NOTES

1 General information

Safaricom Limited is incorporated in Kenya under the Companies Act as a public limited liability Company, and is domiciled in Kenya.

The address of the registered office of the Company is:
L.R. No. 13263
Safaricom House, Waiyaki Way
P.O Box 66827-00800
NAIROBI

The Company's shares are listed on the Nairobi Securities Exchange.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of comprehensive income in these financial statements.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousands, except where otherwise stated.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise its judgement in the process of applying the Group's accounting policies.

The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Change in the presentation of SoCI to reflect EBITDA

The group changed the presentation of expenses on the statement of comprehensive income from function to nature method and introduced a performance measure, earnings before interest, taxes, depreciation and amortisation (EBITDA).

This presents more relevant information on the operational performance of the group to the users of the financial statements. EBITDA presentation is the presentation preferred in the market the group operates in. It is the presentation management uses to communicate performance to the investors, who are the largest users of the group financial statements. The change in presentation does not have any impact on the opening balances; resultantly, no third statement of financial position has been presented.

Management define EBITDA as the trading revenue less direct and operating costs. Direct costs are the cost of services and merchandise consumed to generate proportionate revenues. Operating costs include expenses incurred to support the business operations on a day to day basis, and excludes estimates of use for wasting assets and financing activities. The impact of the change in presentation is analysed in Note 30.

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the group

The following standards are effective for the financial year beginning on or after 1 April 2013. Management has assessed them and none has had a material impact on these consolidated financial statements.

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(i) New and amended standards adopted by the group (continued)

IAS 19, 'Employee benefits'. The changes on the group's accounting policies has been as follows: to immediately recognise all past service costs; and to

replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offseting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

(ii) New standards and interpretations not yet effective and not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition.

The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of profit or loss, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

NOTES (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet effective and not yet adopted (continued)

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The interpretation is effective for periods beginning on or after 1 January 2014.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured and special purpose entities) over which the Group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners.

The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

2 Summary of significant accounting policies (continued)

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iv) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting. Under the equity method, the investments are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss as appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associate' in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising from investments in associates are recognised in the statement of profit or loss.

(v) Separate financial statements

In the separate financial statements, investments in subsidiaries and associates are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

NOTES (continued)

2 Summary of significant accounting policies (continued)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Kenya Shillings (Shs), which is the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in other comprehensive income and cumulated in 'available-for-sale financial assets reserve'.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Senior Leadership Team (SLT) that makes strategic decisions.

The SLT consider the group to be comprised of one operating segment. The financial statements are presented on the basis that risks and rates of return are related to this one reportable segment.

(e) Revenue recognition

Revenue represents the fair value of the consideration received or receivable for sales of goods and services, and is stated net of value-added tax (VAT), excise duty, rebates and discounts. The Group's principal business is the provision of telecommunication services. The business is transforming itself to a Total Telecommunication Solution provider. Airtime, Mobile phone handsets, starter packs and other accessories are sold through dealers and own-retail centres spread across the country. Starter packs consist of a SIM card and information brochures. There is no right of return for SIM cards.

M-PESA is a Safaricom Limited service allowing customers to transfer and withdraw money or pay for goods and services (Lipa na M-PESA) using a mobile phone. Kenya was the first country in the world to use this service, which is operated under license from Vodafone. M-PESA is available to all Safaricom Limited subscribers (PrePay and PostPay). Registration is free and available at any M-PESA agent countrywide.

The M-PESA application is installed on the SIM card and works on all makes of handsets. Revenue from this service is earned largely from transfer and withdrawal transactions performed by customers. A tariff that is graduated depending on the funds being transacted is applied on all transactions which are cumulatively reported as M-PESA transaction commission revenue.

Safaricom Limited in partnership with Commercial Bank of Africa (CBA) launched a product called "M-Shwari" in November 2012. M-Shwari is a first of its kind service.

2 Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

in the world. M-Shwari is essentially a bank service that allows M-PESA customers to save, earn interest and borrow money using their mobile phones. M-Shwari customers can save as little as Shs 1 (USD 0.012) and get loans from as little as Shs 100 (USD 1.16). This has enabled more subscribers to get access to mobile banking services that they did not have before. M-Shwari has no application forms, no ledger fees, no limits on the frequency of withdrawal, no minimum operating balance and no charges for moving money from M-PESA to M-Shwari account and vice versa. Revenue from this service is earned from the facilitation fee charged at the point of loan disbursement and this is shared between Safaricom Limited and CBA.

The Safaricom Limited headline Voice tariff is called Uwezo at on-net rate of Shs 4 during the day and Shs 2 from 10pm to 8am and Shs 4 off-net. The headline tariff is applicable to both PrePay and PostPay customers. PostPay tariff plans are available for subscribers who opt to pay their bills at the end of the month. Corporate customers, depending on their usage, also qualify for further discounts.

On SMS, customers can send messages for Shs 1 on both on-net and off-net. There are also attractive SMS bundles which offer an effective price per SMS lower than Shs 1.

On data a wide range of propositions is available based of customers' requirements. These include daily bundles, limited bundles and time based billing.

Income from sale of scratch cards is deferred and recognized as revenue on usage.

Sales of mobile phones and starter packs are recognised in the period in which the Group delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

A loyalty programme, 'Bonga', was introduced in January 2007 to both PrePay and PostPay subscribers. In this scheme, subscribers earn one Bonga point for every Shs 10 spent on voice calls, short messages service (SMS), data and M-PESA services. These points can be redeemed for free airtime, SMS or merchandise such as phones, modems and tablets.

Management defers revenue for every point accumulated and recognises the revenue relating to the point earned only on redemption. The position in March 2014 was that 84% of the points redeemed were for non-merchandise items (airtime, voice minutes, data bytes and SMS) while 16% was redeemed for merchandise items.

For fixed data services, revenue is based on the bandwidth and speed contracted by the customer. Revenue is recognized at the end of every month based on a standard monthly charge. For mobile data customers there are various offers including data bundles which are priced in proportion to the bandwidth in the bundle. Revenue arising from the different service plans and tariffs are recognised as and when the airtime and bandwidth is used by the customer. All unutilised airtime is accounted for as deferred revenue.

Interest income is recognised using the effective interest method.

(f) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost and subsequently depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to write down the cost of each asset to its residual value over its estimated useful life as follows:

Network infrastructure	3 - 10 years
Equipment and motor vehicles	3 - 5 years
Fibre	25 years
Leasehold improvements	Shorter of life of lease or useful life of the asset

NOTES (continued)

2 Summary of significant accounting policies (continued)

(f) Property, plant and equipment (continued)

Fibre is a new category of property, plant and equipment that relates to self-constructed optical cable for long-distance telecommunication and high-speed data connection.

Capital work in progress, which represents additions to property, plant and equipment that have not yet been brought into use, is not depreciated. Additions are transferred into the above depreciable asset classes once they become available for use upon commissioning.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each period end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Property, plant and equipment acquired in exchange for non-monetary assets or a combination of monetary and non-monetary assets are measured at fair value of the new asset. If the fair value cannot be determined reliably, then the exchanged asset is measured at the carrying amount of the asset given up.
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Gains and losses on disposal of property and equipment are determined by comparing proceeds with their carrying amounts and are taken into account in determining profit for the period.

(g) Intangible assets

(i) Goodwill

Goodwill represents the excess of the aggregate of the fair value of compensation transferred, the acquisition date fair value of any previously held interest and any non-controlling interest over fair value of assets and liabilities acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investment in associates.

Any negative goodwill arising from an acquisition is credited to the statement of comprehensive income. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(ii) Licenses

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 15 to 20 years.

2 Summary of significant accounting policies (continued)

(g) Intangible assets (continued)

(ii) Licenses (continued)

A network licence is a requirement of the Communications Commission of Kenya (CCK) for mobile telephone companies. The licence is renewable for an additional period upon its lapse.

Network licence fees are capitalised at cost and amortised over the period of the licence on a straight-line basis from commencement of the service of the network.

Currently, the Group has the following licenses:

Safaricom Limited is licensed under the Unified Licence Framework which means it possesses

- a Network Services Provider license Tier 1;
- Applications Services Provider license;
- Content Service Provider licence and an International Gateway license; and
- 3G licence.

These licences are deemed to have been issued in June 1999 for a 15 year term ending 30 June 2014. The directors are confident that the ongoing renewal proceedings with the Communications Commission of Kenya will be concluded satisfactorily.

Initial amortisation of the licence was calculated in proportion to the average actual customers of the network in the relevant period against total planned customers at maturity. As at 31 March 2002, the network was considered mature and the amortisation policy changed to a straight line basis and the remaining net book value is being amortised over the remaining life of the licence.

The following licenses are also in place;

- Local Loop Operator License (LLO) issued to Comtec Training and Management Services Limited in March 2006;
- Internet Service Provider (ISP) issued to Flexible Bandwidth Limited in March 2006;
- Digital Carrier Network Operation (DCNO) issued to Comtec Integration Systems Limited in March 2006;
- Public Data Communications Network Operator Licence (PDCNO) transferred to Safaricom Limited in September 2011 (held by PacketStream
- Public Data Network Operators Licence (PDNO) transferred to Safaricom Limited in September 2011 (held by IGO Wireless Limited from July 2005); and Content Service Provider (CSP) and Application Service Provider License (ASP) issued to Instaconnect Limited in 30 April 2009.

