# FINANCIAL STATEMENTS



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Report of the Directors

***This Report of the Directors is submitted together with the audited financial statements for the year ended 31 March 2022 which disclose the state of affairs of Safaricom PLC (the "Company" or "Safaricom") and its subsidiaries (together, the "Group").***

## Business review

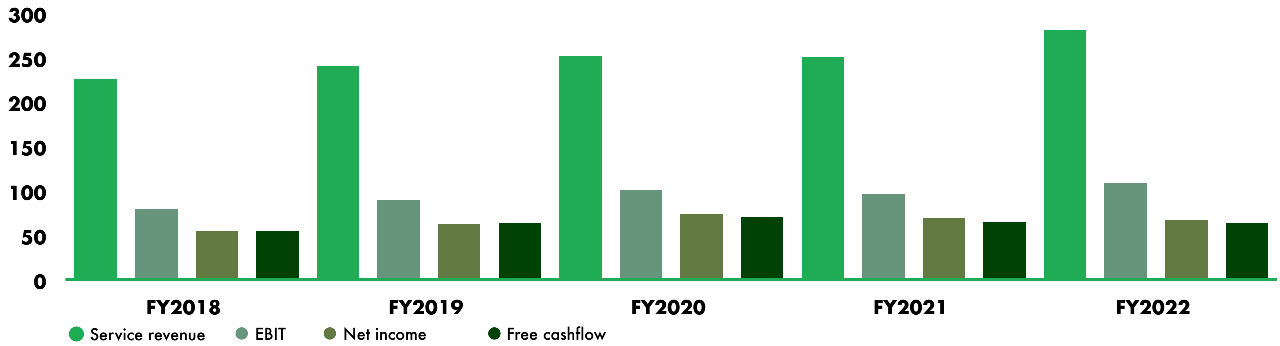
Safaricom's purpose is to Transform Lives, which continues to reaffirm our commitment to positively impact social, governance and environmental change, unlock our next growth phase, and support our transition from a telco to a purpose-led technology company. We remain committed to our sustainability agenda, covering key issues such as addressing our impact on the climate and building an inclusive business that meets the needs of our customers and protects the planet for the present and the future.

We achieve this purpose by placing the customer at the at the heart of our business priorities. Through innovation, we continue to enhance the digital lifestyle of our customers. Our various products and services, including voice, data, financial services and enterprise solutions serve to support the needs, aspirations and hopes of our customers. Our commitment and promise to our customers is to serve them in a Simple, Transparent and Honest manner.

Our corporate strategy is guided by four transformative pillars namely: Strengthening the Core; To be a financial services provider; Win in select digital ecosystems; and Achieve cost leadership..

Our business continues to record impressive growth over the years, as evidenced by the trend below on our five-year KPIs.

### Five-year KPIs




| | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|---|---|---|---|---|---|
| Service revenue | 225 | 240 | 251 | 250 | **281** |
| EBIT | 79 | 89 | 101 | 96 | **109** |
| Net income | 55 | 62 | 74 | 69 | **67** |
| Free cash flow | 55 | 63 | 70 | 65 | **64** |

Service revenue grew by 12.3% to KShs 281.1 billion driven predominantly by increased usage of non-voice services mainly M-PESA, fixed service and mobile data.

Overall M-PESA revenue now stands at 38.3% of service revenue. This is an increase from 33.0% reported in the same period last financial year. M-PESA revenue recorded a growth of 30.3% to KShs 107.7 billion driven by resumption of charges for person to Person (P2P) transfers which had been waived on the onset of COVID-19 pandemic. The growth in revenue is also supported by increase in one-month customers which grew by 7.8% YoY to 30.53 million.

Fixed service and wholesale transit revenue grew 18.3% YoY to KShs 11.24 billion driven by increased activity and penetration of Fibre to the Home (FTTH) and growth in Enterprise fixed data revenue. The growth was supported by 16.9% increase in Enterprise revenue to KShs 7.05 billion as well as 20.6% growth in Consumer revenue to KShs 4.19 billion. FTTH customers grew 20.8% YoY to 166.98k. Fixed Enterprise customers grew 24.1% YoY to 48.31k, of which 58.9% account for LTE customers and grew 33.2% YoY to 28.47k. FTTH penetration now stands at 52.9%, homes connected stood at 193.1k while homes passed were 364.98k as at 31 March 2022.

## Business review continued

Mobile data revenue, which accounts for 17.2% of our service revenue, grew at 8.1% to KShs 48.4 billion.

Distinct data bundle users grew 5.3% YoY to 17.60 million. Mobile Data ARPU increased by 10.4% to close at KShs 205.7. One-month active mobile data customers grew 6.1% YoY to close at 25.22 million.

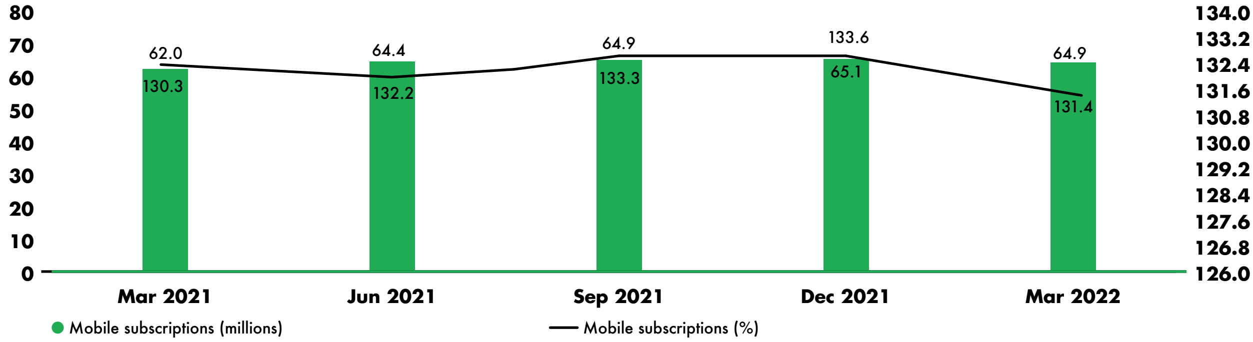
Operating profit (EBIT) increased by 13.5% attributed to increase in service revenue as explained above as well as decline in impairment for financial assets which declined by 21.5% due to improved and prudent management of debt. Included in calculation of EBIT is KShs 5.1 billion relating to costs incurred by Safaricom Ethiopia Telecommunication, Global Partnership of Ethiopia and Vodafamily Ethiopia (Note 23).

## ICT industry/Sector statistics

### Mobile (SIM) subscriptions

As at 31 March 2022, the number of active1 mobile (SIM) subscriptions stood at 64.9 million compared to the 65.1 million subscriptions recorded by the end of 31 December 2021 representing a marginal decline of 0.2%. The decline in SIM subscriptions is partly attributed to the ongoing SIM registration exercise during which a number of SIM cards have been deactivated.

### Trends in mobile subscriptions and penetration




Safaricom PLC active mobile subscriptions declined by 1.02% as indicated the below table:

**63,669,387** Prepaid subscriptions

**1,291,644** Postpaid subscriptions

98.0% of total mobile subscriptions

Jamli Telecom **254,314**

Finserve (Equitel) **1,394,049**

Telkom Kenya **4,099,086**

Airtel Network **16,641,322**

Safaricom PLC **41,280,616**

20.0% of total mobile subscriptions

Telkom Kenya **44,607**

Airtel Network **87,275**

Safaricom PLS **1,159,762**

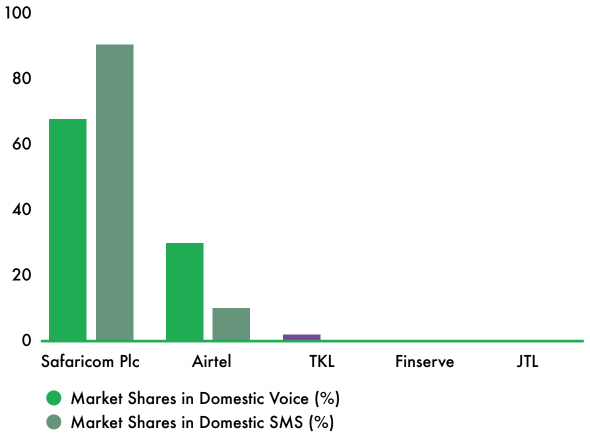
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Report of the Directors continued

## Business review continued

## Market shares in domestic mobile traffic

During the third quarter of the FY2021/2022 (January – March 2022), Safaricom PLC recorded the highest market share in domestic voice and SMS traffic at 67.8% and 89.5% respectively.




| | Safaricom PLC | Airtel | TKL | Finserve | JTL |
|---|---|---|---|---|---|
| Voice | **67.8** | 30.0 | 2.0 | 0.1 | 0 |
| SMS | **89.5** | 10.0 | 0.5 | 0.0 | 0 |

Safaricom continues to transition from a telecommunication service provider to a technology company in line with our vision to become a purpose-led technology company by 2025. We leverage on the power of mobile technology and innovation to transform lives by connecting Kenyans to opportunities, knowledge and the world. We recognise the power that technology has to support Kenya's economic growth as well as solve society's problems.

As we focus on the next phase of our journey, we remain committed to our purpose of transforming lives by accelerating new growth areas for our business to serve our customers need while delivering superior customer experience. We will continue to deliver a wide range of products and services designed to present sustainable solutions to some of society's most pressing challenges through being a digital-first and insights-led organisation. We will also continue to support the growth of SMEs and Micro-SMEs, which are the lifeblood of economic growth in our country, by offering enhanced financial services and connectivity solutions.

We remain committed to sustainable community investments through both our Foundations. We transform lives through investing in communities, leveraging on technology and strategic partnerships in areas of health, education and economic empowerment.

The period under review was still challenging as businesses and society pushed ahead on the recovery from the effects of COVID-19 crisis. Supporting our stakeholders build back better as we emerge from the economic crisis brought about by the pandemic remains one of our key priorities.

We remain focused on our sustainability agenda on key issues such as climate action and the impact our business has on the environment as well as social factors. We recognise that environmental and social considerations are not separate from our core business but have an impact on our overall commercial sustainability and success.

As part of our commitment to the Sustainable Development Goals (SDGs) we are committed to maximising our positive impact while mitigating our negative ones. We aim to achieve this through the continued alignment of our strategy and operations with our nine SDGs by:

i) Leveraging our mobile technologies to transform lives by improving access to quality and affordable health care services and by promoting well-being for all through product partnerships such as M-Tiba and through our corporate social investments under our Safaricom and M-PESA Foundations. (SDG 3)

ii) Expanding access to education through innovative solutions, our network and through partnerships such as Shupavu 291, connectivity for schools and our various programmes under the Elimu pillar of our Safaricom and M-PESA Foundations. (SDG 4)

iii) Transitioning to use of clean energy at our sites and leveraging technology to provide clean energy solutions, including payment solutions for local and renewable energy solutions. To this end, we have committed to be a Net-Zero emitting company by 2050. (SDG 7)

iv) Providing decent work within Safaricom and its broader ecosystem, including enforcing effective health and safety practices both internally and by suppliers while at the same time contributing to the local and national economy through innovative solutions to increase employment and facilitate economic activity amongst suppliers and customers. (SDG 8)

v) Delivering connectivity and innovative products and services, that will provide unmatched solutions to meet the needs of Kenyans. (SDG 9)

vi) Reducing inequalities by enabling equal access to opportunities to everyone, especially to vulnerable groups, using Safaricom leadership, network, solutions and technology. (SDG 10)

vii) Managing our operations responsibly, decreasing our environmental impact and promoting responsible behaviours among all our stakeholders. We have committed to eliminate single use plastics in our operations by 2025 and recycle/repurpose 100% of our waste. Further, we will embed circular economy principles in our purchases (product lifecycle and disposal) for all applicable contracts. (SDG 12)

viii) Managing our operations responsibly and ethically and fighting corruption in all its forms. (SDG 16)

# Business review continued

## Market shares in domestic mobile traffic continued

ix) Partnering and building collective capacity of people, organisations and nations to promote and advance the SDGs. (SDG 17)

The focus areas during the year included:

- Net zero commitment by 2050 – so far, we have planted over one million trees as part of our commitment to grow five million trees in five years. We also committed to transitioning to renewable sources of powering our network. Our target is to transition 90% of our sites to renewable energy in five years.
- Refreshed Social Contract to define Safaricom's purpose journey through the development of a companywide purpose strategy that defines our "why" and outlines the resulting impact in the community we operate in through innovative products and services; our commitment to manage our environmental impact; our commitment to our employees and stakeholders in our ecosystem and how we conduct business responsibly.
- Advocacy to influence policy and convening as a thought leader on emerging sustainability issues like climate action and implementation of the Sustainable Development Goals through regional and global partnerships with organisations such as United Nations Global Compact (UNGC), United Nations International Children's Emergency Fund (UNICEF), Shared Value Africa Initiative.
- ISO 14001:2015 by British Standards Institute which we use to measure our performance against the requirements of the Environment Management Standards.
- Compliance – ensuring compliance with the relevant environmental regulations in order to secure licence for 5G.

Our bold pledge has focused our thinking and efforts across the entire business, ranging from improving energy efficiencies and reducing the energy consumed across our network and facilities to deploying renewable energy solutions and exploring carbon offset projects within our establishments across the country.

## Our risk management framework

### Managing uncertainty in our business

Managing risks and uncertainty is an integral part of successfully delivering on our strategic objectives. We have embedded robust risk management framework and practices as an integral part of good management. This is demonstrated by the top-down approach with the Board taking overall responsibility of managing risk. Appropriate support towards risk management is given, driving a positive risk culture across the organisation.

Our risk management framework that is aligned to the ISO 31000 Risk Management Standard, allows us to identify, measure, manage and monitor strategic and operational risks across the business. The framework provides our management with a clear line of sight over risk to enable informed decision-making.

### Our approach

We believe that great risk management starts with the right conversations to drive better business decisions. Our focus is to identify and embed mitigation actions for material risks that could impact our current or future performance, and/or our reputation. Our approach is holistic and integrated, bringing together risk management, internal controls and business integrity, ensuring that our activities across this agenda focus on the risks that could have the greatest impact. We regularly review and refresh our principal risks, our risk appetite and our approach to risk management. Our approach is also structured to ensure that all reasonable steps are taken to mitigate, but not to eliminate, our principal risks in this context.

We continuously review our risk management framework which provides the foundation and organisational arrangements for identifying, treating, reporting, monitoring, reviewing and continually improving risk management throughout the organisation.

### Our Risk Appetite Statement

Safaricom faces a broad range of risks while carrying out its business operations. We recognise that risk is an integral part of creating and preserving value, as such we have developed detailed processes to ensure all critical and major risks are proactively managed.

We recognise that it is not possible to eliminate all the risks inherent in our operations and acceptance of some of the risks is necessary to foster innovation, development of a sustainable business and for maximising shareholders' value.

Our risk philosophy is aligned to best risk management practices and is aimed at supporting attainment of our purpose, vision and mission by effectively balancing risk and reward.

### Our principal risks and what we are doing about them

Our risk identification and mitigation processes have been designed to be responsive to the ever-changing environment that we operate in.

We identify the key risks through our Enterprise Risk Management Framework, which provides the Executive Committee and Board with a robust assessment of the principal risks facing the Company. An embedded enterprise risk management process supports the identification of these principal risks. The risk appetite for each principal risk is reviewed and approved by the Board to enable informed risk-based decision-making.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Report of the Directors continued

## Business review continued

## Our risk management framework continued

### Our principal risks and what we are doing about them continued

The following are the principal risks and related mitigation strategies that receive close management attention:

**1. REGULATORY AND POLICY ENVIRONMENT**

**Opportunity**

Enhanced collaboration with our regulators to ease some regulatory pressures while ensuring that satisfactory measures are taken to safeguard our customers and other stakeholders' interests.

| Context | Mitigation |
|---|---|
| We operate in a complex and heavily regulated environment and our business can be adversely affected by changes in laws or regulatory policies. A breach of these regulatory requirements could expose Safaricom to significant financial implications, reputational damage and/or suspension of our licence.<br><br>The nature of products and services provided require compliance with a wide range of rules and laws from our regulators namely Communications Authority of Kenya (CA), Competition Authority of Kenya (CAK) and Central Bank of Kenya (CBK). | We continue to build and maintain proactive and constructive relationships with the regulators and government, informed by a shared understanding of the need for inclusive economic development.<br><br>Participating in industry forums and other policy forums as well as contributing to discussions on emerging legislation and regulations as we prepare to comply with the same.<br><br>Our products and services are carefully and continuously monitored to ensure they do not contravene any regulations.<br><br>Strengthened focus placed on ensuring robust governance processes and strong management of regulatory compliance in place. |

**2. CYBER THREATS**

**Opportunity**

Providing our customers with secure products and services, while creating digital trust as we remain a trusted provider to both consumer and enterprise customers.

| Context | Mitigation |
|---|---|
| Cybersecurity incidents, and other tactics designed to gain access to and exploit sensitive information by breaching critical systems are evolving and have been increasing in both sophistication and occurrence in recent years.<br><br>Such cyber-attack, insider threat or supplier breach (malicious or accidental) could lead to theft, loss and misappropriation of critical assets and/or personal data and disruption to core business operations. | Cyber security remains one of our critical business considerations, and we ensure that information security remains an integral and critical business defence tool.<br><br>We conduct regular reviews of the most significant security risks affecting our business and develop strategies to detect, prevent and respond to them. Our cyber security approach focuses on minimising the risk of cyber incidents that affect our networks and services. As such we have implemented robust cyber security controls, next-generation security technologies complemented by our 24X7 Cyber Defense Center.<br><br>As a business, we have adopted a culture that prioritises customer privacy and security by raising employee awareness about security risks and our mitigation measures.<br><br>Our networks and infrastructure are built with security in mind with layers of security control applied to all applications and infrastructure. |

# Business review continued

## Our risk management framework continued

### Our principal risks and what we are doing about them continued

**3. DATA PRIVACY RISKS**

#### Opportunity

Protecting our customers personal data that is crucial to being a trusted provider and supporting our enterprise customers by providing managed security services to safeguard their business operations.

#### Context

We are subject to a wide variety of laws and regulations regarding protection of personal data and any failure or perceived failure by us may result in significant fines, which could have a material adverse effect on our business, operating results or reputation.

Implementation of the General Data Protection Regulations (GDPR) in 2018 as well as enactment of the Kenya Data protection Act 2019 continues to raise the bar on data protection.

There are strong obligations placed on data controllers and processors requiring them to abide by principles of meaningful user consent, collection limitation, purpose limitation, data minimisation and data security.

#### Mitigation

To provide the best customer experience, we are committed to creating products and services that do not compromise the privacy and security of our customers' personal information.

We clearly define how we secure and manage the creation, usage, storage and disposal of information that we manage. As a business, we have adopted a privacy and security by design culture that prioritises customer privacy and security by raising employee and partner awareness about security risks and our mitigation measures.

All our business operations that include processing of personal data must comply with our internal controls, codes of conduct, and data privacy policies.

**4. MARKET DISRUPTION AND AN EVOLVING COMPETITIVE LANDSCAPE**

#### Opportunities

The competitive and disruptive environment has yielded innovations that are setting us apart, allows us to be agile and drive partnerships while providing our customers with world-class experience.

#### Context

In our shift from a more conventional telco to a digital services provider, we are facing strengthened competition both for customer and for digital talent from various non-traditional sources.

Competition in the telecommunication industry is on the rise in terms of product and service offerings.

Dynamic market needs, ever-changing consumer trends, entrance of new players in the market coupled with speed of new disruptive technologies have also intensified the competition with customer value proposition being the competitive edge.

We face increased competition from a variety of new technology platforms, which aim to build alternative communication, which could potentially affect our customer relationships.

#### Mitigation

Our strategies to manage competition and the prevailing market disruptions focus on growing and retaining our customers by:

- Adoption of **Agile** operating model to enable faster route to market.
- Focus on **Customer Obsession** to provide our customers with world-class experience.
- Developing insights using big data into our customer's needs, wants and behaviours and provide propositions to lead in chosen segments.
- Offering quality services and leveraging on strategic partnerships within different sectors to ensure we provide our customers with relevant products and services.
- Embedding a purpose-led culture that drives innovation and partnership.
- We continue to be innovative and adopt an agile operating model to be able to respond rapidly to the ever-changing customers' needs.
- 4G acceleration to provide our customers with quality service.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Report of the Directors continued

## Business review continued

## Our risk management framework continued

### Our principal risks and what we are doing about them continued

**5. SLOWED ECONOMIC GROWTH AND CHALLENGING MACROECONOMIC CONTEXT**

#### Opportunity

The push for business reinvention to combat the challenging economic environment has resulted in positive innovations that not only cushion customers against the economic shocks but also creates products that meet their needs, enhanced service offering to our customers and new market ventures.

| Context | Mitigation |
|---|---|
| The Kenyan economy has shown considerable resilience to the enormous shock of the pandemic. However, this has been accompanied with prolonged negative impact of COVID-19, inflationary pressures, high commodity prices, and the subdued agricultural production continue to characterise our economic environment.<br><br>There are still uncertainties regarding the extent to which business activities will return to the pre-pandemic levels. | We continue to proactively monitor these factors, implement measures to mitigate the effects and cushion the business from adverse effects.<br><br>Enhanced value propositions to cater for reduced purchasing power and providing the customer with ability to only spend what they have.<br><br>We include contingencies in our business plans to provide for the negative operational impacts that could arise from lower economic growth and changes in interest, inflation and exchange rates. |

**6. SERVICE DISRUPTION AND OPERATIONAL RESILIENCE**

#### Opportunity

Extensive investment in a robust network architecture driven by customer need to ensure we meet customer expectations all the time. In addition, we have strong technology redundancies to minimise technology failures.

| Context | Mitigation |
|---|---|
| Our customer value proposition is based on the reliable availability of our high-quality network.<br><br>We have an increasingly complex information/network technology infrastructure, which we constantly expand and upgrade to ensure the best customer experience and consolidate our technology leadership.<br><br>A major failure in critical network or information technology assets for example, through natural disasters, insufficient preventative maintenance, or malicious attack would have a profound impact on our customers. | Invest in maintaining and upgrading our network on an ongoing basis, with comprehensive business continuity and disaster recovery plans in place.<br><br>Investments to ensure adequate redundancy capabilities and elimination of any single point of failure. |

**7. POLITICAL UNCERTAINTIES**

#### Opportunity

Having a solid business strategy that is focused on customer propositions, value and is resilient to withstand political headwinds.

| Context | Mitigation |
|---|---|
| The political environment in Kenya remain fluid with increased activities gearing towards 2022 general elections. This comes with increased tensions in the community as a result of shifting political alliances and divisions, exploitation of socio-economic grievances and prevalence of misinformation.<br><br>There is a risk exposure due to possible use of our services to share deepfakes, hate messages and spamming. | Proactive monitoring of the ongoing political activities and dynamics and advising the business accordingly.<br><br>Agile organisation with a solid strategic plan and guided by mission philosophy.<br><br>Ensuring service availability, engagements with stakeholders and reputation management. |

# Business review continued

## Our risk management framework continued

### Our principal risks and what we are doing about them continued

**8. GEO-POLITICAL RISK**

#### Opportunity

The Ethiopian market presents a great opportunity for us to offer differentiated products and services to a market that has for a long time operated under a closed market. Further, the support accorded by the Ethiopian Government creates an enabling business environment.

| Context | Mitigation |
|---|---|
| Our expansion into Ethiopia following Government of Ethiopia's commitment to liberalise the telecommunications sector has opened new markets which bring on various risks such as: insecurity and possible conflict in the region.<br><br>Disruption to the supply chain due to geo-political exposures, conflicts, global supply chain challenges that could mean that we are unable to execute our strategic plans, resulting in increased cost of operations and delays in provision of services/products. | Robust business case for the investment in Ethiopia that is supported by the Ethiopia's Government commitment to liberalise the telecommunications sector via the award of the licence.<br><br>We are monitoring the global conflicts, trade sanctions and supply chain disruptions and revising our business continuity plans accordingly to minimise impact to our operations. |

**9. HEALTH AND SAFETY EXPOSURES**

#### Opportunity

Keeping our people safe is one of the most important responsibilities we hold as an employer. Our ongoing focus is to create a safe working environment for everyone working for and on behalf of Safaricom and the communities in which we operate. We want everyone working with Safaricom to return home safely every day.

| Context | Mitigation |
|---|---|
| The nature of our operations expose the business to health and safety risks through inherent exposure to our staff, contractors and other stakeholders.<br><br>We focus our initiatives on our top health and safety risks, which continue to account for the majority of reported incidents and remain a focus area globally: occupational road risk; falls from height; working with electricity; and fibre operations. | We have recently implemented a Safaricom Zero Harm Culture and mission strategy that is supported by "Safaricom Absolute Rules". These rules focus on risks that present the greatest potential for harm for anyone working for or on behalf of Safaricom.<br><br>The Absolute Rules are clear and underpinned by a Zero Harm culture and zero-tolerance approach to unsafe behaviours in our business operations. The Absolute Rules must be followed by all Safaricom employees and contractors, as well as our suppliers' employees and contractors.<br><br>We have instituted management commitment and stakeholder engagement, education and training, while implementing technical mitigations to eliminate the risk. |

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Report of the Directors continued

## Business review continued

## Our risk management framework continued

### Our principal risks and what we are doing about them continued

**10. MONEY LAUNDERING AND TERROR FINANCING**

#### Opportunities

It is our social responsibility to ensure that the products and platforms we offer are not misused and involved in conducting illegal activities. We provide policies, procedures and tools that ensure screening of activities conducted on our platforms as a safety measure.

#### Context

We are exposed to money laundering and terror financing risks due to the use of our services such as M-PESA and International Money Transfer.

