronouncements not yet adopted continued

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 with early adoption permitted if IFRS 15: Revenue from Contracts with Customers has been adopted.

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 to existing IAS 17 accounting for finance leases, but will be substantively different for operating leases where rental charges are currently recognised on 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. The group is assessing the impact of the accounting changes that will arise under IFRS 16.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014.

It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI with no recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

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.

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 judgements, requiring assessment as to whether the carrying amounts of assets can be supported by the higher of their fair value less costs to sell and value in use.

5. Critical accounting judgements and estimates continued

Impairment reviews continued

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

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

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

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

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

Income tax

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 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.

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

Revenue recognition and presentation

Revenue arrangements including more than one deliverable

In revenue arrangements including more than one deliverable, the deliverables are assigned to one or more separate units of accounting and the arrangement consideration is allocated to each unit of accounting based on its relative fair value. The fair values determined for deliverables may impact the timing of the recognition of revenue.

Determining the fair value of each deliverable can require complex estimates due to the nature of the goods and services provided. The group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a stand-alone basis, after considering volume discounts where appropriate.

Presentation: gross versus net

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

Notes to the consolidated financial statements continued

5. Critical accounting judgements and estimates continued

Fair values

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.

Intangible assets with a finite useful life

Intangible assets with finite useful lives comprise licenses and computer software. These assets arise from purchases. 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.

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:

	2016 Years	2015 Years	2014 Years
Licenses	**25**	25	25
Computer software	**3 – 6**	3 – 6	3 – 6

Historically, changes in useful lives have not resulted in material changes to the group's amortisation charge.

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 profit or loss.

The group assesses the residual value of every item of property and equipment annually. In determining residual values, the group uses management's best estimate for residual values and third-party confirmation. Management has determined that there is no active market for the following assets within the network infrastructure and equipment category: radio, transmission, switching, SIM centres 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. 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.

5. Critical accounting judgements and estimates continued

Property and equipment continued

Estimation of useful life and residual value continued

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:

	2016 Years	2015 Years	2014 Years
Buildings, included in Land and buildings	**25**	25	25 – 50
Leasehold improvements	**0 – 5**	0 – 5	0 – 5
Network infrastructure and equipment	**3 – 15**	3 – 15	3 – 15
Other assets	**2 – 5**	2 – 5	2 – 5

Historically, changes in useful lives and residual values have not resulted in material changes to the group's depreciation charge.

Contingencies

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 33). 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.

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 International Financial Reporting Standard IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. Refer to Note 20 for further details.

6. Revenue

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Service revenue (Note 6.1)	**916 003**	899 975	900 064
Non-service revenue – Handsets and devices	**7 342**	8 982	20 835
	923 345	908 957	920 899

6.1 Service revenue

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Airtime and access	**410 961**	427 834	458 899
Data revenue	**112 099**	81 159	60 142
Interconnect revenue	**97 339**	91 388	89 135
International revenue	**10 778**	26 312	28 854
Messaging revenue	**36 719**	44 784	48 916
M-Pesa revenue	**224 394**	203 063	169 305
Subscription and value-added services	**23 713**	25 435	44 813
	916 003	899 975	900 064

Notes to the consolidated financial statements continued

7. Other operating income

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Insurance proceeds – business interruption	**1 779**	–	–
Insurance proceeds – loss of fixed assets	**4 023**	–	–
Gain on disposal of fixed assets	**–**	19 152	278
	5 802	19 152	278

The gain on disposal of fixed assets in 2015 is arrived at:

	TZS mil
Net book value of disposed Kwale Switch	**(21 791)**
Cumulative cash proceeds:	
2014 (TZS 33 754) and 2015 (TZS 7 001)	**40 755**
Net book value of disposed other property, plant and equipment	**(143)**
Cash proceeds from disposals of other property, plant and equipment	**331**
Gain on disposal of fixed assets in 2015	**19 152**

8. Direct expenses

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Interconnect costs	**(53 804)**	(70 939)	(88 071)
Business managed services costs	**(4 703)**	(3 356)	(3 066)
Bad debt (Note 21)	**(4 458)**	(36 257)	(1 461)
Mobile prepaid airtime commission costs	**(156 393)**	(160 534)	(168 120)
Regulatory fees	**(22 549)**	(22 399)	(19 655)
Mobile other costs	**(36 365)**	(25 093)	(27 273)
Inventory provisions reversal/(charge)	**904**	(860)	1 348
Acquisition costs	**(21 805)**	(27 418)	(21 003)
Retention costs	**(2 088)**	(1 813)	(2 444)
Stock obsolescence reversal/(charge)	**82**	(97)	11
	(301 179)	(348 766)	(329 734)

9. Staff expenses

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Wages and salaries, including other termination benefits	**(57 397)**	(52 055)	(49 490)
Pension costs – defined contribution plans	**(2 751)**	(2 793)	(2 770)
Skills and Development Levy	**(1 385)**	(1 411)	(1 473)
Bonus expense	**(2 963)**	(3 363)	(3 711)
	(64 496)	(59 622)	(57 444)

10. Other operating expenses

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Network operating expenses	**(149 395)**	(139 550)	(107 997)
Office administration expenses	**(58 524)**	(42 097)	(47 909)
Amortisation of operating lease prepayments (Note 19)	**(1 615)**	(1 809)	(338)
Auditors' remuneration			
Audit fees	**(275)**	(272)	(292)
Other services	**(147)**	(241)	(159)
Operating lease rentals	**(32 716)**	(28 671)	(26 749)
Amortisation of deferred loss (Note 22)	**(6 618)**	(6 051)	(413)
Donation to Vodacom Foundation Limited	**(600)**	(602)	(90)
	(249 890)	(219 293)	(183 947)

11. Finance income

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Interest on bank balances	**10 424**	5 672	1 695
Interest on HTT loan (Note 20)	**8 641**	5 119	–
	19 065	10 791	1 695
M-Pesa interest income	**22 599**	15 957	13 142
	41 664	26 748	14 837

12. Finance costs

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Interest on term loans	**(20 407)**	(18 548)	(19 908)
Interest on bank overdrafts	**(471)**	(430)	(869)
Interest payable – taxation	**(930)**	(164)	–
External loan facility fee	**–**	(34)	(146)
	(21 808)	(19 176)	(20 923)
M-Pesa interest costs	**(22 530)**	(15 900)	(12 930)
	(44 338)	(35 076)	(33 853)

13. Net (loss)/gain on translation of financial instruments

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Unrealised foreign exchange (loss)/gain:			
Mirambo loan	**(293)**	(185)	(17)
Vodacom Group loan	**(4 632)**	(3 127)	18 039
Cash and cash equivalents	**(7 470)**	(1 343)	3 492
HTT loan (Note 20)	**8 387**	5 304	–
	(4 008)	649	21 514

14. Capital contribution

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Capital contribution	**22 974**	22 974	22 974

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

The capital contribution entitles the shareholders to additional returns on their investment in the form of future dividends. It will be realised by the shareholders once the equity investment in the group is disposed.

Notes to the consolidated financial statements continued

15. Property and equipment

	Leasehold Land & Buildings TZS mil	Network Infrastructure & Equipment TZS mil	Capital Work in Progress TZS mil	Other Assets TZS mil	Total TZS mil
1 April 2013	7 277	669 240	32 948	6 033	715 498
Cost	9 136	1 173 051	40 940	13 982	1 237 109
Accumulated depreciation	(1 859)	(503 811)	(7 992)	(7 949)	(521 611)
Additions	–	39 049	163 711	–	202 760
Transfer from PPE to inventory	–	–	(2 320)	–	(2 320)
Disposal	–	(104 444)	(7 992)	(1 481)	(113 917)
Accumulated depreciation on disposed assets	–	100 261	7 992	1 416	109 669
Cost transfer to non-current assets held for sale (Note 23)	–	(359 361)	(19 578)	–	(378 939)
Depreciation transfer to non-current assets held for sale (Note 23)	–	156 328	–	–	156 328
Depreciation	(239)	(128 307)	–	(1 912)	(130 458)
Transfer from WIP to complete assets	2 875	103 627	(107 223)	721	–
Cost of MSC insurance claims reclassified to receivables	(55)	(83 929)	–	(287)	(84 271)
Depreciation MSC insurance claims reclassified to receivables	3	47 441	–	183	47 627
31 March 2014	9 861	439 905	67 538	4 673	521 977
Cost	11 956	767 993	67 538	12 935	860 422
Accumulated depreciation	(2 095)	(328 088)	–	(8 262)	(338 445)
1 April 2014	9 861	439 905	67 538	4 673	521 977
Cost	11 956	767 993	67 538	12 935	860 422
Accumulated depreciation	(2 095)	(328 088)	–	(8 262)	(338 445)
Additions	–	3 368	159 971	–	163 339
3G Equipment reallocated from intangibles – Cost (Note 16)	–	15 016	823	–	15 839
3G Equipment reallocated from intangibles – Accumulated depreciation (Note 16)	–	(12 548)	–	–	(12 548)
Disposal	–	(64 183)	–	(1 510)	(65 693)
Accumulated depreciation on disposed assets	–	64 055	–	1 495	65 550
Reallocation from Network Infrastructure to Other Assets	–	(60)	–	60	–
Reallocation from Network Infrastructure to leasehold land and buildings	3 944	(3 944)	–	–	–
Depreciation	(683)	(134 063)	–	(1 366)	(136 112)
Transfer from WIP to complete assets	1 263	152 290	(153 742)	189	–
Cost transfer from other receivables	38	41 503	–	288	41 829
Depreciation transfer from other receivables	–	(26 197)	–	6	(26 191)
Cost transfer to non-current assets held for sale (Note 23)	(583)	(5 512)	–	–	(6 095)
Depreciation transfer to non-current assets held for sale (Note 23)	–	2 361	–	–	2 361
31 March 2015	13 840	471 991	74 590	3 835	564 256
Cost	16 618	906 471	74 590	11 962	1 009 641
Accumulated depreciation	(2 778)	(434 480)	–	(8 127)	(445 385)

15. Property and equipment continued

	Leasehold Land & Buildings TZS mil	Network Infrastructure & Equipment TZS mil	Capital Work in Progress TZS mil	Other Assets TZS mil	Total TZS mil
1 April 2015	13 840	471 991	74 590	3 835	564 256
Cost	16 618	906 471	74 590	11 962	1 009 641
Accumulated depreciation	(2 778)	(434 480)	–	(8 127)	(445 385)
Additions	–	20 284	162 810	–	183 094
Disposals	–	(142 268)	–	(6 232)	(148 500)
Accumulated depreciation on disposed assets	–	142 241	–	6 232	148 473
Depreciation	(910)	(141 417)	–	(1 104)	(143 431)
Transfer from WIP to completed assets	3 106	142 256	(154 148)	8 786	–
Transfer to non-current assets held for sale (Note 23)	–	–	(25 989)	–	(25 989)
Reallocation from network infrastructure to land and buildings	3 897	(3 897)	–	–	–
Cost transfer from PPE to Intangible assets (Note 16)	–	(1 328)	–	–	(1 328)
Depreciation transfer from PPE to Intangible assets (Note 16)	–	413	–	–	413
Cost transfer from Intangible to PPE (Note 16)	–	10 930	–	–	10 930
Depreciation transfer from Intangible to PPE (Note 16)	–	(3 118)	–	–	(3 118)
Reallocation from land and buildings to network infrastructure	(3 238)	3 238	–	–	–
Cost transfer from infrastructure to other assets	–	(146)	–	146	–
Depreciation reallocation from infrastructure to other assets	–	(243)	–	243	–
31 March 2016	**16 695**	**498 936**	**57 263**	**11 906**	**584 800**
Cost	**20 383**	**935 540**	**57 263**	**14 662**	**1 027 848**
Accumulated depreciation	**(3 688)**	**(436 604)**	**–**	**(2 756)**	**(443 048)**

No property and equipment are pledged against borrowings in the current year.

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Leasehold land and building – Cost			
Plot 49-53, Block M, Mbezi Juu, Dar es Salaam, Tanzania, Certificate of Title No. 49468 (acquired in May 2007)	**11 911**	8 282	4 162
43 Kwale Road, Dar es Salaam, Tanzania, Certificate of Title No. 186031/10 (acquired in May 2001)	**3 879**	2 613	1 281
Plot 1 & 2, Block B, NCC Link Area, Dodoma Municipality (acquired in July 2005)	**2 590**	2 550	2 185
Plot no. 1999, Block M, Forest Area, Mbeya Municipality (acquired in April 2000)	**1 155**	1 637	1 432
Nyegezi Hill, Mwanza (acquired in October 2009)	**1 360**	1 509	1 261
Moshono Hill, Arusha (acquired in July 2009)	**1 098**	1 635	1 635
	21 993	18 226	11 956

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 Company's registered office. The remaining lease term of all leasehold improvements vary between 18 and 74 years.

Notes to the consolidated financial statements continued

16. Intangible assets

	Licenses TZS mil	Computer software TZS mil	Capital Work in Progress TZS mil	Total TZS mil
1 April 2013	1 064	23 030	–	24 094
Cost	1 817	49 274	–	51 091
Accumulated amortisation and impairment losses	(753)	(26 244)	–	(26 997)
Additions	–	19 793	823	20 616
Cost of disposed intangible assets held for sale	–	(36)	–	(36)
Accumulated amortisation on disposed intangible assets held for sale	–	22	–	22
Cost MSC insurance claims	–	(578)	–	(578)
Amortisation MSC insurance claims	–	440	–	440
Amortisation	(68)	(11 388)	–	(11 456)
Disposal	–	(4 257)	–	(4 257)
Accumulated amortisation on disposed assets	–	4 187	–	4 187
31 March 2014	996	31 213	823	33 032
Cost	1 817	64 196	823	66 836
Accumulated amortisation and impairment losses	(821)	(32 983)	–	(33 804)
Additions	–	22 991	15 110	38 101
3G Equipment reallocated to property and equipment – Cost (Note 15)	–	(15 016)	(823)	(15 839)
3G Equipment reallocated to property and equipment – Accumulated depreciation (Note 15)	–	12 548	–	12 548
Disposal – Cost	–	(6 203)	–	(6 203)
Disposal – Accumulated depreciation	–	6 203	–	6 203
Amortisation	(68)	(7 704)	–	(7 772)
31 March 2015	928	44 032	15 110	60 070
Cost	1 817	65 968	15 110	82 895
Accumulated amortisation and impairment losses	(889)	(21 936)	–	(22 825)
Additions	–	33 386	–	33 386
Amortisation charge	(69)	(15 096)	–	(15 165)
Transfer from WIP to completed assets	–	15 110	(15 110)	–
Cost transfer from intangible assets to PPE (Note 15)	–	(10 930)	–	(10 930)
Amortisation transfer from intangible assets to PPE (Note 15)	–	3 118	–	3 118
Cost transfer from PPE to intangible assets (Note 15)	–	1 328	–	1 328
Amortisation transfer from PPE to intangible assets (Note 15)	–	(413)	–	(413)
Disposals costs	–	(4 747)	–	(4 747)
Disposals amortisation	–	4 747	–	4 747
31 March 2016	**859**	**70 535**	**–**	**71 394**
Cost	**1 817**	**100 115**	**–**	**101 932**
Accumulated amortisation and impairment losses	**(958)**	**(29 580)**	**–**	**(30 538)**

17. Income tax

		2016 TZS mil	2015 TZS mil	2014 TZS mil
(a)	**Income tax expense**			
	Current tax expense:	**(50 337)**	(53 494)	(51 567)
	– In respect of the current year	**(50 337)**	(53 494)	(49 096)
	– In respect of prior years	**–**	–	(2 471)
	Deferred tax credit on origination and reversal of temporary differences:	**4 956**	6 855	13 044
	– In respect of the current year	**4 956**	6 855	6 454
	– In respect of prior years	**–**	–	6 590
	Total income tax expense	**(45 381)**	(46 639)	(38 523)
(b)	**Components of deferred tax charged to profit or loss**			
	Capital allowances	**2 656**	(6 246)	7 952
	Foreign exchange	**(355)**	290	5 827
	Provisions and deferred income	**2 655**	12 811	(735)
		4 956	6 855	13 044
(c)	**Factors affecting the tax expense for the year**			
	Expected income tax expense on profit before tax at the Tanzania statutory tax rate	**(22 346)**	(23 608)	(50 018)
	Adjusted for:			
	– Share of loss from associate	**(11 779)**	(9 916)	–
	– Disallowable expenses	**(2 875)**	(2 133)	(1 028)
	– Non-taxable gaming income	**1 996**	1 239	1 393
	– Adjustments in respect of prior years	**–**	–	4 119
	– Other adjustments: deferral of loss	**(10 377)**	(12 221)	7 011
		(45 381)	(46 639)	(38 523)

The Tanzania statutory tax rate is 30%. The group's effective tax rate is 60.9% (2015: 59.3%; 2014: 23.1%). The deviation of the effective tax rate from statutory tax rate is caused by expenditure permanently disallowed, non-taxable income, deferral of the loss on sale of assets and impact of prior year adjustments.