The LLO and DCNO Licences were acquired by the Group on 31 August 2008 when Safaricom Limited purchased 51% of the issued share capital of One Communications Limited, a WIMAX service provider. Safaricom Limited subsequently acquired the remaining 49% of OCL on 31 July 2012.

The CSP and ASP licences were acquired by the Group on 3 November 2010 when Safaricom Limited purchased 100% of the issued share capital of Instaconnect Limited.

There are annual network licenses fees associated to these licenses which are expensed each year.

The network licences are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

(h) Derivative financial instruments

Derivatives, which comprise solely forward foreign exchange contracts, are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value. The derivatives do not qualify for hedge accounting. Changes in the fair value of derivatives are recognised immediately in profit or loss. These derivatives are trading derivatives and are classified as a current asset or liability.

2 Summary of significant accounting policies (continued)

(i) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Accounting for leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(k) Financial assets

(i) Classification

The Group and Company classify financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. The directors determine the classification of the financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading. Assets in this category are classified as current assets if expected to be realised within 12 months; otherwise, they are classified as non-current.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or the directors intend to dispose of the investment within 12 months of the end of the reporting period.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, which is the date on which the entity commits to purchase or sell the asset. Investments are initially recognised at fair value, plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets, carried at fair value through profit or loss, are initially recognised at fair value, and transaction costs are expensed.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the entity has transferred substantially all risks and rewards of ownership.

2 Summary of significant accounting policies (continued)

(k) Financial assets (continued)

(ii) Recognition and measurement (continued)

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(iv) Impairment of financial assets

Assets carried at amortised cost

The Group and Company assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets classified as available-for-sale

The Group and Company assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of other income when the entity's right to receive payments is established.

(l) Indefeasible rights of use

The Company enters into long-term service contracts under which it purchases lit capacity from fibre networks. The purchase involves making prepayments to acquire indefeasible right of use (IRU) for a fixed period of time. The prepayment is amortised and recognised in the statement of comprehensive income on a straight-line basis over the life of the contract.

IRU	Contract period
TEAMS	20 years
KPLC	20 years
SEACOM	20 years
TATA	15 years
ETISALAT	15 years

NOTES (continued)

2 Summary of significant accounting policies (continued)

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of inventories comprises purchase price and other incidental costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the applicable variable selling expenses.

Provisions for inventories other than network spares are made based on aged listing for items older than 180 days and damaged stocks.

Network spares are used to refurbish the network. A provision for impairment of the spares is established when there is objective evidence that the spares cannot be used within the network.

(n) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are a classified as current assets. If not, they are presented as non-current assets.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables.

The amount of the provision is the carrying amount of all balances older than 180 days or less where there is evidence that a specific debt will not be collected and is recognised in the statement of comprehensive income.

(o) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Deferred revenue is accounted for as described under Note 2 (e).

(p) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value (Shs 0.05) of the shares is classified as 'share premium' in equity.

Ordinary shares represent the residual economic value of a company. They carry rights to distribution of profits through dividends, to the surplus assets of a company on a winding up and to votes at general meetings of the Company.

There are no differences in the voting rights of the ordinary shares held by the shareholders of the Company.

Non-participating preference shares have the right to preference in the payment of the paid up par value in the event of liquidation of the Company and may be redeemed at any time by the Board of Directors of the Company subject to the provisions of the Kenyan Companies Act.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued.

2 Summary of significant accounting policies (continued)

(p) Share capital (continued)

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(q) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(r) Employee benefits

(i) Retirement benefit obligations

The Group and Company have defined contribution plan for its employees. The Group and Company and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme.

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

For defined contribution plans, the Group and Company pay contributions to publicly or privately administered plans on a mandatory, contractual or voluntary basis. The entity has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

(ii) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(s) Share-based payments

The Group operates a Share Grant Option Plan under which senior management are entitled to acquire a predetermined number of shares at a predetermined price, subject to fulfilment of the vesting conditions.

Until 26 February 2014, the Group had an Employee Share Ownership Plan (ESOP) under which, subject to the vesting conditions, eligible employees were entitled to acquire units in a separately administered Trust, each unit in the trust representing one share in the company. The direct cost to the Group of fulfilling its obligations under the above schemes is charged to the statement profit or loss when incurred.

The cost of issued share options is recognised in the statement of profit or loss over the vesting period, measured at the fair value of the option. On allocation of shares to the trust, appropriate adjustments are made to increase share capital and the corresponding adjustments are made to the trust account. On vesting, the trust allocates the shares to the eligible individuals with adjustments made to the ESOP liability.

When the options are exercised, the entity issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

NOTES (continued)

2 Summary of significant accounting policies (continued)

(t) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates except where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(u) Borrowings

Borrowings are recognised initially at fair value including transaction costs and subsequently stated at amortised cost using the effective interest method. Any differences between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after year end.

2 Summary of significant accounting policies (continued)

(v) Dividend distribution

Dividends payable to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Proposed dividends are shown as a separate component of equity until declared.

(w) Provisions

Provisions are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(x) Comparatives

Where necessary, comparatives have been adjusted to conform to changes in presentation in the current period as detailed under Note 2 (a). See Note 30 for details of the change in presentation of the Statement of Comprehensive Income.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2 (g). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The carrying amount of the goodwill and the key assumptions made are set out in Note 18.

Income taxes

Significant judgment is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Property, plant and equipment

Critical estimates are made by management in determining depreciation rates for property, plant and equipment. The rates used are set out in Note 2 (f) above.

Valuation of Bonga points

Bonga points are valued based on fair value which is determined by historical redemption information. The length of historical period used to determine the fair value is set by management and is based on previous redemptions rates on airtime or merchandise.

NOTES (continued)

3 Critical accounting estimates and judgements (continued)

(ii) Critical judgments in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made judgements in determining:

- the classification of financial assets and leases; and
- whether assets are impaired.

(iii) Critical judgement on going concern

The Group's current liabilities exceed its current assets by Shs 9,941,119,000 (2013: Shs 11,235,005,000) at the statement of financial position date.

This net current liability position is expected to remain in the near future. A significant portion of creditors relate to network infrastructure investments rather than on-going trading, hence net working capital is typically a negative amount. This is typical to telecommunication companies due to intense network spend.

Other significant portion of current liabilities relates to deferred income on both airtime and the loyalty points programme (Bonga points). Airtime is deferred when sold and loyalty points are deferred when awarded and are recognised as income on usage of airtime and redemption of the loyalty points respectively. See details of the amounts under note 25.

4 Financial risk management

The Group's activities expose it to a variety of financial risks, market risk (including foreign exchange risk, interest rate risk, and price risk), credit risk and liquidity risk.

Financial risk management is carried out by the treasury section in finance division under policies approved by the Board of Directors. The treasury section identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

Loans and receivables have been disclosed at their carrying values. Financial liabilities have been carried at amortised cost.

Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily, with respect to the US dollar, SDR and the Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Group manages foreign exchange risk arising from future commercial transactions and recognised assets and liabilities using spot and forward contracts, but has not designated any derivative instruments as hedging instruments. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

At 31 March 2014, if the Shilling had weakened/ strengthened by 10% against the US dollar with all other variables held constant, consolidated post tax profit for the year would have been Shs 130 million (2013: Shs 462 million) higher/lower, mainly as a result of US dollar denominated cash and bank balances, receivables and payables.

Profit is less sensitive to movement in Shs/US dollar exchange rates in 2014 than 2013 because of the decreased amount of US dollar-denominated cash balances.

At 31 March 2014, if the Shilling had weakened/ strengthened further by 10% against the Euro with all other variables held constant, consolidated post tax profit for the year would have been Shs 75 million (2013: Shs 35 million) lower/higher, mainly as a result of Euro denominated cash and bank balances.

4 Financial risk management (continued)

Market risk (continued)

(ii) Price risk

The Group does not hold investments or securities that would be subject to price risk. The group is not exposed to commodity price risk.

(iii) Interest rate risk

Interest rate risk arises from long-term and bank borrowings. Borrowings issued at variable rates expose the Group and Company to cash flow interest rate risk which is partially offset by cash held at variable rates. To manage interest rate risk the Group ensures that a portion of its borrowings are fixed rate borrowings. The Group and Company regularly monitor financing options available to ensure optimum interest rates are obtained.

At 31 March 2014, an increase/decrease of 100 basis points (2013: 100 basis points) would have resulted in a decrease/increase in consolidated post tax profit of Shs 163 million (2013: Shs 16 million), as a result of higher/lower interest charges/income on variable rate borrowings and cash balances.

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from deposits with banks as well as trade and other receivables. The Group has no significant concentrations of credit risk. Derivative financial instruments and bank deposits are re-valued at closing rates at the end of the period.

For banks and financial institutions, only reputable well established financial institutions are used. Category 1 is made up of counterparties with international credit ratings; Category 2 are counterparties who are subsidiaries of parents with international credit ratings; Category 3 counterparties have local credit ratings or are not rated but are classified as large by the Central Bank of Kenya.