We work with partners (IMT partners, agents, dealers, merchants and pay bill partners) who must comply with Know your customer (KYC) regulations. A failure to comply with regulatory obligations could expose our M-PESA offering to Money laundering/Terror financing risks.

#### Mitigation

We have a robust AML/TF program that focuses on ensuring compliance to AML/TF regulatory obligations with key controls around:

- Continuous training, awareness and education.
- Know your customer (KYC) and Know your partner (KYP).
- Watchlist Screening & Transaction Monitoring Close collaboration with Financial Reporting Center (FRC).
- Regular risk assessments.

These controls are supported by a banking grade AML system and use of machine learning models to detect outlier behaviours which enables early detection and investigation of suspicious activities.

## Results and dividend

The profit for the year is KShs 67,496 million (2021: KShs 68,676 million) and has been added to retained earnings.

During the year, an interim dividend of KShs 0.64 per ordinary share amounting to KShs 25.64 billion (2021: KShs 18.03 billion) was declared. At the Annual General Meeting (AGM )to be held on 29 July 2022, a final dividend in respect of the year ended 31 March 2022 of KShs 0.75 per ordinary share amounting to a total of KShs 30.04 billion is to be proposed for approval. This brings the total dividend for the year to KShs 55.69 billion (2021: KShs 54.89 billion) which represents KShs 1.39 per share in respect of the year ended 31 March 2022 (2021: KShs 1.37 per share).

## Business review continued

## Directors

The Directors who held office during the year and to the date of this report were:

| Name | Position | Nationality | Date of Appointment |
|---|---|---|---|
| Michael Joseph | Chairman and Non-Executive Director | Kenyan and American | 1 August 2020 (as Chairman) |
| Peter Ndegwa | Chief Executive Officer (CEO) and Executive Director | Kenyan | 1 April 2020 |
| Dilip Pal | Chief Financial Officer and alternate to the CEO | Indian | 1 November 2020 |
| Cabinet Secretary (CS), National Treasury and Planning | Non-Executive Director | Kenyan | 10 February 2021 |
| Christopher Kirigua | Alternate to CS, National Treasury and Planning | Kenyan | 10 February 2021 |
| Francesco Bianco | Non-Executive Director | Italian | 20 March 2020 |
| Linda Muriuki | Non-Executive Director | Kenyan | 31 August 2017 |
| Mohamed Shameel Joosub | Non-Executive Director | South African | 31 August 2017 |
| Sitholizwe Mdlalose | Non-Executive Director | British | 29 July 2020 |
| Raisibe Morathi | Non-Executive Director | South African | 1 November 2020 |
| Bitange Ndemo | Independent Director | Kenyan | 2 March 2017 |
| Rose Ogega | Independent Director | Kenyan | 12 February 2019 |
| Winnie Ouko | Independent Director | Kenyan | 10 February 2021 |

As part of the annual assessment of the Independent Directors as provided for in the Capital Markets Authority Code of Corporate Governance Practices for the Issuers of Securities to the Public 2015, we had regular consultations with the Authority and as at the date of approval of the financial statements, 11 May 2022, our Directors were assessed as independent.

## Statement as to disclosure to the Group's and Company's auditor

With respect to each Director at the time this report was approved:

a) There is, so far as the Director is aware, no relevant audit information of which the Group's and Company's auditor is unaware; and

b) The Director has taken all steps that the Director ought to have taken as a Director to be aware of any relevant audit information and to establish that the Group's and Company's auditor is aware of that information.

## Terms of appointment of the auditor

During the AGM of the Company that was held on 30 July 2021, the shareholders resolved to re-appoint Messrs Ernst and Young LLP, as the Company's Auditors in accordance with the provisions of section 721 of the Kenyan Companies Act, 2015.

The Directors monitor the effectiveness, objectivity and independence of the auditor. The Directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

By order of the Board

Ms Kathryne Maundu
Company Secretary
11 May 2022

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Statement of Directors' responsibilities

The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group and Company as at the end of the financial year and of their profit or loss for that year. It also requires the Directors to ensure that the Group and Company keeps proper accounting records that: (a) show and explain the transactions of the Group and Company; (b) disclose, with reasonable accuracy, the financial position of the Group and Company; and (c) enable the Directors to ensure that every financial statement required to be prepared complies with the requirements of the Kenyan Companies Act, 2015. They are also responsible for safeguarding the assets of the Group and the Company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors accept responsibility for the preparation and presentation of these consolidated and Separate Financial Statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

i) Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;

ii) Selecting suitable accounting policies and then applying them consistently; and

iii) Making judgements and accounting estimates that are reasonable in the circumstances.

Having made an assessment of the Group's and Company's ability to continue as a going concern, the Directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group's and Company's ability to continue as a going concern.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the Board of Directors on 11 May 2022 and signed on its behalf by:

Michael Joseph
Chairman

Peter Ndegwa
Chief Executive Officer

# Directors' Remuneration Report

## Information not subject to audit

### The Company's Board composition as at 31 March 2022 is as below:

| Name | Position | Nationality | Date of appointment |
|---|---|---|---|
| **a) Seven Non-Executive Directors** | | | |
| Michael Joseph (as Chairman) | Chairman and Non-Executive Director | Kenyan and American | 1 August 2020 |
| Cabinet Secretary (CS), National Treasury and Planning | Non-Executive Director | Kenyan | 10 February 2021 |
| Francesco Bianco | Non-Executive Director | Italian | 20 March 2020 |
| Linda Muriuki | Non-Executive Director | Kenyan | 31 August 2017 |
| Mohamed Shameel Joosub | Non-Executive Director | South African | 31 August 2017 |
| Sitholizwe Mdlalose | Non-Executive Director | British | 29 July 2020 |
| Raisibe Morathi | Non-Executive Director | South African | 1 November 2020 |
| **b) Three independent Directors** | | | |
| Bitange Ndemo | Independent Director | Kenyan | 2 March 2017 |
| Rose Ogega | Independent Director | Kenyan | 12 February 2019 |
| Winnie Ouko | Independent Director | Kenyan | 10 February 2021 |
| **c) One Executive Director** | | | |
| Peter Ndegwa | Chief Executive Officer (CEO) and Executive Director | Kenyan | 1 April 2020 |
| **d) Two alternate Directors** | | | |
| Christopher Kirigua | Alternate to CS, National Treasury and Planning | Kenyan | 10 February 2021 |
| Dilip Pal | Chief Finance Officer and alternate to the CEO | Indian | 1 November 2020 |

### Non-executive Directors' remuneration

The Board establishes and approves transparent and competitive remuneration policies for the non-executive Board members. These policies clearly stipulate remuneration elements such as Directors' annual fees, sitting allowances per meeting attended and other benefits that are based on proper benchmarking and taking into consideration the prevailing market conditions.

Safaricom PLC seeks to remunerate Non-Executive Directors at least at the 75th percentile. The current remuneration structure is based on a survey commissioned by the Board through its Board Nominations and Remuneration Committee and carried out by PricewaterhouseCoopers (PwC) across peer organisations comparable with Safaricom. Remuneration for Non-Executive Directors is reviewed every two years.

The current agreed fees and allowances structure is as follows:

- Annual Directors fees paid to the Chairman of the Safaricom PLC Board agreed KShs 14,350,000 (2021: KShs 5,700,000 per annum)
- Annual Directors fees paid to each Non-Executive Director agreed at KShs 3,000,000 per annum (2021: KShs 2,200,000)
- Sitting allowance payable to the Chairman of the Board agreed at KShs 230,000 per meeting (2021: KShs 85,000)
- Sitting allowance payable to the Chairperson of a Committee agreed at KShs 125,000 per meeting (2021: KShs 74,150)
- Sitting allowance payable to each Non-Executive Director agreed at KShs 110,000 per meeting (2021: KShs 60,000)
- Sitting allowance payable to the Chairman of the Boards of Vodafamily Ethiopia Holding Ltd (SPV) and Global Partnership of Ethiopia (GPE) agreed at KShs 172,500 per meeting (2021: KShs 0)
- Sitting allowance payable to each Non-Executive Director of Vodafamily Ethiopia Holding Ltd (SPV) and Global Partnership of Ethiopia agreed at KShs 93,750 per meeting (2021: KShs 0)

The annual retainer fee for the Director representing the National Treasury is paid directly to the National Treasury.

The annual Directors' fees for the Directors representing Vodafone Kenya Limited are paid directly to Vodafone/Vodacom Group.

The Board members are also entitled to telephone and internet usage allowance.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Directors' Remuneration Report continued

## Information not subject to audit continued

### Non-executive Directors' remuneration continued

#### Executive Director's remuneration

The Executive Director's remuneration is as per the negotiated employment contract and are employed on a fixed-term basis.

Besides the basic salary, the Executive Director is entitled to an annual performance-based bonus, EPSAP shares, residential accommodation, utility bills payment, children's school fees and club membership.

#### Changes to Directors' remuneration

During the year, there were changes in Non-Executive Directors remuneration fees and allowances as shown above.

#### Statement of voting on the Directors' Remuneration Report at the previous AGM

During the AGM held on 30 July 2021, voting was done by the ballot to approve the Directors' Remuneration Report.

The results of the vote were as below:

| Agenda | Vote | Total votes | As a percentage of the total votes cast |
|---|---|---|---|
| Directors' Remuneration report | For | 32,940,975,693 | 98.893% |
| | Against | 4,303,138 | 0.013% |
| | Spoilt Votes | – | – |
| | Withheld | 364,400,809 | 1.094% |
| **Total** | | **33,309,679,640** | **100%** |

At the AGM scheduled to be held on 29 July 2022, the Directors Remuneration Report for the year ended 31 March 2022 will be presented to the shareholders for approval.

## Information subject to audit

The following table shows a single figure remuneration for the Executive and Non-Executive Directors in respect of qualifying services for the financial year ended 31 March 2022 and comparative figures for the year ended 31 March 2021.The aggregate Directors' emoluments are shown in note 31(iii).

### Directors' remuneration for the year ended 31 March 2022

#### Executive Directors

| Name | Salary KShs'm | Directors' fees KShs'm | Bonus KShs'm | Non-cash benefits KShs'm | EPSAP* KShs'm | Total KShs'm |
|---|---|---|---|---|---|---|
| Peter Ndegwa | 88.89 | – | 178.88 | 21.16 | – | 288.93 |
| Dilip Pal | 54.05 | – | 13.77 | 19.91 | – | 87.73 |
| **Total** | **142.94** | – | **192.65** | **41.07** | – | **376.66** |
| **Non-Executive Directors** | | | | | | |
| Michael Joseph | – | 24.93 | – | 0.27 | – | 25.20 |
| Bitange Ndemo | – | 7.42 | – | 0.01 | – | 7.43 |
| Rose Ogega | – | 10.76 | – | 0.22 | – | 10.98 |
| Linda Muriuki | – | 7.79 | – | 0.14 | – | 7.93 |
| Mohamed Shameel Joosub | – | 6.16 | – | – | – | 6.16 |
| Francesco Bianco | – | 5.50 | – | – | – | 5.50 |
| Christopher Kirigua | – | 5.85 | – | 1.65 | – | 7.50 |
| National Treasury | – | 2.80 | – | – | – | 2.80 |
| Winnie Ouko | – | 8.52 | – | 0.18 | – | 8.70 |
| Sitholizwe Mdlalose | – | 5.89 | – | – | – | 5.89 |
| Raisibe Morathi | – | 6.79 | – | – | – | 6.79 |
| **Total** | | **92.41** | – | **2.47** | – | **94.88** |
| **Grand total** | **142.94** | **92.41** | **192.65** | **43.54** | – | **471.54** |

## Information subject to audit continued

### Directors' remuneration for the year ended 31 March 2021

#### Executive Directors

| Name | Salary KShs'm | Directors' fees KShs'm | Bonus KShs'm | Non-cash benefits KShs'm | EPSAP* KShs'm | Total KShs'm |
|---|---|---|---|---|---|---|
| Peter Ndegwa | 102.30 | – | 90.00 | 9.24 | – | 201.54 |
| Sateesh Kamath | 31.23 | – | 5.61 | 6.89 | 2.79 | 46.52 |
| Michael Joseph | – | – | 127.57 | – | – | 127.57 |
| Dilip Pal | 29.19 | – | 20.00 | 5.75 | – | 54.94 |
| **Total** | 162.72 | – | 243.18 | 21.88 | 2.79 | 430.57 |
| **Non-Executive Directors** | | | | | | |
| Nicholas Nganga | – | 5.20 | – | 0.05 | – | 5.25 |
| Michael Joseph | – | 6.17 | – | 0.13 | – | 6.30 |
| Bitange Ndemo | – | 4.06 | – | 0.01 | – | 4.07 |
| Rose Ogega | – | 5.64 | – | 0.15 | – | 5.79 |
| Linda Muriuki | – | 3.85 | – | 0.05 | – | 3.90 |
| Mohamed Shameel Joosub | – | 3.22 | – | – | – | 3.22 |
| Esther Koimett | – | 1.08 | – | 0.05 | – | 1.13 |
| National Treasury | – | 2.20 | – | – | – | 2.20 |
| Till Streichert | – | 1.28 | – | – | – | 1.28 |
| Francesco Bianco | – | 3.22 | – | – | – | 3.22 |
| Dulacha Galgalo Barako | – | 0.60 | – | – | – | 0.60 |
| Christopher Kirigua | – | 0.06 | – | 0.02 | – | 0.08 |
| Winnie Ouko | – | – | – | – | – | – |
| Sitholizwe Mdlalose | – | 1.70 | – | – | – | 1.70 |
| Raisibe Morathi | – | 0.43 | – | – | – | 0.43 |
| **Total** | – | 38.71 | – | 0.46 | – | 39.17 |
| **Grand total** | 162.72 | 38.71 | 243.18 | 22.34 | 2.79 | 469.74 |

** EPSAP – Employee Performance Share Award Plan.*

On behalf of the Board

Ms. Winnie Ouko
Chairperson, Board Nominations and Remuneration Committee
11 May 2022

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Report of the Independent Auditor

To the shareholders of Safaricom Plc

## Report on the Audit of the Consolidated and Separate Financial Statements

### Opinion

We have audited the accompanying consolidated and Separate Financial Statements of Safaricom PLC (the "Company") and its subsidiaries (together, the "Group") set out on pages 188 to 266, which comprise the consolidated and separate statements of financial position as at 31 March 2022 and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and Separate Financial Statements, including a summary of significant accounting policies.

In our opinion, the consolidated and Separate Financial Statements present fairly, in all material respects, the consolidated and separate financial position of Safaricom PLC as at 31 March 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report.

We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code for Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of financial statements of the Group and the Company and in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits of the Group and the Company and in Kenya. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated and Separate Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated and Separate Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Consolidated and Separate Financial Statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Consolidated and Separate Financial Statements.

The Key Audit Matters apply equally to the audit of the consolidated and Separate Financial Statements.

| KEY AUDIT MATTER | HOW THE MATTER WAS ADDRESSED IN THE AUDIT |
|---|---|
| **Revenue recognition – occurrence, completeness and measurement of recorded revenue given the complexity of products, systems and IFRS 15: *Revenue* from contracts with customers.**<br><br>The occurrence and accuracy of amounts recorded as revenue is an inherent industry risk due to the complexity of the billing systems arising from changes in products and plans – including multiple element arrangements, the number of products sold and the tariff structure changes during the year.<br><br>The application of the revenue recognition accounting standard IFRS 15: *Revenue* from contracts with customers, requires the use of complex rating, billing and accounting systems. The complexity is compounded by the significant number of revenue transactions that are accounted for on an annual basis.<br><br>We therefore considered revenue recognition to be a matter of most significance to our current year audit. | • We understood and tested the design and operating effectiveness of management's controls over the transfer of revenue information between the multiple systems involved in recording revenue;<br>• We tested the controls in place over the authorisation of rate changes and a review of the new products recorded in the billing systems;<br>• We involved our internal IT audit specialists to test the IT general controls of the rating and billing environments, as well as assessed the completeness of the relevant revenue reports utilised for audit purposes;<br>• We tested the end-to-end reconciliation from rating and billing systems to the journals processed in the general ledger; |

The Key Audit Matters apply equally to the audit of the consolidated and Separate Financial Statements.

| KEY AUDIT MATTER | HOW THE MATTER WAS ADDRESSED IN THE AUDIT |
|---|---|
| The significant accounting policies and detailed disclosures on revenue recognition are included in Note 2(e) – Revenue recognition, Note 5(a) – Revenue from contracts with customers and Note 29(b) – Contract liabilities disclosures. | • We performed analytical review procedures over significant revenue streams by identifying the drivers that resulted in changes YoY to establish detailed monthly and annual expectations. Where movement were outside our precision level set, we performed substantive audit procedures;<br>• We performed a three-way correlation between revenue, deferred revenue, trade receivables and cash;<br>• We reviewed the reconciliation of the aggregate of the prepaid and hybrid customers per the charging system to the deferred revenue balance;<br>• We selected and tested a sample of enterprise revenue contracts and assessed, in line with the requirements of IFRS 15: *Revenue* from contracts with customers, that contracts with customers were valid, that performance obligations were agreed by both parties and that revenue was appropriately recognised;<br>• We tested the stand-alone selling prices as input into the system and agreed the logic behind the stand-alone selling prices to the relevant IFRS 15: *Revenue* from contracts with customers requirements;<br>• We tested management reconciliations for interconnect/roaming revenue to third party confirmations;<br>• We tested a sample of journal entries, processed in relation to non-standard revenue including manual ERP journals by reviewing supporting documentation to ensure that the journals were supported by an underlying business rationale, were accounted for correctly, in the correct period and appropriately authorised; and<br>• We examined and assessed the accounting policies applied and disclosures in terms of the recognition of revenue for compliance with IFRS 15: *Revenue* from contracts with customers and industry guidance. |
| **Investment in subsidiary – Safaricom Telecommunications Ethiopia PLC**<br><br>Safaricom-led consortium was granted a nationwide full-service Unified Telecommunications Service Licence by the Ethiopian Communications Authority (ECA). The licence was effective from 9 July 2021, valid for a term of 15 years from the effective date, and renewable for additional terms of 15 years subject to fulfilment of all licence obligations.<br><br>The operation of the licence will be carried through Safaricom Telecommunications Ethiopia PLC, a company incorporated and registered in Ethiopia.<br><br>Safaricom PLC owns a majority stake in the consortium. Other partners in the consortium are Vodacom Group, British Development Finance Agency, CDC Group, and Japan's Sumitomo Corporation with the respective shareholding into the company being Vodafamily Ethiopia holding 61.9% (Safaricom PLC 55.71%, Vodacom Group 6.19%), Sumitomo Corporation 27.2% and CDC Group PLC 10.9%. The consortium won the licence with a bid of USD850 million.<br><br>We have considered this as a Key Audit Matter due to the materiality of the transaction and the complexity of the shareholding structure.<br><br>The significant accounting policies and detailed disclosures are included in Note 2(b) Consolidation – subsidiaries, Note 21 – Intangible assets – Network licences Note 23(a) – Investment in subsidiaries and Note 31- Related party transactions. | • We reviewed the Shareholders Agreement and assessed in line with IFRS10: Consolidated financial statements, that Safaricom has control over the subsidiary and meets the requirements for the preparation and presentation of Consolidated Financial Statements.<br>• We reviewed and tested a sample of the transactions accounted for under investment in subsidiary in the Separate Financial Statements for compliance with recognition criteria.<br>• We reviewed the Unified Telecommunications Service Licence issued by the Ethiopian Communications Authority (ECA) and assessed that the transaction meets the recognition criteria and is appropriately accounted for.<br>• We tested controls in place over transactions with related parties.<br>• We evaluated the adequacy of the financial statement disclosures in accordance with International Financial Reporting Standards. |

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Report of the independent auditor continued

To the shareholders of Safaricom Plc continued

## Other information

The Directors are responsible for the other information. The other information comprises Report of the Directors, Statement of Directors' Responsibilities, Directors' remuneration report and the appendices (Principal shareholders and Mobile money services performance) which we obtained prior to the date of this report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date. Other information does not include the consolidated or the Separate Financial Statements and our Auditor's Report thereon.

Our opinion on the consolidated and Separate Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act, 2015, as set out below.

In connection with our audit of the consolidated and Separate Financial Statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and Separate Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this Auditor's Report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and Separate Financial Statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and Separate Financial Statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and Separate Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and Separate Financial Statements.

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

- Identify and assess the risks of material misstatement of the consolidated and Separate Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the consolidated and Separate Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.

### Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated and Separate Financial Statements, including the disclosures, and whether the consolidated and Separate Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and Separate Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

### Report on other matters prescribed by the Kenyan Companies Act, 2015

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that:

i) in our opinion, the information given in the Report of the Directors on pages 170 to 179 is consistent with the consolidated and Separate Financial Statements.

ii) in our opinion, the auditable part of Directors' Remuneration Report on page 181 to 183 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent Auditor's Report is CPA Allan Gichuhi practicing certificate number 1899.

Allan Gichuhi

For and on behalf of Ernst & Young LLP
Certified Public Accountants
Nairobi, Kenya
30 June 2022

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Statements of Profit or Loss and other Comprehensive Income

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Notes | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| Revenue from contracts with customers | 5(a) | **295,441.4** | 261,462.3 | **292,556.2** | 259,296.3 |
| Revenue from other sources | 5(b) | **2,636.5** | 2,564.2 | **3,289.7** | 3,153.4 |
| **Total revenue** | | **298,077.9** | **264,026.5** | **295,845.9** | **262,449.7** |
| Direct costs | 6(a) | **(91,467.8)** | (80,852.8) | **(90,613.6)** | (80,334.1) |
| Expected credit losses on financial assets | 6(b) | **(2,361.2)** | (3,009.7) | **(2,602.7)** | (3,863.7) |
| Other expenses | 7 | **(55,187.0)** | (46,034.8) | **(49,545.5)** | (45,168.6) |
| **Earnings before interest, taxes, depreciation and amortisation (EBITDA)** | | **149,061.9** | **134,129.2** | **153,084.1** | **133,083.3** |
| Depreciation of property and equipment | 18 | **(34,145.2)** | (32,624.5) | **(33,922.2)** | (32,570.4) |
| Amortisation – Indefeasible rights of use (IRUs) | 19 | **(281.3)** | (406.5) | **(281.3)** | (406.5) |
| Amortisation – Intangible assets | 21 | **(1,850.0)** | (1,628.5) | **(1,850.0)** | (1,628.1) |
| Amortisation – Right-of-use (RoU) assets | 22(a) | **(3,656.8)** | (3,304.8) | **(3,644.2)** | (3,304.8) |
| **Operating profit** | | **109,128.6** | **96,164.9** | **113,386.4** | **95,173.5** |
| Finance income | 8 | **2,413.4** | 2,198.4 | **2,050.1** | 2,177.0 |
| Finance costs | 9 | **(8,852.6)** | (4,220.8) | **(8,895.2)** | (4,405.5) |
| Share of loss of associates | 23(b) | **(279.8)** | (192.9) | **(279.8)** | (192.9) |
| Share of loss of joint venture | 23(b) | **(196.2)** | (314.1) | **(196.2)** | (314.1) |
| **Profit before income tax** | | **102,213.4** | **93,635.5** | **106,065.3** | **92,438.0** |
| Income tax expense | 12(a) | **(34,717.3)** | (24,959.3) | **(34,276.0)** | (24,481.4) |
| **Profit for the year** | | **67,496.1** | **68,676.2** | **71,789.3** | **67,956.6** |
| **Attributable to:** | | | | | |
| Equity holders of the parent | | **69,648.1** | 68,676.2 | **71,789.3** | 67,956.6 |
| Non-controlling interests | | **(2,152.0)** | – | **–** | – |
| **Other comprehensive loss:** | | | | | |
| **Items that will subsequently be reclassified to profit or loss** | | | | | |
| Exchange differences on translation of foreign operations | | **(9,536.3)** | – | **–** | – |
| **Total comprehensive income for year** | | **57,959.8** | **68,676.2** | **71,789.3** | **67,956.6** |
| **Attributable to:** | | | | | |
| Equity holders of the parent | | **64,335.4** | 68,676.2 | **71,789.3** | 67,956.6 |
| Non-controlling interests | | **(6,375.6)** | – | **–** | – |
| **Total comprehensive income for year** | | **57,959.8** | **68,676.2** | **71,789.3** | **67,956.6** |
| **Basic earnings per share (KShs per share)** | 13 | **1.74** | **1.71** | **1.79** | **1.70** |
| **Diluted earnings per share (KShs per share)** | 13 | **1.74** | **1.71** | **1.79** | **1.70** |