		2016 TZS mil	2015 TZS mil	2014 TZS mil
(d)	**Income tax receivable**			
	Opening balance	**13 895**	17 673	56
	Current tax expense	**(50 337)**	(53 494)	(51 567)
	Interest payable – taxation	**(930)**	(164)	–
	M-Pesa overpayment	**–**	–	3 879
	Tax paid	**42 600**	49 880	65 305
	Closing balance	**5 228**	13 895	17 673

Notes to the consolidated financial statements continued

17. Income tax continued

		2016 TZS mil	2015 TZS mil	2014 TZS mil
(e)	**Components of deferred tax liabilities**			
	Analysed in the consolidated statement of financial position, after offset, as follows:			
	Deferred tax liabilities	**85 928**	88 584	82 338
	Property and equipment	**85 928**	88 584	82 338
	Deferred tax assets	**(31 479)**	(29 179)	(16 078)
	General provisions and deferred income	**(25 717)**	(23 062)	(10 251)
	Unrealised foreign exchange losses	**(5 762)**	(6 117)	(5 827)
	Net deferred tax liabilities	**54 449**	59 405	66 260
(f)	**Reconciliation of net deferred tax balance**			
	At the beginning of the year	**59 405**	66 260	79 304
	Credit to consolidated statement of profit or loss and other comprehensive income	**(4 956)**	(6 855)	(13 044)
	At the end of the year	**54 449**	59 405	66 260

18. Investment in associate

Investments in associated companies are accounted for using the equity method in the group's statement of financial position. On disposal of investments in associated companies, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the consolidated statement of profit or loss and other comprehensive income.

As at 31 March 2016, the group held 23.78% (2015: 23.45%; 2014: 18.24%) equity interest in HTT, an independent telecommunications tower operator. This holding was acquired as part of a sale and leaseback transaction of the group's telecommunications towers. During the financial 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 in the next financial year. The investment and the associated shareholder loans were classified as non-current assets held for sale. 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. Refer to Note 20 for details on loans granted to HTT.

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Investment	–	46 730	57 080
The movement in investment in associate is as follows:			
Opening balance	**46 730**	57 080	–
Sale of towers to associate	**1 541**	22 702	57 080
Share of loss from associate	**(39 262)**	(33 052)	
Transfer to non-current asset held for sale (Note 23)	**(9 009)**	–	–
Closing balance	–	46 730	57 080

The associate had no contingent liabilities.

There are no significant restrictions on the liability of the associate to transfer funds to the group in the form of cash dividends or repayments of the loans other than the fact that the associate may not declare and/or pay any dividends or make any capital distribution to shareholders without the prior written consent of the existing shareholders.

19. Operating lease prepayments

The group entered into long term (10 years) leases with the Tanzania Telecommunication Company Limited ('TTCL') in the financial year ended 31 March 2014 for the provision of 1xSTM-16 fibre optic capacity between various Points of Presence ('POP') on the National Information and Communication Technology Backbone ('NICTBB'). The capacity increased to 2xSTM-16 and 3xSTM-4 in 2015. During the financial year ended 31 March 2016, Seacom leased line (undersea fibre) contract was converted from short to long term whereby the group made an upfront payment for a lease period of 10 years.

The movement in these leases are as follows:

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Non-current			
At 1 April	**12 546**	2 881	–
Addition	**25 664**	12 568	3 738
Charge to profit or loss (Note 10)	**–**	(1 646)	(338)
Transfer to operating leases: current	**(2 849)**	(1 257)	(519)
At 31 March	**35 361**	12 546	2 881
Current			
At 1 April	**1 613**	519	–
Transfer from operating leases: non-current	**2 849**	1 257	519
Charge to profit or loss (Note 10)	**(1 615)**	(163)	–
At 31 March	**2 847**	1 613	519

20. Loans receivable

During the financial year ended 31 March 2016, the company advanced additional unsecured term loan of USD 169 289 to HTT, an associate in which the group holds a direct investment of 23.78%. The shareholder loan agreement is for USD 24 500 000 repayable in full on 31 December 2019 attracting interest at the rate of 15% per annum payable on a quarterly basis. The outstanding principal loan as at the end of the reporting period amounted to USD 22 393 365. This loan is associated with non-current assets held for sale. Refer to Note 18.

	2016 TZS mil	2015 TZS mil	2014 TZS mil
At 1 April	**45 144**	10 113	–
Investment in associate	**–**	–	10 113
Addition to loan given to HTT	**353**	20 944	–
Loan interest income (Note 11)	**8 641**	5 119	–
Receivables from sale of towers	**–**	3 664	–
Translation gains (Note 13)	**8 387**	5 304	–
At 31 March	**62 525**	45 144	10 113
Non-current asset held for sale	**62 525**	–	–
Non-current	**–**	45 144	10 133
	62 525	45 144	10 113

Notes to the consolidated financial statements continued

21. Trade and other receivables

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Trade and other receivables – non current			
Prepayments and accrued income	**365**	305	1 943
Trade and other receivables – current			
Trade receivables	**122 370**	116 273	179 660
Deposits	**942**	1 523	1 503
Prepayments	**12 618**	51 825	11 141
Sundry debtors	**50**	36	36
Deferred costs	**3 707**	2 962	7 818
Related group receivables (Note 35)	**4 061**	4 928	2 347
Insurance claims	**–**	–	3 163
Other	**–**	–	2 430
	143 748	177 547	208 098

The Group's trade receivables are stated net of allowances for doubtful receivables based on management's assessment of creditworthiness.

None of the above assets are either past due or impaired except for the following amounts in trade receivables. Receivables individually determined to be impaired for which a full provision has been made are included in the analysis below.

The group's trade receivables are stated net of allowances for doubtful receivables based on management's assessment of creditworthiness, an analysis of which is as follows:

	2016 TZS mil	2015 TZS mil	2014 TZS mil
At 1 April	**(49 746)**	(13 489)	(12 028)
Charged to the consolidated statement of profit or loss and other comprehensive income	**(4 458)**	(36 257)	(1 461)
At 31 March	**(54 204)**	(49 746)	(13 489)

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

22. Deferred loss

The group continued to sell and leaseback its passive equipment to HTT. Proceeds from this sale were significantly lower than the estimated fair value of the disposed assets. The Group's management concluded that the loss on sale is compensated by future rentals below market value and therefore the loss is amortized over the minimum lease period of 12 years.

	2016 TZS mil	2015 TZS mil	2014 TZS mil
At 1 April	**71 415**	59 096	–
Loss on assets sold during the year	**802**	24 230	59 509
Transfer to non-current assets held for sale (Note 23)	**–**	(5 860)	–
Amortisation charged to consolidated statement of profit or loss and other comprehensive income (Note 10)	**(6 618)**	(6 051)	(413)
31 March	**65 599**	71 415	59 096

23. Non-current assets held for sale

In September 2013, Vodacom Tanzania PLC decided to sell and lease back its 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. A total of 1 553 towers and the related equipment such as generators and shelters were sold and transferred to the buyer as at the end of the reporting period. The remaining towers and related equipment held for sale are expected to be transferred in the financial year 2017. The movement in the balances of the equipment is explained below:

	2016 TZS mil	2015 TZS mil	2014 TZS mil
At 1 April	**14 394**	88 530	–
Costs transfer from property and equipment (Note 15)	**25 989**	6 095	378 939
Depreciation transfer from property and equipment (Note 15)	**–**	(2 361)	(156 328)
Assets sold and leased back	**(24 395)**	(86 160)	(134 081)
Costs transfer from deferred loss (Note 22)	**–**	5 860	–
Costs transfer from other receivables	**–**	2 430	–
Costs transfer from investments in associate (Note 18)	**9 009**	–	–
At 31 March	**24 997**	14 394	88 530

24. Inventory

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Goods held for resale	**5 900**	5 478	7 466
Consumables	**120**	590	1 569
	6 020	6 068	9 035
Inventory valuation allowance included above			
At beginning of year	**(1 261)**	(304)	(1 664)
Stock obsolescence (note 8)	**82**	(97)	11
Reversal of/(charge to) the consolidated statement of profit or loss and other comprehensive income	**904**	(860)	1 348
At end of year	**(275)**	(1 261)	(304)

The cost of inventories recognised as an expense during year ended 31 March 2016 was TZS 17 489 million (2015: TZS 20 027 million; 2014: TZS 15 092 million).

Notes to the consolidated financial statements continued

25. Cash and cash equivalents

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Cash and bank balances	**80 057**	60 848	61 493
M-Pesa balances	**3 027**	1 726	–
Short-term deposits	**50 000**	70 000	–
Cash and bank balances – not restricted	**133 084**	132 574	61 493
Bank overdrafts and other borrowings (Note 27)	**(3 869)**	(15 622)	(5 507)
Cash and cash equivalents as presented in the consolidated statement of cash flows	**129 215**	116 952	55 986
Bank balances – restricted	**254 986**	220 245	179 718
	384 201	337 197	235 704

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

The restricted bank balances represent the deposits from M-Pesa customers. The deposits are mainly for facilitating the mobile money transactions service between agents, customers and banks and are therefore not available for immediate or general business use.

26. Share capital

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Authorised			
2 000 000 000 ordinary shares of TZS 100 each(2015 and 2014: 2 000 000 000 ordinary shares of TZS 100 each)	**200 000**	200 000	200 000
Issued			
840 000 100 ordinary shares of TZS 100 each (2015 and 2014: 840 000 100 ordinary shares of TZS 100 each)	**84 000**	84 000	84 000

27. Borrowings

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Non-current			
Vodacom Group Limited	–	94 491	93 258
Current			
Vodacom Group Limited	**216 119**	138 129	117 763
Mirambo Limited	**1 302**	1 618	1 357
Other borrowings	**3 869**	–	–
Bank overdrafts	–	15 622	5 507
	221 290	155 369	124 627

The fair value of the group's funding loan liabilities approximates their carrying value. The effective interest rates for the term loans and bank overdrafts were 9.16% (2015: 8.26%; 2014: 7.60%) and 4.37% (2015: 4.09%; 2014: 4.12%) respectively.

Vodacom Group Limited

The initial loans were disbursed on various dates between April 2002 and July 2008 in multiple tranches with total nominal values of USD 34 million, USD 12 million and ZAR 469 million.

The loan with nominal value USD 34 million was converted into equity in the financial year ended 31 March 2012. The remaining portion of this loan (being interest accrued) bearing interest at one-month LIBOR plus 5% was fully paid in August 2015.

The principal amount of the USD 12 million (bearing interest at one-month LIBOR plus 2.5%) and ZAR 469 million (bearing interest at one-month JIBAR plus 4%) repayable on demand by 31 March 2017 or such later date as the borrower and lender may agree in writing.

Shareholders have deferred their rights to claim or accept payment of the amounts owing to them in favour of all other creditors in the event of liquidation of Vodacom Tanzania PLC or similar events. These loans are unsecured.

Mirambo Limited

The loan with nominal value of USD 18 million was provided to the group in April 2002. The nominal value of the loan was converted into equity in the financial year ended 31 March 2012. The remaining portion of the loan of USD 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 a bank overdraft facility with Citibank Tanzania Limited of USD 20 million (2015: USD 20 million; 2014: USD 20 million) which attracts interest at 6 months LIBOR plus margin of 3.75%. No security has been offered for the facility and it is an ongoing facility. The utilised overdraft facility as at end of reporting period amounted to NIL (2015: USD 8.7 million, 2014: USD 3.3 million).

Notes to the consolidated financial statements continued

28. Trade and other payables

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Non-current			
Deferred income	**375**	305	441
HTT operating lease liability	**19 699**	10 426	614
	20 074	10 731	1 055
Current			
Trade payables	**36 360**	35 230	48 589
Capital expenditure creditors	**8 912**	36 947	18 824
Local deposits held	**365**	365	339
Value-added tax	**16 385**	7 218	15 148
Excise Duty	**17 764**	24 275	27 877
Accruals	**106 968**	107 250	84 677
Deferred revenue	**25 678**	25 162	24 539
Related group payables (Note 35)	**11 970**	14 478	29 885
Deposits due to agents	**257 193**	222 709	194 266
	481 595	473 634	444 144
Interest due to customers	**41 717**	36 350	20 450
	523 312	509 984	464 594

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

29. Government grants

	2016 TZS mil	2015 TZS mil	2014 TZS mil
At beginning of year	**1 971**	–	–
Received during the year	**6 105**	1 971	–
At end of year	**8 076**	1 971	–

During the financial year ended 31 March 2016, an advance grant of TZS6 105 million (2015: TZS 1 971 million) was received from Universal Communications Service Access Fund ("UCSAF") for the provision of communication services in 97 rural coverage areas. The amount of the grant received to-date represents 40% of the total grant receivable from the Government for 128 sites coverage sites. As at 31st March 2016, 22 sites are completed and 11 sites are work in progress. The rest of the sites are expected to be completed in the 2017 financial year. There are unfulfilled conditions or contingencies attached to these grants.

30. 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, 2002 as a company limited by guarantee having share capital. The total amount for which guarantors are liable upon winding up of M-Pesa Limited is limited to TZS 1 000 per guarantor. M-Pesa Limited has two guarantors including Vodacom Tanzania PLC.

M-Pesa Limited's principal activity is to act as bona fide trustees and/or any other like officers in order to protect and safeguard all and any monies gained from and/or 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.

Vodacom Foundation Limited (the "Foundation")

The Foundation was established and registered on 29 October 2007 under the Companies Act, 2002 as a company limited by guarantee not having share capital. The total amount for which guarantors are liable upon winding up of the Foundation is limited to TZS 1 000 per guarantor. The Foundation has four guarantors including Vodacom Tanzania PLC. The Foundation's principal activities are to improve education and health services, enhance economic welfare and participate in community and social welfare.

Below is a summary of the major line items in the Foundation's financial statements:

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Statement of financial position			
Total assets	**446**	782	799
Statement of profit or loss and other comprehensive income			
Donation income	**999**	602	454
Operating expenses	**(1 343)**	(655)	(222)

The mandate of the Foundation is to spend its donations in the year it receives them, however due to the nature of the charitable activities performed, there are often timing differences between the receipt and usage of these funds.