Credit risk
Cash at bank and short term bank deposits

	Group		Company	
	2014 Shs'000	2013 Shs'000	2014 Shs'000	2013 Shs'000
Category 1	3,643,005	4,242,997	3,643,005	4,242,997
Category 2	6,255,295	7,526,908	6,234,601	7,506,199
Category 3	7,715,397	3,067,548	7,702,214	3,054,578
Others	4,818	152,026	4,818	152,026
	17,618,515	14,989,479	17,584,638	14,955,800

NOTES (continued)

4 Financial risk management (continued)

Credit risk (continued)

Trade and other receivables
For trade and other receivables, depending on the type of customer, the Group credit controller or head of consumer sales assesses the credit quality of each customer, taking into account its financial position, past experience and other factors including information from credit reference bureau. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored.

Dealers comprise the distribution network for the Group. Dealers operate either on a cash basis or on credit following successful application of the credit facility. All credit limits are supported by a bank guarantee.

Post–pay debtors have a 15 day credit period after which individual customers must pay within 10 days after due date, while business accounts have up to 30 days. Post-pay debtors comprise of individuals as well as corporate customers.

The auto-bar feature ensures that once the limit has been reached the customer account is barred. This minimizes the credit risk associated with these customers. Most of the overdue balances arose before this feature was implemented. Collection efforts are however in place.

The Group currently has 495 signed international roaming agreements in place. The roaming strategy targets countries which historically have had the most visitors to Kenya, including UK, Italy, Spain, Sweden, South Africa, and Kenya's neighbouring countries. Roaming partners have entered into an agreement with the Group to terminate their calls on the Group's network for visitors travelling into Kenya. Amounts due from the roaming partners are settled within 60 days unless a dispute arises. Disputes are handled by Syniverse, a roaming clearing house.

The Group has also signed interconnect agreements with partners to terminate calls to and from other networks on the Group's network. Amounts due from interconnect partners are settled within 30 days of invoice unless a dispute arises. Disputes are handled in the first instance by the Regulatory Department of the Group. The Group's maximum exposure to credit risk is approximated by the carrying amounts.

The Group has an elaborate aging system for monitoring its receivables. Dealers' transactions and credit positions are closely monitored. All fully performing balances are within 90 days. The other categories are past due. Collateral is held for bulk of the trade receivables in the form of bank guarantees and deposits. None of the above assets are either past due or impaired except for the following amounts in trade receivables.

4 Financial risk management (continued)

Credit risk (continued)

	Group		Company	
	2014	2013	2014	2013
	Shs'000	Shs'000	Shs'000	Shs'000
Past due but not impaired:				
- by up to 30 days	436,039	762,118	436,039	762,118
- by more than 30 days	300,308	786,274	279,126	782,082
Total past due but not impaired	736,347	1,548,392	715,165	1,544,200
Receivables individually determined to be impaired	1,074,966	1,686,207	1,061,463	1,672,704

(a) Group	**Neither past due nor impaired Shs'000**	**Past due but not impaired Shs'000**	**Impaired Shs'000**	**Total Shs'000**
At 31 March 2014				
Dealers	940,761	138,827	-	1,079,588
Post-pay	762,279	198,556	252,795	1,213,630
Roaming and interconnect	591,336	83,829	380,533	1,055,698
Amounts due from related parties	1,519,267	13,436	15,375	1,548,078
Other receivables	1,384,918	293,954	426,263	2,105,135
Total	5,198,561	728,602	1,074,966	7,002,129
At 31 March 2013				
Dealers	1,292,532	417,868	441,266	2,151,666
Post-pay	582,912	448,767	461,888	1,493,567
Roaming and interconnect	251,744	378,687	605,911	1,236,342
Amounts due from related parties	1,510,522	57,658	9,997	1,578,177
Other receivables	1,176,906	245,412	167,145	1,589,463
Total	4,814,616	1,548,392	1,686,207	8,049,215

NOTES (continued)

4 Financial risk management (continued)

Credit risk (continued)

(b) Company	Neither past due nor impaired Shs'000	Past due but not impaired Shs'000	Impaired Shs'000	Total Shs'000
At 31 March 2014				
Dealers	940,761	138,827	-	1,079,588
Post-pay	762,279	198,556	252,795	1,213,630
Roaming and interconnect	591,336	83,829	380,533	1,055,698
Amounts due from related parties	1,740,430	13,436	15,375	1,769,241
Other receivables	1,157,845	293,953	412,760	1,864,558
Loan to related parties	707,906	-	-	707,906
Total	5,900,557	728,601	1,061,463	7,690,621
At 31 March 2013				
Dealers	1,292,532	417,868	441,266	2,151,666
Post-pay	582,912	448,767	461,888	1,493,567
Roaming and interconnect	251,744	378,687	605,911	1,236,342
Amounts due from related parties	1,620,604	57,658	9,997	1,688,259
Other receivables	1,107,957	245,412	153,641	1,507,010
Loan to related parties	850,000	-	-	850,000
Total	5,705,749	1,548,392	1,672,703	8,926,844

Dealers' debt is fully secured by bank guarantees. The Group has bank guarantees of Shs 1,179 million and Shs 1,430 million as at March 2014 and March 2013 respectively, which can be enforced in the event of default. Customers under the 'past due but not impaired' category continue paying their debts as they trade. The default rate is low. The credit control department is actively following the debts that are overdue but not impaired.

The balances that are impaired have been fully provided for. However, debt collectors as well as the legal department are following up on the impaired balances.

In determination of the impaired balances above, management considered the age of the debt and financial position of the debtor.

4 Financial risk management (continued)

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational needs.

Such forecasting takes into consideration the entity's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets. Surplus cash held by the entity, over and above the amounts required for working capital management are invested in interest bearing current accounts and, fixed deposit accounts and marketable securities.

The Group's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management includes maintaining sufficient cash, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Treasury section maintains flexibility in funding by maintaining availability under committed credit lines. Liquidity position is monitored through daily cash position as well as monthly cash forecast that monitors debt structure and expected cash position.

The table below analyses the Group's and the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

(a) Group

	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	Total Shs'000
At 31 March 2014:				
- borrowings	48,320	663,699	-	712,019
- corporate bonds	8,480,612	4,753,763	-	13,234,375
- trade and other payables	23,493,266	-	-	23,493,266
Total financial liabilities	32,022,198	5,417,462	-	37,439,660

NOTES (continued)

4 Financial risk management (continued)

Liquidity risk (continued)

(a) Group (continued)

	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	Total Shs'000
At 31 March 2013:				
- borrowings	8,827,499	-	-	8,827,499
- corporate bonds	1,278,424	8,484,332	4,754,860	14,517,617
- trade and other payables	21,957,505	-	-	21,957,505
Total financial liabilities	32,063,428	8,484,332	4,754,860	45,302,621

(b) Company

	Less than 1 year Shs'000	Between 1 and 2 years Shs'000	Between 2 and 5 years Shs'000	Total Shs'000
At 31 March 2014:				
- borrowings	48,320	663,699	-	712,019
- corporate bonds	8,480,612	4,753,763	-	13,234,375
- trade and other payables	23,265,949	-	-	23,265,949
Total financial liabilities	31,794,881	5,417,462	-	37,212,343
At 31 March 2013:				
- borrowings	8,827,499	-	-	8,827,499
- corporate bonds	1,278,424	8,484,332	4,754,860	14,517,616
- trade and other payables	21,692,573	-	-	21,692,573
Total financial liabilities	31,798,496	8,484,332	4,754,860	45,037,688

Guarantees amounting to Shs 88 million (2013: Shs 66 million) have been issued against credit cards for use of senior staff and to various customers for services provided by the company as detailed under Note 28.

Excluded from the trade and other payables is deferred revenues arising from unused airtime and unredeemed “Bonga points” under Loyalty Management System (LMS) amounting to Shs 5,778 million (2013: Shs 5,707 million) which are not expected to result into cash outflow in the normal course of business as detailed in Note 25.

4 Financial risk management (continued)

Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders.

The Company has a dividend policy that permits dividends to be paid if the Board of Directors finds that the payments are sustainable, after taking into account the sufficiency of distributable reserves and liquidity in order to ensure the Company's operational needs and/or business growth are not limited by the unavailability of funds, as well as the Company's known contingencies and compliance with any funding facility covenants.

The first priority of the Company will be to maintain sufficient distributable reserves and liquidity to ensure that operational needs and/or business growth are not limited by the unavailability of funds and also that facilities are available to cover all known contingencies. Additionally, any dividends will only be declared and paid where allowable under any covenants included in any funding facilities.

Subject to this, the Company intends to operate a progressive distribution policy based on what it believes to be sustainable levels of dividend payments.

Whenever possible, it will be the Company's intention to, at least, maintain annual dividend payments at the level declared in the previous year. However, with respect to the initial dividend payment under the current policy, such dividends will not necessarily be at the level declared in the previous years, as the Company's previous dividend policy was based on other considerations and past dividend payments should not be taken as an indication of future payments.

The Company's focus is to minimise funds tied up in working capital, whilst ensuring that the Company has sufficient financial ability to meet its liabilities as and when they fall due. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. The strategy is to maintain gearing at low levels as demonstrated by the position below for the year ended 31 March 2014.