# Statements of Financial Position

as at 31 March 2022

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Notes | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| **Non-current assets** | | | | | |
| Deferred income tax | 17 | **9,908.8** | 5,467.2 | **9,908.7** | 5,465.8 |
| Property and equipment | 18 | **148,993.0** | 133,833.7 | **138,502.6** | 133,519.3 |
| Right-of-use assets | 22(a) | **18,301.7** | 14,762.8 | **17,177.4** | 14,762.8 |
| Indefeasible rights of use | 19 | **2,564.3** | 2,845.6 | **2,564.3** | 2,845.6 |
| Investment property | 20 | **845.0** | 845.0 | **845.0** | 845.0 |
| Intangible assets | 21 | **93,647.2** | 8,475.5 | **11,349.6** | 8,471.5 |
| Investment in subsidiaries | 23(a) | **–** | – | **59,057.8** | 431.3 |
| Investment in associate and joint venture | 23(b) | **3,982.1** | 4,458.2 | **3,982.1** | 4,458.2 |
| Loan to subsidiaries | 31(x) | **–** | – | **666.1** | 236.2 |
| Contract costs | 29(a) | **1,138.7** | 1,491.2 | **1,138.7** | 1,491.2 |
| Restricted cash | 26(b) | **1,759.9** | 1,982.0 | **1,759.9** | 1,982.0 |
| Deferred restricted cash asset | 26(c) | **407.9** | 558.7 | **407.9** | 558.7 |
| | | **281,548.6** | **174,719.9** | **247,360.1** | **175,067.6** |
| **Current assets** | | | | | |
| Net cash and cash equivalents | 26(a) | **30,779.6** | 26,736.1 | **25,560.6** | 26,035.9 |
| Receivables and prepayments | 25 | **25,919.2** | 22,347.9 | **22,003.7** | 20,225.5 |
| Inventories | 24 | **4,306.8** | 2,487.0 | **4,147.4** | 2,441.2 |
| Current income tax | 12(b) | **7.9** | 7.2 | **–** | – |
| Loans receivable from related parties | 31(x) | **1,285.0** | 1,287.8 | **1,285.0** | 1,287.8 |
| Contract costs | 29(a) | **2,951.5** | 3,043.4 | **2,951.5** | 3,043.4 |
| | | **65,250.0** | **55,909.4** | **55,948.2** | **53,033.8** |
| **Total assets** | | **346,798.6** | **230,629.3** | **303,308.3** | **228,101.4** |
| **Equity** | | | | | |
| Share capital | 14 | **2,003.3** | 2,003.3 | **2,003.3** | 2,003.3 |
| Share premium | 14 | **2,200.0** | 2,200.0 | **2,200.0** | 2,200.0 |
| Retained earnings | | **110,528.9** | 96,571.8 | **110,204.0** | 94,105.6 |
| Translation reserve | | **(5,312.7)** | – | **–** | – |
| Proposed dividend | 15 | **30,049.1** | 36,860.2 | **30,049.1** | 36,860.2 |
| **Equity attributable to equity holders of the parent** | | **139,468.6** | **137,635.3** | **144,456.4** | **135,169.1** |
| Non-controlling interests | 23(a) | **40,232.3** | – | **–** | – |
| **Total equity** | | **179,700.9** | **137,635.3** | **144,456.4** | **135,169.1** |
| **Non-current liabilities** | | | | | |
| Borrowings | 16 | **44,910.8** | – | **44,910.8** | – |
| Contract liabilities | 29(b) | **1,937.5** | 2,436.1 | **1,937.5** | 2,436.1 |
| Provisions for liabilities | 28(b) | **3,183.3** | 3,151.4 | **3,183.3** | 3,151.4 |
| Payables and accrued expenses | 28(a) | **4,330.6** | – | **–** | – |
| Financial guarantees liability | 31(xi) | **–** | – | **120.9** | – |
| Lease liability | 22(b) | **14,584.9** | 11,954.2 | **14,079.2** | 11,954.2 |
| | | **68,947.1** | **17,541.7** | **64,231.7** | **17,541.7** |

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Statements of Financial Position continued

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Notes | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| **Current liabilities** | | | | | |
| Payables and accrued expenses | 28(a) | **41,312.6** | 34,021.4 | **38,058.2** | 34,068.4 |
| Current income tax | 12(b) | **5,291.2** | 260.3 | **5,086.3** | 151.6 |
| Borrowings | 16 | **20,400.0** | 14,772.0 | **20,400.0** | 14,772.0 |
| Dividend payable | 15 | **12,053.9** | 8,684.1 | **12,053.9** | 8,684.1 |
| Lease liability | 22(b) | **5,508.5** | 4,119.5 | **5,437.4** | 4,119.5 |
| Provisions for liabilities | 28(b) | **3,373.8** | 2,561.5 | **3,373.8** | 2,561.5 |
| Contract liabilities | 29(b) | **10,210.6** | 11,033.5 | **10,210.6** | 11,033.5 |
| | | **98,150.6** | **75,452.3** | **94,620.2** | **75,390.6** |
| **Total liabilities** | | **167,097.7** | **92,994.0** | **158,851.9** | **92,932.3** |
| **Total equity and liabilities** | | **346,798.6** | **230,629.3** | **303,308.3** | **228,101.4** |

The presentation structure of the Group and Company statement of financial position has changed from prior year to align with the structure as set out in IAS 1: *Presentation of financial statements*, but the change in the structure had no impact on any reported totals or sub-totals presented on the statement of financial position nor any impact on the reported earnings.

The financial statements on pages 188 to 266 were approved for issue by the Board of Directors on 11 May 2022 and signed on its behalf by:

Michael Joseph
Chairman

Peter Ndegwa
Chief Executive Officer

# Consolidated Statement of Changes in Equity

| | | ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Notes | Share capital KShs'm | Share premium KShs'm | Retained earnings KShs'm | Translation reserve KShs'm | Proposed dividend KShs'm | Total KShs'm | Non-controlling interests KShs'm | Total equity KShs'm |
| **Year ended 31 March 2021** | | | | | | | | | |
| At start of year | | 2,003.3 | 2,200.0 | 82,785.2 | – | 56,091.6 | 143,080.1 | – | 143,080.1 |
| Profit for the year | | – | – | 68,676.2 | – | – | 68,676.2 | – | 68,676.2 |
| **Transactions with owners:** | | | | | | | | | |
| Dividend: | | | | | | | | | |
| – Declared final dividends for 2020 | 15 | – | – | – | – | (56,091.6) | (56,091.6) | – | (56,091.6) |
| – Interim dividend | 15 | – | – | (18,029.4) | – | – | (18,029.4) | – | (18,029.4) |
| – Proposed final dividend for 2021 | 15 | – | – | (36,860.2) | – | 36,860.2 | – | – | – |
| | | – | – | (54,889.6) | – | (19,231.4) | (74,121.0) | – | (74,121.0) |
| **At end of year** | | **2,003.3** | **2,200.0** | **96,571.8** | **–** | **36,860.2** | **137,635.3** | **–** | **137,635.3** |
| **Year ended 31 March 2022** | | | | | | | | | |
| At start of year | | **2,003.3** | **2,200.0** | **96,571.8** | **–** | **36,860.2** | **137,635.3** | **–** | **137,635.3** |
| Profit for the year | | **–** | **–** | **69,648.1** | **–** | **–** | **69,648.1** | **(2,152.0)** | **67,496.1** |
| Other comprehensive loss | | **–** | **–** | **–** | **(5,312.7)** | **–** | **(5,312.7)** | **(4,223.6)** | **(9,536.3)** |
| Total comprehensive income/(loss) for the year | | **–** | **–** | **69,648.1** | **(5,312.7)** | **–** | **64,335.4** | **(6,375.6)** | **57,959.8** |
| **Transactions with owners:** | | | | | | | | | |
| Dividend: | | | | | | | | | |
| – Declared final dividend for 2021 | 15 | **–** | **–** | **–** | **–** | **(36,860.2)** | **(36,860.2)** | **–** | **(36,860.2)** |
| – Interim dividend | 15 | **–** | **–** | **(25,641.9)** | **–** | **–** | **(25,641.9)** | **–** | **(25,641.9)** |
| – Capital contribution from NCI shareholders* | – | **–** | **–** | **–** | **–** | **–** | **–** | **46,607.9** | **46,607.9** |
| – Proposed final dividend for 2022 | | **–** | **–** | **(30,049.1)** | **–** | **30,049.1** | **–** | **–** | **–** |
| | | **–** | **–** | **(55,691.0)** | **–** | **(6,811.1)** | **(62,502.1)** | **46,607.9** | **(15,894.2)** |
| **At end of year** | | **2,003.3** | **2,200.0** | **110,528.9** | **(5,312.7)** | **30,049.1** | **139,468.6** | **40,232.3** | **179,700.9** |

** Capital contribution from NCI shareholders relates to the contribution of non-controlling shareholders towards investment in the equity of Safaricom Ethiopia PlC.*

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Company Statement of Changes in Equity

| | Notes | Share capital KShs'm | Share premium KShs'm | Retained earnings KShs'm | Proposed dividend KShs'm | Total equity KShs'm |
|---|---|---|---|---|---|---|
| **Year ended 31 March 2021** | | | | | | |
| At start of year | | 2,003.3 | 2,200.0 | 81,038.6 | 56,091.6 | 141,333.5 |
| Profit for the year | | – | – | 67,956.6 | – | 67,956.6 |
| **Transactions with owners:** | | | | | | |
| Dividend: | | | | | | |
| – Declared final dividend for 2020 | 15 | – | – | – | (56,091.6) | (56,091.6) |
| – Interim dividend | 15 | – | – | (18,029.4) | | (18,029.4) |
| – Proposed final dividend for 2021 | | – | – | (36,860.2) | 36,860.2 | – |
| | | – | – | (54,889.6) | (19,231.4) | (74,121.0) |
| **At end of year** | | **2,003.3** | **2,200.0** | **94,105.6** | **36,860.2** | **135,169.1** |
| **Year ended 31 March 2022** | | | | | | |
| At start of year | | **2,003.3** | **2,200.0** | **94,105.6** | **36,860.2** | **135,169.1** |
| Profit for the year | | **–** | **–** | **71,789.4** | **–** | **71,789.4** |
| **Transactions with owners:** | | | | | | |
| Dividend: | | | | | | |
| – Declared final dividend for 2021 | 15 | **–** | **–** | **–** | **(36,860.2)** | **(36,860.2)** |
| – Interim dividend | | | | **(25,641.9)** | **–** | **(25,641.9)** |
| – Proposed final dividend for 2022 | | **–** | **–** | **(30,049.1)** | **30,049.1** | **–** |
| | | **–** | **–** | **(55,691.0)** | **(6,811.1)** | **(62,502.1)** |
| **At end of year** | | **2,003.3** | **2,200.0** | **110,204.0** | **30,049.1** | **144,456.4** |

# Statement of Cash Flows

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Notes | 2022 KShs'm | 2021 KShs'm | 2022 KShs'm | 2021 KShs'm |
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | 30(a) | **143,574.7** | 132,551.8 | **145,801.0** | 132,866.4 |
| Interest received | | **1,254.5** | 1,566.7 | **1,207.9** | 1,547.0 |
| Income tax paid | 12(b) | **(34,128.7)** | (28,921.2) | **(33,784.2)** | (28,606.4) |
| Net cash generated from operating activities[1] | | **110,700.5** | 105,197.3 | **113,224.7** | 105,807.0 |
| **Cash flows from investing activities** | | | | | |
| Purchase of property and equipment | | **(41,058.0)** | (35,568.4) | **(34,667.6)** | (35,568.4) |
| Proceeds from disposal of property and equipment | | **49.2** | 84.6 | **49.2** | 84.6 |
| Acquisition of intangible assets | 21 | **(96,288.3)** | (4,077.8) | **(4,728.1)** | (4,077.8) |
| Proceeds from maturity of other financial assets | 27 | **–** | 188.6 | **–** | – |
| Movement in restricted cash[1] | | **352.3** | 180.1 | **352.3** | 180.1 |
| Loans to M-PESA Africa (Joint venture) | | **–** | (1,288.7) | **–** | (1,288.7) |
| Loans to subsidiaries[2] | | **–** | – | **(500.0)** | (240.0) |
| Investment in subsidiaries | | **–** | – | **(58,626.6)** | – |
| Investment in associates and joint ventures | | **–** | (0.1) | **–** | (0.1) |
| Net cash used in investing activities[1,2] | | **(136,944.8)** | (40,481.7) | **(98,120.8)** | (40,910.3) |
| **Cash flows from financing activities** | | | | | |
| Dividend paid | 15 | **(59,132.3)** | (66,482.0) | **(59,132.3)** | (66,482.0) |
| Repayment of lease liabilities – principal | 22(b) | **(3,806.4)** | (2,550.6) | **(3,220.5)** | (2,550.6) |
| Repayment of lease liabilities – interest | 22(b) | **(1,347.9)** | (1,324.0) | **(1,345.4)** | (1,324.0) |
| Interest paid on borrowings | | **(2,477.9)** | (1,154.6) | **(2,419.8)** | (1,135.9) |
| Proceeds from borrowings | 16 | **120,564.8** | 44,970.0 | **120,564.8** | 44,970.0 |
| Repayments of borrowings | 16 | **(70,026.0)** | (38,198.0) | **(70,026.0)** | (38,198.0) |
| Capital contribution from NCI shareholders | | **46,607.9** | – | **–** | – |
| Net cash generated/(used in) financing activities[2] | | **30,382.2** | (64,739.2) | **(15,579.2)** | (64,720.5) |
| Increase/(decrease) in cash and cash equivalents | | **4,137.9** | (23.6) | **(475.3)** | 176.2 |
| Movement in cash and cash equivalents | | | | | |
| At start of year | | **26,736.1** | 26,759.7 | **26,035.9** | 25,859.7 |
| Net foreign exchange difference | | **(94.4)** | – | **–** | – |
| Increase/(decrease) in cash and cash equivalents | | **4,137.9** | (23.6) | **(475.3)** | 176.2 |
| **At end of year** | **26(a)** | **30,779.6** | **26,736.1** | **25,560.6** | **26,035.9** |

[1] *The movements in restricted cash has within the current year been reclassified from cash flows from operating activities to cash flows from investing activities. This reclassification had no impact on any reported earnings nor on any totals presented on the statement of financial position.*

[2] *The loans to subsidiaries has within the current year been reclassified from cash flows from financing activities to cash flows from investing activities. This reclassification had no impact on any reported earnings nor on any totals presented on the statement of financial position.*

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements

## 1 General information

Safaricom PLC 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
PO Box 66827-00800
Nairobi

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

For Kenya 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 profit or loss and other 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 years presented, unless otherwise stated.

### (a) Basis of preparation

The financial statements have been prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. The financial statements are presented in Kenya Shillings (KShs), which is also the functional currency of the Company, rounded to the nearest million (KShs'million), 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 management 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.

### Measurement basis

The measurement basis used is the historical cost basis except for investment property that has been measured at fair value.

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

#### New and amended standards

The following amendments became effective during the period:

| New standards or amendments | Effective for annual period beginning on or after |
|---|---|
| Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | 1 January 2021 |
| COVID-19-Related Rent Concessions – Amendments to IFRS 16 | 1 June 2020 |
| COVID-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16 | 1 April 2021 |

These amendments apply for the first time in the period, but do not have significant impact on the financial statements of the Group and Company.

# 2 Summary of significant accounting policies continued

## (a) Basis of preparation continued

### New and amended standards continued

#### Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

Below are the new standards or amendments which affect the Group and Company:

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Group and Company had USD denominated facilities priced at Libor. The carrying amount of the borrowing facility is USD 40 million priced at six-month USD libor. The facility will mature within 12 months from drawdown date. The amendments above had no significant impact on the annual financial statements of the Group and the Company for the period. There was no amendment to the original contracts terms specified at the initial recognition nor alteration of the method for calculating the interest rate benchmark nor existing fallback clauses in the existing contracts. The Group and Company are currently negotiating alternative benchmark rates with financial institutions and will be transitioning to new benchmark rates by December 2022.

#### COVID-19-Related Rent Concessions – Amendments to IFRS 16

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions – amendment to IFRS *16: Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19-Related Rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19-Related Rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to all lease payments originally due on or before 30 June 2021. The amendment applies to annual reporting periods beginning on or after 1 June 2020.

#### COVID-19-Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions – amendment to IFRS *16: Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19-Related Rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19-Related Rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19-related pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021.

The Group and Company has not received any COVID-19-Related Rent concessions. The Group and Company plans to apply the practical expedient if it becomes applicable within allowed period of application.

These amendments and interpretations apply for the first time in the period, but do not have an impact on the annual financial statements of the Group and Company. The Group and Company have not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 2 Summary of significant accounting policies continued

### (a) Basis of preparation continued

#### Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group and Company's financial statements are listed below:

| New standards or amendments | Effective for annual period beginning on or after |
|---|---|
| Reference to the Conceptual Framework (Amendments to IFRS 3) | 1 January 2022 |
| Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) | 1 January 2022 |
| Onerous Contracts Cost of Fulfilling a Contract (Amendments to IAS 37) | 1 January 2022 |
| AIP IFRS *1: First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time adopter | 1 January 2022 |
| AIP IFRS 9: Financial Instruments – Fees in the "10 per cent" test for derecognition of financial liabilities | 1 January 2022 |
| AIP IAS *41: Agriculture* – Taxation in fair value measurements | 1 January 2022 |
| IFRS *17: Insurance Contracts* | 1 January 2023 |
| Classification of liabilities as current or non-current (Amendments to IAS 1) | 1 January 2023 |
| Definition of Accounting Estimates – Amendments to IAS 8 | 1 January 2023 |
| Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 | 1 January 2023 |
| Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 | 1 January 2023 |
| Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28) | To be determined |

Other than the impact assessments disclosed on specific standards and interpretations below, the impact for the adoption of the remaining standards and interpretations on Group and Company are still being assessed.

The following standards and interpretations are expected to affect the Group's and Company annual financial statements when they become effective.

#### Amendments to IAS *1: Classification of liabilities as current or non-current*

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice.

# 2 Summary of significant accounting policies continued

## (a) Basis of preparation continued

### Standards issued but not yet effective continued

#### Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group and Company as there was no items of property and equipment relevant as defined under the amendments, but management will continue to assess the potential impact of these amendments up to the point of initial application.

#### Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group and Company, but management will continue to assess the impact up to the point of initial application.

#### Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group and Company currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

#### Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group and Company currently does not have any onerous contracts and is currently assessing the impact of these amendments.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 2 Summary of significant accounting policies continued

### (a) Basis of preparation continued

#### Standards issued but not yet effective continued

##### Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g., if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the Board expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The Group and Company is currently assessing the impact of these amendment.

### (b) Consolidation

#### (i) Subsidiaries

The Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2022. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it has power over the investee, when it 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date in which control is transferred to the Group. They are deconsolidated from the date that control ceases.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively. When the proportion of the equity held by non-controlling interests' changes, the Group adjusts the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiary. The Group recognises directly in equity any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received, and attribute it to the owners of the parent.

# 2 Summary of significant accounting policies continued

## (b) Consolidation continued

### (ii) Investment in associates

Associates are all entities over which the Group has significant influence but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. This is generally the case where the Group holds between 20% and less than 50% of the voting rights of the entity. In assessing existence of significant influence, the Group considers among other parameters whether there is:

- Representation on the Board of Directors or equivalent governing body of the investee
- Participation in the policy-making process and material transactions between the investor and the investee
- Interchange of managerial personnel between the investor and the investee
- Provision of essential technical information by the investor to the investee

In certain instances, the requirement that significant influence arises from a 20% or more in investments can be invalidated where an entity can demonstrate that it does not have significant influence, or there is demonstrable presence of significant influence in an investment of less than 20% based on the above assessment criteria.

Investments in associates are accounted for using the equity method of accounting. The initial investment is recognised at cost of acquisition and any share of profit or loss from the investment is reflected as changes in the value of the investment. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

### Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividend received or receivable from associates are recognised as a reduction in the carrying amount of the investment. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment. A gain on bargain purchase – is recognised through statement of profit or loss and other comprehensive income.

### (iii) Investment in joint ventures

The Group assesses its joint arrangements to determine whether they are joint ventures or joint operations. A joint venture arises from a joint arrangement where the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The resultant share of operational results, assets and liabilities of joint ventures are incorporated in the consolidated annual financial statements from the date on which the Group has joint control and derecognised on the date when the Group ceases to have such control. Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Under the equity method, joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of the investment. Losses of a joint venture in excess of the Group's interest in that joint venture are not recognised. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment. A gain on bargain purchase is recognised through statement of profit or loss and other comprehensive income.

# Notes to the financial statements continued

## 2 Summary of significant accounting policies continued

### (b) Consolidation continued

#### (iv) Separate financial statements

In the Separate Financial Statements, investments in subsidiaries are accounted for at cost less impairment and investment in associates and joint venture are accounted for using the equity method. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

### (c) 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 Company 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. Entity-wide segment information is the same as that presented in these financial statements. There are no revenues from transactions with a single external customer that amount to 10% or more of the Group's revenue.

### (d) 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 Consolidated Financial Statements are presented in Kenya Shillings (KShs), which is the Group's and Company's presentation currency. The company's functional currency is Kenya Shillings.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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.

These are recognised in other Comprehensive income (OCI) until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

#### (iii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Kenya Shillings at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at average exchange rates prevailing in the months of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

## 2 Summary of significant accounting policies continued

### (e) Revenue recognition

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- Over time, in a manner that best reflects the delivery of the Group's performance obligations; or
- At a point in time, when control of the goods or services is transferred to the customer.

The Group applies the five-step model as per IFRS *15: Revenue from contracts with customers*, to determine when to recognise revenue and at what amount. The following approach is used:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognise revenue.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

The Group accounts for a contract with a customer only when:

(i) There is evidence of an arrangement.

(ii) The Group can identify each party's rights and obligations regarding the goods and services to be transferred.

(iii) The contract has commercial substance and collectability is reasonably assured.

The transaction price is allocated between performance obligations based on relative stand-alone selling prices as determined at contract inception.

Since the timing and classification of revenue recognised for a contract will often be dependent on the stand-alone selling prices that are identified for each performance obligation, the determination of stand-alone selling prices is critical.

The stand-alone selling price of a performance obligation is the observable price for which the good or service is sold by the Group in similar circumstances to similar customers. If a stand-alone selling price is not directly observable, then it is estimated. Estimations consider all relevant facts and circumstances and maximise the use of observable inputs.

Customers typically pay in advance for prepay mobile services and monthly for other communication services. Customers typically pay for handsets and other equipment either upfront at the time of sale or over the term of the related service agreement.

The Group's principal business has been the provision of telecommunication services. The Group is transforming itself to a technology company. Airtime can be bought as scratch cards or PINless top-ups through dealers and own-retail centres spread across the country. Customers can also buy airtime through M-PESA, emergency top-up and direct top-up for bulk purchases. Revenue from sale of the airtime is deferred and recognised as revenue on usage or expiry. Customers can use airtime to make voice calls, send SMS and browse the internet.

# Notes to the financial statements continued

## 2 Summary of significant accounting policies continued

### (e) Revenue recognition continued

#### Voice and SMS revenue

Voice and SMS services enable both prepay and postpay customers to make calls and send text messages respectively within and outside the network. Prepay customers top up their phones by either buying prepay cards from dealers, other retail outlets, M-PESA or borrowing credit through emergency top-up service (Okoa Jahazi). They can also receive airtime from other subscribers through Sambaza. Postpay customers subscribe to various tariffs and are billed at the end of the month based on a fixed charge or usage.

The headline voice tariff for prepay customers is called Uwezo and Advantage tariff for postpay customers. The on-net and off-net rate is KShs 4.87 per minute during the peak hours (08:00 to 22:00) and KShs 2.50 per minute during off-peak hours (22:00 to 08:00) applicable to both prepay and post pay customers. Revenue from prepay voice customers is recognised on usage whereas postpay revenue is recognised at the end of every month based on a monthly charge.

In the spirit of being Simple, transparent and honest, the Group introduced a non-expiry product named Milele Airtime (Neo). The customer is awarded 50% bonus on purchases of the product. The customer can use the airtime to either call or SMS at the normal rates. On purchase, the billed amount is deferred and only revenues recognised when the service is rendered as either voice or SMS.

The Group has in place the Stori Ibambe bonus scheme where the subscribers are required to attain a pre-determined daily target of usage after which the Group awards 100% bonus airtime valid until midnight daily that can be used for Safaricom to Safaricom Voice calls and SMS, for which the revenue is recognised based on customers' usage or upon expiry.

The Group has signed interconnect agreements with both local and foreign partners. This allows customers from either network to originate or terminate calls to each other's network. Revenue is earned and recognised when partners' calls are terminated to the Group's network, i.e. the service is rendered.

The Group has roaming agreements with roaming partners that enable customers to make and receive calls when travelling around the world. The agreed charges vary per partner. When visitors roam on Safaricom network, revenue is earned by billing the visiting customers' network while revenue from Safaricom customers is earned from customer billing for voice, SMS and data usage while roaming on other networks. Revenue is recognised on billing.

Customers can send messages for KShs 1.20 per SMS on both on-net and off-net. There are also attractive SMS bundles which offer an effective price per SMS lower than KShs 1.20. Revenue from SMS service is recognised on earlier of usage or expiry of SMS bundle.

#### Data revenue

Mobile data enables both prepay and postpay customers access the internet. Prepay customers top up their lines by purchasing credit or bundles in advance whereas postpay customers are availed credit based on the tariff subscribed.

Mobile data has a wide range of propositions available as per customers' requirements. These include, Pay as you Go, daily bundles, 7-day, 30-day, 90-day bundles and time-based billing.

The data bundles are deferred on purchase and recognised as revenue on the earlier of usage or expiry.

The validity of purchased but unutilised data bundles is extended upon additional purchase of data bundles and the Group prompts the subscriber in advance before unutilised bundles expire and are consequently unavailable for use. Like voices and SMS, the Group introduced no expiry data bundles dubbed Neo data, the new data tariff now allows customers to buy data for any amount they wish.

The Group has in place, My Data Manager, a tool that gives subscribers power to control data bundle usage and allows them to restrict browsing out of bundle which enables them to take control of their browsing and internet usage.

The Group has rolled out its own home fibre to connect both households and businesses through Fibre to the Home (FTTH) and Fibre to the Building (FTTB) services that enable fast, reliable and unlimited internet access from the comfort of a customer's home/premises. This service is open and available to all customers residing within areas that have Safaricom fibre infrastructure ready and have applied to have their homes/premises connected to the Safaricom fibre grid.

The price charged is based on the bandwidth and speed contracted by the customer. The price is charged upfront for a standard period of 30 days and the customer can renew the subscription by making a payment. The amount charged is deferred and recognised as revenue proportionately over the subscription period.

# 2 Summary of significant accounting policies continued

## (e) Revenue recognition continued

### Integrated bundles

An integrated bundle is a one-stop package that offers subscribers freedom to choose their preferred resources in the form of voice minutes, SMS bundles and mobile data bundles.

The Group has in place All-in-One monthly bundles, Tunukiwa tariff, BLAZE, FLEX, Songa Music app and Platinum products under this category.