Vodacom Tanzania Limited (incorporated in Zanzibar)

Vodacom Tanzania PLC was incorporated in Zanzibar and registered on 20 July 2000 under the Companies Act, 2002. Vodacom Tanzania PLC (incorporated in Zanzibar) has authorised share capital of 1 000 000 ordinary shares with par value of TZS 100 per share. Vodacom Tanzania PLC (incorporated in Zanzibar) has unpaid share capital of 100 ordinary shares with par value of TZS 100 per share. 99 of the shares have been issued to Vodacom Tanzania PLC (incorporated in Tanzania Mainland).

Vodacom Tanzania PLC (incorporated in Zanzibar) has remained dormant since incorporation.

Notes to the consolidated financial statements continued

31. Commitments

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Operating leases (note 31.1)	**513 530**	489 222	505 795
Capital expenditure contracted for but not yet incurred	**22 742**	–	–
Capital expenditure approved by the Board but not yet contracted for	**118 997**	171 008	171 175
Other (including sports and marketing commitments)	**37 865**	11 876	4 792
	693 134	672 106	681 762

31.1 Operating leases

Future minimum lease payments under non-cancellable operating lease comprise:

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Within one year	**78 580**	35 147	32 429
Between one and five years	**178 769**	157 406	145 369
More than five years	**256 181**	296 669	327 997
	513 530	489 222	505 795

Operating leases include leases of office and other accommodation, motor vehicles, site rentals 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.

31.2 Capital commitments

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

32. Provisions

The group is currently involved in legal proceedings and has, in consultation with its legal counsel, assessed the outcome of these proceedings to have a total exposure of TZS 21 707 million (2015: TZS 23 156 million; 2014: NIL). Following this assessment, the group's management has determined that provision required in respect of these legal proceedings as at 31 March 2016 amounted to TZS 1 200 million (2015: TZS 1 402 million; 2014: NIL).

33. Contingencies and other matters

33.1 Contingencies

As at 31 March 2016, the contingent liabilities relating to pending tax cases amounted to TZS 20 507 million (2015: TZS 21 754 million; 2014: TZS 2 529 million). No provision has been made in these consolidated financial statements as management is of the opinion that the group has good grounds to win the related cases on the basis of the group's tax attorneys' opinion.

33.2 Customer registration

The Group is subject to customer registration requirements as issued by the Tanzania Regulatory Communications Authority ("TCRA") and the industry is engaging with authorities to improve the customer registration process. 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.

33.3 Initial Public Offering: Listing in Dar es Salaam Stock Exchange

Refer to Note 42 for detail with regards to the mandates for all licensed telecommunication operators, holding licenses under the EPOCA, to have a minimum local shareholding of 25% of their authorized share capital issued to the public and listed on the Dar es Salaam Stock Exchange.

34. Post-employment benefits

All eligible employees of the group are members of the National Social Security Fund of Tanzania ('NSSF'), PPF Pensions Fund ('PPF') and Local Authority Provident Fund ('LAPF'), the defined contribution pensions schemes in which the group and the employee contribute 10% of gross remuneration, each month. The group has no legal or constructive obligation to pay further contribution if the funds do not hold sufficient assets to pay all employees the benefits relating to the employee service in the current and prior periods.

35. 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.

Balances with related parties	2016 TZS mil	2015 TZS mil	2014 TZS mil
Investment in associate (Note 18)			
HTT	–	46 730	57 080
Trade receivables (Note 21)			
Vodafone Group Plc. (Ultimate parent)	**32**	18	60
Vodacom Group Limited (Parent)	**4 029**	4 910	2 287
	4 061	4 928	2 347
Loan receivable (Note 20)			
HTT (Associate)	**62 525**	45 144	10 113
Trade payables – current (Note 28)			
Vodafone Group Plc. (Ultimate parent)	**(8 208)**	(5 415)	(23 410)
Vodacom Group Limited (Parent)	**(3 762)**	(9 063)	(6 475)
	(11 970)	(14 478)	(29 885)
Trade payables – non-current (Note 28)			
HTT operating lease liability	**(19 699)**	(10 426)	(614)
Borrowings (Note 27)			
Vodacom Group Limited (Parent)	**(216 119)**	(232 620)	(211 021)
Mirambo Limited (Shareholder)	**(1 302)**	(1 618)	(1 357)
	(217 421)	(234 238)	(212 378)

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 financial statements continued

35. Related parties continued

Transactions with related parties	2016 TZS mil	2015 TZS mil	2014 TZS mil
Vodafone Group Plc and its subsidiaries			
Revenue	**8 959**	8 217	7 624
Direct costs	**(3 473)**	(3 287)	(4 527)
	5 486	4 930	3 097
Vodacom Group Limited and its subsidiaries – Mozambique, DRC and Lesotho			
Revenue	**418**	323	63
Direct costs	**(18)**	(96)	(164)
	400	227	(101)
Vodacom Group Limited and its subsidiaries – South Africa			
Revenue	**1 992**	1 019	679
Direct costs	**(473)**	(681)	(580)
Finance costs	**(20 306)**	(18 472)	(16 078)
Internal audit	**(160)**	706	–
Secondee expenses	**(15 123)**	(14 870)	(14 270)
	(34 070)	(32 298)	(30 249)
Mirambo Limited			
Finance costs	**(101)**	(76)	(69)
Helios Towers Tanzania Limited			
Operating expenses	**98 374**	92 863	6 966
Key management compensation			
Short-term employee benefits	**(10 423)**	(10 406)	(2 749)
Post-employment benefits	**(34)**	(35)	(20)
Long-term employee benefits	**(600)**	(604)	(268)
	(11 057)	(11 045)	(3 037)
Executive directors			
Short-term employee benefits	**(3 215)**	(3 555)	(6 005)
Long-term employee benefits	**(50)**	(334)	(1 293)
	(3 265)	(3 889)	(7 298)
Non-executive directors			
Directors' fees	**(2 133)**	(1 725)	(1 627)

36. Risk management policies and objectives

36.1 Net (loss)/gain on translation of financial instruments analysed by category

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Loans and receivables	**917**	3 961	3 492
Financial liabilities measured at amortised cost	**(4 925)**	(3 312)	18 022
Net (loss)/gain	**(4 008)**	649	21 514

36.2 Financial instruments carrying amounts and classification

The group holds the following financial instruments at amortised cost:

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Financial assets			
Trade receivables	**122 370**	116 273	179 660
Sundry debtors	**50**	36	36
Cash and bank balances	**43 540**	29 441	30 422
M-Pesa balances	**3 027**	1 726	–
Short term deposits	**50 000**	70 000	–
Loan receivable	**62 525**	45 144	10 113
Intergroup receivables	**4 061**	4 928	2 347
Insurance claims	**–**	–	3 163
Other	**–**	–	2 430
	285 573	267 548	228 171
Financial liabilities			
Trade payables	**(36 360)**	(35 230)	(49 203)
Accruals	**(106 968)**	(107 250)	(84 677)
Intergroup payables	**(11 970)**	(14 478)	(29 885)
HTT operating lease liability	**(19 699)**	(10 426)	(614)
Capex creditors	**(8 912)**	(36 947)	(18 824)
Intergroup borrowings	**(217 421)**	(234 238)	(212 378)
Bank overdraft	**(3 869)**	(15 622)	(5 507)
Deposits due to agents	**(257 193)**	(222 709)	(194 266)
Interest due to customers	**(37 838)**	(32 471)	(16 571)
	(700 230)	(709 371)	(611 925)

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

Notes to the consolidated financial statements continued

36. Risk management policies and objectives continued

36.3 Interest rate

At the reporting date, the interest rate profile of the group's interest bearing financial instruments was as follows:

	Fixed rate TZS mil	Variable rate TZS mil	No Interest TZS mil
2016			
Financial assets			
Trade receivables	–	–	122 370
Sundry debtors	–	–	50
Cash and bank balances	–	–	43 540
M-Pesa balances	–	–	3 027
Loan receivable	62 525	–	–
Short term deposits	50 000	–	–
Intergroup receivables	–	–	4 061
	112 525	–	173 048
Financial liabilities			
Trade payables	–	–	(37 038)
Accruals	–	–	(106 968)
Capex creditors	–	–	(8 912)
HTT operating lease liability	–	–	(19 699)
Intergroup borrowings	–	(217 421)	–
Intergroup payables	–	–	(11 970)
Other borrowings	–	(3 869)	–
Deposits due to agents	–	(257 193)	–
Interest due to customers	–	–	(37 838)
	–	(478 483)	(222 425)
2015			
Financial assets			
Trade receivables	–	–	116 273
Sundry debtors	–	–	36
Cash and bank balances	–	–	29 441
M-Pesa balances	–	–	1 726
Loan receivable	45 144	–	–
Short term deposits	70 000	–	–
Intergroup receivables	–	–	4 928
	115 144	–	152 404
Financial liabilities			
Trade payables	–	–	(36 260)
Accruals	–	–	(107 250)
Capex creditors	–	–	(36 947)
Intergroup borrowings	–	(234 238)	–
HTT operating lease liability	–	–	(10 426)
Intergroup payables	–	–	(14 478)
Bank overdraft	–	(15 622)	–
Deposits due to agents	–	(222 709)	–
Interest due to customers	–	–	(32 471)
	–	(472 569)	(237 832)

36. Risk management policies and objectives continued

36.3 Interest rate continued

	Fixed rate TZS mil	Variable rate TZS mil	No Interest TZS mil
2014			
Financial assets			
Trade receivables	–	–	179 660
Sundry debtors	–	–	36
Cash and bank balances	–	–	30 422
M-Pesa balances	–	–	–
Loan receivable	10 113	–	–
Intergroup receivables	–	–	2 347
Insurance	–	–	3 163
Other	–	–	2 430
	10 113	–	218 058
Financial liabilities			
Trade payables	–	–	(49 203)
Accruals	–	–	(84 677)
Capex creditors	–	–	(18 824)
Intergroup borrowings	–	(212 378)	–
HTT operating lease liability	–	–	(614)
Intergroup payables	–	–	(29 885)
Bank overdraft	–	(5 507)	–
Deposits due to agents	–	(194 266)	–
Interest due to customers	–	–	(16 571)
	–	(412 151)	(199 774)

36.4 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 as an element of control. Principal financial risks faced by the group are foreign currency, interest rate, credit and liquidity risks.

Foreign currency risk

A treasury division at the parent company provides a centralised service for coordinating access to domestic and international financial markets and the managing of foreign currency, interest rate and liquidity risk. The aforementioned risks are managed subject to the limitations of the local markets. Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by the Vodacom Group 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 measure them 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 or loss post tax or equity post tax would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date. Sensitivity analysis is 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 the sensitivity analysis.

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 (USD) and to a lesser extent to the Euro (Euro), Great British Pound (GBP) and South African Rand (ZAR).

Notes to the consolidated financial statements continued

36. Risk management policies and objectives continued

36.4 Financial risk management

Foreign currency risk continued

	31 March 2016			
	USD TZS mil	Euro TZS mil	GBP TZS mil	ZAR TZS mil
Assets				
Trade and other receivables	35 293	213	–	–
Cash and cash equivalents	18 546	–	–	62
	53 839	213	–	62
Liabilities				
Trade and other payables	(42 207)	(477)	–	(36)
Cash and cash equivalents	–	(2 492)	–	–
Borrowings	(1 220)	–	–	–
	(43 427)	(2 969)	–	(36)
Net gap	10 412	(2 756)	–	(26)

	31 March 2015			
	USD TZS mil	Euro TZS mil	GBP TZS mil	ZAR TZS mil
Assets				
Trade and other receivables	24 221	207	–	20
Cash and cash equivalents	–	3 243	–	140
	24 221	3 450	–	160
Liabilities				
Trade and other payables	(25 090)	(27 206)	(27)	(1 934)
Cash and cash equivalents	(6 015)	–	–	–
Borrowings	(1 633)	–	–	–
	(32 738)	(27 206)	(27)	(1 934)
Net gap	(8 517)	(23 756)	(27)	(1 774)

	31 March 2014			
	USD TZS mil	Euro TZS mil	GBP TZS mil	ZAR TZS mil
Assets				
Trade and other receivables	21 364	–	–	–
Cash and cash equivalents	–	5 627	–	280
	21 364	5 627	–	280
Liabilities				
Trade and other payables	(42 214)	(17 931)	(7)	(1 397)
Cash and cash equivalents	(17 811)	–	–	–
Borrowings	(1 362)	–	–	–
	(61 387)	(17 931)	(7)	(1 397)
Net gap	(40 023)	(12 304)	(7)	(1 117)

36. Risk management policies and objectives continued

36.4 Financial risk management

Foreign currency risk continued

The group manages 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 years ended 31 March 2016, 31 March 2015 and 31 March 2014.

The analysis below discloses the group's sensitivity to the specified percentage change in the functional currency against the relevant foreign currencies exposed to. Management's assessment of a reasonable possible change in foreign currency exchange rates is based on estimated interest rate differentials. The analysis includes outstanding foreign-denominated monetary items only and adjusts their translations at the reporting date with the specified percentage change.

	Euro	USD	GBP	ZAR
2016				
% change	**2.48**	**5.21**	**11.83**	**5.72**
Profit/loss after tax – (TZS mil)	**65**	**1 019**	**–**	**6 870**
2015				
% change	17.16	0.24	6.71	4.52
Profit/loss after tax – (TZS mil)	2 854	14	1	56
2014				
% change	4.63	6.54	–	6.45
Profit/loss after tax – (TZS mil)	399	1 831	–	50

Interest rate risk

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

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Overdrawn bank balance	**3 869**	–	–
Bank overdraft	**–**	15 622	(5 507)
Bank fixed deposits	**50 000**	70 000	–
Shareholders loans			
Shareholders' loans linked to LIBOR	**45 960**	58 362	49 742
Shareholders' loans linked to RSA JIBAR	**171 461**	175 876	162 636
	217 421	234 238	212 378

The floating rates which the group is exposed to are the Government's 364-days T-bill, South African JIBAR (Johannesburg Interbank Average Rate) and LIBOR (The London Inter Bank Offered Rate) rates.

Notes to the consolidated financial statements continued

36. Risk management policies and objectives continued

36.4 Financial risk management continued

Interest rate sensitivity analysis

The analysis below discloses the group's sensitivity to the specified basis point change in the significant market interest rates it is exposed to. Management's assessment of a reasonable possible change in market interest rates are based on economic forecasts as published by Bloomberg.

South African JIBAR rates	2016 TZS mil	2015 TZS mil	2014 TZS mil
Basis point change	**25**	75	100
Profit/loss post tax	**(300)**	(943)	(1 163)
LIBOR			
Basis point change	**25**	50	20
Profit/loss post tax	**(78)**	(200)	(68)
Fixed deposits			
Basis point change	**100**	200	200
Profit/loss post tax	**350**	980	–

Credit risk

The carrying amounts of financial assets, which are net of impairment losses, 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 for rating the credit quality of counterparties. Contractual arrangements are entered into with network operator customers as determined by regulatory requirements and industry norms. Credit exposure is further controlled by defining credit limits per counterparty which are 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 22.1% (2015: 15.1%; 2014: 14.2%) 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 (2015:30 days; 2014:30 days). The group has not renegotiated the terms of any of its financial assets which resulted in them not being past due or impaired.

36. Risk management policies and objectives continued

36.4 Financial risk management continued

Credit risk continued

The credit risk for cash and cash equivalents 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.

	From 30 days to 60 days TZS mil	From 60 days to 90 days TZS mil	From 90 days to 120 days TZS mil	Over 120 days TZS mil	Total TZS mil
2016					
Debtors category					
Intercompany debtors	**1 739**	**1**	**–**	**2 321**	**4 061**
External debtors	**45 583**	**2 929**	**11 313**	**63 213**	**123 038**
Total	**47 322**	**2 930**	**11 313**	**65 534**	**127 099**
2015					
Debtors category					
Intercompany debtors	3 383	516	113	916	4 928
External debtors	2 854	5 175	2 420	106 854	117 303
Total	6 237	5 691	2 533	107 770	122 231
2014					
Debtors category					
Intercompany debtors	1 370	4	18	955	2 347
External debtors	16 219	15 332	7 225	95 211	133 987
Total	17 589	15 336	7 243	96 166	136 334

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 amounts disclosed are the future undiscounted contractual cash (outflows)/inflows. 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.