	Group		Company	
	2014 Shs'000	2013 Shs'000	2014 Shs'000	2013 Shs'000
Total borrowings	12,615,380	20,227,958	12,615,380	20,227,958
Less: cash and cash equivalents	(17,618,884)	(14,996,922)	(17,585,006)	(14,963,243)
Net debt	(5,003,504)	5,231,036	(4,969,626)	5,264,715
Total equity	91,235,979	80,265,128	92,509,394	81,703,750
Total capital	86,232,475	85,496,164	87,539,768	86,968,465
Gearing ratio	-	6%	-	6%

NOTES (continued)

4 Financial risk management (continued)

Fair value estimation

Financial instruments measured at fair value are measured using the following levels of fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily NSE equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

5 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Senior Leadership Team (SLT) that makes strategic decisions.

Management has determined the operating segment based on the reports reviewed by the Senior Leadership Team for the purpose of allocating resources and assessing performance.

The SLT considers the business as one operating segment for purpose of financial performance. However, revenue targets are split between the three business units namely Consumer, Enterprise and Financial services units. Currently the SLT reviews the results of the segment on a monthly basis in a formal session where the Chief Financial Officer takes the SLT through all the activities and their impact on the results of the segment.

The reason for looking at the business as one segment is because of the interrelated nature of the products and services on offer as well as their dependence on the network infrastructure.

Total profitability is discussed and action plans agreed where necessary to improve performance. Other than revenue, there is no other discrete financial information relating to the revenue streams that the CODM looks at. The reportable operating segment derives its revenue from the provision of telecommunication services to its customers.

The SLT assesses the performance of the operating segment from revenue to net income. The total revenue, direct costs, trading contribution, operating expenses, interest and foreign exchange gain and losses, tax and net income are reviewed.

Further key performance indicators are also reviewed; for instance, number of subscribers, minutes of use, originating minutes, terminating minutes, average revenue per user, average revenue per minute, number of sites, data usage etc. are also reviewed monthly. Impacts of new financial policies are also explained to the SLT.

The Group's interest-bearing liabilities are equal to the segment liabilities and are managed by the treasury function.

The segment information provided to the SLT for the reportable segment for the years ended 31 March 2014 and 2013 is as follows:

	31 March 2014 Shs'000	**31 March 2013 Shs'000**
Total equity and non-current liabilities	96,338,359	92,265,128
Non-current assets	106,279,478	103,500,133
Current assets	28,321,468	25,356,024
Current liabilities	38,262,587	36,591,029
Net current liabilities	(9,941,119)	(11,235,005)
	96,338,359	92,265,128

NOTES (continued)

5 Segment information (continued)

The amounts reported to the with respect to total assets and total liabilities are measured in a manner consistent with these financial statements.

Reportable segment assets are equal to total assets hence no reconciliation is required.

Revenue from subscribers is derived from the sale of airtime, handsets, accessories, M-PESA commissions and data products through the dealer network or through the Company's 40 retail outlets across the country.

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category

	2014 Shs' 000	2013 Shs' 000
Voice revenue	86,295,556	77,336,898
Messaging revenue	13,619,377	10,147,295
Mobile data revenue	9,313,532	6,610,580
Fixed service revenue	2,570,901	2,112,552
M-PESA revenue	26,561,297	21,844,032
Service revenue	138,360,663	118,051,357
Handset revenue	4,947,057	4,932,011
Acquisition and other revenue	1,364,757	1,304,488
Total Revenue	144,672,477	124,287,856

The Company and its subsidiaries are domiciled in Kenya. A high percentage of the Group's revenue is attributable to Kenya and all its non-current assets are located in Kenya. Total revenue has grown by 16% to Shs 144.7 billion through focusing on providing quality services that resulted in to double digit growth across all service revenue streams.

Voice revenue grew to Shs 86.3 billion and accounted for 60% of our total revenue (down from 62% in the previous year). This growth was supported by our loyal customer base attracted by a superior network experience, convenient airtime distribution and attractive consumer propositions and promotions such as the *'Tetemesha'* campaign.

Messaging revenue once again posted an impressive performance having increased by 34% to Shs 13.6 billion which represents 10% of our service revenue. This was driven by increased usage from affordable SMS bundles and SMS based promotions such as *'Bonyeza Ushinde'*

M-PESA revenue increased by 22% driven by a 15% increase in 30 day active M-PESA customers to 12.2 million as well as an increase in the average number of transactions per customer. In the year, we expanded our M-PESA agent outlets to 81,025 and launched Lipa na M-PESA service that enables cashless merchant payments for goods and services.

Mobile data revenue grew at an impressive 41% driven by an increased uptake of affordable data bundles and a 34% growth in active customers to 9.6 million. Fixed data revenues increased by 22% to Shs 2.6 billion on the back of 4% growth in fixed data customers.

6 Other income

	Group	
	2014	**2013**
	Shs' 000	**Shs' 000**
Gain on disposal of property, plant and equipment	44,492	64,643
Shareholder loan write off (Note 27 (v))	-	104,554
Miscellaneous income	82,133	28,691
	126,625	197,888

7(a) Direct costs

	Group	
	2014	**2013**
		(Restated)
	Shs' 000	**Shs' 000**
M-PESA commissions	10,684,973	8,595,421
Airtime commissions	9,562,518	8,799,401
License fees (spectrum, M-PESA and link leases)	7,961,745	7,378,470
Interconnect and roaming costs	6,462,237	6,698,204
Handset costs	5,395,430	5,311,942
Acquisition and retention	5,362,188	5,367,521
Value Added Services costs (Voice & SMS)	5,570,244	3,117,043
Other direct costs	964,379	1,905,849
	51,963,714	47,173,851

NOTES (continued)

7(b) Other expenses

	Group	
	2014 Shs' 000	2013 Shs' 000
Repairs and maintenance expenditure on property, plant and equipment	127,875	138,185
Operating lease rentals - buildings	604,024	543,779
Operating lease rentals - sites	954,094	634,491
Warehousing costs	213,802	214,979
Employee benefits expense (Note 9)	10,089,811	8,395,630
Auditor's remuneration	34,834	29,291
Sales and advertising	4,523,811	3,744,383
Consultancy including legal fees	412,791	465,556
Site/facilities costs	9,257,598	8,550,067
Travel and accommodation	528,801	449,705
Computer maintenance	1,141,052	641,310
Office upkeep	522,520	309,921
Bad debts	142,742	448,808
Net foreign exchange losses, other than on borrowings and cash and cash equivalents	190,896	342,378
Other operating expenses	3,147,439	3,164,171
	31,892,090	28,072,654

8 Net finance costs

	Group	
	2014 Shs' 000	2013 Shs' 000
Finance costs:		
Interest expense	1,494,836	2,192,078
Foreign exchange losses on cash and borrowings	387,522	647,171
	1,882,358	2,839,249
Finance income:		
Interest income	(1,140,069)	(740,395)
Foreign exchange gain on cash and borrowings	(555,343)	(458,903)
	(1,695,412)	(1,199,298)
Net finance costs	186,945	1,639,951

9 Employee benefits expense

	Group	
	2014 Shs' 000	2013 Shs' 000
The following items are included within employee benefits expense:		
Salaries and wages	6,072,059	5,119,845
Employee Share Grant Option Plan (ESOP)	390,432	96,017
Retirement benefits costs:		
- Defined contribution scheme	333,482	303,393
- National Social Security Fund	8,798	6,586
	6,804,771	5,525,841

10 Employee share option

(a) *Employee Share Ownership Plan*

The Group set up an Employee Share Ownership Plan (ESOP) in March 2010 where 101 million shares were allotted. Subject to vesting conditions, eligible employees were entitled to purchase units in a separately administered trust, each unit in the trust representing one share in the Company.

A total of 66,976,000 of the initially granted options vested on 26 February 2013. Of these options, only 65,428,000 (2013: nil) were exercised by 26 February 2014 when the exercise period lapsed.

Shares representing the exercised options have been issued from the Company's authorized unissued share capital. The proceeds received were credited to share capital (nominal value) and share premium.

To be eligible for the scheme one must have been a permanent employee of the Company who had completed probation period or had been confirmed.

(b) *Employee Share Grant Option Plan*

On 1 July 2011, the Group implemented an Employee Share Grant Option plan where shares were allocated to qualifying staff members (outright grant) based on performance rating in the previous performance appraisal process.

The process of outright grant includes the Company purchasing shares from the market and then issuing the same to the eligible employees after a 3 year vesting period at no cost. The shares are purchased through a trust and held by the same until the end of the vesting period. During the year 33.2 million shares at a cost of Shs 389.8 million were issued to the scheme, to bring the total shares issued to the scheme to 46.8 million shares at a total cost of 446.3 million (2013: 13.6 million shares at a cost of Shs 56.5 million).

The scheme is a 'cash-settled share based scheme' as described in IFRS 2, Share based payments as the company provides money to a trust to purchase shares which will be distributed to the entitled employees on the vesting date.