All-in-One monthly bundles are available to all Safaricom customers (prepay, postpaid and hybrid) and they have a simplified journey that seeks to offer the consumer the best choice for maximising their purchase, including free WhatsApp access once the customer exhausts their mobile data bundle and the expiry date has not yet elapsed.

Customers can access these bundles on USSD *544#, *100#, *200# and *456#, select the amount they wish to spend and then view all data and integrated products and resources at the respective amounts. All in one monthly bundles have a validity of 30 days.

Tunukiwa tariff is a personalised offer that is based on an individual customer usage, network utilisation, capacity availability, device type and general location. Daily, upon dialling *444# from their Safaricom line, customers access a list of custom-made options being number and value of voice minutes, SMS bundles and mobile data bundles, to choose from.

Customers are able to purchase multiple options of the personalised package depending on their preferences. The personalised options are subject to the validity as specified in the USSD (*444#) before purchase.

BLAZE is a platform that empowers the youth using mobile phones and targets the fast growing 18- to 26-year old demographic group. The platform offers access to custom-made tariffs and product offerings that leverage Safaricom's extensive mobile network.

Create Your Plan is one of several unique services offered under the BLAZE portfolio that allows users to control how much they spend on voice, data and SMS each time they purchase airtime.

FLEX product has been designed for the customer who demands the most from their mobility and it allows customers to choose how they allocate airtime for voice calls, SMS or mobile data services.

Customers are able to subscribe to daily, weekly or monthly packages that offer value beyond typical bundles in order to maximise on their spend. Customers can roll over any unused FLEX units by renewing their existing FLEX bundles before expiry.

Songa by Safaricom is a music application (App) that enables our Prepay and Postpay subscribers to get in one place and stay entertained with all genres of their preferred local and international songs. Subscribers opt in by dialing *812# or downloading the App from Google Play store. There are affordable daily, weekly and monthly propositions available and subscribers will be required to utilise their mobile data bundle resources to stream and download the songs. Normal mobile data rates will apply.

Safaricom Platinum Plans are value for money mobile packages available to all individual Prepay, Postpay and Hybrid subscribers. The plan offers integrated data, voice and SMS packages at different price points ranging from KShs 1,000 to KShs 10,000 with a 30-day validity.

Currently the subscribers who opt into the Platinum Plus plan have accessibility to incentivised services from Shell Petrol station, TicketSasa and Eat Out outlets accessible through the mySafaricom App, "Hot Deals" tab.

The price charged on these bundles is deferred on purchase and recognised as revenue on utilisation by the customers or on expiry in line with the validity period. Revenue from integrated bundles is recognised under the respective revenue stream i.e. voice, SMS and/or mobile data revenue streams.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 2 Summary of significant accounting policies continued

### (e) Revenue recognition continued

#### M-PESA revenue

M-PESA is a mobile money transaction service allowing customers to deposit, transfer and withdraw money or pay for goods and services (Lipa na M-PESA) using a mobile phone. M-PESA is available to all Safaricom 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 which is earned at point in time is largely from transfer and withdrawal transactions performed by customers. A graduated tariff depending on the funds being transacted is applied on all transactions which are cumulatively reported as M-PESA transaction revenue.

In partnership with Kenya lenders, NCBA and KCB Bank, the Group operates Overdraft (OD) facility dubbed "Fuliza", a product that enables customers to access unsecured line of credit by overdrawing on M-PESA to cover short-term cash-flow shortfalls subject to an applicable pre-determined limit.

Fuliza is underwritten by Kenyan lenders, NCBA and KCB Bank. Customers who "opt in" on Fuliza are charged a one-off access fee and daily maintenance fees on unpaid loan amounts based a pre-determined matrix. Safaricom earns a proportion of the fee based on a pre-determined revenue share matrix. The revenue is recognised at point in time.

The Group in partnership with M-Gas, a subsidiary of Circle Gas UK, launched a revolutionary, prepaid gas service for Kenyan households. The innovation empowers millions of Kenyan homes to enjoy access to clean, affordable and reliable cooking gas, providing them with the flexibility of purchasing gas based on their needs and how much they can afford at a time. The Group is extending its digital and payment capabilities to M-Gas, powering the smart meter technology on each cylinder that enables customers to have control over how the use and pay for gas. The M-Gas solution has been made possible by Safaricom's Narrow Band Internet of Things (NB IoT) network and M-PESA. Powered by Group's robust 4G network, NB IoT provides a low-power, mobile connectivity to devices across the country. The revenues is calculated as a percentage of gross sales based on prior year audited financial statements and is recognised at a point in time.

Safaricom PLC through its fully owned subsidiary, Safaricom Money Transfer Services Limited (SMTSL), operates the remittance services that allows customers to send and receive money to a beneficiary through registered mobile phone numbers in partnership with third party International Money Remittance (IMT) Providers. Revenues is earned from transaction fees charged to customers for international money transfers (inbound and outbound). The revenue is recognised at a point in time.

The partnership is part of Safaricom's contribution to attainment of the Sustainable Development Goals, particularly goals 3 ,4, 7, 8, 9, 10, 12, 16 and 17.

The Group has in place an M-PESA tariff dubbed "M-PESA Kadogo" where transaction charges for single transaction amounts that are up to KShs 100 were waived. This allows subscribers to send as little as KShs 1 on the M-PESA platform with nil charges.

Lipa na M-PESA enables merchants to accept cashless payments for goods and services from customers. Revenue is earned on all the transactions based on a graduated tariff applied on the transacted values. Revenue is recognised at a point in time when the transactions occur.

In line with the financial inclusion strategy Safaricom has partnered with NCBA and KCB Bank Kenya Limited to offer Mshwari and KCB-M-PESA services respectively. These services enable customers to save as little as KShs 1 (USD 0.01) and get loans from KShs 50 (USD 0.491) to KShs 1 million (USD 9,900.99). Revenue is shared among the partners on the basis of the facility fee and other charges to customers based on a pre-determined revenue share matrix. Revenue is recognised at a point in time when the transactions occur.

This has enabled more subscribers to get access to mobile banking services that they did not have before.

There are 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 bank accounts and vice versa.

M-Shwari lock box product enables customers to make fixed deposit savings at a higher interest rate.

#### Other service revenue

This includes access fees charged on emergency top up service when a customer borrows airtime (Okoa Jahazi) and data bundles (Okoa Data) with the debt being repayable within five days. It also includes set-up fee charged for codes allocated to premium rate services providers (PRSPs). The fee charged is deferred and recognised as revenue on the usage of borrowed airtime and data over the contract period for PRSPs.

# 2 Summary of significant accounting policies continued

## (e) Revenue recognition continued

### Loyalty programme

The Groups loyalty programme, "Bonga Points", was introduced in January 2007 for both Prepay and Postpay subscribers. Under this scheme, subscribers earn one Bonga point for every KShs 10 spent on voice calls, short message service (SMS), data and M-PESA services. These points can be redeemed for airtime, SMS or merchandise such as phones, modems and tablets at Safaricom retail outlets.

The Group has in place the "Bonga everywhere" scheme where subscribers can utilise their Bonga points in appointed retail outlets, e.g. Naivas supermarkets amongst others to purchase goods and services.

Management defers revenue for every point accumulated and recognises the revenue relating to the points earned on redemption either at point in time (for merchandise or Bonga everywhere) or overtime based on usage of acquired resources. Management also recognises revenue on the remaining loyalty points for churned SIM-cards at the point when the SIM-cards are churned.

In addition, Enterprise Business customers earn loyalty points upon achievement of their revenue targets and the accumulated amounts are only redeemable after the maturity of the underlying revenue contracts with the Group. Management defers revenue for amounts accumulated guided by a pre-determined matrix and recognises the revenue earned upon redemption.

### Contract-related costs

Connection commissions paid to dealers and SIM activation costs are recognised as costs to fulfill a contract in the statement of financial position when the related payment obligation is extinguished through payments.

Deferred SIM costs are incurred prior to connecting customers to the network and are recognised as costs to obtain a contract in the statement of financial position when the SIM card is sold to the dealer. Contract cost are then amortised over the customer life as determined by the Group.

### Handsets and acquisitions revenue

These includes revenue on sale of mobile phone handsets, decoders, starter packs, SIM swaps and other accessories sold through dealers and own-retail centres spread across the country. Starter packs consist of a SIM card and information brochures. Handsets, SIM swaps and accessories have no right of return and revenue is recognised on sale.

However, income from sale of SIM cards is deferred and recognised as revenue over the determined customer life when the customer activates the line through initial top up.

### Construction and managed service contract

The Company has a construction contract for the construction of a national secure communication network and surveillance system for the National Police Service. A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions, or their ultimate purpose or use.

The Group is responsible for the overall development of the project and identifies various goods and services to be provided, including design work, procurement of materials, site preparation and foundation pouring, framing and plastering, mechanical and electrical work, installation of fixtures and finishing work. In such contracts, the Group determined that the goods and services are not distinct and generally accounts for them as a single performance obligation. As per the terms of construction contract, the Group has determined that control is transferred over time. As such revenues from construction is recognised over time.

Construction costs incurred are accumulated under inventory work in progress until when they are billed.

### Other revenue

This includes, among others, site rentals. Site rental revenue is billed monthly and is based on the number of sites and equipment hosted per site. Revenue is recognised systematically over the lease period. Please refer to Accounting Policy 2(j) Accounting for leases, for the Group's lessor accounting policy in this regard.

### Miscellaneous income

Miscellaneous income includes among others cash discounts received from vendors, donations from third parties utilised to fund Safaricom Foundation activities, and gains on disposal of property and equipment.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 2 Summary of significant accounting policies continued

### (f) Property and equipment

All categories of property and equipment are initially recorded at cost. Following initial recognition, property and equipment are carried at cost, net of accumulated depreciation and accumulated impairment losses, if any. 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 profit or loss 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 | 5–20 years |
| Equipment and motor vehicles | 4–10 years |
| Fibre | 25 years |
| Leasehold improvements | Shorter of life of lease or useful life of the asset |
| Network maintenance spares | 4–10 years |

Spare parts, standby equipment and servicing equipment are recognised as property and equipment when they meet the definition of property, plant and equipment.

The assets residual values, useful lives and methods of depreciation 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 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 of the newly acquired asset cannot be determined reliably, then the newly acquired asset is measured at the carrying amount of the asset given up.

The carrying amount of an item of property and equipment is derecognised on disposal; or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognised. The gain or loss from the derecognition is calculated as the net disposal proceeds (usually income from sale of item) less the carrying amount of the item.

#### Asset retirement obligations

The Group accounts for the costs associated with dismantling and removing network infrastructure assets and returning a network infrastructure site to its original condition upon termination of the network infrastructure site.

A restoration provision is recorded based on the best estimate of the average restoration costs (being the future costs relating to dismantling and removing property and equipment and restoring each site) multiplied by the number of sites for which the Company has a restoration obligation.

The best estimate of average restoration costs per site is determined using historical and current experience, adjusted where necessary for known factors which will impact the future. In the absence of such experience, the best estimate is based on quotations obtained from relevant suppliers or an equally rigorous internal costing process.

## 2 Summary of significant accounting policies continued

### (f) Property and equipment continued

Upon recognition of a provision, a corresponding amount is recognised as part of the cost of the asset and depreciated over its useful life, which would normally be the period to the removal of the network infrastructure from the site. This period should not exceed the remaining lease term.

Where the impact is material, the provision, as originally established, should be discounted using the appropriate pre-tax discount rate. This discount should be unwound through the finance cost in the statement of profit or loss and other comprehensive income over the period to the lease termination date.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. The changes and adjustments to the provisions are made directly against the underlying asset to which the provision relates.

### (g) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value.

Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. The Group reassess the fair value of its investment property annually.

An investment property is de-recognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss and other comprehensive income in the period in which the property is de-recognised.

### (h) Intangible assets – Network licences

Separately acquired trademarks and licences are measured on initial recognition at cost. Following initial recognition, they are carried at cost, net of accumulated amortisation and accumulated impairment losses, if any. Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences that 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 10 to 15 years.

A telecommunication licence is a requirement of the Communications Authority of Kenya (CA) for mobile telephone companies. The licence is renewable for an additional period upon its expiry. Currently Safaricom PLC is licenced under the Unified Licence Framework which is technology and service neutral.

Telecommunication licence fees are capitalised at cost and amortised over the period of the licence using the straight-line method from commencement of the service of the network.

Safaricom has the following licences:

- Network Facilities Provider licence Tier 1 (NFP) licence
- Applications Services Provider (ASP) licence
- Content Service Provider (CSP) licence
- International Gateway Systems and service (IGSS) licence

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

There are annual network licence fees associated with these licences which are expensed each year.

The following licences are also in place from subsidiaries:

- Subscription Broadcasting Licence issued by Communication Authority of Kenya on 16 July 2019 to Comtec Integration Systems Limited valid for 10 years.
- Unified Telecommunications Services Licence issued by Ethiopian Communications Authority(ECA) on 9 July 2021 to Safaricom Telecommunications Ethiopia PLC valid for 15 years.

# Notes to the financial statements continued

## 2 Summary of significant accounting policies continued

### (i) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

### (j) Accounting for leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, being the present value of the lease payments paid or payable, plus any initial direct costs incurred in entering the lease and dismantling and restoration costs, less any lease incentives received less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over of the lease term.

The right-of-use assets are also subject to impairment. Refer to Note 2(i) and Note 22(a).

#### Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments included in the lease liability include fixed payments and in-substance fixed payments during the term of the lease less any lease incentives receivable, variable lease payments that depend on an index or a rate, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease and amounts expected to be payable by the lessee under residual value guarantees. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments.

The Group's lease liabilities are shown in Note 22(b).

#### The Group is the lessor – Operating leases

An operating lease is a lease in which substantially all of the risks and rewards of the leased assets remain with the lessor. Where the Group is the lessor, lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. The Group recognises leased assets on the statement of financial position as right-of-use assets.

The Group acts as lessor of sites. These leases have an average life of between five and ten years with renewal options included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. Rental income recognised by the Group during the year is KShs 2,193.3 million (2021: KShs 2,043.7 million), Company KShs 2,193.3 million (2021: KShs 2,069.2 million).

# 2 Summary of significant accounting policies continued

## (j) Accounting for leases continued

### The Group is the lessor – Operating leases continued

Future minimum undiscounted lease payments receivable under non-cancellable leases as at 31 March were as follows:

| | GROUP AND COMPANY | |
|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm |
| Within one year | **1,993.7** | 2,068.3 |
| 1 to 5 years | **8,771.0** | 8,667.3 |
| 6 to 10 years | **1,411.4** | 3,405.1 |

### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of sites, shops, facilities and secondees/expatriates houses (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of sites, shops, facilities and secondees/expatriates houses that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

## (k) Financial assets

### Initial recognition

Financial instruments are recognised when, and only when, the Group becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the Group commits itself to the purchase or sale.

### Initial measurement

On initial recognition:

- Trade receivables are measured at their transaction price.
- All other financial assets and financial liabilities are initially measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the instrument, except for financial assets and financial liabilities measured at fair value for which the directly attributable transaction costs are expensed in profit or loss.

### Classification

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at amortised cost.

Financial assets held during the year were classified as follows:

- Trade and other receivables, loan to subsidiary, loans and receivables due from related parties, cash and cash equivalents were classified as at amortised cost.
- Restricted cash was classified as at amortised cost.

### Subsequent measurement

After initial recognition, financial assets are measured at amortised cost using the effective interest method.

Interest income, dividend income, and exchange gains and losses on monetary items are recognised in profit or loss.

### Impairment

The Group recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial assets for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset). If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 2 Summary of significant accounting policies continued

### (k) Financial assets continued

#### Impairment continued

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For receivables, due from related parties and bank balances, the Group and Company applies a simplified approach in calculating ECLs. Therefore, the Group recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, and assessed forward-looking factors specific to the debtors, banks and the economic environment.

The Group considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default and credit impaired when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

#### Presentation

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the reporting date, those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

#### Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the Group has transferred substantially all risks and rewards of ownership, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset or when the Group has no reasonable expectations of recovering the asset.

#### Write-off

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### (l) Indefeasible rights of use

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

| Provider | Inception | Contract period |
|---|---|---|
| TEAMS | 1 May 2011 | 25 years |
| KPLC | 1 Feb 2010 | 20 years |
| SEACOM | 1 July 2008 | 20 years |

### (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 costs incurred in bringing each product to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Provisions for saleable inventories are made based on aged listing for items older than 180 days, damaged and unusable stocks.

## 2 Summary of significant accounting policies continued

### (n) Payable and accrued expenses

Payables and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables and accrued expenses 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 and accrued expenses are recognised initially at fair value net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Payables and accrued expenses are derecognised when the obligation under the liability is discharged or cancelled or expires or when an existing financial liability is replaced by another from the same lender on substantially different terms.

### (o) Share capital

Ordinary shares are classified as "share capital" in equity. Any premium received over and above the par value (KShs 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 dividend, 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.

### (p) 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.

### (q) Restricted cash

Restricted cash and cash equivalent balances are those which meet the definition of cash and cash equivalents but are not available for use by the Group.

Restricted cash relates to deposits held with Housing Finance Group Limited, NCBA Bank and KCB Bank Kenya Limited. The cash is used as a backup for the staff mortgage loans and its withdrawal is restricted, up to the point when the mortgage has been repaid.

The restricted cash is initially measured at fair value using discounted cash flow method. The discount rate used is based on 70% of the Central Bank of Kenya Rate (CBR). Subsequently, the restricted cash is measured at amortised cost. The difference between the actual cash held as deposits and the determined value (i.e. the deferred restricted cash asset) is amortised over the term of the deposit.

### (r) Employees benefits

#### (i) Retirement benefit obligation

The Group has a defined contribution plan for its employees. The Group 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. 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.

#### (iii) Other entitlements

The estimated monetary liability for employees accrued annual leave entitlement at the statement of financial position date is recognised as an expense accrual.

# Notes to the financial statements continued

## 2 Summary of significant accounting policies continued

### (s) Share-based payments

The Group operates an Employee Performance Share Award Plan (EPSAP) under which senior management and other qualifying staff are entitled to receive a predetermined number of shares at a predetermined price, subject to fulfilment of the vesting conditions.

The process of EPSAP includes the Group purchasing shares from the market pro-rata to vesting period and then issuing the same to eligible employees after a three-year vesting period at no cost. The shares are purchased through a Trust and held until the end of the vesting period. The cost of purchase is charged to profit or loss.

### (t) Current and deferred income tax

The income tax expense for the year comprises current and deferred tax. Income tax is recognised 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 income 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 reporting 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 and Separate 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 reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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 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 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.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

# 2 Summary of significant accounting policies continued

## (u) Borrowings

Borrowings are recognised initially at fair value net of directly attributable transaction costs and subsequently stated at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Any differences between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings. Borrowings are derecognised when the obligation under the liability is discharged or cancelled or expires or when an existing financial liability is replaced by another from the same lender on substantially different terms.

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 and accounted for as "finance cost within profit or loss". 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.

### Capitalisation of borrowing cost

The Group from time to time capitalises borrowing costs as provided under IAS 23. In line with the standard, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset and, therefore, will be capitalised. A qualifying asset is one which necessarily takes more than six months to get ready for its intended use or sale. A qualifying asset can either be tangible or intangible in nature. Examples of qualifying assets include core network equipment, transmission and radio equipment for base station sites and computer software development. The rate used to determine the amount of borrowing costs eligible for capitalisation is the EIR of the specific borrowing. There were no borrowing costs capitalised during the year.

## (v) Dividend distribution

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

## (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.

# Notes to the financial statements continued

## 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.

#### Income taxes

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 (Note 12 and 17).

#### Property and equipment

Critical estimates are made by management in determining depreciation rates and timing of capitalisation of the assets. The depreciation rates used are set out in Note 2(f) above and PPE Note 18.

#### IFRS *16: Leases*

The key areas where estimates and judgement were applied included the interpretation of the requirements to determine the contracts containing leases and separating the lease and the non-lease components of a contract, the determination of the incremental rate of borrowing and the decision to exercise the extension or termination options while determining the lease term. See further details under note 2(j), note 22(a), and Note 22(b).

#### Valuation of Bonga points

The price attributed to the awarded Bonga points is determined by historical redemption information. The length of historical period used to determine the price is set by management and is based on previous redemptions rates on airtime, data, SMS or merchandise.

If the value per point was approximately 2% higher/lower, there would be a decrease/increase in profit before tax of KShs 74.8 million respectively (2021: KShs 77.8 million). These balances have been included under contract liabilities, Note 29(b).

#### Provisions

The Group faces exposure to claims and other liabilities arising from normal course of business. These claims and other liabilities normally take time to be determined and therefore significant judgement is required in assessing the likely outcome and the potential liability for such matters. Management in consultation with the legal, tax and other advisers estimates a provision based on exposure, precedents and industry best practice – Note 28(b).

#### Expected credit losses

The Group considers forward looking information at a customer level based on macroeconomics, microeconomics around the customer and level of effort utilised to collect the debt. This estimate is therefore based on factors not in control by the Group. Based on forward-looking economic expectations at the reporting date resulted in the requirement to hold higher credit impairments. The Group has considered the impact of the COVID-19 pandemic in assessing the expected credit losses and this has been included in the financial statements Note 6(b).

## 3 Critical accounting estimates and judgements continued

### (ii) Critical judgements 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, contract costs and liabilities;
- Whether assets are impaired;
- The average customer life: Customer life is based on the average churn period of the customers from the network;
- Impact of application of IFRS 16: *Leases*; and
- Impact of application of IFRS 9: *Financial instruments*
- Income taxes – Significant judgement 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.
- Changes in the economic environment – Management assessed the impact of the COVID-19 pandemic on the fair value of the Group's financial assets and financial liabilities including any possible impairment of assets. Based on the assessments, management is not aware of any material uncertainties related to these events or conditions that may affect the fair value Group's financial assets and financial liabilities. Refer to note 34 for further COVID-19 pandemic disclosures.
- Assessment of significant influence over an associate – The Group considers that it has significant influence over Circle Gas Limited though it owns less than 20% of the voting rights of the Company because of the following reasons:

i. The Group has one non-executive Directors' slot in Circle Gas board where Safaricom PLC has one reserved board seat so long as a Trademark Licence and Brand Management Co-operation Agreement made remains in force and Safaricom PLC remains a holder of ordinary shares.

ii. The associate uses Safaricom PLC's trademarks as per agreement in return for a royalty fee agreement and interchange of managerial personnel between the entities.

iii. The associate is riding on Safaricom's network to guarantee connectivity to its smart meters.

### (iii) Critical judgement on going concern

The Group's current liabilities exceed its current assets by KShs 32.9 billion (2021 net current liabilities position: KShs 19.5 billion) at the statement of financial position. For items that significantly impact the net working capital, refer to Notes 24 to 29.

This net current liability position is expected to remain in the near future as a result of the nature of the Group's business. A significant portion of creditors relate to network infrastructure investments rather than on-going trading hence net working capital is typically a negative amount due to the mismatch of the financing (short term) and the investment (long term). Other significant portion of current liabilities is a result of how revenue is recognised. The related liabilities are all held in the statement of financial position and are explained below:

- Unused airtime and data bundles by prepaid customers of KShs 2.3 billion (2021: 2.6 billion). Prepaid airtime when sold to customers is held as a liability in the statement of financial position (deferred revenue) until the customer uses it, at which point revenue is recognised by reducing the liability and reporting revenue. Based on its nature, there are no expected cash outflow since its reduction is based on usage rather than actual cash outflow.
- Loyalty points earned by customers (Bonga points) of KShs 4.5 billion (2021: KShs 4.2 billion). Loyalty points are earned when a customer uses a Safaricom service including use of airtime, data or M-PESA. These points are valued and accumulated into the customer account until such a time when the customer opts to redeem the points against merchandise (devices including handsets, accessories and merchandise from appointed Bonga everywhere outlets) or non-merchandise (free airtime and data bundles). Based on its nature, there are no expected cash outflow since its reduction is based on usage rather than actual cash outflow.
- Unutilised resources by the customers of KShs 2.9 billion (2021: KShs 3.1 billion). The Group applies IFRS *15: Revenue from Contracts with Customers* in accounting for bundled resources. The value of unutilised resources (customer balances) reported as subscriber liability until the customers use the resources. Based on its nature, there are no expected cash outflow since its reduction is based on usage rather than actual cash settlement.

These amounts are included under contract liabilities in the statement of financial position. Management has accessed each of the items above and does not anticipate any cash outflow.

Further, the Group finances its long-term projects with short-term debt and long-term debt. In the year ended 31 March 2022, the Group borrowed KShs 120.56 billion and repaid KShs 70.03 billion. Of the outstanding loan amount of KShs 65 billion, KShs 20 billion is short-term working capital loan, due for payment by August 2022.

Dividend payable of KShs 10.2 billion is due for payments in April 2022 while current tax liability of KShs 5.2 billion is payable in July 2022.

Management is confident that sufficient funds will be available and accessible to meet all obligations as they fall due.

Based on this, management has assessed that the Group and Company will continue as a going concern. Refer to Note 34 for further COVID-19 pandemic disclosures.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 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 manages 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 and non-derivative financial instruments and investing excess liquidity.

Financial assets and financial liabilities have been carried at amortised cost.

### Market risks

#### (i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily, with respect to the US Dollar 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 by holding adequate foreign currency reserves to meet future cash flow requirements.

The Group does not have any derivative instruments.

If there was a 10% change in the shilling against the US Dollar during the year, with all other variables held constant, the pre- and post-tax profit for the year would have been KShs 614.7 million and KShs 430.3 million respectively for company (2021: KShs 5.9 million and 4.9 million) lower/higher, and Shs 209.5 million and Shs 146.6 million for Group (2021: KShs 126 million and KShs 88 million) for mainly as a result of US Dollar-denominated cash and bank balances, borrowings, receivables and payables.