	0 – 1 year TZS mil	1 – 2 year TZS mil	2 – 3 year TZS mil	3 – 4 year TZS mil	4 – 5 year TZS mil	5+ year TZS mil	Total TZS mil
2016							
Financial liabilities							
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)**
Financial assets							
Trade and other receivables	**127 149**	**–**	**–**	**–**	**–**	**–**	**127 149**
Loan receivable	**62 525**	**–**	**–**	**–**	**–**	**–**	**62 525**
Cash and cash equivalents	**96 567**	**–**	**–**	**–**	**–**	**–**	**96 567**
	286 241	**–**	**–**	**–**	**–**	**–**	**286 241**

Notes to the consolidated financial statements continued

36. Risk management policies and objectives continued

36.4 Financial risk management continued

Liquidity management continued

	0 – 1 year TZS mil	1 – 2 year TZS mil	2 – 3 year TZS mil	3 – 4 year TZS mil	4 – 5 year TZS mil	5+ year TZS mil	Total TZS mil
2015							
Financial liabilities							
Intergroup borrowings	(139 747)	(94 491)	–	–	–	–	(234 238)
Bank overdraft	(15 622)	–	–	–	–	–	(15 622)
Trade and other payables	(251 955)	(10 731)	–	–	–	–	(262 686)
	(407 324)	(105 222)	–	–	–	–	(521 546)
Financial assets							
Trade and other receivables	122 267	–	–	–	–		122 267
Loan receivables	–	–	–	–	45 144	–	45 144
Cash and cash equivalents	101 167	–	–	–	–	–	101 167
	223 434	–	–	–	45 144	–	268 578
2014							
Financial liabilities							
Intergroup borrowings	(119 120)	–	(93 258)	–	–	–	(212 378)
Bank overdraft	(5 507)	–	–	–	–	-	(5 507)
Trade and other payables	(253 459)	(441)	–	–	–	–	(253 900)
	(378 086)	(441)	(93 258)	–	–	–	(471 785)
Financial assets							
Trade and other receivables	211 065	1 943	–	–	–	–	213 008
Loan receivables	–	–	–	–	–	10 113	10 113
Cash and cash equivalents	30 422	–	–	–	–	–	30 422
	241 487	1 943	–	–	–	10 113	253 543

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 USD 20.0 million (2015: USD 16.7 million; 2014: USD 16.7 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.

36. Risk management policies and objectives continued

36.5 Capital management

The group finances its operations through a mixture of retained earnings, bank and other long-term borrowings.

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.

At 31 March 2016, the group's net debt including shareholders loans to equity ratio was 16% (2015: 22%; 2014: 31%).

The following table summarises the capital of the group:

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Term loans	**217 421**	234 238	212 378
Bank overdraft and other borrowings (Note 27)	**3 869**	15 622	5 507
Cash and bank balances not restricted (Note 25)	**(133 084)**	(132 574)	(61 493)
Net debt	**88 206**	117 286	156 392
Equity	**562 553**	533 449	501 394
Net debt to equity ratio	**16%**	22%	31%

37. Ultimate holding group

The group is controlled by Vodacom Group Limited incorporated and domiciled in the South Africa, which owns, as at year end, 65% of the company's shares directly and 17.2% indirectly through the subscription of shares in Cavalry as at year-end.

The ultimate holding company is Vodafone Group Public Limited Company, incorporated and domiciled in the United Kingdom.

38. Cash generated from operations

	2016 TZS mil	2015 TZS mil	2014 TZS mil
Profit before tax	**74 485**	78 694	166 725
Adjusted for:			
Finance income	**(41 664)**	(26 748)	(14 837)
Finance cost	**44 338**	35 076	33 853
Net gain/(loss) on re-measurement of financial instruments	**4 008**	(649)	(21 514)
Operating profit	**81 167**	86 373	164 227
Adjusted for:			
Depreciation and amortization	**158 596**	143 884	141 914
Amortization of operating leases receivable	**1 615**	1 809	338
Amortization of deferred loss	**6 618**	6 051	413
Share of loss in associate undertakings	**39 262**	33 052	–
Cash-flow from operations before working capital changes	**287 258**	271 169	306 892
Decrease/(increase) in inventories	**48**	2 967	(1 235)
Decrease/(increase) in trade and other receivables	**23 882**	34 912	(28 092)
Increase in trade and other payables and provisions	**47 764**	4 588	87 603
Cash generated from operations	**358 952**	313 636	365 168

Notes to the consolidated 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:

	2016	2015	2014
Basic and diluted earnings per share (TZS)	**34.6**	38.2	152.6
Earnings attributable to equity shareholders (TZS Mil)	**29 104**	32 055	128 202
Weighted average number of ordinary shares outstanding	**840 000 100**	840 000 100	840 000 100

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 120 443 million as at 31 March 2016 (2015: TZS 102 390 million; 2014: TZS 24 155 million). The Group's directors believe that based on its operating cash flows, it will be able to meet its obligations as they fall due and that it is in compliance with all covenants contained in material borrowing agreements.
The Group uses bank facilities and the normal operating cycle to manage short-term liquidity. Depending on market conditions, the Group will continue to seek longer-term funding opportunities which will reduce the net current liability position and extend the debt maturity profile of the Group.

42. Events after the reporting dates

Acquisition of Shared Networks Tanzania Limited (SNT)

During July 2016, the Group acquired 100% of the issued share capital of SNT from its shareholders for a consideration of USD 15 million, less a working capital adjustment of USD 4 million amounting to an acquisition cost of TZS 24 246 million.
The fair value of the net identifiable assets acquired amounted to TZS 22 257 million. The goodwill represents future synergies.

SNT holds the license for usage of spectrum assets in the 900MHz band (885-890 MHz uplink and 930-935 MHz downlink) in rural Tanzania. Full integration and transfer of all SNT assets, including licenses, to Vodacom Tanzania Limited are expected to be completed by February 2017.

	2016 TZS mil
Final fair value of net identifiable asset acquired	**22 257**
Property, plant and equipment	**17 238**
Intangible assets	**24 101**
Trade and other receivables	**1 724**
Cash and cash equivalents	**35**
Trade and other payables	**(13 716)**
Deferred tax	**(7 125)**
Goodwill	**1 989**
Deferred consideration	**(3 637)**
Consideration transferred	**20 609**

42. Events after the reporting dates continued

Acquisition of Shared Networks Tanzania Limited (SNT) continued

The amounts of revenue and profit or loss of the acquiree that would have been included in the consolidated statement of profit or loss and other comprehensive income the year ended 31 March 2016, as well as the impact on consolidated revenue for the Group if the acquisition date occurred at the beginning of the annual reporting period, is immaterial.

Initial Public Offering: Listing on the Dar es Salaam Stock Exchange

The amendment by the Finance Act 2016 of section 26 of the Electronic and Postal Communications Act 2010 ("EPOCA") mandates all licensed telecommunication operators, holding licenses under the EPOCA, to have a minimum local shareholding of 25% of their authorized share capital issued to the public and listed on the Dar es Salaam Stock Exchange.

The deadline was set for 1 January 2017 which is six (6) months from the date the Finance Act 2016 came into effect on 1 July 2016. Current legislation determines that penalties may be imposed by TCRA should the IPO not take place within six months from 1 July 2016.

Resignation and appointment of Finance Director

Sateesh Kamath resigned from the position of Finance Director of Vodacom Tanzania PLC on 30 June 2016 and Jacques Marais was appointed as the new Finance Director effective 1 July 2016.

Resignation and appointment of Chairman

Mwanaidi S. Maajar resigned from the position of Chairperson of Vodacom Tanzania PLC on 16th November 2016 and Vivek Mathur was appointed as new Chairperson effective 16 November 2016.

Conversion of the Company

The Company converted from a private limited company to a public limited company and as a result the name changed from Vodacom Tanzania Limited to Vodacom Tanzania Public Limited Company (Vodacom Tanzania PLC) on 16th November 2016.

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PO Box 2369
Dar es Salaam, Tanzania

Report on financial projections of Vodacom Tanzania Public Limited Company for the years ending 31 March 2017 and 31 March 2018

We have examined the accompanying financial projections of Vodacom Tanzania Public Limited Company ('the company') and its subsidiaries (together, 'the group') in accordance with the International Standard on Assurance Engagements applicable to the examination of prospective financial information. Management is responsible for the preparation and fair presentation of the financial projections including the accuracy of the assumptions set out in the notes to the projected financial information on which they are based. Our responsibility is to issue a report on the financial projections based on our review.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the financial projections. Further, in our opinion the financial projections are properly prepared on the basis of the assumptions and are presented in accordance with the accounting policies normally used by the group.

Actual results are likely to be different from the financial projections since anticipated events frequently do not occur as expected and the variation may be material.

Ernst & Young

Ernst & Young
Certified Public Accountants
Dar es Salaam, Tanzania

Signed by: Julius Rwajekare (Partner)

Date: 12 February 2017

Projected statement of profit or loss and other comprehensive income

For the years ending 31 March 2017 and 31 March 2018

	Interim actuals and projected[1]			
	FY17			FY18
	Actuals for 6 months ended 30 September 2016[2] TZS mil	Projected for 6 months ending 31 March 2017 TZS mil	Total projected for year ending 31 March 2017 TZS mil	Projected for year ending 31 March 2018 TZS mil
Revenue	460 549	**473 931**	**934 480**	994 353
Direct expenses	(158 557)	**(154 004)**	**(312 561)**	(317 817)
Staff expenses	(26 527)	**(35 289)**	**(61 816)**	(63 016)
Publicity expenses	(18 463)	**(19 942)**	**(38 405)**	(28 593)
Other operating expenses	(127 816)	**(155 577)**	**(283 393)**	(309 896)
Depreciation and amortisation	(71 170)	**(76 466)**	**(147 636)**	(167 140)
Operating profit	58 016	**32 653**	**90 669**	107 891
Finance income	26 308	**25 274**	**51 582**	69 316
Finance costs	(24 567)	**(22 958)**	**(47 525)**	(40 047)
Net loss on translation of financial instruments	(11 311)	**(1 554)**	**(12 865)**	(46)
Profit before tax	48 446	**33 415**	**81 861**	137 114
Income tax expense	(31 898)	**(2 683)**	**(34 581)**	(41 245)
Profit for the period/year	16 548	**30 732**	**47 280**	95 869
Other comprehensive income	–	**–**	**–**	–
Total comprehensive income for the year	16 548	**30 732**	**47 280**	95 869

1. Interim actual and prospective financial information, not audited financial information.
2. Refer to Note 1.

Projected statement of financial position

As at 31 March 2017 and 31 March 2018

	Interim actuals and projected[1]		
	FY17		FY18
	Actuals as at 30 September 2016[2] TZS mil	Projected as at 31 March 2017 TZS mil	Projected as at 31 March 2018 TZS mil
ASSETS			
Non-current assets	825 586	**794 349**	768 138
Goodwill	1 988	**1 988**	1 988
Intangible assets	36 092	**38 403**	33 420
Property, plant and equipment	685 478	**658 250**	649 009
Trade and other receivables	102 028	**95 708**	83 721
Current assets	640 998	**652 021**	1 066 009
Inventories	13 283	**11 934**	13 880
Trade and other receivables	213 556	**139 960**	145 317
Income tax receivable	27 856	**31 682**	31 682
Bank balances – restricted	283 391	**323 372**	353 377
Cash and bank balances	102 912	**145 073**	521 753
Non-current assets held for sale	92 538	**25 731**	25 766
Total assets	1 559 122	**1 472 101**	1 859 913
EQUITY AND LIABILITIES			
Capital and reserves	579 101	**593 318**	1 159 154
Share capital	84 000	**84 000**	112 000
Share premium	–	**–**	441 967
Capital contribution	22 974	**22 974**	22 974
Retained earnings	472 127	**486 344**[3]	582 213
Non-current liabilities	109 367	**105 644**	95 660
Deferred income tax liability	84 745	**78 799**	68 958
Trade and other payables	24 622	**26 845**	26 702
Current liabilities	870 654	**773 139**	605 099
Trade and other payables	604 223	**538 483**	577 410
Borrowings	220 739	**194 528**	–
Government grants	8 076	**8 076**	8 076
Interest due to customers	35 816	**28 751**	16 516
Accruals and provisions	1 800	**3 301**	3 097
Total liabilities	980 021	**878 783**	700 759
Total equity and liabilities	1 559 122	**1 472 101**	1 859 913

1. Interim actual and prospective financial information, not audited financial information.
2. Refer to Note 1.
3. The projection as at 31 March 2017 is after a dividend payment of TZS 16 514 million.

Projected statement of cash flows

For the years ending 31 March 2017 and 31 March 2018

	Interim actuals and projected[1]			
	FY17			FY18
	Actuals for 6 months ended 30 September 2016[2] TZS mil	Projected for 6 months ending 31 March 2017 TZS mil	Total projected for year ending 31 March 2017 TZS mil	Projected for year ending 31 March 2018 TZS mil
Operating activities				
Profit before tax	48 446	33 415	**81 861**	137 114
Adjustments to reconcile profit before tax to net cash flows:				
Depreciation and amortisation	71 170	76 466	**147 636**	167 140
Loss on disposals of assets	3 917	3 252	**7 169**	6 682
Finance income	(26 308)	(25 274)	**(51 582)**	(69 316)
Finance costs	24 567	22 958	**47 525**	40 047
Net loss on translation of financial instruments	11 311	1 554	**12 865**	46
Movement on M-Pesa accounts	28 357	14 591	**42 948**	42 216
Working capital adjustments				
(Increase)/decrease in inventories	(7 263)	1 349	**(5 914)**	(1 946)
(Increase)/decrease in receivables	(73 317)	78 098	**4 781**	(81)
Increase/(decrease) in payables	87 925	(64 159)	**23 766**	(5 930)
Income taxes paid	(33 537)	(10 737)	**(44 274)**	(51 086)
Net cash flows from operating activities	135 268	131 513	**266 781**	264 886
Investing activities				
Additions to property and equipment and intangible assets	(106 713)	(67 652)	**(174 365)**	(154 209)
Interest received from M-Pesa customers	15 996	15 632	**31 628**	35 494
Finance income received	4 480	23 744	**28 224**	33 822
Cash held in restricted deposits	(28 405)	(39 981)	**(68 386)**	(30 005)
Repayment of loan receivable	–	53 250	**53 250**	
Purchase of subsidiary	(20 609)	–	**(20 609)**	–
Net cash flows used in investing activities	(135 251)	(15 007)	**(150 258)**	(114 898)
Financing activities				
Interest paid to M-Pesa customers	(14 363)	(20 350)	**(34 713)**	(44 110)
Interest paid on Vodacom Group loan	(27 030)	(26 772)	**(53 802)**	(95 948)
Interest paid on other borrowings	(711)	(28)	**(739)**	(659)
Proceeds from borrowings	6 241	–	**6 241**	–
Repayment of Vodacom Group loan	–	–	**–**	(102 548)
Proceeds from issue of shares – IPO	–	–	**–**	469 957
Dividends paid to shareholders	–	(16 514)	**(16 514)**	–
Net cash flows (used in)/from financing activities	(35 863)	(63 664)	**(99 527)**	226 692
Net increase in cash and cash equivalents	(35 846)	52 842	**16 996**	376 680
Cash and cash equivalents at 1 April	129 215	92 802	**129 215**	145 073
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	(567)	(571)	**(1 138)**	–
Cash and cash equivalents at the end of the year[3]	92 802	145 073	**145 073**	521 753

1. Interim actual and prospective financial information, not audited financial information.
2. Refer to Note 1.
3. Cash and cash equivalents at 30 September 2016 comprise of cash and bank balances of TZS 102 912 million and bank overdraft facilities of TZS 10 110 million, which is included in borrowings.