NOTES (continued)

11 Income tax expense

	Group	
	2014 Shs' 000	2013 Shs' 000
Current income tax	12,164,104	7,984,357
Deferred income tax (Note 16)	(197,214)	(73,602)
Income tax expense	11,966,890	7,910,755

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the applicable income tax rate as follows:

	2014 Shs' 000	2013 Shs' 000
Profit before income tax	34,984,430	25,450,565
Tax calculated at the applicable income tax rate of 30% (2013: 30%)	10,495,329	7,635,170
Tax effect of:		
- Income not subject to tax	(6,237)	(1,332)
- Expenses not deductible for tax purposes	440,218	259,783
- (Over) / under provision of deferred tax in prior year	(59,419)	17,134
- Under provision of current tax in prior years	1,096,999	-
Income tax expense	11,966,890	7,910,755

12 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2014	2013
Profit attributable to equity holders of the Company (Shs thousands)	23,017,530	17,539,810
Weighted average number of ordinary shares in issue (thousands)	40,065,428	40,000,000
Basic earnings per share (Shs)	0.57	0.44
Diluted earnings per share (Shs)	0.57	0.44

13 Share capital and share premium

	Number of shares (Thousands)	Ordinary shares Shs'000	Share premium Shs'000	Total Shs'000
At 1 April 2012 and March 2013	40,000,000	2,000,000	1,850,000	3,850,000
New shares issued for the employee share option scheme	65,428	3,271	350,040	353,311
At 31 March 2014	40,065,428	2,003,271	2,200,040	4,203,311

The total authorised number of ordinary shares is 119,999,999,600 with a par value of Shs 0.05 per share.

The total number of non-voting non-participating redeemable preference shares is 5 with a par value of Shs 4 per share. These shares have the right to preference in the payment of the paid up par value in the event of liquidation of the Company and may be redeemed at any time by the Board of the Company subject to the provisions of the Kenyan Companies Act.

The new shares relates to the Employee Share Option Plan. See details of this plan in Note 10.

The issued share capital comprises 40,065,428,000 (2013: 40,000,000,000) ordinary shares with a par value of Shs 0.05 each and 5 non-voting non-participating redeemable preference shares of Shs 4 each. All issued shares are fully paid.

14 Dividend per share

No interim dividend was paid during the year (2013: Nil). At the annual general meeting to be held on 16 September 2014, a final dividend in respect of the year ended 31 March 2014 of Shs 0.47 (2013: Shs 0.31) per share amounting to a total of Shs 18,830,751,000 (2013: Shs 12,400,000,000) is to be proposed.

Payment of dividends is subject to withholding tax at a rate of either 5% or 10% depending on the residence of the respective shareholders.

15 Borrowings

The Group has a five-year corporate bond of Shs 12,000,000,000 issued as a medium term note in two tranches and in fixed and floating rate portions.

Tranche 1 which matures in November 2014 has a fixed portion of Shs 7,049,600,000 at a fixed rate of 12.25% and a floating portion of Shs 463,400,000 at a floating rate of 182-day treasury bill rate plus 1.85% margin.

Tranche 2 which matures in December 2015 has a fixed portion of Shs 4,287,000,000 at a fixed rate of 7.75% and a floating portion of Shs 200,000,000 at a floating rate of 182-day treasury bill rate plus 1.85% margin.

The Group has a 2 year term loan facility with CfC Stanbic Bank Limited for a maximum of Shs 615,379,600 for purchase of assets. The group made a draw-down of Shs 615,379,600 on 4 March 2014. Interest on this facility is paid quarterly at the rate of 1.0% below 91 day Treasury bill rate.

The carrying amounts of the Corporate bond and the bank borrowings approximate to their fair value. None of the borrowings was in default at any time during the year.

NOTES (continued)

15 Borrowings (continued)

Borrowings are made up as follows:

	Group		Company	
	2014 Shs'000	**2013 Shs'000**	**2014 Shs'000**	**2013 Shs'000**
Non-current:				
Bank borrowings	615,380	-	615,380	-
Corporate bond	4,487,000	12,000,000	4,487,000	12,000,000
	5,102,380	12,000,000	5,102,380	12,000,000
Current:				
Bank borrowings	-	8,227,958	-	8,227,958
Corporate bond	7,513,000	-	7,513,000	-
	7,513,000	8,227,958	7,513,000	8,227,958
Total borrowings	12,615,380	20,227,958	12,615,380	20,227,958

16 Deferred income tax

(a) Group

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group	
	2014 Shs'000	**2013 Shs'000**
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	(1,883,369)	(1,894,794)
– Deferred tax asset to be recovered within 12 months	(867,580)	(738,137)
	(2,750,949)	(2,632,931)
Deferred tax liabilities:		
– Deferred tax liability to be recovered within 12 months	70	79,266
	(2,750,879)	(2,553,665)
Deferred income tax is calculated using the enacted income tax rate of 30% (2013: 30%).		
At start of year	(2,553,665)	(2,480,063)
Credit to statement of comprehensive income (Note 11)	(197,214)	(73,602)
At end of year	(2,750,879)	(2,553,665)

16 Deferred income tax (continued)

(a) Group (continued)

Consolidated deferred income tax assets and liabilities and deferred income tax charge/ (credit) in the statement of comprehensive income (SOCI) are attributable to the following items:

	1.4.2013 Shs'000	Charged/ (credited) to SOCI Shs'000	31.03.2014 Shs'000
Year ended 31 March 2014			
Deferred income tax liabilities			
Unrealised exchange gains	79,266	(79,196)	70
Deferred income tax assets			
Property, plant and equipment	(1,863,706)	146,827	(1,716,879)
Unrealised exchange loss	(252,096)	221,063	(31,033)
Provisions	(504,089)	(485,908)	(989,997)
Arising from fair value adjustment on acquisition of subsidiary	(13,040)	-	(13,040)
	(2,632,931)	(118,018)	(2,750,949)
Net deferred income tax asset	(2,553,665)	(197,214)	(2,750,879)

	1.4.2012 Shs'000	Charged/ (credited) to SOCI Shs'000	31.03.2013 Shs'000
Year ended 31 March 2013			
Deferred income tax liabilities			
Unrealised exchange gains	326,692	(247,426)	79,266
Deferred income tax assets			
Property, plant and equipment	(2,068,308)	204,602	(1,863,706)
Unrealised exchange loss	(74,128)	(177,968)	(252,096)
Provisions	(651,279)	147,190	(504,089)
Arising from fair value adjustment on acquisition of subsidiary	(13,040)	-	(13,040)
	(2,806,755)	173,824	(2,632,931)
Net deferred income tax asset	(2,480,063)	(73,602)	(2,553,665)

NOTES (continued)

16 Deferred income tax (continued)

(a) Group (continued)

An amount of Shs 204 million (2013: Shs 320 million) worth of deferred tax assets relating to One Communications Limited has not been recognised in the financial statements. Although the Directors are confident that taxable profits will be realised in One Communications Limited within the foreseeable future, the amounts are time barred and are awaiting an extension of the statutory utilisation period from the Kenya Revenue Authority.

(b) Company

Company deferred income tax assets and liabilities are attributable to the following items:

	2014 Shs'000	2013 Shs'000
Deferred income tax liabilities		
Unrealised exchange gains	70	79,266
Total deferred income tax liabilities	70	79,266
Deferred income tax assets		
Property, plant and equipment	(1,716,879)	(1,863,706)
Unrealised exchange loss	(31,033)	(252,096)
Provisions	(989,997)	(504,089)
Total deferred income tax assets	(2,737,909)	(2,619,891)
Net deferred income tax asset	(2,737,839)	(2,540,625)

In the opinion of the directors, the deferred income tax balances are expected to be recoverable against future profits.

17 Property, plant and equipment

(a) Group	Network infrastructure Shs'000	Capital work in progress* Shs'000	Leasehold improvement Shs'000	Vehicles & equipment Shs'000	Fibre Shs'000	Total Shs'000
At 31 March 2012						
Cost	140,640,611	14,679,378	3,537,890	14,538,932	-	173,396,811
Accumulated depreciation	(69,363,047)	-	(2,097,235)	(10,277,311)	-	(81,737,593)
Net book amount	71,277,564	14,679,378	1,440,655	4,261,621	-	91,659,218
Year ended 31 March 2013						
Opening net book amount	71,277,564	14,679,378	1,440,655	4,261,621	-	91,659,218
Additions**	-	24,875,965	-	-	-	24,875,965
Reclassification	9,096	-	-	(9,096)	-	-
Transfers from capital work in progress	21,055,296	(25,724,166)	331,528	4,337,342	-	-
Disposal	(536)	-	-	(230,076)	-	(230,612)
Depreciation charge	(16,482,823)	-	(568,940)	(2,899,834)	-	(19,951,597)
Impairment of assets***	(1,280,789)	-	-	-	-	(1,280,789)
Depreciation on disposal	92	-	-	224,121	-	224,213
Closing net book amount	74,577,900	13,831,177	1,203,243	5,684,078	-	95,296,398
At 31 March 2013						
Cost	161,695,370	13,831,177	3,869,419	18,646,198	-	198,042,164
Accumulated depreciation	(87,117,470)	-	(2,666,176)	(12,962,120)	-	(102,745,766)
Net book amount	74,577,900	13,831,177	1,203,243	5,684,078	-	95,296,398
Year ended 31 March 2014						
Opening net book amount	74,577,900	13,831,177	1,203,243	5,684,078	-	95,296,398
Additions**	-	27,780,723	-	-	-	27,780,723
Reclassification	6,360	-	-	-	(6,360)	-
Transfers from capital work in progress	17,961,027	(26,757,772)	455,100	3,888,857	4,452,788	-
Disposal	(53)	-	-	(51,474)	-	(51,527)
Depreciation charge	(17,127,730)	-	(454,642)	(3,655,158)	(43,911)	(21,281,441)
Impairment of assets***	(4,083,905)	-	-	-	-	(4,083,905)
Depreciation on disposal	53	-	-	50,241	-	50,294
Closing net book amount	71,333,652	14,854,128	1,203,701	5,916,544	4,402,517	97,710,542
At 31 March 2014						
Cost	179,656,346	14,854,128	4,324,520	22,483,580	4,452,788	225,771,362
Accumulated depreciation	(108,322,694)	-	(3,120,819)	(16,567,036)	(50,271)	(128,060,820)
Net book amount	71,333,652	14,854,128	1,203,701	5,916,544	4,402,517	97,710,542