If there was a 10% change in the Shilling against the Euro during the year with all other variables held constant, consolidated pre- and post-tax profit for the year would have been KShs 211.9 million and KShs 148.4 million (2021: KShs 33 million and KShs 23.8 million, there is no significant difference between Group and Company Euro sensitivity) lower/higher, and KShs 454.1 million and KShs 317.9 million for Group and Company mainly as a result of increased Euro denominated creditors balances and bank balances.

The Group's exposure to foreign currency changes for all other currencies is not material.

#### (ii) Interest rate risk

Interest rate risk arises from bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group regularly monitor financing options available to ensure optimum interest rates are obtained.

A 100-basis points fluctuation in interest during the year (2021: 100 basis points) would have resulted in a net decrease/increase in consolidated pre- and post-tax profit of KShs 175.2 million and KShs 122.3 million respectively (2021: KShs 153.2 million and KShs 107.3 million). This sensitivity is a fair and reasonable reflection of the Group and Company's pre- and post-tax.

### Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, other financial instruments, loans receivable from related parties, trade receivables, construction contract receivables, related parties' receivables, loans to subsidiaries and other receivables. The Group has no significant concentrations of credit risk. The Group assesses the expected credit losses for all financial assets and all changes in loss allowance are recognised in profit or loss as impairment gains or losses.

# 4 Financial risk management continued

## Credit risk continued

### Cash at bank, government securities and deposits with financial institutions

For banks and financial institutions, only reputable well-established investment grade financial institutions are used, which are considered to have a low credit risk. The following table represents the cash and short-term fixed deposits held in financial institutions per category. Category 1 is made up of counterparties with international presence; Category 2 are counterparties who are subsidiaries of parents that have an international presence; Category 3 counterparties are local banks that are categorised as tiers 1 and 2 by the Central Bank of Kenya. These categories are reflective of the credit risks rating of the financial institutions.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| Category 1 | **12,618.4** | 15,864.7 | **12,618.4** | 15,864.7 |
| Category 2 | **9,891.1** | 9,043.7 | **6,923.9** | 8,852.9 |
| Category 3 | **8,284.7** | 1,832.4 | **6,029.4** | 1,321.5 |
| | **30,794.2** | **26,740.8** | **25,571.7** | **26,039.1** |

The Group has used the general approach for measuring the loss allowance for cash at bank, government securities and deposits with financial institutions. No collateral is held on any of the cash at bank, government securities and deposits with financial institutions.

Management has assessed the expected credit losses on cash at bank, government securities and deposits with financial institutions. The loss allowance as at 31 March 2022 are shown in Note 26(a) The ECL allowance calculated reflects the lifetime losses associated with events of default that are expected to occur within 12 months of the reporting date (12-month ECL). There has been no significant increase in credit risk within these financial assets.

### Other receivables

Management has assessed the expected credit losses on the other receivables. The loss allowance as at 31 March 2022 are shown in Note 25.

The Group has used the simplified approach where applicable for measuring the loss allowance for other receivables. The Group has established a provision matrix that is based on its historical credit loss experience. No collateral is held on any of the other receivables. The ECL allowance calculated reflects the lifetime losses associated with events of default that are expected to occur over the life of these receivables from the reporting date.

### Due from related parties

The Group has used the simplified approach where applicable for measuring the loss allowance for due from related parties. In the simplified approach, the Group has established a provision matrix that is based on its historical credit loss experience. The ECL allowance calculated reflects the lifetime losses associated with events of default that are expected to occur over the life of these receivables from the reporting date.

No collateral is held on any of the receivables from related parties. The loss allowance as at 31 March 2022 are disclosed in Note 31.

### Trade receivables

For trade receivables, depending on the type of customer, the Group Credit Controller assesses the credit quality of each customer, taking into account its financial position, past experience and other factors including information from credit reference bureau to set individual risk limits. The utilisation of credit limits is regularly monitored.

Dealers comprise the largest 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.

Postpay debtors comprise individuals as well as corporate customers. Postpay 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. The auto-bar feature ensures that once the limit has been reached the customer account is barred. This minimises the credit risk associated with these customers.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 4. Financial risk management continued

### Credit risk continued

#### Trade receivables continued

The Group has signed international roaming agreements. The roaming strategy targets countries which historically have had the most visitors to Kenya, including UK, Italy, Spain, Sweden, South Africa, and Kenya's neighboring 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.

Collateral is held for bulk of the trade receivables in the form of bank guarantees and deposits.

The Group applies the simplified approach to determine the expected credit losses (ECLs) for trade receivables. This results in calculating lifetime ECL for these trade receivables. ECL for trade receivables is calculated using a provision matrix.

The Group segregates the trade receivables based on the aging of the receivables. The Group determines the expected loss rate per the categories based on a historical 24-month roll over model. The loss rate is computed based on the rate movement of the outstanding balances between categories and the recovery rate of past debtors for the respective debt categories. The Group has considered forward-looking information at a customer level based on macroeconomics, microeconomics, including the impact of the COVID-19 pandemic, around the customer and level of effort utilised to collect the debt.

The loss allowance as at year end was determined as shown below for trade receivables:

| | GROUP | | | |
|---|---|---|---|---|
| | **0–30 days KShs'm** | **31–90 days KShs'm** | **Over 91 days KShs'm** | **Total KShs'm** |
| **At 31 March 2022** | | | | |
| Trade receivables | 10,551.2 | 2,126.0 | 5,696.7 | 18,373.9 |
| Expected credit loss rate | 7.0505% | 32.3075% | 96.3029% | – |
| **Loss allowance** | **743.9** | **686.9** | **5,486.1** | **6,916.9** |
| | **0–30 days KShs'm** | **31–90 days KShs'm** | **Over 91 days KShs'm** | **Total KShs'm** |
| **At 31 March 2021** | | | | |
| Trade receivables | 10,596.2 | 1,086.3 | 4,822.3 | 16,504.8 |
| Expected credit loss rate | 3.571% | 54.304% | 90.152% | – |
| **Loss allowance** | **378.4** | **589.9** | **4,347.4** | **5,315.7** |

| | COMPANY | | | |
|---|---|---|---|---|
| **At 31 March 2022** | **0–30 days KShs'm** | **31–90 days KShs'm** | **Over 91 days KShs'm** | **Total KShs'm** |
| Trade receivables | 10,517.3 | 2,143.5 | 5,516.5 | 18,177.3 |
| Expected credit loss rate | 7.073% | 32.044% | 96.059% | – |
| **Loss allowance** | **743.9** | **686.9** | **5,299.1** | **6,729.9** |

# 4. Financial risk management continued

## Credit risk continued

### Trade receivables continued

| | 0–30 days KShs'm | 31–90 days KShs'm | Over 91 days KShs'm | Total KShs'm |
|---|---|---|---|---|
| **At 31 March 2021** | | | | |
| Trade receivables | 9,043.0 | 1,077.6 | 4,706.0 | 14,826.6 |
| Expected credit loss rate | 3.888% | 54.139% | 89.779% | – |
| **Loss allowance** | **351.6** | **583.4** | **4,225.0** | **5,160.0** |

A detailed assessment of the trade receivables as shown below:

| Group | Gross carrying amount KShs'm | Expected credit loss KShs'm | Net carrying amount KShs'm |
|---|---|---|---|
| **At 31 March 2022** | | | |
| Dealers | **165.0** | **(25.3)** | **139.7** |
| Postpay | **3,333.1** | **(1,128.9)** | **2,204.2** |
| Roaming and interconnect | **3,838.6** | **(1,344.5)** | **2,494.1** |
| Other trade receivables | **11,037.2** | **(4,418.2)** | **6,619.0** |
| **Total trade receivables** | **18,373.9** | **(6,916.9)** | **11,457.0** |

| | Gross carrying amount KShs'm | Expected credit loss KShs'm | Net carrying amount KShs'm |
|---|---|---|---|
| **At 31 March 2021** | | | |
| Dealers | 179.7 | (5.7) | 174.0 |
| Postpay | 3,144.8 | (1,078.6) | 2,066.2 |
| Roaming and interconnect | 2,954.7 | (1,312.0) | 1,642.7 |
| Other trade receivables | 10,225.6 | (2,919.4) | 7,306.2 |
| **Total trade receivables** | **16,504.8** | **(5,315.7)** | **11,189.1** |

| Company | Gross carrying amount KShs'm | Expected credit loss KShs'm | Net carrying amount KShs'm |
|---|---|---|---|
| **At 31 March 2022** | | | |
| Dealers | **165.0** | **(25.3)** | **139.7** |
| Postpay | **3,333.1** | **(1,128.9)** | **2,204.2** |
| Roaming and interconnect | **3,845.0** | **(1,344.5)** | **2,500.5** |
| Other trade receivables | **10,834.2** | **(4,231.2)** | **6,603.0** |
| **Total trade receivables** | **18,177.3** | **(6,729.9)** | **11,447.4** |
| **At 31 March 2021** | | | |
| Dealers | 179.7 | (5.7) | 174.0 |
| Postpay | 3,144.8 | (1,078.6) | 2,066.2 |
| Roaming and interconnect | 2,954.7 | (1,312.0) | 1,642.7 |
| Other trade receivables | 8,547.4 | (2,763.7) | 5,783.7 |
| **Total trade receivables** | **14,826.6** | **(5,160.0)** | **9,666.6** |

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 4 Financial risk management continued

### Credit risk continued

Collateral held on the trade receivables as at 31 March 2022 is KShs 195.4 million (2021: KShs 219.2 million). The collaterals relate to bank guarantees issued by dealers on dealer receivables. There is no concentration risk on trade receivables or revenue.

#### Maximum credit exposure

The amounts on the statement of financial position represent the maximum credit exposure for financial assets not subject to credit risk and financial assets that are subject to credit risk. Below is a summary of the maximum credit exposure:

| | GROUP | | |
|---|---|---|---|
| | **Gross carrying amount KShs'm** | **Expected credit loss** | **Net carrying amount KShs'm** |
| **At 31 March 2022** | | | |
| Cash at bank, government securities and deposits with financial institutions | **30,794.2** | **(14.6)** | **30,779.6** |
| Trade receivables | **18,373.9** | **(6,916.9)** | **11,457.0** |
| Due from related parties | **1,801.2** | **(6.7)** | **1,794.5** |
| Other receivables | **6,059.0** | **(81.1)** | **5,977.9** |
| **Total** | **57,028.3** | **(7,019.3)** | **50,009.0** |

| | Gross carrying amount KShs'm | Expected credit loss KShs'm | Net carrying amount KShs'm |
|---|---|---|---|
| **At 31 March 2021** | | | |
| Cash at bank, government securities and deposits with financial institutions | 26,740.8 | (4.7) | 26,736.1 |
| Trade receivables | 16,504.8 | (5,315.7) | 11,189.1 |
| Due from related parties | 2,475.4 | (17.4) | 2,458.0 |
| Other receivables | 4,087.5 | (30.4) | 4,057.1 |
| **Total** | **49,808.5** | **(5,368.2)** | **44,440.3** |

| | COMPANY | | |
|---|---|---|---|
| | **Gross carrying amount KShs'm** | **Expected credit loss KShs'm** | **Net carrying amount KShs'm** |
| **At 31 March 2022** | | | |
| Cash at bank, government securities and deposits with financial institutions | **25,571.7** | **(11.1)** | **25,560.6** |
| Trade receivables | **18,177.3** | **(6,729.9)** | **11,447.4** |
| Due from related parties | **3,834.7** | **(1,096.3)** | **2,738.4** |
| Other receivables | **4,420.7** | **(81.1)** | **4,339.6** |
| **Total** | **52,004.4** | **(7,918.4)** | **44,086.0** |

| | Gross carrying amount KShs'm | Expected credit loss KShs'm | Net carrying amount KShs'm |
|---|---|---|---|
| **At 31 March 2021** | | | |
| Cash at bank, government securities and deposits with financial institutions | 26,039.1 | (3.2) | 26,035.9 |
| Trade receivables | 14,826.6 | (5,160.0) | 9,666.6 |
| Due from related parties | 2,874.3 | (911.7) | 1,962.6 |
| Other receivables | 3,973.8 | (21.1) | 3,952.7 |
| **Total** | **47,713.8** | **(6,096.0)** | **41,617.8** |

# 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 (See Note 16 for undrawn bank facilities), 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 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 approximate their carrying balances as the impact of discounting is not significant.

| | GROUP | | |
|---|---|---|---|
| | Less than 1 year KShs'm | Over 1 year KShs'm | Total KShs'm |
| **At 31 March 2022** | | | |
| – payables and accrued expenses | **36,981.9** | **4,330.6** | **41,312.5** |
| – lease liabilities Note 22(c) | **5,641.9** | **21,495.6** | **27,137.5** |
| – borrowings | **20,400.0** | **44,910.8** | **65,310.8** |
| **Total financial liabilities** | **63,023.8** | **70,737.0** | **133,760.8** |
| **At 31 March 2021** | | | |
| – payables and accrued expenses | 27,981.8 | – | 27,981.8 |
| – lease liabilities Note 22(c) | 4,252.0 | 14,661.1 | 18,913.1 |
| – borrowings | 14,772.0 | – | 14,772.0 |
| **Total financial liabilities** | **47,005.8** | **14,661.1** | **61,666.9** |

| | COMPANY | | |
|---|---|---|---|
| | Less than 1 year KShs'm | Over 1 year KShs'm | Total KShs'm |
| **At 31 March 2022** | | | |
| – payables and accrued expenses | **33,736.3** | **–** | **33,736.3** |
| – lease liabilities Note 22(c) | **5,570.6** | **20,602.7** | **26,173.3** |
| – borrowings | **20,400.0** | **44,910.8** | **65,310.8** |
| – Financial guarantee liabilities | **–** | **139.4** | **139.4** |
| **Total financial liabilities** | **59,706.9** | **65,652.9** | **125,359.8** |
| **At 31 March 2021** | | | |
| – payables and accrued expenses | 27,991.0 | – | 27,991.0 |
| – lease liabilities note 22(c) | 4,252.0 | 14,661.1 | 18,913.1 |
| – borrowings | 14,772.0 | – | 14,772.0 |
| **Total financial liabilities** | **47,015.0** | **14,661.1** | **61,676.1** |

# Notes to the financial statements continued

## 4 Financial risk management continued

### Liquidity risk continued

Guarantees amounting to KShs 258.9 million (2021: KShs 398.8 million) have been issued by the banks to various suppliers for services provided to the Group (Note 32).

As at 31 March 2022, the Company had issued parental corporate guarantees to suppliers of KShs 2.3 billion note 31 (xi).

There are also undrawn bank facilities amounting to KShs 21.925 billion (2021: KShs 27.01 billion) that would be utilised to settle its obligations as they fall due.

### Capital management

The Group and Company'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 Group may adjust the amount of dividend paid to shareholders.

The Company has a dividend policy that permits dividend 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 Group'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 Group is 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.

Subject to this, the Group 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 Group's intention to, at least, maintain annual dividend payments at the level declared in the previous year. However, past dividend payments should not be taken as an indication of future payments.

The Group's focus is to minimise funds tied up in working capital, whilst ensuring that it has sufficient financial ability to meet its liabilities as and when they fall due. The Group 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:

### Gearing ratio

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| Net debt – Note 30(b) | **(54,624.6)** | (4,109.6) | **(59,266.8)** | (4,809.8) |
| Total equity | **179,700.9** | 137,635.3 | **144,456.4** | 135,169.1 |
| Total capital | **234,325.5** | 141,744.9 | **203,723.2** | 139,978.9 |
| **Gearing ratio** | **23.3%** | **2.9%** | **29.1%** | **3.4%** |

# 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:

Level 1: 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.

Level 2: 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.

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

The carrying amounts of borrowings, loans to subsidiaries, cash and cash equivalents, trade and other receivables, loans receivable from related parties, restricted and deferred restricted cash asset, Construction contract receivable, payables and accrued expenses approximate their fair values due to the nature of these instruments.

# 5 Revenue

## (a) Revenue from contracts with customers

The Group has one reportable operating segment whose revenue is presented below:

| | 31 MARCH 2022 | | | 31 MARCH 2021 | | |
|---|---|---|---|---|---|---|
| **Group** | **KShs'm At a point in time** | **KShs'm Over time** | **KShs'm Total** | **KShs'm At a point in time** | **KShs'm Over time** | **KShs'm Total** |
| Voice revenue | – | 83,211.8 | 83,211.8 | – | 82,552.0 | 82,552.0 |
| Interconnect revenue from local partners | – | 6,840.6 | 6,840.6 | – | 6,175.2 | 6,175.2 |
| Messaging revenue | – | 10,876.7 | 10,876.7 | – | 13,602.4 | 13,602.4 |
| Mobile data revenue | – | 48,441.0 | 48,441.0 | – | 44,793.2 | 44,793.2 |
| Fixed data revenue | – | 11,242.5 | 11,242.5 | – | 9,507.2 | 9,507.2 |
| M-PESA revenue | 107,691.8 | – | 107,691.8 | 82,647.4 | – | 82,647.4 |
| Other services revenues* | – | 9,795.3 | 9,795.3 | – | 7,779.2 | 7,779.2 |
| Mobile incoming | – | 3,007.6 | 3,007.6 | – | 3,295.2 | 3,295.2 |
| **Service revenue** | **107,691.8** | **173,415.5** | **281,107.3** | **82,647.4** | **167,704.4** | **250,351.8** |
| Handset revenue | 12,334.7 | – | 12,334.7 | 8,511.7 | – | 8,511.7 |
| Connection revenue | – | 1,999.4 | 1,999.4 | – | 1,761.1 | 1,761.1 |
| Construction revenue | – | – | – | – | 837.7 | 837.7 |
| **Total revenue** | **120,026.5** | **175,414.9** | **295,441.4** | **91,159.1** | **170,303.2** | **261,462.3** |

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 5 Revenue continued

### (a) Revenue from contracts with customers continued

The Group has one reportable operating segment whose revenue is presented below:

| | 31 MARCH 2022 | | | 31 MARCH 2021 | | |
|---|---|---|---|---|---|---|
| Company | KShs'm At a point in time | KShs'm Over time | KShs'm Total | KShs'm At a point in time | KShs'm Over time | KShs'm Total |
| Voice revenue | – | 83,211.8 | 83,211.8 | – | 82,552.0 | 82,552.0 |
| Interconnect revenue from local partners | – | 6,840.6 | 6,840.6 | – | 6,175.2 | 6,175.2 |
| Messaging revenue | – | 10,876.7 | 10,876.7 | – | 13,602.4 | 13,602.4 |
| Mobile data revenue | – | 48,441.0 | 48,441.0 | – | 44,793.2 | 44,793.2 |
| Fixed data revenue | – | 11,242.5 | 11,242.5 | – | 9,507.2 | 9,507.2 |
| M-PESA revenue | 105,218.1 | – | 105,218.1 | 80,635.8 | – | 80,635.8 |
| Other services revenues* | – | 9,383.8 | 9,383.8 | – | 7,624.8 | 7,624.8 |
| Mobile incoming | – | 3,007.6 | 3,007.6 | – | 3,295.2 | 3,295.2 |
| **Service revenue** | 105,218.1 | 173,004.0 | 278,222.1 | 80,635.8 | 167,550.0 | 248,185.8 |
| Handset revenue | 12,334.7 | – | 12,334.7 | 8,511.7 | – | 8,511.7 |
| Connection revenue | – | 1,999.4 | 1,999.4 | – | 1,761.1 | 1,761.1 |
| Construction revenue | – | – | – | – | 837.7 | 837.7 |
| **Total revenue** | **117,552.8** | **175,003.4** | **292,556.2** | **89,147.5** | **170,148.8** | **259,296.3** |

* *Other services revenues include Okoa Jahazi fees, roaming revenues, bulk SMS, and digital agriculture revenues.*

### (b) Revenue from other sources

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 KShs'm | 2021 Shs'm | 2022 KShs'm | 2021 Shs'm |
| Site rental revenue | 2,193.3 | 2,043.7 | 2,193.3 | 2,069.2 |
| **Other income** | | | | |
| – Gain on disposal of property and equipment | 47.1 | 38.0 | 47.1 | 38.0 |
| – Miscellaneous income* | 396.1 | 482.5 | 1,049.3 | 1,046.2 |
| | **2,636.5** | **2,564.2** | **3,289.7** | **3,153.4** |

* *Miscellaneous income includes cash discounts received from vendors and donations received from third parties for Safaricom Foundation activities.*

## 6 (a) Direct costs

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| M-PESA commissions | **(32,546.8)** | (28,205.6) | **(32,302.5)** | (28,001.5) |
| Airtime commissions | **(9,420.7)** | (9,674.7) | **(9,420.7)** | (9,674.7) |
| Licence fees | **(10,463.5)** | (9,609.2) | **(10,363.3)** | (9,538.5) |
| Interconnect and roaming costs | **(8,681.3)** | (7,681.7) | **(8,681.3)** | (7,862.7) |
| Handset costs | **(12,392.5)** | (8,624.2) | **(12,392.5)** | (8,624.2) |
| Customer acquisition and retention | **(10,590.2)** | (10,057.2) | **(10,590.2)** | (10,057.2) |
| Promotions and value-added services costs (Voice and SMS) | **(5,210.0)** | (4,879.4) | **(5,210.0)** | (4,879.4) |
| Other direct costs | **(2,162.8)** | (1,283.1) | **(1,653.1)** | (858.2) |
| Construction costs | **–** | (837.7) | **–** | (837.7) |
| | **(91,467.8)** | **(80,852.8)** | **(90,613.6)** | **(80,334.1)** |

## (b) Expected credit losses on financial assets

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| Trade and other receivables | **(2,348.5)** | (3,004.1) | **(2,521.8)** | (3,855.8) |
| Loan receivables | **(2.8)** | (0.9) | **(73.0)** | (4.7) |
| Cash and cash equivalents | **(9.9)** | (4.7) | **(7.9)** | (3.2) |
| | **(2,361.2)** | **(3,009.7)** | **(2,602.7)** | **(3,863.7)** |

## 7 Other expenses

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| Repairs and maintenance expenditure on property and equipment | **(272.3)** | (323.2) | **(258.8)** | (321.9) |
| Non-lease operating costs – buildings** | **(107.4)** | (32.7) | **(64.6)** | (32.7) |
| Non-lease operating costs – sites** | **(760.1)** | (604.4) | **(752.0)** | (604.4) |
| Inventory storage costs | **(325.7)** | (362.1) | **(321.6)** | (362.1) |
| Employee benefits expense (Note 10) | **(22,554.1)** | (18,188.1) | **(20,118.2)** | (17,957.9) |
| Auditor's remuneration | **(62.2)** | (55.4) | **(51.2)** | (49.8) |
| Sales and advertising | **(4,380.5)** | (4,083.3) | **(4,469.5)** | (4,569.9) |
| Consultancy including legal fees | **(3,036.9)** | (1,197.9) | **(1,678.9)** | (1,184.2) |
| Network operating costs | **(14,087.7)** | (13,163.4) | **(14,050.7)** | (13,072.4) |
| Travel and accommodation | **(803.5)** | (457.6) | **(457.6)** | (432.0) |
| Computer maintenance | **(2,670.6)** | (2,572.4) | **(2,443.0)** | (2,546.2) |
| Office administration | **(482.0)** | (481.7) | **(440.2)** | (472.3) |
| Net foreign exchange losses, other than on borrowings and cash and cash equivalents | **(434.4)** | (610.7) | **(392.3)** | (648.9) |
| Other operating expenses* | **(5,209.6)** | (3,901.9) | **(4,046.9)** | (2,913.9) |
| | **(55,187.0)** | **(46,034.8)** | **(49,545.5)** | **(45,168.6)** |

* *Other operating expenses includes Vodafone procurement fees (Note 31(c)), fleet management costs, general staff expenses including training and welfare costs and innovation costs.*

** *Relates to non-lease components of the lease, e.g. services charges and VAT disallowed on payments of leases. The cost is excluded from the measurements of the lease liability as provided for in IFRS 16.*

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 8 Finance income

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| Interest income* | **1,227.6** | 1,523.6 | **1,206.0** | 1,502.7 |
| Foreign exchange gain on cash and borrowings | **1,206.4** | 701.8 | **864.7** | 701.3 |
| Amortisation of deferred restricted cash asset | **(20.6)** | (27.0) | **(20.6)** | (27.0) |
| | **2,413.4** | **2,198.4** | **2,050.1** | **2,177.0** |

** The interest income included within finance income is calculated at effective interest rates.*

## 9 Finance costs

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| Interest expense | **(3,165.4)** | (1,686.5) | **(2,986.4)** | (1,667.8) |
| Foreign exchange losses on cash and borrowings | **(2,816.6)** | (533.2) | **(2,961.4)** | (736.6) |
| Interest on asset retirement obligation (ARO) liability | **(379.4)** | (223.2) | **(379.4)** | (223.2) |
| Interest on lease liability | **(1,802.9)** | (1,717.9) | **(1,772.4)** | (1,717.9) |
| Financial guarantee | **–** | – | **(120.9)** | – |
| Origination fee on credit facilities | **(724.4)** | – | **(710.8)** | – |
| Discounting adjustment on construction contract receivables* | **36.1** | (60.0) | **36.1** | (60.0) |
| | **(8,852.6)** | **(4,220.8)** | **(8,895.2)** | **(4,405.5)** |

** This adjustment is in relation to discounting of construction contract receivable (due from national government). The interest expense included within finance costs is calculated at effective interest rates.*

## 10 Employee benefits expense

The following items are included within employee benefits expense:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| Club membership | **(35.6)** | (37.1) | **(34.6)** | (36.8) |
| Employee other administrative costs | **(64.6)** | (290.5) | **(64.6)** | (290.5) |
| Secondees other administrative costs | **(803.0)** | (90.8) | **(140.3)** | (90.4) |
| Employee Performance Share Award Plan | **(663.4)** | (713.1) | **(661.4)** | (707.5) |
| Leave provision | **(77.1)** | 95.9 | **(57.5)** | 101.2 |
| NSSF | **(12.9)** | (12.4) | **(12.6)** | (12.4) |
| Pension | **(743.3)** | (725.6) | **(737.7)** | (718.1) |
| Salaries | **(17,110.5)** | (15,024.2) | **(16,719.0)** | (14,813.1) |
| Secondee salaries | **(1,237.6)** | (40.1) | **81.5** | (40.1) |
| Staff medical and life insurance | **(1,806.1)** | (1,350.2) | **(1,772.0)** | (1,350.2) |
| | **(22,554.1)** | **(18,188.1)** | **(20,118.2)** | **(17,957.9)** |

| | GROUP AND COMPANY | |
|---|---|---|
| **Number of employees** | **2022** | 2021 |
| Permanent employees | **4,631** | 4,457 |
| Fixed-term contract employees | **1,221** | 1,192 |
| | **5,852** | **5,649** |

## 11 Employee Performance Share Award Plan

On 1 July 2011, the Group implemented an Employee Performance Share Award Plan (the Trust) where shares are awarded to qualifying staff based on previous years' achieved performance ratings. Under the outright grant scheme, shares are purchased from the market and transferred to eligible staff at no cost after a three-year vesting period. The shares are purchased and held by the Trust until the end of the vesting period.