Notes to the projected financial information

1. Review of the actual interim financial information for the six-month period ended 30 September 2016

The actual interim financial information was reviewed by the Group's external auditor, PwC, under ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity. The external auditor's review report on the interim financial information was dated 7 February 2017. The interim financial statements reviewed by the Group's external auditor comprised special purpose financial information that was prepared in accordance with the group's accounting policies. The special purpose consolidated interim financial information was not prepared in accordance with International Financial Reporting Standards (IFRS). The following information, which is required by IFRS, was not included in the special purpose consolidated interim financial information:

- Notes explaining the new and revised accounting standards and interpretations that are effective during the period and those that will be effective in subsequent periods;
- Notes comprising an explanation of the major sources of estimation uncertainty at the end of the reporting period and other explanatory information; and
- Comparative information in respect of the preceding period.

2. Notes to the actual interim financial information for the six-month period ended 30 September 2016 (H1)

Revenue decreased by 0.8% year-on-year (YoY) to TZS 460 549 million as aggressive customer acquisition offers continued to impede market growth. However, through continued investment in channel incentives and the introduction of personalised 'Just 4 You' offers, monthly customer acquisition trends recovered during the second quarter, resulting in positive mobile active customer net additions in excess of 290 000 for the quarter.

Strong demand for mobile data services was observed during H1 where active data customers grew 8.4% YoY to over 6 million and data traffic grew by 28.4% YoY. This high growth had been achieved through continued focus on the commercial and network offerings, driving the adoption of data bundles and expanding 3G and 4G network coverage while ensuring customers have access to better low cost smart devices.

Strong M-Pesa revenue growth of 10.0% YoY in H1, accounting for 26.8% of service revenue (a +3.0pp improvement YoY). This was primarily achieved through higher volumes and customer spend as a result of the mobile payment ecosystem's expansion. During the period, the new M-Pesa platform was implemented which improved the functionality of the system significantly as well as enabled the development of new mobile money products which is essential for Vodacom to secure its market leadership and competitive advantage going forward.

Operating profit for the period was TZS 58 016 million, growing +8.1% YoY, excluding the loss from associate in the prior year. The impact of a decrease in service revenue was compounded by higher interconnect costs as greater market demand for off-net offerings was observed, as well as an increased investment in channel incentives and discounts on data-enabled devices in order to drive penetration and usage. However, these pressures were more than offset by a vigorous focus on cost containment, mainly from network operational cost savings and lower depreciation and amortisation.

Capital expenditure in H1 was TZS 95 859 million, representing 20.8% of revenue. H1 investments were primarily focused on growing the 3G footprint and rolling out new 4G technology, as well as upgrading of transmission infrastructure to accommodate the accelerated 2G, 3G and 4G sites rollout. These investments enable group to better monetise accelerated data traffic growth and remain the best network for smartphones in Tanzania.

The group acquired 100% of the issued shares of Shared Networks Tanzania (SNT). The transaction generated goodwill of TZS 1 988 million.

3. Significant assumptions used in the preparation of the projected financial information

a) The group's accounting policies as disclosed in the historical financial information are used in preparing the projected financial information.

b) The group will keep its main focus on ensuring it maintains its market leadership position by continuing to invest in expanding and consolidating its network coverage and ensure it remains competitive in the market through designing products that offer customers the best value for money.

c) The group will continue to leverage its competitive advantage on its mobile financial services (M-Pesa) through registering more M-Pesa customers, designing products and set pricing mechanism to ensure the group's mobile financial services continue to be the most preferred in the market. In this regard the group intends to be in the forefront of building a truly digital cashless society.

d) The group will continue to increase its investment in data services by ensuring top-end technology is always in place, take measures to expand the active data customer base and develop and offer more data products. The objective is to drive a robust internet penetration, connecting businesses and supporting e-government initiatives.

e) The group will increase its investment in the core infrastructure for provision of telecommunication services including investments in fibre networking in partnership with other stakeholders and expand data coverage across Tanzania and strengthening its existing 4G, 3G and 2G networks.

f) The group will create more strategic alliances with its existing and potential stakeholders in a bid to strengthen its competitive advantage in both GSM and M-Pesa markets in Tanzania, East African region and beyond.

g) Tanzania is expected to continue to have stable and predictable macroeconomic conditions supporting business growth such as GDP growth of at least 6.5%, single-digit inflation rate and relatively steady exchange rates against major currencies.

h) The population of Tanzania is forecasted to continue to grow at about 3% per annum.

i) The group forecasts to continue to record positive revenue growth and have the leading customer base in the Tanzania market.

j) It is unlikely that there will be a new entrant into the Tanzania telecommunication market. Any new player in the Tanzania market should not pose a significant competitive challenge in the period to 31 March 2018 because of market penetration and lead time to setting up a telecommunication network.

k) No new legal, regulatory and/or fiscal requirements are expected to cause significant change in the group's operations, financial performance and position.

l) No material cash out flows are expected from the open tax assessments. The group should be able to successfully defend the material open tax assessments for which no provision is made in the historical financial statements.

m) Through Vodacom Foundation Limited, the group will continue to give back to the society in the areas of education, health, promotion of self-employment and entrepreneurship insight especially among women and girls, and provision of solutions to various long standing problems in the society.

n) The company expects to raise from the IPO additional capital proceeds amounting to TZS 476 000 million by issuing of 560 000 100 ordinary shares at TZS 850 per share. The costs related to the IPO are expected to be TZS 7 125 million, of which TZS 6 043 is expected to be offset from the expected total capital proceeds to arrive at net additional capital proceeds in accordance with IFRS of TZS 469 957 million. The capital proceeds are expected to be received in the FY ending on 31 March 2018.

o) Part of the IPO proceeds will be used to repay the Vodacom Group Limited loan in the FY ending 31 March 2018.

p) The loan due to Mirambo Limited is expected to be repaid in FY18.

q) Interest income of TZS 20 804 million is expected to be earned from the investment of the capital proceeds received in FY18.

r) The group's profit before tax for the second half (H2) of FY17 is expected to be below that of the first half (H1) of FY17 due to once-off gains in H1 not recurring in H2, increased channel investment, restructuring costs and costs relating to the preparation for listing on the DSE. However, revenue for H2 is expected to exceed that of H1 with improvement year on year and revenue indicators improving.

s) No term borrowing from external lenders are expected in the two years ending 31 March 2018.

t) No derivative instruments and new employee post-employment benefits schemes are anticipated for the two years ending 31 March 2018.

u) The statutory tax rate is expected to remain at 30% in the two years to 31 March 2018. The effective tax rates are estimated at 42.2% and 30.1% for FY17 and FY18 respectively.

v) The group expects to pay dividends of TZS 16.5 billion in FY17. Dividends for FY18 will be at the discretion of the board of directors and the annual general meeting.

w) The group remains committed to its decision to exit its investment in HTT, comprising of a loan receivable and an equity investment in shares. The group expects to receive payment of the loan and interest receivable of TZS72 billion (equivalent of $30 million) in cash during FY17 which is reflected in the FY17 projection. Due to the uncertain timing of the sale of the equity investment, this is still reflected as a non-current asset held for sale in FY18.

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The Directors
Vodacom Tanzania Public Limited Company
1st Floor, Building No. 2
Mlimani City Office Park
Sam Nujoma Road
PO Box 2369
Dar es Salaam, Tanzania

Dear Sirs,

We hereby give our consent to the inclusion in the prospectus dated on or about 12 February 2017 issued by Vodacom Tanzania Public Limited Company of our Independent Reporting Accountant's reports on the historical financial information for the three years ended 31 March 2016 and the projected financial information for the two years ending 31 March 2018, and the references to our name in the form and context in which it is included, as shown in the enclosed proof of the prospectus which we have signed for identification purposes only.

We confirm that we have not at the date hereof withdrawn our consent and, provided that the prospectus is not amended in any material manner after the date of this letter, will not do so prior to the date of issue of the Prospectus.

Ernst & Young

Ernst & Young
Certified Public Accountants
Dar es Salaam, Tanzania

Signed by: **Julius Rwajekare (Partner)**

Date: 12 February 2017

PART C
LEGAL ADVISOR'S OPINION

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ENS/PROJECTLIMA/73/16/12/17 our ref
your ref
31 January, 2017 date

To: The Directors

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

Dear Sirs,

RE: LEGAL OPINION IN RESPECT OF VODACOM TANZANIA PUBLIC LIMITED COMPANY INTENDED INITIAL PUBLIC OFFER TO THE GENERAL PUBLIC OF ITS TWENTY FIVE PERCENT (25%) ORDINARY SHARES AND SUBSEQUENT LISTING ALL IT'S FULLY PAID UP SHARES AT THE DAR ES SALAAM STOCK EXCHANGE (DSE) ON THE MAIN INVESTMENT MARKET (MIM) SEGMENT

We, ENSafrica Tanzania Attorneys, corporate legal advisors and Advocates of the High Court of Tanzania, and courts subordinate thereto, save Primary Courts, practicing and qualified as such to practice in Tanzania and to advise upon the laws of Tanzania, have been instructed to act as Legal Advisors to the Vodacom Tanzania Public Limited Company ("Vodacom Tanzania") in relation to its intended offer of 25% of its shares to Tanzanian citizens and entities incorporated in Tanzania in which Tanzanian citizens have a majority beneficial ownership and subsequent listing of its shares on the Main Investment Market ("MIM") segment of the Dar es Salaam Stock Exchange ("DSE") on the terms and conditions set out in the prospectus issued by Vodacom Tanzania. Unless expressly stated or the context otherwise requires, words and terms defined in the prospectus bear the same meaning in this Opinion.

DOCUMENTS, STATUTES AND RECORDS EXAMINED:

In providing this Opinion, we have examined originals or certified copies of the following documents to our satisfaction (hereinafter referred to as ("the Documents"):

1.0 Memoranda, certificates and approvals:

1.1 A certified copy of the certificate of incorporation of the Vodacom Tanzania Limited No. 38501 dated the 15th day of December, 1999.

1.2 A copy of the certificate of change of name No. 38501 dated the 16th day of November, 2016 certifying the change of name from Vodacom Tanzania Limited ("Vodacom Tanzania") to Vodacom Tanzania Public Limited Company ("Vodacom Tanzania").

1.3 Certified copies of the Vodacom Tanzania Memorandum and Articles of Association in their original form and as amended, the amended version reprinted and filed with the Registrar of Companies on the 15th December, 1999 and the 16th day of November, 2016, respectively.

1.4 Certified copies of the Vodacom Tanzania's Board of Directors as well as its Members' Resolutions dated the 7th November, 2016, interalia, approving conversion of the Vodacom Tanzania from a private company limited by shares to a public company limited by shares; giving authority to the change of name from Vodacom Tanzania Limited to Vodacom Tanzania Public Limited Company and amendments to Vodacom Tanzania's Memorandum and Articles of Association; the sale of the 25% shareholding of Vodacom Tanzania through an Initial Public Offer ("IPO") and subsequent listing of the sold shares on the DSE's MIM segment.

1.5 A certified copy of the letter from the Capital Markets and Securities Authority ("CMSA") approving the amended Memorandum and Articles of Association of the Vodacom Tanzania.

1.6 Certified copies of the Vodacom Tanzania's audited Annual Accounts for the years ended 2013, 2014 and 2015.

1.7 Certified copies of Vodacom Tanzania's Board of Directors as well as its Members' Resolution of 25th day of January 2017 approving subdivision of Vodacom Tanzania's authorised shares from 2 billion shares to 4 billion shares and reduction of Vodacom Tanzania's nominal share value from TZS 100 to TZS 50.

2.0 Immovable properties:

2.1 Plot Numbers 49-53, C. T. No. 49468, Block M, Mbezi Juu, Kinondoni Municipal. Dar-es-Salaam, measuring 2.179 Hectare issued to Vodacom Tanzania Limited for 99 years commencing on 30th November, 1999. The property is mortgaged in favour of Citibank to secure a syndicate loan facility. The Loan facility has already been paid up by Vodacom Tanzania and the property has been discharged.

2.2 Plot Number 43, C. T. No. 186031/10, Leslie (Now Kwale) Road Kinondoni Municipal, Dar es Salaam measuring 37,550 Sq. feet issued to Vodacom Tanzania Limited for 99 Years commencing 7th April, 1948. The property is mortgaged in favour of Citibank to secure a syndicate loan facility. The Loan facility has already been paid up by Vodacom Tanzania and the property is in the process of being discharged.

2.3 Plot No. 1&2, Ground Lease No.13003, Block B NCC Link Dodoma Municipality. Issued to Vodacom Tanzania Limited for 33 years commencing 1st July 2005. The property is mortgaged in favour of Citibank to secure a syndicate loan facility. The Loan facility has already been paid up by Vodacom Tanzania and the property is in the process of being discharged.

2.4 Plot Number 1999, C.T No. 14813 Block M. Forest Area Mbeya City 1530 Sq. metres Vodacom Tanzania Limited for 33 Years commencing 1st April, 2000. The property is mortgaged in favour of Citibank to secure a syndicate loan facility. The Loan facility has already been paid up by Vodacom Tanzania and the property is in the process of being discharged.

2.5 Plot No. 751-754, C.T No.27294, Block C Nyegezi, Mwanza City measuring 4765 Sq. metres issued to Vodacom Tanzania Limited for 66 Years commencing 1st October 2009. The property is mortgaged in favour of Citibank to secure a syndicate loan facility. The Loan facility has already been paid up by Vodacom Tanzania and the property is in the process of being discharged.

2.6 Farm No.2508, C. T. No. 27653, Moshono Arumeru, Arusha measuring 4571 Sq. metres Vodacom Tanzania Limited 66 Years commencing 1st July, 2009. The property is mortgaged in favour of Citibank to secure a syndicate loan facility. The Loan facility has already been paid up by Vodacom Tanzania and the property is in the process of being discharged.

All the above titles are in good standing.

3.0 Business licenses:

3.1 License for the Provision of Network Services in Tanzania, issued by the Tanzania Communications Regulatory Authority ("TCRA") to Vodacom Tanzania Limited, commencing on 26th July, 2006 and valid for a period of 25 years from the date of grant.

Part C: Legal advisor's opinion continued

3.2 License for the Provision of Network Facilities in Tanzania, issued by the TCRA to Vodacom Tanzania Limited commencing on 26th July, 2006 and valid for a period of 25 years from the date of grant.

3.3 License for Usage of Radio frequency spectrum resources in Tanzania issued by the TCRA to Vodacom Tanzania Limited on 26th July, 2006, valid for a period of 25 years from the date of grant.

3.4 License for the Provision of National Application Services in Tanzania, issued by the TCRA to Vodacom Tanzania Limited on 12th February, 2013 and valid for a period of 10 years from the date of grant.

3.5 Vodacom Tanzania has submitted its application for the Payment System License to the Bank of Tanzania. Vodacom Tanzania will submit its application for Electronic Money Issuer License to the Bank of Tanzania upon approval of the Payment System License (as this is a requirement prior to application for Electronic Money Issuer License). In July 2016, the Bank of Tanzania allowed Vodacom Tanzania to continue offering Mobile Money Services whilst the license applications are pending. Vodacom Tanzania is also working on forming a separate M-Pesa corporate entity to comply with regulations.