NOTES (continued)

17 Property, plant and equipment (continued)

(b) Company

	Network infrastructure Shs'000	Capital work in progress* Shs'000	Leasehold improvement Shs'000	Vehicles & equipment Shs'000	Fibre Shs'000	Total Shs'000
At 31 March 2012						
Cost	140,496,910	14,657,379	3,537,890	14,456,180	-	173,148,359
Accumulated depreciation	(69,292,299)	-	(2,097,234)	(10,224,599)	-	(81,614,132)
Net book amount	71,204,611	14,657,379	1,440,656	4,231,581	-	91,534,227
Year ended 31 March 2013						
Opening net book amount	71,204,611	14,657,379	1,440,656	4,231,581	-	91,534,227
Additions**	-	24,875,965	-	-	-	24,875,965
Reclassification	9,096	-	-	(9,096)	-	-
Transfers from capital work in progress	21,055,296	(25,724,166)	331,528	4,337,342	-	-
Disposal	(536)	-	-	(230,076)	-	(230,612)
Depreciation charge	(16,477,130)	-	(568,940)	(2,893,723)	-	(19,939,793)
Impairment of assets***	(1,280,789)	-	-	-	-	(1,280,789)
Depreciation on disposal	92	-	-	224,121	-	224,213
Closing net book amount	74,510,640	13,809,178	1,203,244	5,660,149	-	95,183,211
At 31 March 2013						
Cost	161,551,669	13,809,178	3,869,418	18,563,447	-	197,793,712
Accumulated depreciation	(87,041,029)	-	(2,666,174)	(12,903,298)	-	(102,610,501)
Net book amount	74,510,640	13,809,178	1,203,244	5,660,149	-	95,183,211
Year ended 31 March 2014						
Opening net book amount	74,510,640	13,809,178	1,203,244	5,660,149	-	95,183,211
Additions**	-	27,780,723	-	-	-	27,780,723
Reclassification	6,360	-	-	-	(6,360)	-
Transfers from capital work in progress	17,961,027	(26,757,772)	455,100	3,888,857	4,452,788	-
Disposal	(53)	-	-	(51,474)	-	(51,527)
Depreciation charge	(17,115,225)	-	(454,642)	(3,646,855)	(43,911)	(21,260,633)
Impairment of assets***	(4,083,905)	-	-	-	-	(4,083,905)
Depreciation on disposal	53	-	-	50,241	-	50,294
Closing net book amount	71,278,897	14,832,129	1,203,702	5,900,918	4,402,517	97,618,163
At 31 March 2014						
Cost	179,519,003	14,832,129	4,324,518	22,400,830	4,446,428	225,522,908
Accumulated depreciation	(108,240,106)	-	(3,120,816)	(16,499,912)	(43,911)	(127,904,745)
Net book amount	71,278,897	14,832,129	1,203,702	5,900,918	4,402,517	97,618,163

17 Property, plant and equipment (continued)

* The closing balance of capital working-in-progress largely relates to self-constructed assets not yet completed. These mostly include network infrastructure and fibre that had not been brought into use at year end.

** The group capitalised staff costs directly attributable to the construction of network infrastructure amounting to Shs 1,087 million (2013: Shs 1,026 million) that meet the recognition criteria of IAS 16.

*** Impairments amounting to Shs 4,084 million (2013: Shs 1,281 million), being the carrying value of the assets identified as impaired as a result of the ongoing modernisation programme prompted by evolution of technology, have been included in the consolidated Statement of Comprehensive Income.

18 Intangible assets

(a) Group

	Goodwill	License fees	Total
Year ended 31 March 2013			
Opening net book amount	219,151	2,094,951	2,314,102
Amortisation charge for the year	-	(672,940)	(672,940)
Closing net book amount	219,151	1,422,011	1,641,162
At 31 March 2013			
Cost	219,151	6,772,768	6,991,919
Accumulated amortisation	-	(5,350,757)	(5,350,757)
Net book amount	219,151	1,422,011	1,641,162
Year ended 31 March 2014			
Opening net book amount	219,151	1,422,011	1,641,162
Amortisation charge for the year*	-	(695,589)	(695,589)
Closing net book amount	219,151	726,422	945,573
At 31 March 2014			
Cost	219,151	6,772,768	6,991,919
Accumulated amortisation	-	(6,046,346)	(6,046,346)
Net book amount	219,151	726,422	945,573

* During the year, the group received two credit notes from Communications Commission of Kenya (CCK) being rebate on 3G license fees totaling to Shs 542 million net of related costs. This has been netted off against the current period licenses amortisation charge of Shs 696 million. As a result the net amount of Shs 154 million has been presented on the consolidated Statement of Comprehensive Income.

NOTES (continued)

18 Intangible assets (continued)

(a) Group (continued)

The goodwill arose on acquisition of One Communications Limited. At the time of acquisition, the five year plan reflected
positive future cash flows which when discounted resulted in the net present value (NPV) exceeding the goodwill recognised.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating unit (CGU) identified according to operating segment level.

On an annual basis, the goodwill is tested for impairment. Goodwill is monitored by the management at the operating segment level. For the purposes of assessment of impairment of goodwill, One Communications business is viewed as an operating segment.

In assessing impairment of the goodwill, management have reviewed the five year business plans of One Communications Limited and further discounted the cash flows for the same period to determine if the net present value exceeds the investment held in the books at year end. Revenue growth rates of 5% (2013: 10%) in the first year followed by 3% (2013: 7%) in the second and 2.5% (2013: 5%) for the third and fourth and 2% (2013: 5%) for the fifth year had been used. A discount rate of 9.85% (2013: 11.3%), being the Company's cost of capital has been used.
The recoverable amount calculated based on value in use exceeded carrying value by Shs 157 million. A fall in the average annual revenue growth rate of 0.5% or a rise in discount rate of 5.7% would remove the remaining headroom.

From the assessment carried out at the end of the year, no impairment charge was accounted for as at 31 March 2014 (2013: Nil).

(b) Company

License Fees	2014 Shs'000	2013 Shs'000
Opening net book amount	1,409,334	2,081,078
Amortisation charge	(694,403)	(671,744)
Closing net book amount	714,931	1,409,334
Cost	6,751,309	6,751,309
Accumulated amortisation	(6,036,378)	(5,341,975)
Net book amount	714,931	1,409,334

19 Investments

(a) Investment in subsidiaries

All subsidiaries are unlisted and have the same year end as the Company. The investments relate to cost of shares held in the subsidiaries.

	Company	
	2014 Shs'000	2013 Shs'000
At start of year	745,891	189,511
Additional investment: One Communications Limited	-	556,380
At end of year	745,891	745,891

The transaction in 2013 related to acquisition of the remaining 49% equity in One Communications Limited and was settled in cash. The net effect on parent's equity was a reduction of Shs 556 million.

The Company's interest in its subsidiaries, all of which are incorporated in Kenya and are unlisted was as follows:

			Company	
	Year End	% interest Held	2014 Shs'000	2013 Shs'000
One Communications Limited and its subsidiaries (Comtec Training Management Service Limited; Comtec Integrations System Limited; and Flexible Bandwidth Service Limited)	31 March	100	741,941	741,941
Packet Stream Data Networks Limited	31 March	100	-	-
IGO Wireless Limited	31 March	100	-	-
Instaconnect Limited	31 March	100	3,950	3,950
			745,891	745,891

The investments in subsidiaries are carried at cost. These investments were assessed for impairment indicators as required as at 31 March 2014 and the directors concluded that the investments are not impaired.

(b) Investment in associate

The movement in investment in associate is as follows:

	Group	
	2014 Shs'000	2013 Shs'000
At start of year	-	9,678
Share of profit / (loss) (before tax) – before 10% acquisition in 2014	3,814	(9,678)
Share of profit (before tax) – after 10% acquisition	11,495	-
Acquisition of additional 10% shareholding	551	-
At end of year	15,860	-

NOTES (continued)

19 Investments (continued)

(b) Investment in associate (continued)

The investment in associate at 31 March 2014 represents the investment of 32.5% of the ordinary shares of The East African Marines Systems Limited (TEAMS). TEAMS is a private company and there is no quoted market price available for its shares.TEAMS's place of business and country of incorporation is Kenya. There are no contingent liabilities relating to the group's interest in the associate.

The Group acquired an additional 10% of the issued share capital of TEAMS on 29 July 2013 at cost of Shs 550,620 bringing the total group's ownership to 32.5%. The group has no control over TEAMS. The other significant shareholders of TEAMS are the Government of Kenya (20%) and Telkom Orange Kenya Limited (20%).

TEAMS has a 30 June year end and derives its revenues from the provision of submarine fibre optic cable system. The fluctuation of the results of the associate is not expected to have a significant impact on the results of the Group. As such, the unaudited 9 months results for the associate have been incorporated to the Group's financial statements as at 31 March 2014.