During the year, 12.4 million shares were bought by the Trust, at a cost of KShs 489.4 million. Additionally, 15.28 million shares historically valued at KShs 519.4 million (2021: 16.42 million shares valued at KShs 480.7 million) vested and were exercised by eligible staff.

The Trust currently holds 11.50 million shares at a total cost of KShs 416.2 million (2021: 15.43 million shares at a cost of KShs 446.2 million).

The Trust is an "Equity-settled share-based Payment scheme" as described in IFRS 2: *Share Based Payments* as the Company provides money to the Trust to purchase shares which will be distributed to the entitled employees on the vesting date.

The Company has accounted for a receivable from the Trust in relation to shares purchased and payables to employees in these financial statements.

## 12 (a) Income tax expense

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| Current income tax | **(39,146.8)** | (29,153.7) | **(38,706.8)** | (29,009.8) |
| Under provision of current income tax in prior years | **(12.1)** | (168.1) | **(12.1)** | – |
| Deferred income tax (Note 17) | **4,472.0** | 4,388.2 | **4,473.4** | 4,554.1 |
| Under provision of deferred tax in prior years | **(30.4)** | (25.7) | **(30.5)** | (25.7) |
| **Income tax expense** | **(34,717.3)** | **(24,959.3)** | **(34,276.0)** | **(24,481.4)** |
| Profit before income tax | **102,213.4** | 93,635.5 | **106,065.3** | 92,438.0 |
| Tax calculated at the applicable income tax rate of 30% (2021: 9 months – 25%, 3 months – 30% | **(30,664.0)** | (24,579.3) | **(31,819.6)** | (24,265.0) |
| Tax effect of: | | | | |
| Income not subject to tax | **283.2** | 1,455.1 | **1,635** | 1,300.9 |
| Expenses not deductible for tax purposes | **(4,112.6)** | (2,098.6) | **(4,048.8)** | (2,060.9) |
| Under provision of deferred tax in prior years | **(30.4)** | (25.7) | **(30.5)** | (25.7) |
| Effect of change in tax rate on deferred tax | **–** | 585.2 | **–** | 569.3 |
| Under provision of current income tax in prior years | **(181.4)** | (127.6) | **–** | – |
| Derecognition of prior year deferred tax | **–** | (168.1) | **–** | – |
| Under provision of deferred tax in prior years | **(12.1)** | – | **(12.1)** | – |
| Minimum tax paid as final tax | **–** | (0.3) | **–** | – |
| **Income tax expense** | **(34,717.3)** | **(24,959.3)** | **(34,276.0)** | **(24,481.4)** |

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 12 (b) Current income tax payable

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| At 1 April | **(253.1)** | 147.5 | **(151.6)** | 251.8 |
| Current income tax | **(39,146.8)** | (29,153.7) | **(38,706.8)** | (29,009.8) |
| Under provision of current income tax in prior years | **(12.1)** | (168.1) | **(12.1)** | – |
| Tax paid during the year | **34,128.7** | 28,921.2 | **33,784.2** | 28,606.4 |
| **At 31 March** | **(5,283.3)** | (253.1) | **(5,086.3)** | (151.6) |
| Current asset | **7.9** | 7.2 | **–** | – |
| Current liabilities | **(5,291.2)** | (260.3) | **(5,086.3)** | (151.6) |
| | **(5,283.3)** | (253.1) | **(5,086.3)** | (151.6) |

## 13 Earnings per share

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| Profit attributable to equity holders of the Group (KShs million) | **69,648.1** | 68,676.2 | **71,789.3** | 67,956.6 |
| Weighted average number of ordinary shares in issue (million) | **40,065** | 40,065 | **40,065** | 40,065 |
| Basic earnings per share (KShs) | **1.74** | 1.71 | **1.79** | 1.70 |
| Diluted earnings per share (KShs) | **1.74** | 1.71 | **1.79** | 1.70 |

There were no potentially dilutive shares outstanding as at 31 March 2021 and 31 March 2022. Diluted earnings per share are therefore the same as basic earnings per share.

## 14 Share capital and share premium

| | Number of shares (million) | Ordinary shares KShs'm | Share premium KShs'm | Total KShs'm |
|---|---|---|---|---|
| As at 31 March 2021 and 31 March 2022 | 40,065 | 2,003.3 | 2,200 | 4,203.3 |

The authorised share capital of the Company is KShs 6,000,000,000 divided into 119,999,999,600 ordinary shares of KShs 0.05 each and five non-redeemable preference shares of KShs 4 each.

The issued share capital comprises 40,065,428,000 (2021: 40,065,428,000) ordinary shares with a par value of KShs 0.05 each.

Share premium reserve was established on initial issuance of the Group ordinary shares at premium.

Holders of ordinary shares are entitled to dividend as declared from time to time and are entitled to one vote per share at the general meetings of the Company.

## 15 Dividend

Proposed dividend are classified as a separate component of equity in the statement of changes in equity through a transfer from retained earnings. They are transferred to the dividend payable account once approved by shareholders in a general meeting.

During the year, an interim dividend of KShs 0.64 per ordinary share amounting to KShs 25.64 billion (2021: KShs 18.03 billion) was declared. At the AGM to be held on 29 July 2022, a final dividend in respect of the year ended 31 March 2022 of KShs 0.75 per ordinary share amounting to a total of KShs 30.05 billion is to be proposed for approval. This brings the total dividend for the year to KShs 55.69 billion (2021: KShs 54.89 billion) which represents KShs 1.39 per share in respect of the year ended 31 March 2022 (2021: KShs 1.37 per share).

The Company continues to pay out dividend in line with its policy to pay out 80% of net income.

The payment of dividend is subject to withholding tax at the rate of 10% for all non-residents, 5% for Kenyan residents and 0% for resident Kenyan companies with a shareholding of 12.5% or more in the Company. Total dividend payouts in the year were as follows:

### Movement in the year

| | 2022 KShs'm | 2021 KShs'm |
|---|---|---|
| Opening balance – 1 April | **8,684.1** | 1,045.1 |
| Declared during the year | **36,860.2** | 56,091.6 |
| Interim dividend declared | **25,641.9** | 18,029.4 |
| Paid during the period | **(59,132.3)** | (66,482.0) |
| **Closing balance – 31 March** | **12,053.9** | **8,684.1** |

## 16 Borrowings

The Group has a short-term and Long term revolving facility with various financial institutions.

As at 31 March 2022, the Group had undrawn credit facilities with various banks equivalent of KShs 21.925 billion (2021: KShs 27.01 billion). The borrowings are from different financial institutions with varying interest rates.

The movement in borrowings is as below:

| | GROUP AND COMPANY | |
|---|---|---|
| | 2022 KShs'm | 2021 KShs'm |
| Opening balance – 1 April | **14,772.0** | 8,000.0 |
| Additions | **120,564.8** | 44,970.0 |
| Repayments | **(70,026.0)** | (38,198.0) |
| **Closing balance – 31 March** | **65,310.8** | **14,772.0** |

### Split

| | 2022 KShs'm | 2021 KShs'm |
|---|---|---|
| Short-term loan | **20,400.0** | 14,772.0 |
| Long-term loan | **44,910.8** | – |
| **At 31 March** | **65,310.8** | **14,772.0** |

Under the terms of the loan facilities, the Group is required to comply with certain covenants. The Group had complied with all the covenants.

The long-term facility repayment period is seven years for the Kenyan Shilling-denominated loan and five years for Dollar-denominated loan.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 17 Deferred income tax

### (a) Group

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

| | 2022 KShs'm | 2021 KShs'm |
|---|---|---|
| Deferred tax assets: | | |
| – Deferred tax assets to be recovered after 12 months | 1,160.5 | 4,834.6 |
| – Deferred tax assets to be recovered within 12 months | 14,447.3 | 5,367.8 |
| – Deferred tax asset not recognised | (454.9) | (295.7) |
| | 15,152.9 | 9,906.7 |
| Deferred tax liabilities: | | |
| – Deferred tax liability to be realised after 12 months | (5,153.3) | (4,428.9) |
| – Deferred tax liability to be realised within 12 months | (90.8) | (10.6) |
| | (5,244.1) | (4,439.5) |
| **Net deferred income tax asset** | 9,908.8 | 5,467.2 |

No provision has been made for deferred tax asset which includes an asset arising from tax losses of subsidiaries amounting to KShs 454.9 million (2021: KShs 295.7) because it is not expected that the subsidiaries will have taxable profits in the foreseeable future against which the temporary differences and tax losses can be utilised. There is no expiry date to this unrecognised asset.

Deferred income tax is calculated using the enacted income tax rate of 30% (2021: 30%).

| | 2022 KShs'm | 2021 KShs'm |
|---|---|---|
| At start of year | 5,467.2 | 1,104.7 |
| Credit to statement of profit or loss and other comprehensive income (Note 12) | 4,472.0 | 4,388.2 |
| Under provision of deferred tax in prior years (Note 12) | (30.4) | (25.7) |
| **At end of year** | 9,908.8 | 5,467.2 |

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

| **Year ended 31 March 2022** | 1 April 2021 KShs'm | Credit/ (charged) to SOCI KShs'm | 31 March 2022 KShs'm |
|---|---|---|---|
| **Deferred income tax liabilities** | | | |
| Unrealised foreign exchange gains | (10.6) | (80.2) | (90.8) |
| Right-of-use | (4,428.9) | (724.4) | (5,153.3) |
| | (4,439.5) | (804.6) | (5,244.1) |
| **Deferred income tax assets** | | | |
| Unrealised foreign exchange losses | 30.1 | 89.4 | 119.5 |
| Tax losses | 242.8 | 148.7 | 391.5 |
| Property and equipment | 1,350.8 | 3,388.0 | 4,738.8 |
| Lease liability | 4,822.1 | 1,032.9 | 5,855.0 |
| Other temporary differences* | 3,756.6 | 768.6 | 4,525.2 |
| | 10,202.4 | 5,427.6 | 15,630.0 |
| Deferred tax asset not recognised | (295.7) | (181.4) | (477.1) |
| **Net deferred income tax asset** | 5,467.2 | 4,441.6 | 9,908.8 |

## 17 Deferred income tax continued

### (a) Group continued

| Year ended 31 March 2021 | 1 April 2020 KShs'm | Credit/ (charged) to SOCI KShs'm | 31 March 2021 KShs'm |
|---|---|---|---|
| **Deferred income tax liabilities** | | | |
| Property and equipment | (2,219.8) | 2,219.8 | – |
| Unrealised foreign exchange gains | – | (10.6) | (10.6) |
| Right-of-use | (4,572.9) | 144.0 | (4,428.9) |
| | **(6,792.7)** | **2,353.2** | **(4,439.5)** |
| **Deferred income tax assets** | | | |
| Unrealised foreign exchange losses | 38.6 | (8.5) | 30.1 |
| Tax losses | 130.2 | 112.6 | 242.8 |
| Property and equipment | – | 1,350.8 | 1,350.8 |
| Unrealised foreign exchange gains | 12.1 | (12.1) | – |
| Lease liability | 4,567.4 | 254.7 | 4,822.1 |
| Other temporary differences* | 3,149.1 | 607.5 | 3,756.6 |
| | 7,897.4 | 2,305.0 | 10,202.4 |
| Deferred tax asset not recognised | – | (295.7) | (295.7) |
| **Net deferred income tax asset** | **1,104.7** | **4,362.5** | **5,467.2** |

* *Other temporary differences mainly relate to deferred tax of expected credit losses on financial assets and provisions.*

### (b) Company

| | 2022 KShs'm | 2021 KShs'm |
|---|---|---|
| Deferred tax assets: | | |
| – Deferred tax assets to be recovered after 12 months | **1,160.5** | 1,743.8 |
| – Deferred tax assets to be recovered within 12 months | **13,992.4** | 8,163.0 |
| | **15,152.9** | **9,906.8** |
| Deferred tax liabilities: | | |
| – Deferred tax liability to be realised after 12 months | **(5,244.2)** | (4,428.9) |
| – Deferred tax liability to be realised within 12 months | **–** | (12.1) |
| | **(5,244.2)** | (4,441.0) |
| **Net deferred income tax asset** | **9,908.7** | **5,465.8** |

Deferred income tax is calculated using the enacted income tax rate of 30% (2021: 30%).

| | 2022 KShs'm | 2021 KShs'm |
|---|---|---|
| At start of year | **5,465.8** | 937.4 |
| Credit to statement of profit or loss and other comprehensive income (Note 12) | **4,473.4** | 4,554.1 |
| Under provision of deferred tax in prior years (Note 12) | **(30.5)** | (25.7) |
| **At end of year** | **9,908.7** | 5,465.8 |

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 17 Deferred income tax continued

### (b) Company continued

Company deferred income tax assets and liabilities and deferred income tax charge/(credit) in the statement of profit or loss and other comprehensive income are attributable to the following items:

| Year ended 31 March 2022 | 1 April 2021 KShs'm | Credit/ (charged) to SOCI KShs'm | 31 March 2022 KShs'm |
|---|---|---|---|
| **Deferred income tax liabilities** | | | |
| Unrealised foreign exchange gains | (12.1) | (78.8) | (90.9) |
| Right-of-use | (4,428.9) | (724.4) | (5,153.3) |
| | (4,441.0) | (803.2) | (5,244.2) |
| **Deferred income tax assets** | | | |
| Unrealised foreign exchange losses | 30.1 | 89.2 | 119.3 |
| Property and equipment | 1,350.4 | 3,391.2 | 4,741.6 |
| Lease liability | 4,822.1 | 1,032.9 | 5,855.0 |
| Other temporary differences* | 3,704.2 | 732.8 | 4,437.0 |
| | 9,906.8 | 5,246.1 | 15,152.9 |
| **Net deferred income tax asset** | **5,465.8** | **4,442.9** | **9,908.7** |

| Year ended 31 March 2021 | 1 April 2020 KShs'm | Credit/ (charged) to SOCI KShs'm | 31 March 2021 KShs'm |
|---|---|---|---|
| **Deferred income tax liabilities** | | | |
| Property and equipment | (2,218.4) | 2,218.4 | – |
| Unrealised foreign exchange gains | – | (12.1) | (12.1) |
| Right-of-use | (4,572.9) | 144.0 | (4,428.9) |
| | (6,791.3) | 2,350.3 | (4,441.0) |
| **Deferred income tax assets** | | | |
| Unrealised foreign exchange losses | 38.6 | (8.5) | 30.1 |
| Property and equipment | – | 1,350.4 | 1,350.4 |
| Unrealised foreign exchange gains | 12.8 | (12.8) | – |
| Lease liability | 4,567.4 | 254.7 | 4,822.1 |
| Other temporary differences* | 3,109.9 | 594.3 | 3,704.2 |
| | 7,728.7 | 2,178.1 | 9,906.8 |
| **Net deferred income tax asset** | **937.4** | **4,528.4** | **5,465.8** |

* *Other temporary differences mainly to deferred tax of expected credit losses on financial assets and provisions.*

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

# 18 Property and equipment

| | GROUP | | | | | | |
|---|---|---|---|---|---|---|---|
| | Network infrastructure KShs'm | Capital work in progress (CWIP)* KShs'm | Network maintenance spares KShs'm | Leasehold improvements KShs'm | Vehicles and equipment KShs'm | Fibre KShs'm | Total KShs'm |
| **At 1 April 2020** | | | | | | | |
| Cost | 228,126.2 | 10,327.1 | 1,564.5 | 7,443.2 | 104,104.7 | 30,287.9 | 381,853.6 |
| Accumulated depreciation | (166,126.7) | | (1,101.1) | (6,029.8) | (74,905.0) | (4,353.8) | (252,516.4) |
| **Net book amount** | **61,999.5** | **10,327.1** | **463.4** | **1,413.4** | **29,199.7** | **25,934.1** | **129,337.2** |
| **Year ended 31 March 2021** | | | | | | | |
| Opening net book amount | 61,999.5 | 10,327.1 | 463.4 | 1,413.4 | 29,199.7 | 25,934.1 | 129,337.2 |
| Additions | – | 34,935.8 | 15.8 | – | 8.6 | – | 34,960.2 |
| Transfers from CWIP | 13,402.7 | (36,706.2) | – | 497.5 | 19,897.4 | 2,908.6 | – |
| Disposal – cost | (134.3) | – | – | – | (43.4) | – | (177.7) |
| Asset retirement – cost** | – | – | – | – | (4,243.3) | – | (4,243.3) |
| Asset retirement obligation (ARO) non-cash adjustments | 2,207.4 | – | – | – | – | – | 2,207.4 |
| Depreciation charge | (15,649.5) | – | (141.0) | (577.3) | (14,946.5) | (1,310.2) | (32,624.5) |
| Depreciation reclassification | (3.0) | – | (0.5) | 2.0 | 1.3 | 0.2 | – |
| Depreciation on disposals | 92.2 | – | – | – | 38.9 | – | 131.1 |
| Depreciation on retired assets** | – | – | – | – | 4,243.3 | – | 4,243.3 |
| **Closing net book amount** | **61,915.0** | **8,556.7** | **337.7** | **1,335.6** | **34,156.0** | **27,532.7** | **133,833.7** |
| **At 31 March 2021** | | | | | | | |
| Cost | 243,602.0 | 8,556.7 | 1,580.3 | 7,940.7 | 119,724.0 | 33,196.5 | 414,600.2 |
| Accumulated depreciation | (181,687.0) | – | (1,242.6) | (6,605.1) | (85,568.0) | (5,663.8) | (280,766.5) |
| **Net book amount** | **61,915.0** | **8,556.7** | **337.7** | **1,335.6** | **34,156.0** | **27,532.7** | **133,833.7** |

* *CWIP largely relates to self-constructed assets not yet completed. These mostly include network infrastructure and fibre that had not been brought into use as at year end.*

** *During the year ended 31 March 2021, the Company carried out an assessment of the fixed asset register (FAR). From this assessment, assets worth Shs 4.2 billion were identified to be fully depreciated and not in use. The assets were mainly equipment.*

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 18 Property and equipment continued

| | GROUP | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Network infrastructure KShs'm | Capital work in progress (CWIP)* KShs'm | Network maintenance spares KShs'm | Leasehold improvements KShs'm | Vehicles and equipment KShs'm | Fibre KShs'm | Total KShs'm | KShs'm |
| **Year ended 31 March 2022** | | | | | | | | |
| Opening net book amount | 61,915.0 | 8,556.7 | 337.7 | 1,335.6 | 34,156.0 | 27,532.7 | | 133,833.7 |
| Additions | – | 49,168.0 | – | – | 406.3 | – | 204.3 | 49,778.6 |
| Transfers from CWIP* | 10,428.8 | (32,241.7) | 150.1 | 6.5 | 19,348.7 | 2,307.6 | – | – |
| Disposal – cost | (299.5) | – | – | (12.8) | (1,104.7) | – | – | (1,417.0) |
| Asset retirement obligation (ARO) non-cash adjustments | (286.5) | – | – | – | – | – | – | (286.5) |
| Depreciation charge | (15,042.8) | (144.0) | (127.6) | (453.0) | (16,976.1) | (1,401.7) | – | (34,145.2) |
| Depreciation on disposals | 301.4 | – | – | 12.8 | 1,100.7 | – | – | 1,414.9 |
| Translation reserves – cost | – | (157.6) | – | – | (27.9) | – | – | (185.5) |
| **Closing net book amount** | 57,016.4 | 25,181.4 | 360.2 | 889.1 | 36,903.0 | 28,438.6 | 204.3 | 148,993.0 |
| **At 31 March 2022** | | | | | | | | |
| Cost | 253,444.8 | 25,181.4 | 1,730.4 | 7,934.4 | 138,346.4 | 35,504.1 | 204.3 | 462,345.8 |
| Accumulated depreciation and impairment | (196,428.4) | – | (1,370.2) | (7,045.3) | (101,443.4) | (7,065.5) | – | (313,352.8) |
| **Net book amount** | 57,016.4 | 25,181.4 | 360.2 | 889.1 | 36,903.0 | 28,438.6 | 204.3 | 148,993.0 |

* *Capital work-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 as at year end.*

## 18 Property and equipment continued

COMPANY

| | Network infrastructure KShs'm | Capital work in progress (CWIP)* KShs'm | Network maintenance spares KShs'm | Leasehold improvements KShs'm | Vehicles and equipment KShs'm | Fibre KShs'm | Total KShs'm |
|---|---|---|---|---|---|---|---|
| **At 1 April 2020** | | | | | | | |
| Cost | 227,989.6 | 10,184.2 | 1,564.5 | 7,443.2 | 103,737.8 | 30,281.8 | 381,201.1 |
| Accumulated depreciation | (165,990.2) | – | (1,100.5) | (6,031.9) | (74,762.2) | (4,347.6) | (252,232.4) |
| **Net book amount** | **61,999.4** | **10,184.2** | **464.0** | **1,411.3** | **28,975.6** | **25,934.2** | **128,968.7** |
| **Year ended 31 March 2020** | | | | | | | |
| Opening net book amount | 61,999.4 | 10,184.2 | 464.0 | 1,411.3 | 28,975.6 | 25,934.2 | 128,968.7 |
| Additions | – | 34,935.8 | 15.8 | – | 8.6 | – | 34,960.2 |
| Transfer from CWIP | 13,402.7 | (36,706.2) | – | 497.5 | 19,897.4 | 2,908.6 | – |
| Disposal – cost | (134.3) | – | – | – | (43.4) | – | (177.7) |
| Asset retirement – cost** | – | – | – | – | (4,243.3) | – | (4,243.3) |
| Asset retirement obligation (ARO) non-cash adjustments | 2,207.4 | – | – | – | – | – | 2,207.4 |
| Depreciation charge | (15,649.5) | – | (141.0) | (577.3) | (14,892.4) | (1,310.2) | (32,570.4) |
| Depreciation reclassification | (3.0) | – | (0.5) | 2.0 | 1.3 | 0.2 | – |
| Depreciation on disposals | 92.2 | – | – | – | 38.9 | – | 131.1 |
| Depreciation on retired assets** | – | – | – | – | 4,243.3 | – | 4,243.3 |
| **Closing net book amount** | 61,914.9 | 8,413.8 | 338.3 | 1,333.5 | 33,986.0 | 27,532.8 | 133,519.3 |
| **At 31 March 2021** | | | | | | | |
| Cost | 243,465.4 | 8,413.8 | 1,580.3 | 7,940.7 | 119,357.1 | 33,190.4 | 413,947.7 |
| Accumulated depreciation | (181,550.5) | – | (1,242.0) | (6,607.2) | (85,371.1) | (5,657.6) | (280,428.4) |
| **Net book amount** | **61,914.9** | **8,413.8** | **338.3** | **1,333.5** | **33,986.0** | **27,532.8** | **133,519.3** |

* *CWIP largely relates to self-constructed assets not yet completed. These mostly include network infrastructure and fibre that had not been brought into use as at year end.*

** *During the year ended 31 March 2021, the Company carried out an assessment of the fixed asset register (FAR). From this assessment, assets worth KShs 4.2 billion were identified to be fully depreciated and not in use. The assets were mainly equipment. The assets have been written off.*

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 18 Property and equipment continued

COMPANY

| | Network infrastructure KShs'm | Capital work in progress (CWIP)* KShs'm | Network maintenance spares KShs'm | Leasehold improvements KShs'm | Vehicles and equipment KShs'm | Fibre KShs'm | Freehold Property KShs'm | Total KShs'm |
|---|---|---|---|---|---|---|---|---|
| **Year ended 31 March 2022** | | | | | | | | |
| Opening net book amount | 61,914.9 | 8,413.8 | 338.3 | 1,333.5 | 33,986.0 | 27,532.8 | – | 133,519.3 |
| Additions | – | 38,583.5 | – | – | 406.3 | – | 204.3 | 39,194.1 |
| Transfer from CWIP | 10,428.8 | (32,078.7) | 150.1 | 6.5 | 19,185.7 | 2,307.6 | – | – |
| Disposal – cost | (299.5) | – | – | (12.8) | (1,104.7) | – | – | (1,417.0) |
| Asset retirement obligation (ARO) non-cash adjustments | (286.5) | – | – | – | – | – | – | (286.5) |
| Depreciation charge | (15,042.8) | – | (127.6) | (453.0) | (16,897.1) | (1,401.7) | – | (33,922.2) |
| Depreciation on disposals | 301.4 | – | – | 12.8 | 1,100.7 | – | – | 1,414.9 |
| **Closing net book amount** | 57,016.3 | 14,918.6 | 360.8 | 887.0 | 36,676.9 | 28,438.7 | 204.3 | 138,502.6 |
| **At 31 March 2022** | | | | | | | | |
| Cost | 253,308.2 | 14,918.6 | 1,730.4 | 7,934.4 | 137,844.4 | 35,498.0 | 204.3 | 451,438.3 |
| Accumulated depreciation | (196,291.9) | – | (1,369.6) | (7,047.4) | (101,167.5) | (7,059.3) | – | (312,935.7) |
| **Net book amount** | 57,016.3 | 14,918.6 | 360.8 | 887.0 | 36,676.9 | 28,438.7 | 204.3 | 138,502.6 |