3.6 Business License for the Provision of Telecommunication Services issued to Vodacom Tanzania Limited by the Kinondoni Municipality on 26th July, 2016 valid for one year from date of issue, and renewable annually on expiry.

3.7 Business License for the Provision of Telecommunication Services issued by the Ilala Municipality on 26th July, 2016 valid for one year from date of issue, and renewable annually on expiry.

3.8 Business License for the Provision of Telecommunication Services issued by the Mbeya Municipality 26th July, 2016 valid for one year from date of issue, and renewable annually on expiry.

3.9 Business License for the Provision of Telecommunication Services issued by the Nyamagana Municipality on 26th July, 2016 valid for one year from date of issue, and renewable annually on expiry.

3.10 Business License for the Provision of Telecommunication Services issued by the Arumeru Municipality 26th July, 2015 valid for one year from date of issue, and renewable annually on expiry.

4.0 Insurance policies:

The Company holds insurance covers typically in place for an organisation of its size and nature operating in the telecommunications industry.

4.1 Insurance Policy Nos. AAR/P10/01/00297/R6 and AAR/P10/01/00300/R6 dated 01/04/2016 issued by Heritage Insurance Tanzania, covering Loss or Damage to Property Insured and Loss of Revenue resulting from Fire and Allied Perils, Electronic/ Machinery Breakdown, Accidental Damage, Theft and Transit.

4.2 Insurance Policy Nos. CGL/P12/01/00106/R6, CGL/P12/01/00107/R6, CGL/P13/01/00119/R3 and CGL/P13/01/00120/R3 dated 01/04/2016 issued by Heritage Insurance Tanzania, covering Loss or Damage to Property Insured and Loss of Gross Profit resulting from Terrorism, Sabotage, Mutiny, Rebellion, Insurrection, Riot, Strike, Civil Commotion, Coup d'Etat, War and Civil War.

4.3 Insurance Policy Nos. PBL/P10/01/00132/R4, PBL/P10/01/00133/R4, CGL/P10/01/00134/R6 dated 01/04/2016 issued by Heritage Insurance Tanzania, covering Legal Liability for Injury or Damage to Third Party Persons or Property arising out of the Business.

4.4 Insurance Policy Nos. FDG/P10/01/00145/R6, FDG/P10/01/00146/R6 and FDG/P12/01/00094/R4 dated 01/04/2016 issued by Heritage Insurance Tanzania, covering Direct Financial Loss as a result of any act of Fraud or Dishonesty committed by an Insured Person.

4.5 Insurance Policy No. CAR/P10/01/00060/R5 dated 01/04/2016 issued by Heritage Insurance Tanzania, covering Physical Loss or Damage to Permanent Works and Temporary Works and all Materials, Plant, Equipment during Dismantling, Transit including loading, unloading and storage at any premises, Preparation of the contract site and during the Maintenance or Defects Liability period.

4.6 Insurance No. Policy No. NRC/P10/01/00271/R6 dated 01/04/2016 issued by Heritage Insurance Tanzania, covering import and export of Goods consisting principally of cell phones, cell phone vouchers, cell phone accessories, operational and capital equipment.

4.7 Insurance No. Policy No. GPA/P10/01/00148/R6 & GPA/P10/01/00149/R6 dated 01/04/2016 issued by Heritage Insurance Tanzania, to cover Accidental Death of or Bodily Injury to Insured Persons.

4.8 Insurance No. Policy No. MTP/P10/01/00293/R6 dated 01/04/2016 issued by Heritage Insurance Tanzania, to cover Damage to motor vehicles and third party liability arising out of the use of motor vehicles.

4.9 Insurance No. Policy No. GLTZS 4059656 dated 10/07/2015 issued by Alliance Life Assurance Limited, to cover Workers Compensation.

5.0 Intellectual property: trade and service marks:

The Company holds Certificates for Trade and Service Marks issued under section 28(2) and Regulation 50 of the Trade and Service Marks Act, 1986 which are currently in use as shown under the schedule below:-

5.1 M-Shamba under Class TZ/S/2011/17938 registered on 28th November 2012 in respect of Telecommunication Services.

5.2 M- Fundi under Class TZ/S/2011/177 38 registered on 28th November, 2012 in respect of Telecommunication Services.

5.3 M-Pawa under Class 3130436 registered on 20th October, 2015 in respect of Financial Services.

Additionally, the Company is licensed to use M-Pesa and other 122 trademarks owned by Vodacom Group Pty Limited (VGL). VGL has so far registered fifty six (56) out of 123 trademarks in both Tanzania mainland and Zanzibar and sixty seven (67) registrations are still pending. Vodacom Tanzania is permitted to use the VGL trademarks on a non-exclusive basis.

6.0 Material agreements:

6.1 Amendment Agreement No. 1 to the Tanzania Operator Consortium Fibre Network – Construction and Maintenance Agreement between and among Airtel Tanzania Limited, MIC Tanzania Limited, M/S Zanzibar Telecom Limited and Vodacom Tanzania Limited for purposes of partnering in providing Metro City Fibre Network facilities which will be used to provide telecommunication services in Tanzania and cross border access via countries and/or points beyond. The duration of the Agreement is 30 years congruent to the Indefeasible Right of Use Agreement. Pursuant to this agreement, Vodacom has joined the consortium of Telecommunications Operators who would jointly build the fibre optic infrastructure to supplement NICTBB. Vodacom Tanzania were not a party to the main agreement and became a party through Amendment Agreement No.1 referred to above.

6.2 Vodacom Group Loan Agreement: Vodacom Tanzania has an existing unsecured loan agreement dated 18th January, 2007 with the Vodacom Group (Pty) LTD (the "Lender") for a loan of US$ 17,000,000 million (the "Vodacom Group Loan") which is made available to Vodacom Tanzania commencing 31st March, 2008. By this agreement Vodacom Tanzania has an obligation, among other things, to pay the accrued interest under the agreement of 1.00% per annum, the Margin and the LIBOR for such interest period. The loan is unsecured and has been amended from time to change the interest rate and extend repayment period to 31st March 2017.

6.3 Site Services and Management Agreement between Vodacom Tanzania Limited and HTT Infraco Limited dated 19th February, 2014. This Agreement relates to provision of management services by HTT Infraco Limited to Vodacom Tanzania whereby HTT is engaged to act as the exclusive manager and operator of each Tower, Site and Early BTS Site as set out in the Agreement.

Part C: Legal advisor's opinion continued

6.4 IAAS Cloud Solution Agreement between Vodacom Tanzania and Huawei Technologies (T) Limited dated 28th December, 2015. This agreement is in connection with a cloud server solution whereby Vodacom Tanzania wishes to deploy cloud server solution on a Pay As You Use ("PAYU") basis and Huawei would supply the System and Service of cloud server in accordance with the terms and conditions set in the agreement.

6.5 Unsecured Term Loan Facility Agreement between HTT Infraco Limited ("the Borrower") and Vodacom Tanzania Limited, Helios Towers Africa Ltd and Millicom International Operations S.A. ("the Lenders") dated 19th February, 2014. This Agreement relates to the provision by the Lenders of an unsecured term loan facility of up to US$ 60,000,000.00 to the Borrower for financing its capital expenditure. The Borrower may not assign or transfer any of its rights or obligations under this loan agreement. The facility together with interest charged at 15% per annum is to be repaid by the Borrower on the Maturity Date, which is 31st December, 2019.

6.6 Super Dealer Agreement between Vodacom Tanzania and Alphatel dated 24th November, 2004. This Agreement relates to the sale and distribution of prepaid airtime, post-paid airtime and starter packs and/or other Vodacom services whereby Vodacom Tanzania has appointed Alphatel to be a Super Dealer of its product and services. Currently there is potential dispute as this agreement has recently been terminated by Vodacom Tanzania. Alphatel has issued a notice for arbitration on this matter, however, arbitration proceedings have not yet commenced.

6.7 Super Dealer Agreement between Vodacom Tanzania and Planetel dated 22nd November, 2004. This Agreement relates to the sale and distribution of prepaid airtime, post-paid airtime and starter packs and/or other Vodacom services whereby Vodacom Tanzania appointed Planetel to be a Super Dealer of its products and services. Currently there is potential dispute as this agreement has recently been terminated by Vodacom Tanzania. Planetel has issued a notice for arbitration on this matter, however, arbitration proceedings have not yet commenced.

6.8 Super Dealer Agreement between Vodacom Tanzania and Shivacom Limited dated 22nd November, 2004.This Agreement relates to the sale and distribution of prepaid airtime, post-paid airtime and starter packs and/or other Vodacom services whereby Vodacom Tanzania appointed Shivacom to be a Super Dealer of its products and services. Currently there is a potential dispute as the agreement has been terminated by Vodacom Tanzania.

6.9 Management of Call Centre Services Agreement dated 1st April 2015 between Vodacom Tanzania and Erolink Limited ("EL"): This agreement is executed in connection with management of day to day operation of the Call Centre Services where EL is responsible to receive and/or attend calls, emails, SMS and so on, on the customers' queries on the telecommunication services provided by Vodacom Tanzania and provide appropriate replies and/or solutions, attend to walk in customers to the premises of Vodacom Tanzania with queries.

6.10 M-Commerce Service Agreement between MIC Tanzania Limited ("MIC") and Vodacom Tanzania Limited dated 28th January, 2016 in relation to the establishment of a money transfer service between Vodacom Tanzania customers and MIC customers within the United Republic of Tanzania at the agreed charges set out in the agreement. The agreement has requisite Bank of Tanzania approvals.

6.11 M-Commerce Service Agreement between Vodacom Tanzania Limited and Airtel Tanzania Limited ("Airtel") dated 07th January, 2016 in relation to the establishment of a money transfer service between Vodacom Tanzania customers and Airtel customers within the United Republic of Tanzania at the agreed charges as set out in the agreement. The agreement has requisite Bank of Tanzania approvals.

6.12 Managed Services Agreement between Vodacom Tanzania Limited and Nokia Solutions and Networks Tanzania Limited ("NSN") dated 21st February 2011as amended. Under this agreement, NSN provides management services on Vodacom Tanzania's Network Operation Center in accordance with guidelines provided by Vodacom Tanzania to NSN for network operations, technical planning, business operations and Vodacom Tanzania's strategic decisions concerning the network.

6.13 Brand License Agreement dated 2nd December, 2011 between Vodafone Sales & Services Limited ("VSSL") and Vodacom Group Limited. The agreement relates to the use of Vodafone Marks by all Vodacom Group Limited subsidiaries including Vodacom Tanzania. Under this agreement, VSSL grants Vodacom Tanzania a right to use Vodafone Marks Tanzania in accordance with the terms and conditions contained in the agreement, whereby Vodacom Tanzania is using the Vodafone Marks such as "M-Pesa" in Tanzania.

6.14 Vodacom Tanzania entered into agreements with Universal Communications Access Fund ("UCSAF") in 2013, 2014 and 2015 which were awarded through a tender process, in terms of which Vodacom Tanzania receives subsidies from World Bank funding for Vodacom Tanzania to execute its rural network roll out plan under the agreements. In June 2016, Vodacom Tanzania was fined for failure to complete rollout of some of the sites on time. Failure by Vodacom Tanzania to meet the set completion deadlines under the agreement may result in additional penalties being issued against the Company and risk losing subsidies provided by the World Bank.

7.0 Litigation, arbitration, criminal prosecution and tax matters in which Vodacom Tanzania is a party:

7.1 Most tax disputes between Vodacom Tanzania and the tax authorities' results from tax audits or reviews by the tax authority. The last comprehensive tax audit covers the periods up to the year of income 2013. Hence some tax matters that have not been fully resolved may re-appear in the subsequent tax audits. Items 7.2 to 7.15 below describe the significant matters that are pending at various appellate stages.

7.2 Tax matter between Vodacom Tanzania and the Commissioner General of TRA (at the Tax Revenue Appeals Board) regarding Corporate Tax for year 2012 in the amount of TZS 47.5bn including interest and penalty of TZS 5.7bn. In this matter Vodacom Tanzania is disputing assessments in relation to tower classification, foreign exchange losses and interest deferral including interest and penalty. Vodacom Tanzania has fair prospects defending the case. However, in the event of unfavourable decision it cannot be ascertained what the decision of Appellate Tribunal will be and eventually Court of Appeal. Vodacom Tanzania Limited has fair prospects of defending the case. However, in the event of unfavourable decision it cannot be ascertained as to what will be the decision of Appellate Tribunal and eventually Court of Appeal.

7.3 Tax matter between Vodacom Tanzania and Commissioner General of TRA regarding corporate tax for year 2011 in respect of arbitrary adjustments made by TRA. In essence there is no tax demanded but the arbitrary adjustments have reduced the tax loss reduction which has a tax effect of TZS 5.6bn. There is no cash exposure to Vodacom Tanzania in case of unfavourable decision save for loss of profit as the company will be denied the right to claim loss reduction on the disputed assessment. The matter relates to withholding tax on interest on shareholders loan, satellite and undersea fibre expenses. Vodacom Tanzania has fair prospects defending the case. Nevertheless, in the event of unfavourable decision it cannot be ascertained as to what will be the decision of Appellate Tribunal and eventually Court of Appeal.

7.4 Tax matter between Vodacom Tanzania and Commissioner General of TRA (at the Tax Revenue Appeals Board) regarding Value Added Tax (VAT) for the years 2012 to 2013 of TZS 4.9bn including a penalty of TZS 1.8bn. The matter relates to VAT "reverse charge" procedure on satellite and undersea fibre cable services from foreign vendors. Vodacom Tanzania has fair prospects defending the case. Nevertheless, in the event of unfavourable decision it cannot be ascertained as to what will be the decision of Appellate Tribunal and eventually Court of Appeal.

7.5 Tax matter between Vodacom Tanzania and the Commissioner General of TRA (at the Tax Revenue Appeals Board) regarding withholding taxes for years 2011 to 2014 of TZS 3.2bn. The matter relates to international roaming expenses and the applicability of the Melbourne Treaty. Vodacom Tanzania has fair prospects defending the case. Nevertheless, in the event of unfavourable decision it cannot be ascertained as to what will be the decision of Appellate Tribunal and eventually Court of Appeal.

7.6 Tax matter between Vodacom Tanzania and Commissioner General of TRA (at the Tax Revenue Appeals Board) regarding withholding taxes for the years 2010 to 2015 amounting to TZS 9.1bn including interest and penalty of TZS 5.8bn. The matter

Part C: Legal advisor's opinion continued

relates to undersea fibre expenses and the applicability of the Melbourne Treaty. Vodacom Tanzania has fair prospects defending the case. Nevertheless, in the event of unfavourable decision it cannot be ascertained as to what will be the decision of Appellate Tribunal and eventually Court of Appeal.

7.7 Tax matter between Vodacom Tanzania and the Commissioner General of TRA (at the Tax Revenue Appeals Board) regarding Withholding Tax 2010-2012 amounting to TZS 7.8bn. The matter relates to accrued interest on shareholders loans. Vodacom Tanzania has fair prospects defending the case. Nevertheless, in the event of unfavourable decision it cannot be ascertained as to what will be the decision of Appellate Tribunal and eventually Court of Appeal.

7.8 Tax matter between Vodacom Tanzania and the Commissioner of the Zanzibar Revenue Board (ZRB) (at the Appeals Board – Zanzibar) regarding Value Added Tax for the years 2009 to 2014 amounting to TZS 2.7bn including interest of TZS 764mn. The matter relates to VAT on consumption of telecom services in Zanzibar for which VAT was also paid to Tanzania Revenue Authority under the VAT law in Mainland. Vodacom Tanzania intends to claim refund of TZS 1.9bn from the Tanzania Revenue Authority as the amounts was originally paid to the authority. Out of the TZS 2.7bn the exposure to Vodacom Tanzania is only TZS 764mn representing interest for which waiver has been sought thus if not granted the amounts will be an expense to Vodacom Tanzania.