Set out below are the summarised financial information for TEAMS as at 31 March 2014 which is accounted for using the equity method;

Summarised statement of financial position	2014 Shs'000	2013 Shs'000
Current		
Cash and cash equivalents	108,042	107,246
Other current assets (excluding cash)	264,318	704,712
Total current assets	372,360	811,958
Other current liabilities (including trade payables)	(342,572)	(7,332)
Total current liabilities	(342,572)	(7,332)
Non-current		
Assets	35,086	27,700
Liabilities	-	(17,027)
Net assets	64,874	815,299

Summarised statement of comprehensive income		
Revenue	382,270	331,648
Depreciation	(906)	(880)
Other expenses	(339,158)	(317,783)
Profit before tax	42,206	12,985
Income tax expense	(12,662)	(3,896)
Post tax profit	29,544	9,089

The information above reflects the amounts presented in the financial statements of the associate (and not Safaricom Limited's share of those amounts) adjusted for differences in accounting policies between the group and the associate.

20 Indefeasible rights of use (IRUs) - Group and Company

	TEAMS Shs'000	SEACOM Shs'000	KPLC Shs'000	ETISALAT Shs'000	TATA Shs'000	Total Shs'000
Year ended 31 March 2013						
Opening net book amount	1,967,976	1,236,644	753,122	106,397	176,261	4,240,400
Amortisation charge	(103,133)	(71,695)	(39,210)	(7,419)	(12,262)	(233,719)
Closing net book amount	1,864,843	1,164,949	713,912	98,978	163,999	4,006,681
At 31 March 2013						
Cost	2,062,655	1,401,627	816,494	111,280	183,914	4,575,97
Accumulated amortisation	(197,812)	(236,678)	(102,582)	(12,302)	(19,915)	(569,289)
	1,864,843	1,164,949	713,912	98,978	163,999	4,006,681
Year ended 31 March 2014						
Opening net book amount	1,864,843	1,164,949	713,912	98,978	163,999	4,006,681
Additions	986,812	129,599	-	-	-	1,116,411
Amortisation charge	(136,360)	(71,129)	(40,825)	(7,419)	(12,262)	(267,995)
Closing net book amount	2,715,295	1,223,419	673,087	91,559	151,737	4,855,097
At 31 March 2014						
Cost	3,049,467	1,531,226	816,494	111,280	183,914	5,692,381
Accumulated amortisation	(334,172)	(307,807)	(143,407)	(19,721)	(32,177)	(837,284)
	2,715,295	1,223,419	673,087	91,559	151,737	4,855,097

21 Inventories – Group and Company

	2014 Shs'000	2013 Shs'000
Network spare parts	1,722,904	1,718,311
Less: Provision for impairment losses	(832,141)	(764,320)
	890,763	953,991
Handsets and accessories	1,902,532	1,120,669
Scratch cards	68,730	109,922
Starter packs	234,531	273,872
Stationery and other stocks	6,116	58,070
Less: Provision for impairment / obsolesce losses	(146,705)	(282,230)
	2,955,967	2,234,294

The cost of inventories recognised as an expense and included in the direct costs amounted to Shs 8,579 million (2013: Shs 9,143 million).

NOTES (continued)

22 Trade and other receivables

	Group		Company	
	2014 Shs'000	**2013 Shs'000**	**2014 Shs'000**	**2013 Shs'000**
Current:				
Trade receivables	3,668,991	5,052,895	3,541,902	5,017,659
Less: Provision for impairment losses	(632,968)	(1,509,065)	(633,328)	(1,509,065)
	3,036,023	3,543,830	2,908,574	3,508,594
Receivable from related parties				
(Note 27 (viii))	1,548,078	1,578,177	1,769,241	1,688,259
Less: Provision for impairment losses	(15,375)	(9,997)	(15,375)	(9,997)
	1,532,703	1,568,180	1,753,866	1,678,262
Prepayments	1,819,456	1,761,799	1,788,059	1,690,653
Other receivables	1,785,058	1,418,144	1,671,570	1,370,925
Less: Provision for impairment losses	(426,623)	(167,145)	(412,760)	(153,641)
	1,358,435	1,250,999	1,258,810	1,217,284
	7,746,617	8,124,808	7,709,309	8,094,793

Movements on the provision for impairment of trade receivables are as follows:

	Group		Company	
	2014 Shs'000	**2013 Shs'000**	**2014 Shs'000**	**2013 Shs'000**
At start of year	1,686,207	1,523,769	1,672,704	1,511,984
Provisions made in the year:				
– trade and other receivables	317,515	438,811	317,515	437,093
– related parties	5,378	9,997	5,378	9,997
Reduction in prior year provisions for trade and other receivables	(180,151)	-	(180,151)	-
Receivables written off during the year as uncollectible	(753,983)	(286,370)	(753,983)	(286,370)
	1,074,966	1,686,207	1,061,463	1,672,704

The carrying amounts of the above receivables approximate their fair values

23 Prepaid operating lease rentals – Group and Company

Prepaid operating lease rentals relate to payments made in advance for the rental of sites on which the Company's equipment is located. The analysis of prepaid operating lease rentals is as follows:

	2014 Shs'000	2013 Shs'000
At start of year	259,401	297,078
Additions	676,279	563,654
Amortisation charge for the year	(634,598)	(601,331)
At end of year	301,082	259,401
Current portion reflected in prepayments	(299,555)	(257,174)
Non-current portion	1,527	2,227

24 Cash and cash equivalents

Cash and cash equivalents comprise the following for the purpose of the statement of cash flows:

	Group		Company	
	2014 Shs'000	2013 Shs'000	2014 Shs'000	2013 Shs'000
Cash at bank and in hand	9,701,197	10,361,506	9,667,318	10,339,243
Short term bank deposits	7,917,687	4,635,416	7,917,688	4,624,000
	17,618,884	14,996,922	17,585,006	14,963,243

NOTES (continued)

25 Trade and other payables

	Group		Company	
	2014 Shs'000	2013 Shs'000	2014 Shs'000	2013 Shs'000
Trade payables	3,330,326	1,896,458	3,063,068	1,870,391
Amounts due to related companies (Note 27(ix))	2,315,697	2,073,648	2,416,483	2,076,120
Accrued liabilities				
- Network infrastructure	5,664,994	7,998,813	5,662,170	7,998,813
- Customer loyalty credits	3,496,324	3,211,496	3,496,324	3,211,496
- Deferred revenue	2,282,136	2,495,503	2,282,136	2,495,503
- Inventory	1,003,934	85,528	1,003,934	85,528
- Other expenses	7,758,176	6,824,128	7,619,344	6,782,732
Other payables	3,621,473	3,239,748	3,702,285	3,039,806
Current portion	29,473,060	27,825,322	29,245,744	27,560,389

All customer loyalty credits (Bonga points) which form a separate component of the sales transaction are reported as deferred revenue and forms part of accrued liabilities.

The accrued liability relating to customer loyalty credits of Shs 3,496 million (2013: Shs 3,211 million) is expected to be recognised into revenue as customers redeem their points.

Deferred revenue Shs 2,282 million (2013: Shs 2,496million) relates mainly to unused airtime which will be recognized as revenue upon customer usage and un-earned fibre revenue recognized over the lease period.

The carrying amounts of the current trade payables and accrued expenses approximate to their fair values.

26 Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations:

	Group	
	2014 Shs'000	2013 Shs'000
Profit before income tax	34,984,430	25,450,565
Adjustments for:		
Interest income (Note 8)	(1,140,069)	(740,395)
Interest expense (Note 8)	1,494,836	2,192,078
Exchange gain on loans	-	2,992
Changes in fair value of derivative financial instruments	-	(147,000)
Depreciation on property, plant and equipment (Note 17)	21,281,441	19,951,597
Impairment charge on property, plant and equipment (Note 17)	4,083,905	1,280,789
Movement in non-current prepaid operating lease rentals (Note 23)	700	(206)
Amortisation of intangible assets (Note 18)	695,589	672,940
Amortisation of IRUs (Note 20)	267,995	233,719
Profit on sale of property, plant and equipment (Note 6)	(44,491)	(64,642)
Share of loss/ (profit) from associate (Note 19 (b))	(15,309)	9,678
One Communications Limited shareholder loan write off (Note 27 (v))	-	(104,554)
Changes in working capital		
– receivables and prepayments	378,191	65,490
– inventories	(721,673)	418,831
– payables and accrued expenses	1,647,738	(2,735,561)
Cash generated from operations	62,913,283	46,486,321

NOTES (continued)

27 Related party transactions

Vodafone Kenya Limited incorporated in Kenya, whose ultimate parent is Vodafone Group Plc, incorporated in the United Kingdom, is the largest single shareholder of the Company. There are other companies in the Vodafone Group that are related to the Company through common shareholdings or common directorships.

The following arrangements exist and form the basis of various transactions within the group.

(a) The Company has roaming agreements with Vodafone affiliated companies in many countries around the world including the UK.

(b) The Company operates the M-PESA business on a license basis. M-PESA is an innovative mobile payment solution that enables users to complete money transfer transactions pay for goods and services by use of mobile phone for which the Company earns a commission which is based on the amounts transacted. The Company also uses the M-PESA platform to sell air time to M-PESA account holders as well as run the M-Shwari product as detailed out in note 2(e).

The Vodafone Sales and Services Limited (VSSL), which owns the M-PESA solution, has entered into a Managed Services Agreement with the Company under which VSSL agrees to provide the M-PESA solution to the Company against which a licence fee is due quarterly.