* *Capital work-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 as at year end.*

## 19 Indefeasible rights of use (IRUs)

| | GROUP | | | | | | |
|---|---|---|---|---|---|---|---|
| | TEAMS KShs'm | SEACOM KShs'm | KPLC KShs'm | ETISALAT KShs'm | TATA KShs'm | EATCL KShs'm | Total KShs'm |
| **Year ended 31 March 2021** | | | | | | | |
| Opening net book amount | 1,947.9 | 766.6 | 412.4 | 47.1 | 78.1 | – | 3,252.1 |
| Amortisation charge | (162.7) | (76.7) | (41.9) | (47.1) | (78.1) | – | (406.5) |
| **Closing net book amount** | **1,785.2** | **689.9** | **370.5** | **–** | **–** | **–** | **2,845.6** |
| **At 31 March 2021** | | | | | | | |
| Cost | 3,253.0 | 1,534.9 | 838.3 | 111.3 | 183.9 | 91.5 | 6,012.9 |
| Accumulated amortisation | (1,467.8) | (845.0) | (467.8) | (111.3) | (183.9) | (91.5) | (3,167.3) |
| | **1,785.2** | **689.9** | **370.5** | **–** | **–** | **–** | **2,845.6** |
| **Year ended 31 March 2022** | | | | | | | |
| Opening net book amount | **1,785.2** | **689.9** | **370.5** | **–** | **–** | **–** | **2,845.6** |
| Amortisation charge | **(162.7)** | **(76.7)** | **(41.9)** | **–** | **–** | **–** | **(281.3)** |
| Closing net book amount | **1,622.5** | **613.2** | **328.6** | **–** | **–** | **–** | **2,564.3** |
| **At 31 March 2022** | | | | | | | |
| Cost | **3,253.0** | **1,534.9** | **838.3** | **111.3** | **183.9** | **91.5** | **6,012.9** |
| Accumulated amortisation | **(1,630.5)** | **(921.7)** | **(509.7)** | **(111.3)** | **(183.9)** | **(91.5)** | **(3,448.6)** |
| **Net book amount** | **1,622.5** | **613.2** | **328.6** | **–** | **–** | **–** | **2,564.3** |

| | COMPANY | | | | | |
|---|---|---|---|---|---|---|
| | TEAMS KShs'm | SEACOM KShs'm | KPLC KShs'm | ETISALAT KShs'm | TATA KShs'm | Total KShs'm |
| **Year ended 31 March 2021** | | | | | | |
| Opening net book amount | 1,947.9 | 766.6 | 412.4 | 47.1 | 78.1 | 3,252.1 |
| Amortisation charge | (162.7) | (76.7) | (41.9) | (47.1) | (78.1) | (406.5) |
| **Closing net book amount** | **1,785.2** | **689.9** | **370.5** | **–** | **–** | **2,845.6** |
| **At 31 March 2021** | | | | | | |
| Cost | 3,253.0 | 1,534.9 | 838.3 | 111.3 | 183.9 | 5,921.4 |
| Accumulated amortisation | (1,467.8) | (845.0) | (467.8) | (111.3) | (183.9) | (3,075.8) |
| **Net book amount** | **1,785.2** | **689.9** | **370.5** | **–** | **–** | **2,845.6** |
| **Year ended 31 March 2022** | | | | | | |
| Opening net book amount | **1,785.2** | **689.9** | **370.5** | **–** | **–** | **2,845.6** |
| Amortisation charge | **(162.7)** | **(76.7)** | **(41.9)** | **–** | **–** | **(281.3)** |
| **Closing net book amount** | **1,622.5** | **613.2** | **328.6** | **–** | **–** | **2,564.3** |
| **At 31 March 2022** | | | | | | |
| Cost | **3,253.0** | **1,534.9** | **838.3** | **111.3** | **183.9** | **5,921.4** |
| Accumulated amortisation | **(1,630.5)** | **(921.7)** | **(509.7)** | **(111.3)** | **(183.9)** | **(3,357.1)** |
| **Net book amount** | **1,622.5** | **613.2** | **328.6** | **–** | **–** | **2,564.3** |

# Notes to the financial statements continued

## 20 Investment property

The investment property relates to a vacant open land title No. 164259 and 164260 located in the Nairobi area. This land does not generate any rental income or direct operating costs. There are no restrictions attached to realisability of the investment property or the remittance of income and proceeds of disposal.

| | GROUP AND COMPANY | |
|---|---|---|
| | **2022 KShs'm** | **2021 KShs'm** |
| At 1 April | **845.0** | 845.0 |
| Fair value adjustment | **–** | – |
| **At 31 March** | **845.0** | 845.0 |

The fair value measurement of the investment property as at 31 March 2022 was performed by registered and independent valuers who have valuation experience for similar properties in Kenya. They are members of the Institute of Surveyors of Kenya.

The fair value was determined by reference to market evidence of recent transactions for similar properties. In estimating the fair value of the properties, the highest and best use of those similar properties was assumed. There was no significant change in the previous valuation and management has opted to retain the existing value.

Details of the Group's and company's investment property and information about fair value hierarchy as at 31 March 2022 and 31 March 2021 is as follows:

| Non-financial asset | Fair value as at 31 March 2022 and 31 March 2021 KShs'm | Fair value hierarchy | Valuation technique(s) and key inputs | Significant unobservable inputs |
|---|---|---|---|---|
| Investment property | **845.0** | Level III | Open market value basis – highest and best use model | Recent sale transactions for similar properties |

### Sensitivity analysis

If there was a 10% change in the selling prices of similar properties, with all other variables held constant, the fair value of the investment property would have been KShs 84.5 million lower/higher.

## 21 Intangible assets – Network Licences

| | GROUP | |
|---|---|---|
| | **2022 KShs'm** | **2021 KShs'm** |
| Opening net book amount | **8,475.5** | 6,026.2 |
| Additions | **96,288.3** | 4,077.8 |
| Translation reserves | **(9,266.6)** | – |
| Disposals – cost | **(5,077.6)** | – |
| Disposals – amortisation | **5,077.6** | – |
| Amortisation charge | **(1,850.0)** | (1,628.5) |
| | **–** | – |
| **Closing net book amount** | **93,647.2** | **8,475.5** |
| Cost | **105,004.5** | 23,060.4 |
| Accumulated amortisation | **(11,357.3)** | (14,584.9) |
| **Net book amount** | **93,647.2** | **8,475.5** |

| | COMPANY | |
|---|---|---|
| | **2022 KShs'm** | **2021 KShs'm** |
| Opening net book amount | **8,471.5** | 6,021.8 |
| Additions- cost | **4,728.1** | 4,077.8 |
| Disposals – cost | **(5,077.6)** | – |
| Disposals – amortisation | **5,077.6** | – |
| Amortisation charge | **(1,850.0)** | (1,628.1) |
| **Closing net book amount** | **11,349.6** | **8,471.5** |
| Cost | **22,688.6** | 23,038.1 |
| Accumulated amortisation | **(11,339.0)** | (14,566.6) |
| **Net book amount** | **11,349.6** | **8,471.5** |

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 22 Leases

### (a) Right-of-use (ROU) asset movement schedule

| | GROUP AND COMPANY | | | | | | |
|---|---|---|---|---|---|---|---|
| | Site KShs'm | Collocation KShs'm | Shops KShs'm | Facilities KShs'm | Secondees houses KShs'm | Equipment KShs'm | Total KShs'm |
| **Year ended 31 March 2020** | | | | | | | |
| Cost | 8,672.7 | 5,281.2 | 1,286.6 | 2,882.8 | 42.4 | – | 18,165.7 |
| Accumulated amortisation | (1,089.9) | (910.2) | (252.5) | (647.8) | (22.4) | – | (2,922.8) |
| **Closing book cost** | **7,582.8** | **4,371.0** | **1,034.1** | **2,235.0** | **20.0** | **–** | **15,242.9** |
| **Year ended 31 March 2021** | | | | | | | |
| Opening cost | 7,582.8 | 4,371.0 | 1,034.1 | 2,235.0 | 20.0 | – | 15,242.9 |
| Additions | 560.8 | 1,160.3 | 152.2 | 1,075.5 | 28.9 | 18.2 | 2,995.9 |
| Reclassification – cost | (168.5) | 51.5 | (37.0) | 42.0 | 7.1 | – | (104.9) |
| Termination and revision – cost | (144.6) | 186.2 | 12.1 | (357.4) | – | (0.3) | (304.0) |
| Amortisation charge | (1,063.0) | (1,051.9) | (297.0) | (866.5) | (24.7) | (1.7) | (3,304.8) |
| Reclassification – amortisation | 94.8 | 2.8 | 39.8 | (4.6) | (27.9) | – | 104.9 |
| Termination and revision – amortisation | 37.6 | (1.1) | 11.7 | 84.6 | – | – | 132.8 |
| **Closing net book amount** | **6,899.9** | **4,718.8** | **915.9** | **2,208.6** | **3.4** | **16.2** | **14,762.8** |
| **At 31 March 2021** | | | | | | | |
| Cost | 8,920.4 | 6,679.2 | 1,413.9 | 3,642.9 | 78.4 | 17.9 | 20,752.7 |
| Accumulated amortisation | (2,020.5) | (1,960.4) | (498.0) | (1,434.3) | (75.0) | (1.7) | (5,989.9) |
| **Closing net book amount** | **6,899.9** | **4,718.8** | **915.9** | **2,208.6** | **3.4** | **16.2** | **14,762.8** |

| | GROUP | | | | | | |
|---|---|---|---|---|---|---|---|
| | Site KShs'm | Collocation KShs'm | Shops KShs'm | Facilities KShs'm | Secondees houses KShs'm | Equipment KShs'm | Total KShs'm |
| **Year ended 31 March 2022** | | | | | | | |
| Opening cost | 6,899.9 | 4,718.8 | 915.9 | 2,208.6 | 3.4 | 16.2 | 14,762.8 |
| Additions | 1,136.2 | 4,058.9 | 170.9 | 549.5 | 65.6 | (1.6) | 5,979.5 |
| Termination and revision – cost | 19.8 | 811.2 | (20.7) | 237.2 | – | (0.5) | 1,047.0 |
| Amortisation charge | (1,041.4) | (1,318.4) | (259.7) | (1,014.4) | (16.3) | (6.6) | (3,656.8) |
| Translation reserve | 1.6 | – | 0.1 | 1.8 | 0.1 | – | 3.6 |
| Termination – amortisation and revision | 66.5 | – | 0.2 | 98.9 | – | – | 165.6 |
| **Closing net book amount** | **7,082.6** | **8,270.5** | **806.7** | **2,081.6** | **52.8** | **7.5** | **18,301.7** |
| **At 31 March 2022** | | | | | | | |
| Cost | 10,078.0 | 11,549.3 | 1,564.2 | 4,431.4 | 144.1 | 15.8 | 27,782.8 |
| Accumulated amortisation | (2,995.4) | (3,278.8) | (757.5) | (2,349.8) | (91.3) | (8.3) | (9,481.1) |
| **Closing net book amount** | **7,082.6** | **8,270.5** | **806.7** | **2,081.6** | **52.8** | **7.5** | **18,301.7** |

## 22 Leases continued

### (a) Right-of-use (ROU) asset movement schedule continued

| | COMPANY | | | | | | |
|---|---|---|---|---|---|---|---|
| | Site KShs'm | Collocation KShs'm | Shops KShs'm | Facilities KShs'm | Secondees houses KShs'm | Equipment KShs'm | Total KShs'm |
| **Year ended 31 March 2022** | | | | | | | |
| Opening cost | 6,899.9 | 4,718.8 | 915.9 | 2,208.6 | 3.4 | 16.2 | 14,762.8 |
| Additions | 685.3 | 4,058.9 | 135.6 | 279.7 | 27.5 | (1.6) | 5,185.4 |
| Termination and revision – cost | 16.8 | 811.2 | (20.7) | (98.8) | – | (0.5) | 708.0 |
| Amortisation charge | (1,037.8) | (1,318.4) | (259.3) | (1,008.9) | (13.2) | (6.6) | (3,644.2) |
| Termination and revision – amortisation | 66.5 | – | 0.1 | 98.8 | – | – | 165.4 |
| **Closing net book amount** | 6,630.7 | 8,270.5 | 771.6 | 1,479.4 | 17.7 | 7.5 | 17,177.4 |
| **At 31 March 2022** | | | | | | | |
| Cost | 9,622.5 | 11,549.3 | 1,528.8 | 3,823.8 | 105.9 | 15.8 | 26,646.1 |
| Accumulated amortisation | (2,991.8) | (3,278.8) | (757.2) | (2,344.4) | (88.2) | (8.3) | (9,468.7) |
| **Closing net book amount** | 6,630.7 | 8,270.5 | 771.6 | 1,479.4 | 17.7 | 7.5 | 17,177.4 |

### (b) Lease liability movement schedule

The lease liability balance at the end of the period was as follows:

| | GROUP AND COMPANY | | | | | | |
|---|---|---|---|---|---|---|---|
| | Site KShs'm | Collocation KShs'm | Shops KShs'm | Facilities KShs'm | Secondees houses KShs'm | Equipment KShs'm | Total KShs'm |
| **Year ended 31 March 2021** | | | | | | | |
| Opening balance | (7,330.2) | (4,524.1) | (971.4) | (2,378.3) | (20.7) | – | (15,224.7) |
| Additions | (560.8) | (1,160.3) | (152.2) | (1,075.5) | (28.9) | (18.2) | (2,995.9) |
| Interest charge | (916.6) | (382.5) | (123.5) | (292.8) | (2.0) | (0.5) | (1,717.9) |
| Payments | 1,381.7 | 1,352.1 | 337.4 | 781.7 | 17.5 | 4.2 | 3,874.6 |
| Termination and revisions | 137.2 | (178.9) | (22.6) | 272.9 | – | – | 208.6 |
| Forex revaluation | (0.7) | (214.7) | (2.7) | – | (0.3) | – | (218.4) |
| **Closing balance** | **(7,289.4)** | **(5,108.4)** | **(935.0)** | **(2,692.0)** | **(34.4)** | **(14.5)** | **(16,073.7)** |
| **Year ended 31 March 2021** | | | | | | | |
| Current | (1,384.0) | (1,476.3) | (270.6) | (968.0) | (13.8) | (6.8) | (4,119.5) |
| Non-current | (5,905.4) | (3,632.1) | (664.4) | (1,724.0) | (20.6) | (7.7) | (11,954.2) |
| | **(7,289.4)** | **(5,108.4)** | **(935.0)** | **(2,692.0)** | **(34.4)** | **(14.5)** | **(16,073.7)** |

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 22 Leases continued

### (b) Lease liability movement schedule continued

GROUP

| | Site KShs'm | Collocation KShs'm | Shops KShs'm | Facilities KShs'm | Secondees houses KShs'm | Equipment KShs'm | Total KShs'm |
|---|---|---|---|---|---|---|---|
| **Year ended 31 March 2022** | | | | | | | |
| Opening balance | (7,289.4) | (5,108.4) | (935.0) | (2,692.0) | (34.4) | (14.5) | (16,073.7) |
| Additions | (944.3) | (4,294.3) | (160.9) | (549.6) | (32.0) | 1.6 | (5,979.5) |
| Interest charge | (922.1) | (518.9) | (100.9) | (255.6) | (3.7) | (1.7) | (1,802.9) |
| Payments | 1,773.1 | 1,719.3 | 316.8 | 1,281.9 | 52.6 | 10.6 | 5,154.3 |
| Termination and revisions | (51.0) | (811.3) | 20.4 | (335.7) | (27.5) | 0.3 | (1,204.8) |
| Forex revaluation | (0.4) | (182.1) | (1.8) | – | (0.4) | – | (184.7) |
| Translation reserves | (1.1) | – | – | (1.0) | – | – | (2.1) |
| **Closing balance** | (7,435.2) | (9,195.7) | (861.4) | (2,552.0) | (45.4) | (3.7) | (20,093.4) |
| **Year ended 31 March 2022** | | | | | | | |
| Current | (1,527.5) | (2,316.3) | (270.4) | (1,349.8) | (40.8) | (3.7) | (5,508.5) |
| Non-current | (5,907.7) | (6,879.4) | (591.0) | (1,202.2) | (4.6) | – | (14,584.9) |
| | (7,435.2) | (9,195.7) | (861.4) | (2,552.0) | (45.4) | (3.7) | (20,093.4) |

COMPANY

| | Site KShs'm | Collocation KShs'm | Shops KShs'm | Facilities KShs'm | Secondees houses KShs'm | Equipment KShs'm | Total KShs'm |
|---|---|---|---|---|---|---|---|
| **Year ended 31 March 2022** | | | | | | | |
| Opening balance | (7,289.4) | (5,108.4) | (935.0) | (2,692.0) | (34.4) | (14.5) | (16,073.7) |
| Additions | (477.5) | (4,294.3) | (135.5) | (279.7) | – | 1.6 | (5,185.4) |
| Interest charge | (904.3) | (518.9) | (99.8) | (245.3) | (2.4) | (1.7) | (1,772.4) |
| Payments | 1,573.3 | 1,719.3 | 296.6 | 946.2 | 19.9 | 10.6 | 4,565.9 |
| Termination and revisions | (48.0) | (811.3) | 20.2 | – | (27.5) | 0.3 | (866.3) |
| Forex revaluation | (0.4) | (182.1) | (1.8) | – | (0.4) | – | (184.7) |
| **Closing balance** | (7,146.3) | (9,195.7) | (855.3) | (2,270.8) | (44.8) | (3.7) | (19,516.6) |
| **Year ended 31 March 2022** | | | | | | | |
| Current | (1,489.7) | (2,316.3) | (270.4) | (1,349.8) | (7.5) | (3.7) | (5,437.4) |
| Non-current | (5,656.6) | (6,879.4) | (584.9) | (921.0) | (37.3) | – | (14,079.2) |
| | (7,146.3) | (9,195.7) | (855.3) | (2,270.8) | (44.8) | (3.7) | (19,516.6) |

Included in the direct costs and reported in the statement of profit or loss and other comprehensive income in the period is an amount of KShs 1,828.7 million and KShs 1,725.5 million for Group and Company respectively (2021: KShs 1,726.6 million) relating to short-term leases of less than one year which were not accounted for under IFRS 16 in the lease liabilities above as one of the expedients adopted by the Group and Company as provided by IFRS 16.

There were no leases not commenced to which the Group had committed.

# 22 Leases continued

## (b) Lease liability movement schedule continued

### Payments split

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| Repayment of lease liabilities – Principal | **(3,806.4)** | (2,550.6) | **(3,220.5)** | (2,550.6) |
| Repayment of lease liabilities – Interest | **(1,347.9)** | (1,324.0) | **(1,345.4)** | (1,324.0) |
| **Total payments** | **(5,154.3)** | **(3,874.6)** | **(4,565.9)** | **(3,874.6)** |

## (c) Maturity analysis of undiscounted lease liabilities

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| Less than 1 year | **5,641.9** | 4,252.0 | **5,570.6** | 4,252.0 |
| Greater than 1 year | **21,495.6** | 14,661.1 | **20,602.7** | 14,661.1 |
| **Total** | **27,137.5** | **18,913.1** | **26,173.3** | **18,913.1** |

# 23 Investments

From time to time the Group invests in various entities in the form of subsidiaries, associates and joint arrangements for strategic reasons in order to achieve the overall objective of transforming lives.

## (a) Investment in subsidiaries

All subsidiaries are unlisted and have the same year end as the Company except for Safaricom Money Transfer Services Limited which has a 31 December year-end because of Central Bank of Kenya's reporting guidelines. The investments relate to cost of shares held in the subsidiaries.

| | COMPANY | |
|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm |
| At start of year | **431.3** | 431.3 |
| Initial investment (Vodafamily) | **58,626.5** | – |
| **At end of year** | **59,057.8** | **431.3** |

During the period, Safaricom PLC in partnership with Vodacom Group, Sumitomo and CDC partnered to invest in Ethiopia. Safaricom PLC and Vodacom Group through the Vodafamily Ethiopia Holding Company Limited (a private limited company incorporated under the laws of England and Wales, United Kingdom), Sumitomo and CDC incorporated the Global Partnership for Ethiopia (GPE) B.V. (a private limited company incorporated in the Netherlands), as the investment vehicle to Ethiopia with the respective shareholding into the Company being Vodafamily Ethiopia Holding 61.9% (Safaricom Plc 55.71%, Vodacom Group 6.19%), Sumitomo Corporation 27.2% and CDC Group Plc 10.9%. The intention was to bid for one of the telecommunications licences in Ethiopia.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 23 Investments continued

### (a) Investment in subsidiaries continued

On 26 April 2021, the Global Partnership for Ethiopia (the "GPE") submitted a response to the Request for Proposals (the "RFP") by the Government of Ethiopia (the "GoE") that was issued by the Ethiopian Communications Authority (the "ECA"). On 24 May 2021, the ECA formally notified the GPE of its decision to award it one of the two telecommunication licences that were available in the bid process. Licence fee paid was USD 850 million to the GOE. In addition, a transaction fees of USD 4 million was paid to the International Finance corporation (IFC). The total cost was distributed proportionate to each consortium partner shareholding in GPE.

GPE thereafter incorporated a fully-owned subsidiary in Ethiopia – Safaricom Telecommunication Ethiopia Plc (STE) and the certificate of operation was issued on 6 July 2021 as per the requirements of Ethiopia regulation. The indirect shareholding of Safaricom Plc in STE is 55.71%. STE's primary purpose is to hold and operate a full-service telecommunications licence granted to GPE by the Federal Republic of Ethiopia.

The subsidiary was established within the current financial reporting period and has been consolidated in the Group's 31 March 2022 financial statements.

Below is the contribution for non-controlling interest arising from their ownership in GPE and STE:

| Name | Non-controlling percentage | Contribution by NCI shareholders KShs'm | Translation reverse KShs'm | Loss allocated to NCI KShs'm | Totals non-controlling KShs'm |
|---|---|---|---|---|---|
| Vodacom Group Limited | 6.19% | 6,514.0 | (590.3) | (300.8) | 5,622.9 |
| Sumitomo Corporation | 27.2% | 28,623.5 | (2,593.8) | (1,321.6) | 24,708.1 |
| CDC Group PLC | 10.9% | 11,470.4 | (1,039.5) | (529.6) | 9,901.3 |
| **Total** | **44.29%** | **46,607.9** | **(4,223.6)** | **(2,152.0)** | **40,232.3** |

The summarised financial information of Vodafamily Ethiopia Holding Limited consolidated is provided below. The subsidiary is incorporated in the Netherlands and the principal place of business is London, United Kingdom. This information is based on amounts before inter-company eliminations.

As at 31 March 2022, the Company's interest in its subsidiaries was as follows:

| | Year end | % interest held | 2022 KShs'm | 2021 KShs'm |
|---|---|---|---|---|
| One Communications Limited and its subsidiaries*[1] | 31 March | 100 | – | – |
| Instaconnect Limited | 31 March | 100 | 411.2 | 411.2 |
| East Africa Tower Company Limited* | 31 March | 100 | – | – |
| DigiFarm Kenya Limited[2] | 31 March | 100 | 0.1 | 0.1 |
| Safaricom Money Transfer Services Limited | 31 December | 100 | 20.0 | 20.0 |
| Vodafamily Ethiopia Holding Limited | 31 March | 90 | 58,626.5 | – |
| | | | **59,057.8** | **431.3** |

[1] *Comtec Training Management Service Limited, Comtec Integrations System Limited and Flexible Bandwidth Service Limited.*

[2] *In October 2019, DigiFarm was incorporated as a 100%-owned subsidiary by Safaricom PLC. The nominal share capital of the Company is KShs 100,000 divided into 1,000 ordinary shares of KShs 100 each. The entity is primarily designed to offer agribusiness tech support services to Kenyan farmers linking the entire production chain by connecting producers to buyers and cushioning farmers from middlemen. Other expected value additions to the DigiFarm model will be filling the gaps below:*

- *Access to financial services – credit and insurance*
- *Access to quality inputs*
- *Knowledge on best farming practices through extension services*
- *Access to market and post-harvest loss management.*

* *The investment in One Communications Limited and its subsidiaries and East Africa Tower Company Limited were written off in the year ended 31 March 2017.*

## 23 Investments continued

### (a) Investment in subsidiaries continued

**Vodafamily Ethiopia Holding Limited Consolidated Summarised Statement of Profit or Loss And Other Comprehensive Income for period ended 31 March**

| | 2022 KShs'm |
|---|---|
| Total expenses | (5,109.2) |
| Loss before interest, tax, depreciation and amortisation | (5,109.2) |
| Depreciation and amortisation | (14.3) |
| Financing costs | (75.9) |
| Finance income | 340.6 |
| Income tax expense | – |
| Loss after tax | (4,858.8) |
| **Other comprehensive loss** | |
| Exchange differences on translation of foreign operations | (9,536.3) |
| Total comprehensive loss | (14,395.1) |
| Attributable to non-controlling interests | (5,484.5) |

**Vodafamily Ethiopia Holding Limited Consolidated Summarised Statement of Financial Position as at 31 March**

| | 2022 KShs'm |
|---|---|
| Equity attributable to: | |
| Equity holders of parent | 56,229.6 |
| Non-controlling interest | 34,609.8 |
| Non-current liabilities | 4,715.3 |
| **Total equity and non-current liabilities** | 95,554.7 |
| Non-current assets | 93,672.9 |
| **Current assets** | |
| Cash and cash equivalents | 2,687.6 |
| Other current assets | 3,255.9 |
| **Total current assets** | 5,943.5 |
| **Current liabilities** | (4,061.7) |
| | 95,554.7 |

**Vodafamily Ethiopia Holding Limited consolidated summarised cashflow information for period ended 31 March**

| | 2022 KShs'm |
|---|---|
| Cash flows from operating activities | 148.4 |
| Cash flows from investing activities | (102,002.5) |
| Cash flows from financing activities | 104,636.1 |
| **Net increase in cash and cash equivalents** | 2,782.0 |
| **Movement in cash and cash equivalents** | |
| At start of period | – |
| Net foreign exchange difference | (94.4) |
| Increase | 2,782.0 |
| **Closing cash and cash equivalents** | 2,687.6 |

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 23 Investments

### (b) Investment in associates and joint ventures – Group and Company

| | 2022 KShs'm | 2021 KShs'm |
|---|---|---|
| **Investment in associates** | | |
| Circles Gas | – | 284.8 |
| TEAMS | 123.1 | 118.1 |
| **Total investment in associates** | **123.1** | **402.9** |
| **Investment in joint ventures** | | |
| M-PESA Africa Limited | 3,859.0 | 4,055.3 |
| **Total investment in joint ventures** | **3,859.0** | **4,055.3** |
| **Total investment in associates and joint ventures** | **3,982.1** | **4,458.2** |
| The movement in investment in associates and joint ventures is as follows: | | |
| At start of year TEAMS | 118.1 | 211.2 |
| Share of profit/(loss) from TEAMS | 5.0 | (93.1) |
| At start of year Circle Gas | 284.8 | 384.6 |
| Share of loss from Circle Gas | (284.8) | (99.8) |
| At start of year – M-PESA Africa Limited | 4,055.2 | 4,369.3 |
| Acquisitions – M-PESA Africa Limited | – | 0.1 |
| Share of (loss)/profit from M-PESA Africa Limited | (196.2) | (314.1) |
| **At end of year** | **3,982.1** | **4,458.2** |

In December 2019, Safaricom completed a purchase of 18.96% of the issued shares capital of Circle Gas Limited (KShs 385 million), a company incorporated in England. Principal place of business for Circle Gas is London, United Kingdom. Strategically, the investment in Circle Gas solution is a digital service offering leveraging Internet of Things (IoT) and M-PESA, that will drive our ambition to be the leading digital services provider in Kenya whilst driving financial inclusion through technology by offering customers an affordable, clean energy source for cooking.