7.9 Tax matter between Vodacom Tanzania and Commissioner General of TRA being excise duty on interconnection expenses for the years of income 2004 to 2009 amounting to TZS 14.7bn. The objection is pending at TRA. Vodacom Tanzania has very high prospects of defending the case as a similar case raised for the years 2002 to 2004 was decided in favour of Vodacom Tanzania at both the Tax Revenue Appeals Board and the Tax Revenue Appeals Tribunal with no further appeal from either party. In the very unlikely event that TRA determine the objection by ignoring the decisions of both the Tax Revenue Appeals Board and the Tax Revenue Appeals Tribunal (i.e. completely ignore the stare decisis doctrine of the law) it cannot be ascertained as to what will be the decision of Court of Appeal.

7.10 Tax matter between Vodacom Tanzania and Commissioner General of TRA (at the Tax Revenue Appeals Board) regarding withholding tax on software licenses amounting to TZS 1.7bn. Vodacom Tanzania has fair prospects of defending. However, in the event it loses the appeal the estimated liability in case the Vodacom Tanzania loses the case will be payment of TZS 835mn (as a deposit of TZS 873mn was already paid) subject to appeal processes whose outcome it is not feasible to estimate.

7.11 Tax matter between Vodacom Tanzania and Commissioner General of TRA (in process to the Court of Appeal) in respect of 100% capital allowance deduction for the year of income 2007 amounting to TZS 9.6bn. Vodacom Tanzania has fair prospects of defending. However, in the event it loses the appeal the estimated liability will be payment of TZS 4.6bn (as a deposit of TZS 5.0bn was already paid) subject to appeal processes whose outcome it is not feasible to estimate.

7.12 Tax matter between Vodacom Tanzania and the Commissioner General of TRA (at the Tax Revenue Appeals Board). Vodacom Tanzania s appealing against the TRA for disallowance of deduction of loss brought forward in the amount of TZS 119bn from the years of income 2006 and 2007 to the year of income 2008 due to adjustments against 100% capital deduction. There is no financial liability should Vodacom Tanzania lose the case save that it will lose the right to make a deduction of the losses which would enhance its profitability.

7.13 Tax matter between Vodacom Tanzania Limited and the Commissioner General of TRA (at the Tax Revenue Appeals Board) in respect of 100% capital allowances amounting to TZS 15.9bn for the year of income 2009. Vodacom Tanzania has fair prospects of defending. Nevertheless, in the event of unfavourable decision it cannot be ascertained as to what will be the decision of Appellate Tribunal and eventually Court of Appeal. Should Vodacom Tanzania Limited lose the case it will be liable to pay an amount not exceeding TZS 13.8bn (as a deposit of TZS 2.1bn was already paid).

7.14 High Court of Tanzania, at Arusha Civil Case No. 34 of 2015: Zacharia Isack versus Vodacom Tanzania in which the Plaintiff is claiming for payment of TZS. 300,000,000.00 being compensation for using his image/picture in the Company's advert without his consent. In the event the Company loses the case, its financial liability will be limited to payment of TZS. 300,000,000.00 plus costs of the suit the amounts of which cannot be estimated at this time. Vodacom Tanzania has high prospects of defending the case.

7.15 The Commission for Mediation and Arbitration for Dar es Salaam zone at Dar es Salaam CMA/DSM/KIN/R.264/15 between Joseph Magata and Vodacom Tanzania. In this matter the Complainant claims for reinstatement or payment of compensation computed at 123 months remuneration for an alleged unfair termination of his employment contract with the Company. In the event the Company loses the case, it will be liable to reinstate or re-engage the Complainant without loss of remuneration and/or pay compensation equal to 12 months salaries in lieu of reinstatement or re-engagement. Vodacom Tanzania has high prospects of defending the case.

7.16 Land Application No. 55 of 2008 filed in the District Land and Housing Tribunal for Zanzibar at Forodhani by one Fimbo Suleiman Khamis against Denge Khamis Silima Manager of Vodacom Tanzania. The Applicant claims for payment of TZS. 200,000,000.00 as general damages for trespass by the Respondents and declaratory order that the Applicant is the lawful owner of the land the subject of the suit. The estimated liability in case the Company loses the case is limited to payment of an amount not exceeding 200,000,000.00. Vodacom Tanzania has high prospects of defending the case.

7.17 High Court of Tanzania (Labour Division) at Dar es Salaam Execution No. 186 of 2016 in favour of In the Evaritha Tenson and Regina N. Magani against Vodacom Tanzania. In this labour matter the Applicant was awarded TZS 827,188,027.15 by the Commission for Mediation and Arbitration in Complaint Ref. No. CMA/DSM/KIN/565/12/390. The estimated liability to the Company in case of unsuccessful appeal is payment of TZS 827,188,027.15 being the decretal sum on the matter. Vodacom Tanzania has high prospects of defending the case.

7.18 Criminal charge filed against the Company through its Managing Director for failure to pay advertisement annual fees TZS. 733,471,000.00 to Ilala Municipal Council, for the year 2015/2016, contrary to Rule 9(b) and 69 of the Ilala Municipal Council (Billboards, Signboards, and Advertisements) By-Laws of 2010. In the event the Company loses the case, it will be liable to pay an amount not exceeding TZS 733,471,000.00. Vodacom Tanzania has high prospects of defending the case.

7.19 High Court of Tanzania (District Registry) at Dar es Salaam, Civil Case No. 77 of 2012 filed by Cats Net Limited against Vodacom Tanzania Limited. The Plaintiff claims for a declaration that the Defendant be declared a primary tort-feasor hence guilty and liable for civil wrongs/torts it has grossly and wilfully perpetrated directly against the Plaintiff as a result of the Defendant's alleged act of staging a conspiracy plot with the underlying intention of displacing the Plaintiff from its allocated frequencies in order to acquire such frequencies. On this basis, the Plaintiff has claimed for payment of US$ 200,000,000.00 in damages and US$ 300,000,000.00 in punitive damages. Vodacom Tanzania has high prospects of defending the case successfully. However should the Company lose the case the estimated liability in case the Company loses the case will be payment of an estimated amount of US$ 500,000,000.00 subject to appeal processes the outcome of which it is not feasible to estimate. Vodacom Tanzania has high prospects of defending the case.

7.20 High Court of Tanzania (Dar es Salaam District Registry) at Dar es Salaam, Civil Case No. 76 of 2006 filed by one Burchard Njunwa against Vodacom Tanzania Limited. The Plaintiff's claim against the Defendant is for payment of TZS 300,000,000.00 being compensation for damages suffered as a result of wrongful termination of the Defendant. Vodacom Tanzania has high prospects of defending the case successfully. However, should the Company lose the case the estimated liability will be payment of an estimated amount of TZS 300,000,000.00 00 subject to appeal processes the outcome of which it is not feasible to estimate. Vodacom Tanzania has high prospects of defending the case.

7.21 Commission for Mediation and Arbitration at Arusha Matter No CMA/MED/265/2015 between Elifuraha P. Mtowe and Kizumo Omar Kizango and Vodacom Tanzania Limited. In this matter the Complainants are claiming unpaid salaries TZS 88,200,000.00, leave allowances TZS 2,100,000.00, subsistence allowances TZS 4,200,000.00 and severance pay TZS 3,920,000.00 for Kizumo Kizango and TZS 4,200,000.00 for or alleged unfair termination. The Company lost the cases and is in the process of appealing to the High Court (Labour Division) against the Arbitrator's award. The intended appeal, if pursued, has a fair chance of success. In

Part C: Legal advisor's opinion continued

the event the appeal will be lost the estimated liability to the Company is limited to the decretal sum detailed in the award delivered on 18th May, 2016 that is TZS. 127,800,000.00 for Elifuraha Paul Mtowe and TZS. 134,900,000.00 for Kizumo Omar Kizango. Vodacom Tanzania has high prospects of defending the case.

7.22 High Court of Tanzania (Labour Division) at Dar es Salaam Execution No. 122 of 2016 in favour of the Applicant, Christina Tungaraza against Vodacom Tanzania Limited. In this labour matter the Applicant was awarded TZS 512,459,309 by the Commission for Mediation and Arbitration in Complaint Ref. No. CMA/DSM/KIN/R.275/1 The estimated liability to the Company in case of unsuccessful appeal is payment of TZS 512,459,309 being the decretal sum on the matter. Vodacom Tanzania has high prospects of defending the case.

8.0 The Companies Act, CAP 212.

9.0 The Capital Markets and Securities Act, CAP 79.

10.0 The Dar es Salaam Stock Exchange Rules; the Listing Rules and Specifically, the MIM segment Listing Requirements, 2016.

11.0 A certified copy of the application that has been made by Vodacom Tanzania to CMSA in respect of the Offer and Listing.

12.0 Such other records and documents provided by Vodacom Tanzania as we have considered necessary and appropriate for the purpose of this Legal Opinion.

13.0 Assumptions:

With regard to matters of fact, we have relied on the statements made to us by Vodacom Tanzania officials. In addition, for the purpose of this Legal Opinion we have assumed the following:

13.1 All written information supplied to us by Vodacom Tanzania officials is true, accurate and up to date;

13.2 The authenticity of documents submitted as original and the conformity with the original documents of all documents submitted to us in copies;

13.3 The genuineness of all signatures on all documents provided to us;

13.4 All agreements and other relevant documents have been duly authorized executed and delivered by the parties to those documents other than the DSE;

13.5 All approvals and licenses have been properly procured;

13.6 With respect to the matters of fact, we have relied on the representations of Vodacom Tanzania and its officers and advisors.

14.0 Opinion:

Based on the information made available to us by the Vodacom Tanzania officials, as well as the Vodacom Tanzania records listed above and taking into account the matters contained in the documents above, and subject to reservations set out below and any matters not disclosed to us, we hereby opine as follows:

14.1 That Vodacom Tanzania is duly registered as a Public Limited Company in Tanzania pursuant to the provisions of the Companies Act, the CMSA Act and the DSE Rules, with powers to execute, deliver and exercise its rights and perform its obligations pursuant to the Offer for Sale and the Listing, and that such execution and performance have been duly authorized by appropriate corporate actions.

14.2 That Vodacom Tanzania has secured all material licenses, the requisite authorizations, approvals and consent required for it to float 25% of its shares to Tanzanian citizens and entities incorporated in Tanzania in which Tanzanian citizens have a majority beneficial ownership and have the subscribed shares self-listed at the DSE on the Main Investment Market (MIM) segment, and no other corporate action is required to authorize the Offer and the Listing.

14.3 That the execution and consummation of the Offer and the Listing do not conflict with, and shall not result in the breach of any law, regulation, rule, circular or any agreement or obligation to which the DSE is a party to or bound by, which would individually or in the aggregate, impair the validity of the Offer and the Listing or have material adverse effect on the ability of Vodacom Tanzania to perform its obligations after the Offer and the Listing.

14.4 That the existing share capital of Vodacom Tanzania has been authorized and issued in conformity with all applicable laws and has received all necessary authorizations.

14.5 That the transactions contemplated by the Offer and the performance by Vodacom Tanzania of its obligations there under will not violate any laws of Tanzania.

14.6 That after successful conclusion on the IPO and upon meeting the listing requirements under the MIMS, the issuer shall be successfully listed on its MIMS Board Vodacom Tanzania has met the basic listing requirements of the MIMS segment including.

14.7 Save for the contracts specifically disclosed in the prospectus, Vodacom Tanzania has not entered into any material contracts (being contracts entered into outside of the ordinary course of Vodacom Tanzania's business) in the two years immediately preceding the date of the prospectus.

14.8 Save for the litigations disclosed in the prospectus, there are no material litigations or arbitration, prosecution or other civil or criminal legal actions in which Vodacom Tanzania or as directors of Vodacom Tanzania are involved, which could have a material effect on business; and or its intended offer for sale of its shares to Tanzanian citizens and entities incorporated in Tanzania in which Tanzanian citizens have a majority beneficial ownership and self-listing of its shares at Vodacom Tanzania on the MIM's.

14.9 Subject to the assumption that this report remains true and correct as of the date of this Legal Opinion, Vodacom Tanzania holds all material approvals/licenses and consents required to perform its business; and,

14.10 Subject to the above, there are no other material items not mentioned in the prospectus of which we are aware of with regard to the legal status of Vodacom Tanzania and the Offer.

15.0 Reservations:

This letter and the Opinion given are governed by Tanzania laws and relate only to Tanzania laws as applied by Tanzanian courts at the date of this opinion. We express no opinion in this opinion on the laws of any other jurisdiction.

16.0 Conclusion:

This Opinion is given to the Directors of Vodacom Tanzania Public Limited Company for the purposes of initial public offer to the general public of its twenty five percent (25%) ordinary shares and subsequent listing all its fully paid up shares at the Dar es Salaam Stock Exchange ("DSE") on the Main Investment Market ("MIM") Segment and not for any other purpose. It may be relied upon only by Vodacom Tanzania, the DSE and CMSA but not any other person unless our written consent has been sought and obtained.

Yours Sincerely,

Dr Alex T. Nguluma
Managing Partner
ENSAfrica Tanzania Attorneys

PART D

APPLICATION

for Subscription of Shares of
Vodacom Tanzania Public Company Limited

APPLICATION FORM NO:..................

Application for Subscription of Shares of Vodacom Tanzania Public Company Limited

In respect of an Initial Public Offering (IPO) of 560 000 100 Ordinary Shares of Vodacom Tanzania Plc.

COMPLETE IN CAPITAL LETTERS

A:	CSD ACCOUNT NO.		AUTHORISED COLLECTING AGENT NO.	

B:	BANK DETAILS	
	Bank Name	
	Account No.	

C:	APPLICANT(S)						
		First	Middle	Surname			
	Primary Applicant				Nationality		
	Joint Applicant – 1				Nationality		
	Joint Applicant – 2				Nationality		
	Corporate Applicant (Name)						
	Registration No.		Country of Registration				
	Contacts:	PO Box		Tel.		Email	
		PO Box		Tel.		Email	

D:	APPLICATION			
	Number of Shares Applied for		Amount Payable (TZS) No of Shares X Offer Price	

E:	PAYMENT (Please tick the appropriate box)							
	Electronic		Cash		Mobile transfer		Sender's Phone No:	
	Banker's Cheque No:						Bank Guaranteed (State)	

I/We, the Applicant(s), hereby certify that I am/we are eligible to apply for and be allotted the Offer Shares on the basis of the criteria stated in paragraphs 2.2.2 and 2.2.3 of the prospectus published by Vodacom Tanzania.

F:	SIGNATURES	Signature 1	Signature 2	Signature 3
	Signed:			
	Date (DD/MM/YR)			

APPLICATION FORM NO:..................

G:	CUSTOMER'S RECEIPT			
	Name of Applicant: (First/Middle/Last)			
	CSD No.		Shares applied for:	
	Date: (DD/MM/YR)			
	RECEIVING AGENT		SIGNATURE AND STAMP	

Part D: Application for Subscription of Shares of Vodacom Tanzania Public Company Limited continued

General information

1) An applicant must be a holder of a CSD Account. In order to open a new CSD account, please contact an authorised agent and attach your CSD account application form with this form.

2) Applicants are required to observe the terms and conditions contained in the prospectus.

3) The Issuer reserves the right to accept or reject any application in whole or in part particularly if the instructions set out in the prospectus and in this application form are not complied with.

Specific instructions

1) Section A is mandatory for all applicants and must be completed correctly.