The licence fee is based on either the higher of the number of active subscribers multiplied by a service fee rate which is graduated depending on the number of subscribers (the service fee rate reduces with increase in number of active subscribers) or 10% of M-PESA revenues and is capped at 25% of the revenue for that quarter with a floor of 10% of revenue per quarter. The fee is payable quarterly.

M-PESA Holding Company Limited, which is controlled by directors who are independent of Safaricom Limited, acts as the trustee for M-PESA customers and holds all funds from the M-PESA business in trust to ensure that those funds are safeguarded at all times.

(c) The Company has signed an agreement with Vodafone Sales and Services Limited, a company incorporated in England. The agreement is effective from 1st April 2011 to 31st March 2014, renewable every year. Under the agreement, Safaricom Limited will have access to Vodafone's global price book and supply chain resources for purposes of procurement, terminals management, Vodafone technical expertise, best practice systems and processes, Vodafone knowledge bank, benchmarking reports, Vodafone Global Enterprise customers to increase revenues, Vodafone business assurance and the business and consumer products and marketing support.

The participation fee is fixed at an annual amount equal to six million Euros (EUR 6,000,000).

(d) The Company has employees who are seconded from Vodafone Group Services Limited (VGSL), UK. The payroll cost for the secondees is managed by VGSL UK and recharged to the Company for payment on a monthly basis.

27 Related party transactions (continued)

The following relationships exist within the group:

Related parties	Held by	Percentage of interest held as at 31 March	
		2014	2013
Ultimate holding parent			
Vodafone Group Plc			
Domestic holding company			
Vodafone Kenya Limited	Vodafone Group Plc	40%	40%
Subsidiaries			
One Communications Limited	Safaricom Limited	100%	100%
Instaconnect Limited	Safaricom Limited	100%	100%
Packet Stream Data Networks Limited	Safaricom Limited	100%	100%
IGO Wireless Limited	Safaricom Limited	100%	100%
Flexible Bandwidth Services Limited	One Communications Limited	100%	100%
Comtec Training and Management Services Limited	One Communications Limited	100%	100%
Comtec Integration Systems Limited	One Communications Limited	100%	100%
Associate			
The East African Marines Systems Limited (TEAMS)	Safaricom Limited	32.5%	22.5%

The following transactions were carried out with related parties:

i) Sale of goods and services	Group	
	2014 Shs'000	2013 Shs'000
Vodafone (UK) Limited	78,478	121,180
Vodacom Tanzania Limited	155,984	314,520
Other Vodafone affiliates	90,262	118,205
M-PESA Holding Company Limited	26,493,408	21,844,032
	26,818,132	22,397,937

NOTES (continued)

27 Related party transactions (continued)

ii) Purchase of goods and services	Group	
	2014 Shs'000	2013 Shs'000
Vodafone Sales and Services Limited	4,194,671	3,536,858
Vodafone Group Services Limited	463,096	368,172
Vodafone (UK) Limited	42,004	45,311
Other Vodafone affiliates	98,223	198,544
Vodacom Tanzania Limited	368,008	578,997
M-PESA Holding Company Limited	10,684,877	8,595,421
	15,850,879	13,323,303

iii) Directors' remuneration		
Fees for services as director	14,125	11,995
Other emoluments	211,799	154,090
Emoluments in relation to past service	-	221,570
Total remuneration of directors of the Company	225,924	387,655

iv) Key management compensation		
Salaries and other short-term employment benefits	542,227	425,024
Employee Share Benefit Plan	50,097	16,836
Pension contribution	12,392	11,999
Termination benefits	13,377	16,561
	618,093	470,420

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity.

v) Loans from shareholders

In 2013, the non-controlling interest in One Communications Limited discharged the subsidiary of an obligation of Shs 104,554,000.

vi) Loans to directors of the Company

There are no loans to directors of the Company at 31 March 2014 and 31 March 2013.

vii) Donations to Safaricom Foundation

Donations made during the year amounted to Shs 302 million (2013: Shs 210 million).

27 Related party transactions (continued)

viii) Outstanding receivable balances arising from sale of goods/services

	Group		Company	
	2014 Shs'000	2013 Shs'000	2014 Shs'000	2013 Shs'000
Current:				
Vodafone (UK) Limited	49,309	21,792	49,309	21,792
Vodafone Group Enterprises	76,843	5,925	76,843	5,925
M-PESA Holding Company Limited	1,379,749	1,482,148	1,379,749	1,482,148
Other Vodafone affiliates	28,811	54,445	28,811	54,445
Vodacom Tanzania	13,366	13,867	13,366	13,867
One Communications Limited	-	-	134,115	23,034
Packet Stream Data Networks Limited	-	-	76,642	76,642
IGO Wireless Limited	-	-	10,406	10,406
	1,548,078	1,578,177	1,769,241	1,688,259
Non-current:				
Loan to One Communications Limited	-	-	707,906	850,000
	1,548,078	1,578,177	2,477,147	2,538,259

ix) Outstanding payable balances arising from purchases of goods/services

	Group		Company	
	2014 Shs'000	2013 Shs'000	2014 Shs'000	2013 Shs'000
Vodafone Sales and Services Limited	1,027,138	932,917	1,027,138	932,917
Vodafone Group Services Limited	104,353	178,293	104,353	178,293
Vodafone (UK) Limited	3,420	2,250	3,420	2,250
M-PESA Holding Company Limited	1,072,629	798,373	1,072,629	798,373
Other Vodafone affiliates	43,527	130,227	43,527	130,227
Vodacom Tanzania	64,630	31,588	64,630	31,588
One Communications Limited	-	-	98,314	-
IGO Wireless Limited	-	-	2,472	2,472
Packet Stream Limited	-	-	-	-
	2,315,697	2,073,648	2,416,483	2,076,120

The receivables arise mainly from trading, are unsecured and bear no interest. A provision of Shs 15.4 million (2013: Shs 9.9 million) (Note 22) is held against receivables from related parties. The payables to related parties arise mainly from purchase transactions. The payables bear no interest. Settlement of obligations between related parties is done in cash.

27 Related party transactions (continued)

x) Loan to related party

	Group		Company	
Non-current:	**2014 Shs'000**	**2013 Shs'000**	**2014 Shs'000**	**2013 Shs'000**
Loan to related party	-	-	707,906	850,000

The loan to related party is a loan made by the Company to its subsidiary company, One Communication Limited at an interest rate based on 91 days treasury bill rate plus 100 basis points.

The repayment date is based on future profit expected from One Communications Limited but has no fixed repayment terms. The fair value of the loan approximates its carrying amount.

28 Contingent liabilities

The group has contingent liabilities in respect of legal claims arising in the ordinary course of business.

At 31 March 2014, a guarantee of Shs 20,000,000 (2013: Shs15,000,000) had been given to Barclays Bank of Kenya against credit cards for the use of senior staff during travel and a guarantee of Shs 67,853,424 (2013: Shs 50,998,579) to various customers for services regularly provided by the Company.

The company has outstanding matters with Kenya Revenue Authority (KRA).

The directors have assessed the status of the contingent liabilities and as a result do not anticipate any material liabilities that may have an impact on these financial statements.

29 Commitments

Capital Commitments

Capital expenditure contracted for at the statement of financial position date but not recognised in the financial statements is as follows:

	Group		Company	
	2014 Shs'000	**2013 Shs'000**	**2014 Shs'000**	**2013 Shs'000**
Property, plant and equipment	6,799,338	4,141,534	6,799,338	4,141,534
Operating lease commitments				
Not later than 1 year	890,325	801,703	890,325	797,406
Between 1 year and 5 years	3,192,480	2,509,613	3,192,480	2,507,909
Later than 5 years	1,717,608	1,774,169	1,717,608	1,774,169
	5,800,413	5,085,485	5,800,413	5,079,484

Operating lease commitments relate to contracted leases for facilities and site rentals at the statement of financial position date. The lease terms are between 6 years and 20 years, and the majority of the lease agreements are renewable at the end of the lease period at market rates.

30 Change in presentation of the consolidated Statement of Comprehensive Income (SoCI)

The presentation of the consolidated Statement of Comprehensive Income (SoCI) has been changed during the current year to provide additional information on the nature of expenses. The SoCI now includes an EBITDA amount and expenses by function (cost of sales and operating/ administration expenses) are not disclosed. Per IAS 1, 'Presentation of Financial Statements' this is a change in accounting policy and the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors are applicable. The Directors are of the view that this presents better information about the activities of the group. The comparative information has been restated to reflect the changed presentation.

The effect of the raised presentation is as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Year ended 31 March 2013 Shs'000
As previously reported:	
Revenue	124,287,856
Cost of sales	(56,544,436)
Gross profit	67,743,420
Other income	197,888
Distribution costs	(4,680,665)
Administrative expenses	(8,440,194)
Other expenses	(27,720,255)
Operating profit	27,100,194
As restated:	
Revenue	124,287,856
Other income	197,888
Direct costs	(47,173,851)
Other expenses	(28,072,654)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	49,239,239
Depreciation of property, plant and equipment	(19,951,597)
Impairment of property, plant and equipment	(1,280,789)
Amortisation - licenses	(672,940)
Amortisation – indefeasible rights of use	(233,719)
Operating profit	27,100,194

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