2) Section B is mandatory for all local applicants who have bank accounts in Tanzania. Data in this section will be used for refunds (if applicable).

3) Section C should be filled in correctly; the names in the CSD account must be the same as those presented in section A and if they are not, the applicant is advised to update the CSD Account data immediately through an authorised agent.

4) Section D – applicants should make their request to purchase shares for a minimum of 100 shares and in multiples of 10. The amount payable shall be the number of offer shares applied for multiplied by TZS 850. For example 120 offer shares x TZS 850 = TZS 102 000.

5) Section E provides five (5) options for making payment, including mobile cash transfer. Please tick the appropriate box. If using mobile cash transfer, correctly provide the data required.

6) Section F is for signatures by not later than the closing date. For institutions and companies, the signatures should be as per mandate.

7) Customer receipt part should be fully completed, the applicant should keep the slip is safe custody.

PART E

AUTHORISED

Collecting Agents

Authorised Collecting Agents

Orbit Securities Company Limited
PO Box 70254, Da res Salaam
4th Floor, Golden Jubilee Towers
Ohio Street
Tel: +255 22 211 1758
Fax: +255 22 211 3067
E-mail: orbit@orbit.co.tz

Tanzania Securities Limited
PO Box 9821, Dar es Salaam
7th Floor, IPS Building
Samora Avenue/Azikiwe Street
Tel: +255 (22) 211 2807
Fax: +255 (22) 211 2809
Mob: +255 71 879 9997/+255 71 324 4758
E-mail: info@tanzaniasecurities.co.tz
Website: www.tanzaniasecurities.co.tz

TIB Rasilimali Limited
PO Box 9373, Dar es Salaam
7th Floor, Samora Tower
Tel: +255 22 211 1711
Fax: +255 22 212 2883
Mob: +255 71 377 7818/+255 78 477 7818/+255 75 428 3185
E-mail: rasilimali@africaonline.co.tz

Core Securities Ltd
PO Box 76800, Dar es Salaam
Fourth Floor – Elite City
Building, Samora Avenue
Tel: +255 22 212 3103
Fax: +255 22 212 2562
E-mail: info@coresecurities.co.tz
Website: www.coresecurities.co.tz

Vertex International Securities Ltd
PO Box 13412, Dar es Salaam
Annex Building – Zambia
High Commission
Sokoine Drive/Ohio Street
Tel: +255 22 211 6382
Fax: +255 22 211 0387
E-mail: vertex@vertex.co.tz
operations@vertex.co.tz
Website: www.vertex.co.tz

SOLOMON Stockbrokers Limited
PO Box 77049, Dar es Salaam
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Samora Avenue/Morogoro Road
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Mob: +255 71 426 9090
+255 76 426 9090
E-mail: solomon@simbanet.net
info@solomon.co.tz
Website: www.solomon.co.tz

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6th Floor, IT Plaza, Ohio Street
PO Box 20650, Dar es Salaam
Tel +255 77 974 0818/+255 78 446 1759
E-mail: EC@EACAPITAL-TZ.COM

Zan Securities Limited
Viva Tower, 2nd Floor, Unit-15, Bibititi Road
PO Box 5366, Dar es Salaam
PO Box 2138, Zanzibar
1st Floor, Muzammil Centre
Malawi Road, Zanzibar
Tel: +255 22 212 6415
Fax: +255 22 212 6414
Mob: +255 78 634 4767, +255 75 589 8425
E-mail: info@zansec.com

Optima Corporate Finance Limited
PO Box 4441, Dar es Salaam
Plot No 565 "B", Senga Street , Mikocheni
Tel: +255 68 485 6648
Email: gichohi@optimacorporate.co.tz

ARCH Financial & Investment Advisory Limited
PO Box 38028 Dar es Salaam
2nd Floor, Wing C, NIC Life House, Sokoine Drive/Ohio Street
Tel. +255 22 73 292 2396
Fax +255 22 73 292 8489

SMART Stock Brokers (T) Ltd
PO Box 1056878, Dar es Salaam
1st Floor, Masdo House
Samora Avenue
Tel: +255 22 213 3607
Email: info@smartstockbrokers.co.tz

Maxcom Africa Limited Mobile Banking
PO Box 31211, Dar es Salaam
First Floor, Sit 3-4, Millennium Tower
Makumbusho Area,
Tel. +255 757 244 424
+255 764 700 200
Email: infor@maxcomafrica.com

Prudential Capital Group Limited
3rd Floor, Tancot House
Sokoine Drive/Pamba Road
PO Box 8211, Dar es Salaam
Tel: +255 687 89 49 93
Email: info@prudentialcapitalgroup.com

Victory Financial Services Limited
ATC Building
Ohio Street/Garden Avenue
PO Box 8706, Dar es Salaam
Tel: +255 22 211 2691
Email:

Licensed Investment Advisors

Orbit Securities Company Limited
4th Floor
Golden Jubilee Tower
Ohio Street
PO Box 31831, Dar es Salaam
Tel: +255 22 211 1758
Fax: +255 22 211 3067
E-mail: orbit@orbit.co.tz
Website: www.orbit.co.tz

Zan Securities Limited
PO Box 5366
2nd Floor, VIVA Towers
Ali Hassan Mwinyi Road
Dar es Salaam
PO Box 2138
1st Floor
Muzammil Centre
Malawi Road
Zanzibar
Tel: +255 22 212 6415
Fax: +255 22 212 6414
Mob: +255 78 634 4767, +255 75 589 8425

Consultants for Resources Evaluation Limited (CORE)
Elite Building, 4th Floor
Samora Avenue/Morogoro Road
PO Box 768000, Dar es Salaam
Tel: +255 22 212 3103
Fax: +255 22 218 2521
Email: info@coresecurities.co.tz
lfumbuka@coresecurities.co.tz
Website: coresecurities.co.tz

FTC Consultants Ltd
2nd Floor, Osman Towers
Zanaki Street
PO Box 22731, Dar es Salaam, Tanzania
Tel: +255 77 467 6676
Fax: +255 22 213 0519
www.ftc-tz.com

Cornerstone Partners Ltd
Unit 217
Harbour View Tower
Samora Avenue
PO Box 9302, Dar es Salaam, Tanzania
Tel: +255 22 212 3491/2
Fax: +255 22 212 3493
Email: info@cornerstonepartners.co.tz
www.cornerstonepartners.co.tz

Stanlib Tanzania Limited
4th Floor, Maktaba Square
Maktaba Street
PO Box 7495, Dar es Salaam

Stanbic Bank (T) Ltd
Stanbic Centre, 99A
Kinondoni Road
PO Box 72647, Dar es Salaam, Tanzania
Tel: +255 22 266 6430/480
Tel: +255 22 219 6467
Fax: +255 22 266 6301
Website: www. stanbicbank.co.tz

Vervet Global
1st Floor, C&G Plaza
672/2 Mwai Kibaki Road
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Email: info@vervetglobal.co.tz
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Exim Advisory Services Ltd.
(Fund Manager)
8th Floor, Office Academy Scheme Building
Plot 2385/12, Azikiwe Street
PO Box 3219, Dar es Salaam

Standard Chartered Bank Tanzania Limited
International House
Shaaban Robert Street/Garden Avenue
PO Box 9011, Dar es Salaam
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Fax: +255 22 212 2089

ARCH Financial & Investment Advisory Limited
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PO Box 38028, Dar es Salaam
Tel: +255 22 73 292 2396
Fax : +255 22 73 292 8489

Solomon Stockbrokers Limited
PPF House, Ground Floor
Morogoro Rd/Samora Avenue
PO Box 77049, Dar es Salaam
Tel. +255 22 212 4495/+255 22 211 2874
Fax. +255 22 213 1969
Email: info@solomon.co.tz
Website: www.solomon.co.tz

Rasilimali Limited
CHC Building, 3rd Floor
Samora Avenue/Zanaki Street
PO Box 9373, Dar es Salaam
Tel: +255 22 211 1711/+255 78 477 7818/+255 71 377 7818
Fax: +255 22 211 3438
Email: rasilimal@ africaoline.co.tz

Part E: Licensed Investment Advisors continued

Skylink Financial Services Limited
4th Floor, Amani Place
Opposite Dar es Salaam
Serena Hotel
PO Box 21338, Dar es Salaam
Tel: +255 22 211 5381
Fax : +255 22 211 2786/+255 22 211 4562
Email: info@skylinkfinancialservices.com

Tanzania Securities Limited (Fund Manager)
7th Floor, IPS Building
Samora Avenue/Azikiwe Street
PO Box 9821, Dar es Salaam
Tel: +255 22 211 2807
Fax: +255 22 211 2809
E-mail: info@tanzaniasecurities.co.tz
Website: www.tanzaniasecurities.co.tz

Unit Trust of Tanzania (Fund Manager)
3rd Floor, Sukari House
Sokoine Drive/Ohio Street
PO Box 14825, Dar es Salaam
Tel: +255 22 212 2501/213 7592/212 8460/61
Fax: +255 22 213 7593
Email: uwekezaji@utt-tz.org
Website: www.utt-tz.org

Bank M Tanzania Limited
Money Centre
8 Ocean Road
PO Box 96, Dar es Salaam
Tel: +255 22 212 7824
Fax: +255 22 212 7825
Website: www.bankm.co.tz

Omega Capital Limited
PO Box 23227
c/o CORE Security Limited
Elite City Building
Samora Avenue
PO Box 76800, Dar es Salaam

Tanzania Mortgage Refinance Company
15th Floor, Golden Jubilee Tower
PO Box 105678, Dar es Salaam

Ernst & Young
4th Floor, Tanhouse Tower
Plot 34/1 Ursino South
New Bagamoyo Road
PO Box 2475, Dar es Salaam, Tanzania
Tel: +255 22 292 7868
Fax: +255 22 292 7872
Email: info@ey.co.tz

Equity for Tanzania Ltd (EFTA)
PO Box 1747 Moshi.
Tel: +255 27 275 0657

M Capital Partners Limited
Plot No.8, Obama Road
PO Box 96, Dar es Salaam

National Bank of Commerce Limited
Sokoine Drive & Azikiwe Street
PO Box 1863, Dar es Salaam, Tanzania
Tel: +255 22 219 9793,
+255 76 898 0191
Fax: +255 22 211 2887/211 3749
Email: contact.nbc@nbctz.com
Website: www.nbctz.com

Smart Stock Brokers Limited
1st Floor, Masdo House
PO Box 105678, Dar es Salaam
Exim Bank Tanzania Limited
PO Box 1431, Dar es Salaam

Documents for inspection
a) The Memorandum and Articles of Association of 15 December 1999 as amended;
b) Board resolution and members resolution 7 November 2016 and 16 November 2016 respectively approving conversion of Vodacom Tanzania to a public Company limited by shares;
c) Certified copies of Vodacom Tanzania's audited consolidated financial statements for the 2014, 2015 and 2016 financial years;
d) Vodacom Tanzania business valuation report February 2017; and
e) The Reporting Accountants report of the Vodacom Tanzania business.

National Bank of Commerce branches

BRANCH	CONTACT NUMBER	PHYSICAL ADDRESS/ LAND MARK
ARUSHA	+255 0767210493	New Arusha Road Box 3004, Arusha
BABATI	+255 0767210747	Dodoma Transport Build Box 333, Babati
BUKOBA	+255 0754210369	Jamhuri Road Box 843, Bukoba
CHANG'OMBE	+255 0767210536	DUCE Campus Box 72152, DSM
CORPORATE	+255 0767211745	Sokoine Drive/ Azikiwe Street Box 9062, DSM
DODOMA	+255 0754210345	Kuu Street Box 1443, Dodoma
GEITA	+255 0754444950	Box, 476 Geita, Mwanza
IGOMA	+255 0754265425	Nyakato Industrial Area, Musoma Road Box 958, Mwanza
INDUSTRIAL	+255 0767211793	Nyerere Road Box 40301, DSM
IRINGA	+255 0767210997	Uhuru Ave Box 981, Iringa
KAHAMA	+255 0767211764	Lumelezi Street Box 1102, Kahama
KARATU	+255 0767210346	Box 281 Karatu Town
KARIAKOO	+255 0767211699	Livingsone/ Mchikichi Street Box 70191, DSM
KIBAHA	+255 0766211691	Morogoro Road, Njuweni Build Box 30200, Kibaha
KICHWELE	+255 0754210344	Indira Gandhi Street Box 9044, DSM
KIGOMA	+255 0767211764	Lumumba Road Box 75, Kigoma
KINONDONI	+255 0767210327	Mwanamboka Petrol Station Box 70563, DSM
LINDI	+255 0767211738	Baraza Street Box 1083, Lindi

BRANCH	CONTACT NUMBER	PHYSICAL ADDRESS/ LAND MARK
MAKAMBAKO	+255 0754280135	Songea Road, Ubena Street Box 550, Makambako
MASASI	+255 0767211064	Masasi Town Box 143, Masasi
MBAGALA	+255 0767211452	Kilwa Road, Big Born Building Box 72802, DSM
MBEYA	+255 0754210457	Karume Ave Box 700, Mbeya
MBEZI BEACH	+255 0754538131	Bagamoyo Road/ Mbezi Garden Box 71188, DSM
MERU	+255 0767210893	Colonel Middletown Road, Kaloleni Street Box 16576, Arusha
MLIMANI CITY	+255 0767820493	Sam Nujoma/ Mpakani Road Box 72375, DSM
MNAZI MMOJA	+255 07672104359	Jamhuri Street Box 2023, DSM
MOROGORO	+255 0767210340	Machupa Road Box 631, Morogoro
MOSHI	+255 0754210354	Old Moshi Box 3030, Kilimanjaro
MTWARA	+255 0767434304	Uhuru Street Box 142, Mtwara
MUHIMBILI	+255 0767210558	Muhimbili National Hosp Box 65515,DSM
MUSOMA	+255 0767210779	Mukendo Street Box 304, Mara
MWANZA	+255 0754 210357	Liberty Street Box 197, Mwanza
NJOMBE	+255 0755656165	Bomani Street Box 40, Njombe
NYANZA	+255 0762211050	NSSF Build Box 1261, Mwanza
NZEGA	+255 0767210992	Singida Road, Nyasa Area Box 338, Nzega
SAMORA	+255 0767210632	Samora Avenue/ Mission Street Box 9002 DSM

Part E: National Bank of Commerce branches continued

BRANCH	CONTACT NUMBER	PHYSICAL ADDRESS/ LAND MARK
SEA CLIFF	+255 0767210406	Sea Cliff Hotel Box 72243, DSM
SHINYANGA	+255 0767210586	Tabora Road Box 775, Shinyanga
SINGIDA	+255 0767210813	Boma Road Box 150, Singida
SONGEA	+255 0767211179	Mpate Street Box, 435, Ruvuma
SUMBAWANGA	+255 0754210333	Mbeya Road Box 140, Sumbawanga
TABORA	+255 0767 210686	Market Street Box 1738, Tabora
TANGA	+255 0767210118	Market Street Box 5031, Tanga
TARIME	+255 0767210114	City Centre Area, Kenyatta Road Box 5, Musoma
TEGETA	+255 0767211739	Tegeta Area Box 70891, DSM
TUKUYU	+255 0754210017	Bomani Road Box 81, Tukuyu, Mbeya
TUNDUMA	+255 0754745411	Tunduma Zambia High way Box 321, Tunduma, Mbeya
UBUNGO	+255 0757210812	Morogoro Road Box 9780, DSM
UDSM	+255 0767210334	University Road Box 35181, DSM
VICTORIA	+255 0754210296	Ali Hassan Mwinyi Road Box 63164, DSM
ZANZIBAR	+255 0773690706	Kenyatta Road Box 157, Zanzibar

STUDIO 5

Vodacom
Power to you