Circle Gas has subsequently issued ordinary shares which were used in settlement of debt. This led to a dilution of the Safaricom's shareholding to 14.648% (2021:18.39%).

The investments in Circle Gas has been treated as an investment in associate as per IAS 28.7.

Circle Gas has a 31 December year end and derives its revenues from the provision of affordable, clean energy source for cooking. Changes in the risk and 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 12-months results for the associate have been incorporated in the Group's financial statements.

## 23 Investments continued

### (b) Investment in associates and joint ventures – Group and Company

#### Circle Gas Summarised Statement of Profit or Loss and other Comprehensive Income for the 12 months ended 31 December

| | 2021 KShs'm | 2020 KShs'm |
|---|---|---|
| Revenue | 406.0 | 30.7 |
| Other income | 12.9 | 29.3 |
| Cost of sales | (206.6) | (14.2) |
| Administrative expenses | (2,301.6) | (588.6) |
| Total expenses | (2,508.2) | (602.8) |
| Loss before tax | (2,089.3) | (542.8) |
| Income tax expense | – | – |
| Loss after tax | (2,089.3) | (542.8) |
| Share of loss before tax | (306.0) | (99.8) |
| **Share of loss of associate – Reported** | (284.8) | **(99.8)** |
| **Share of loss of associate – Unrecognised** | (21.2) | **–** |

#### Circle Gas summarised Statement of Financial Position as at 31 December

| | 2021 KShs'm | 2020 KShs'm |
|---|---|---|
| Total equity | (514.1) | 898.1 |
| Non-current liabilities | 7,435.9 | 1,506.1 |
| **Total equity and non-current liabilities** | 6,921.8 | 2,404.2 |
| Non-current assets | 4,333.90 | 1,783.4 |
| **Current assets** | | |
| Cash and cash equivalents | 700.2 | 360.0 |
| Other current assets | 1,991.6 | 353.1 |
| **Total current assets** | 2,691.8 | 713.1 |
| **Current liabilities** | (103.9) | (92.3) |
| | 6,921.8 | **2,404.2** |

Included in the investment in associate is the investment of 32.5% (2021: 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' place of business and country of incorporation is Kenya. There are no contingent liabilities relating to the Group's interest in the associate.

TEAMS has a 30 June year end and derives its revenues from the provision of submarine fibre optic cable system. Changes in the risk and 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 nine months' results for the associate have been incorporated in the Group's financial statements. Set out below is the summarised financial information for TEAMS as at 31 March 2022 and 31 March 2021, which is accounted for using the equity method.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 23 Investments continued

### (b) Investment in associates and joint ventures continued

#### TEAMS summarised Statement of Financial Position as at 31 March

| | 2022 KShs'm | 2021 KShs'm |
|---|---|---|
| Total equity | 462.2 | 425.4 |
| **Non-current assets** | 4.3 | 6.0 |
| Current assets | 647.8 | 530.0 |
| **Total current assets** | **647.8** | **530.0** |
| **Current liabilities** | (189.9) | (110.6) |
| | **462.2** | **425.4** |

#### TEAMS summarised Statement of Profit or Loss and other Comprehensive Income for the nine months period ended 31 March

| | 2022 KShs'm | 2021 KShs'm |
|---|---|---|
| Revenue | 218.7 | 210.5 |
| Other income | 12.6 | 13.8 |
| Operating expenses | (175.5) | (157.0) |
| Administrative expenses | (27.5) | (84.8) |
| Total expenses | (203.0) | (241.8) |
| Profit/(loss) before tax | 28.3 | (17.5) |
| Income tax expense | (8.1) | (9.3) |
| Profit/(loss) after tax | 20.2 | (26.8) |
| Share of profit before tax (32.5%) | 6.6 | (8.7) |
| Loss after tax for the 3 months ended 30 June (2021 and 2020 respectively) | (1.6) | 84.4 |
| **Share of profit/(loss) of associate** | **5.0** | **(93.1)** |

The information above reflects the amounts presented in the management accounts of the associate and not Safaricom PLC's share of those amounts, adjusted for differences in accounting policies between the Company and associate. The results of TEAMS do not have a material impact on the Group's results.

In March 2020, Safaricom PLC and Vodacom Group Limited completed the acquisition of the M-PESA brand, product development and support services from Vodafone Group PLC through the Joint Venture (JV), M-PESA Africa Limited. The new JV will strategically help accelerate M-PESA growth in Africa by giving both Safaricom PLC and Vodacom Group Limited full control of the M-PESA brand in Africa. Safaricom PLC owns 50% of the issued share capital of the JV with Vodacom Group Limited owning the remaining 50%.

The JV is registered in Kenya and has a 100%-owned subsidiary, K2019102008 (South Africa) (Proprietary) Limited registered in South Africa.

# 23 Investments continued

## (b) Investment in associates and joint ventures continued

The joint venture is accounted for using equity method in these consolidated and Separate Financial Statements. Summarised financial information in respect of Safaricom PLC investment in joint venture as at year end is set out below:

There are no significant restrictions on the ability of the JV to transfer funds to Safaricom PLC in the form of a cash dividend or repayment of loans. Decisions by the JV to declare and/or pay any dividend or make any capital distribution to shareholders must have prior written consent of the existing shareholders.

### M-PESA Africa Limited Summarised Statement of Financial Position as at 31 March

| | 2022 KShs'm | 2021 KShs'm |
|---|---|---|
| **Total equity** | **8,756.8** | 8,937.4 |
| **Non-current liabilities** | | |
| Deferred income tax | **2,909.9** | 2,870.7 |
| Other non-current financial liabilities | **3,922.2** | – |
| Total non-current liabilities | **6,832.1** | 2,870.7 |
| **Total equity and non-current liabilities** | **15,588.9** | **11,808.1** |
| Non-current assets | **18,623.5** | 14,803.1 |
| **Current assets** | | |
| Cash and cash equivalents | **2,431.3** | 883.0 |
| Other current assets | **1,015.2** | 884.5 |
| **Total current assets** | **3,446.5** | 1,767.5 |
| **Current liabilities** | | |
| Payables and accrued expenses | **3,314.3** | 1,841.0 |
| Other current financial liabilities | **3,166.8** | 2,921.5 |
| Total current liabilities | **6,481.1** | 4,762.5 |
| **Net current assets** | **(3,034.6)** | (2,995.0) |
| | **15,588.9** | **11,808.1** |

### M- PESA Africa Limited Summarised Statement of Profit or Loss and other Comprehensive Income for year ended 31 March

| | 2022 KShs'm | 2021 KShs'm |
|---|---|---|
| Revenue | **4,269.8** | 3,180.7 |
| Total expenses | **(2,918.2)** | (2,585.5) |
| Profit before interest, tax, depreciation and amortisation | **1,351.6** | 595.2 |
| Depreciation and amortisation | **(1,477.4)** | (1,115.7) |
| Financing costs | **(125.1)** | (55.6) |
| Income tax expense | **(141.6)** | (92.0) |
| Loss after tax | **(392.5)** | (668.1) |
| Share of profit/(loss) before tax (50%) | **(196.2)** | (334.1) |
| Under reported profit from prior year | **–** | 20.0 |
| **Share of profit/(loss) from joint venture** | **(196.2)** | **(314.1)** |

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 24 Inventories

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| Handsets and accessories | **3,402.3** | 2,135.5 | **3,402.3** | 2,135.5 |
| Scratch cards | **32.6** | 43.7 | **32.6** | 43.7 |
| Starter packs | **733.1** | 457.2 | **733.1** | 457.2 |
| Stationery and other stocks | **10.3** | 6.6 | **10.3** | 6.6 |
| Set top boxes | **2.0** | 0.7 | **2.0** | 0.7 |
| Less: provision for obsolescence | **(32.9)** | (202.5) | **(32.9)** | (202.5) |
| | **4,147.4** | 2,441.2 | **4,147.4** | 2,441.2 |
| Inventory work-in-progress | **–** | – | **–** | – |
| Farm stocks | **159.4** | 45.8 | **–** | – |
| | **4,306.8** | **2,487.0** | **4,147.4** | **2,441.2** |

*Note: The cost of inventories recognised as an expense during the period was KShs 14,551.5 million (2021: KShs 10,315.9 million reported under direct costs (Note. 6)*

## 25 Trade and other receivables

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| **Current:** | | | | |
| Trade receivables | **18,373.9** | 16,504.8 | **18,177.3** | 14,826.6 |
| Less: Allowance for expected credit losses | **(6,916.9)** | (5,315.7) | **(6,729.9)** | (5,160.0) |
| | **11,457.0** | 11,189.1 | **11,447.4** | 9,666.6 |
| Receivable from related parties (Note 31(viii)) | **1,801.2** | 2,475.4 | **3,834.7** | 2,874.3 |
| Less: Allowance for expected credit losses | **(6.7)** | (17.4) | **(1,096.3)** | (911.7) |
| | **1,794.5** | 2,458.0 | **2,738.4** | 1,962.6 |
| Other receivables* | **6,059.0** | 4,087.5 | **4,420.7** | 3,973.8 |
| Less: Allowance for expected credit losses | **(81.1)** | (30.4) | **(81.1)** | (21.1) |
| | **5,977.9** | 4,057.1 | **4,339.6** | 3,952.7 |
| Prepayments | **6,157.2** | 3,147.3 | **2,945.7** | 3,147.2 |
| Construction and maintenance contract receivable | **569.0** | 1,568.9 | **569.0** | 1,568.9 |
| Less: Discounting adjustment on construction contract receivables | **(36.4)** | (72.5) | **(36.4)** | (72.5) |
| Net construction and maintenance contract receivable | **532.6** | 1,496.4 | **532.6** | 1,496.4 |
| | **25,919.2** | **22,347.9** | **22,003.7** | **20,225.5** |

## 25 Trade and other receivables continued

Movements on the allowance for expected credit losses on trade receivables, other receivables and related parties' receivables are as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| **At start of year** | **5,363.5** | **2,840.4** | **6,092.8** | **2,718.0** |
| Provision for expected credit losses for the year | | | | |
| – trade and other receivables | **2,822.0** | 3,547.9 | **2,717.3** | 3,505.3 |
| – related parties | **9.3** | 5.7 | **275.2** | 900.0 |
| Release of prior year provisions | **(482.8)** | (549.5) | **(470.7)** | (549.5) |
| Provision for expected credit losses | **2,348.5** | 3,004.1 | **2,521.8** | 3,855.8 |
| **Receivables written off during the year as uncollectible** | **(906.6)** | **(481.0)** | **(906.6)** | **(481.0)** |
| **Recoveries from third parties** | **199.3** | | **199.3** | |
| **Closing allowance for expected credit losses at year end** | **7,004.7** | **5,363.5** | **7,907.3** | **6,092.8** |
| Provision for trade receivables | **6,916.9** | 5,315.7 | **6,729.9** | 5,160.0 |
| Provision for related parties | **6.7** | 17.4 | **1,096.3** | 911.7 |
| Provision for other receivables | **81.1** | 30.4 | **81.1** | 21.1 |
| **Closing allowance for expected credit losses as at year end** | **7,004.7** | **5,363.5** | **7,907.3** | **6,092.8** |

* *Other receivables include deposit, interest receivable and EPSAP share receivable.*

The carrying amounts of the above receivables approximate their fair values.

In connection with the National Police Service contract, bills have been raised for both the construction and maintenance service as per the contract terms. Total of KShs 1.0 billion were received during the year (2021: KShs Nil) and the outstanding balance at year end was KShs 569 million. Fair value adjustment of KShs 36.4 million (2021: KShs 72.5 million) has been made in arriving at the outstanding receivable.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| **At start of year** | **72.5** | **12.5** | **72.5** | **12.5** |
| Discounting adjustments made in the year for construction and maintenance contract receivable | **52.7** | 60.0 | **52.7** | 60.0 |
| Release of prior year provisions | **(88.8)** | – | **(88.8)** | – |
| Net impact of discount adjustment on construction and maintenance contract receivable | **(36.1)** | **60.0** | **(36.1)** | **60.0** |
| | **36.4** | **72.5** | **36.4** | **72.5** |

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 26 Cash and cash equivalents and restricted cash

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| **a) Cash and cash equivalents** | | | | |
| Cash at bank | **30,794.2** | 26,740.8 | **25,571.7** | 26,039.1 |
| Allowance for expected credit losses | **(14.6)** | (4.7) | **(11.1)** | (3.2) |
| | **30,779.6** | **26,736.1** | **25,560.6** | **26,035.9** |
| **b) Restricted cash** | | | | |
| Restricted cash | **2,430.8** | 2,783.1 | **2,430.8** | 2,783.1 |
| Discounting adjustment at inception | **(670.9)** | (801.1) | **(670.9)** | (801.1) |
| | **1,759.9** | **1,982.0** | **1,759.9** | **1,982.0** |
| **c) Deferred restricted cash asset** | | | | |
| Discounting adjustment at inception (Note 26(b)) | **670.9** | 801.1 | **670.9** | 801.1 |
| Accumulated amortisation | **(263.0)** | (242.4) | **(263.0)** | (242.4) |
| **Net deferred restricted cash asset** | **407.9** | **558.7** | **407.9** | **558.7** |
| **d) Restricted cash asset movement** | | | | |
| Opening balance | **2,540.7** | 2,747.8 | **2,540.7** | 2,747.8 |
| Staff mortgage issued | **50.0** | 197.9 | **50.0** | 197.9 |
| Repayments | **(402.3)** | (378.0) | **(402.3)** | (378.0) |
| Amortisation of deferred restricted cash asset | **(20.6)** | (27.0) | **(20.6)** | (27.0) |
| **Net deferred restricted cash asset** | **2,167.8** | **2,540.7** | **2,167.8** | **2,540.7** |

Restricted cash relates to deposits held with Housing Finance Group Limited, NCBA Bank and KCB Bank. The cash is used as a backup to the staff mortgage loans and its withdrawal is restricted.

The restricted cash has a significant timing difference due to the contractual period of the mortgage loans, therefore the fair value of the restricted cash upon initial recognition includes the effect of discounting taking the impact of time value of money into consideration. The fair value of the restricted cash on initial recognition was determined using the discounted cash flow method. The difference between the actual cash held as deposits and the fair value (i.e. the deferred restricted cash asset) is amortised over the term of the deposit. Subsequently, the restricted cash is carried at amortised cost. The fair value adjustment at inception is amortised over the period of the staff's mortgage.

## 27 Other financial assets

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| At 1 April | **–** | 188.6 | **–** | – |
| Less: Proceeds from maturity | **–** | (188.6) | **–** | – |
| **At 31 March** | **–** | **–** | **–** | **–** |

## 28 (a) Payables and accrued expenses

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| **Current** | | | | |
| Trade payables | **6,636.6** | 5,636.0 | **7,264.8** | 5,627.8 |
| Due to related companies (Note 31(ix)) | **1,678.5** | 884.2 | **630.9** | 1,179.4 |
| Accrued liabilities | | | | |
| – Network infrastructure | **11,312.5** | 3,678.0 | **6,711.4** | 3,656.1 |
| – Inventory | **1,892.7** | 1,197.9 | **1,817.7** | 1,197.9 |
| – Other expenses | **13,356.4** | 10,545.8 | **10,923.1** | 10,389.3 |
| Other payables | | | | |
| – Indirect and other taxes payable | **4,330.7** | 6,039.5 | **4,321.9** | 6,077.5 |
| – M-PESA agent accrual | **3,107.1** | 2,803.4 | **3,107.1** | 2,803.4 |
| – Other accrued payables | **3,328.7** | 3,236.6 | **3,281.3** | 3,137.0 |
| | **45,643.2** | **34,021.4** | **38,058.2** | **34,068.4** |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| **Split** | | | | |
| Current | **41,312.6** | 34,021.4 | **38,058.2** | 34,068.4 |
| Non-current | **4,330.6** | – | **–** | – |
| **At 31 March** | **45,643.2** | **34,021.4** | **38,058.2** | **34,068.4** |

## 28 (b) Provisions for liabilities

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| At 1 April | **5,712.9** | 4,462.3 | **5,712.9** | 4,462.3 |
| Charge for the year | **1,377.4** | 363.4 | **1,377.4** | 363.4 |
| Addition ARO provision | **(286.5)** | 2,207.4 | **(286.5)** | 2,207.4 |
| Payments and release for the year | **(246.7)** | (1,320.2) | **(246.7)** | (1,320.2) |
| **At 31 March** | **6,557.1** | **5,712.9** | **6,557.1** | **5,712.9** |
| Current portion | **3,373.8** | 2,561.5 | **3,373.8** | 2,561.5 |
| Non-current portion | **3,183.3** | 3,151.4 | **3,183.3** | 3,151.4 |
| | **6,557.1** | **5,712.9** | **6,557.1** | **5,712.9** |

### Legal contingencies

The Group is currently involved in various legal disputes and has, in consultation with its legal advisors, assessed the possible outcomes in these cases and has determined that adequate provision has been made in respect of all these cases as at 31 March 2022.

Due to the nature and uncertainty of the outcomes of the various litigation cases, management exercises judgement to determine the quantum and adequacy of the provision carried. Settlement only happens when a case is closed either through court rulings or out of court between parties involved. The impact of discounting on the provision is not considered to be material.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 28 (b) Provisions for liabilities continued

### Tax matters

The Group is subjected to regular compliance audits by Kenya Revenue Authority (KRA) mainly around direct and indirect tax, capital allowances, withholding taxes and transfer pricing. Disputes may arise with tax authorities over the interpretation or application of certain tax rules to the Group's business. To address and manage this tax environment uncertainty, good governance is fundamental to the Group's business sustainability. The Group employs multiple approaches in tax self-assessment in order to arrive at the final Group's tax position. This includes internal reviews and periodic consulting with external tax experts in addition to periodic reviews by our external auditors. Tax decisions are always subject to review by management and are periodically reported to the Board. The Group has considered all tax matters, including ongoing tax audits by KRA with the knowledge of management and has accounted for them appropriately.

### Asset restoration provision

The Group accounts for the costs associated with dismantling and removing network infrastructure assets and returning a network infrastructure site operated under a lease to its original condition upon termination of the network infrastructure site lease. The associated cash outflows are substantially expected to occur at the dates of decommissioning of the assets.

A restoration provision is recorded based on the best estimate of the average restoration costs (being the future costs relating to dismantling and removing property and equipment and restoring each site) multiplied by the number of sites for which the Company has a restoration obligation. This is then discounted to the present value of the obligation using a pre-tax discount rate.

## 29 (a) Contract costs

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| **Costs to fulfil a contract:** | | | | |
| Dealer connection commissions | 2,541.6 | 2,258.5 | **2,541.6** | 2,258.5 |
| SIM activation cost | 548.5 | 766.9 | **548.5** | 766.9 |
| | **3,090.1** | **3,025.4** | **3,090.1** | **3,025.4** |
| Costs to obtain a contract: | | | | |
| Deferred SIM cost | 1,000.1 | 1,509.2 | **1,000.1** | 1,509.2 |
| **Total contract cost** | **4,090.2** | **4,534.6** | **4,090.2** | **4,534.6** |
| **The movement of the contract costs is as below:** | | | | |
| Opening balance – 1 April | 4,534.6 | 3,445.5 | **4,534.6** | 3,445.5 |
| Additions in the year | 6,066.1 | 6,320.5 | **6,066.1** | 6,320.5 |
| Amortised as costs in the year | (6,510.5) | (5,231.4) | **(6,510.5)** | (5,231.4) |
| **Closing balance – 31 March** | **4,090.2** | **4,534.6** | **4,090.2** | **4,534.6** |
| Current portion | 2,951.5 | 3,043.4 | **2,951.5** | 3,043.4 |
| Non-current portion | 1,138.7 | 1,491.2 | **1,138.7** | 1,491.2 |
| | **4,090.2** | **4,534.6** | **4,090.2** | **4,534.6** |

## 29 (b) Contract liabilities

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| Customer loyalty programmes | **4,509.1** | 4,217.0 | **4,509.1** | 4,217.0 |
| Deferred airtime revenue | **2,335.1** | 2,601.0 | **2,335.1** | 2,601.0 |
| Deferred connection revenue | **1,243.3** | 1,843.8 | **1,243.3** | 1,843.8 |
| Deferred integrated products | **1,683.3** | 1,640.1 | **1,683.3** | 1,640.1 |
| Deferred fixed data | **637.5** | 605.5 | **637.5** | 605.5 |
| Deferred fibre and site rental revenue | **274.7** | 830.8 | **274.7** | 830.8 |
| Deferred bulk SMS | **128.7** | 135.4 | **128.7** | 135.4 |
| Deferred bundled handset resources | **0.4** | 16.8 | **0.4** | 16.8 |
| Deferred ETU access fee | **4.4** | 2.9 | **4.4** | 2.9 |
| Deferred PRSP initial set-up fee | **2.8** | 3.1 | **2.8** | 3.1 |
| Deferred Neo voice and data | **1,138.3** | 1,202.6 | **1,138.3** | 1,202.6 |
| Deferred Visa revenues | **189.8** | 360.7 | **189.8** | 360.7 |
| Deferred interest on device financing | **0.7** | 9.9 | **0.7** | 9.9 |
| **Total contract liabilities** | **12,148.1** | **13,469.6** | **12,148.1** | **13,469.6** |
| **The movement of the contract liabilities is as below:** | | | | |
| Opening balance – 1 April | **13,469.6** | 10,394.3 | **13,469.6** | 10,359.3 |
| Additions in the year | **189,898.3** | 233,369.2 | **189,898.3** | 233,239.6 |
| Recognised as revenue in the year | **(191,219.8)** | (230,293.9) | **(191,219.8)** | (230,129.3) |
| **Closing balance – 31 March** | **12,148.1** | **13,469.6** | **12,148.1** | **13,469.6** |
| Current portion | **10,210.6** | 11,033.5 | **10,210.6** | 11,033.5 |
| Non-current portion | **1,937.5** | 2,436.1 | **1,937.5** | 2,436.1 |
| | **12,148.1** | **13,469.6** | **12,148.1** | **13,469.6** |

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 30 (a) Cash generated from operations

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| Profit before income tax | **102,213.4** | 93,635.5 | **106,065.3** | 92,438.0 |
| **Adjustments for:** | | | | |
| Interest income (Note 8) | **(1,227.6)** | (1,523.6) | **(1,206.0)** | (1,502.7) |
| Interest expense (Note 9) | **3,165.4** | 1,686.5 | **2,986.4** | 1,667.8 |
| Depreciation on property and equipment (Note 18) | **34,145.2** | 32,624.5 | **33,922.2** | 32,570.4 |
| Amortisation of right-of-use (ROU) asset | **3,656.8** | 3,304.8 | **3,644.2** | 3,304.8 |
| Amortisation of intangible assets (Note 21) | **1,850.0** | 1,628.5 | **1,850.0** | 1,628.1 |
| Share of loss from associate (Note 23(b)) | **279.8** | 192.9 | **279.8** | 192.9 |
| Amortisation of IRUs (Note 19) | **281.3** | 406.5 | **281.3** | 406.5 |
| Share of loss of joint venture (M-PESA Africa Limited) (Note 23(b)) | **196.2** | 314.1 | **196.2** | 314.1 |
| Gain on disposal of property and equipment (Note 5 (b)) | **(47.1)** | (38.0) | **(47.1)** | (38.0) |
| Amortisation of deferred restricted cash asset (Note 8) | **20.6** | 27.0 | **20.6** | 27.0 |
| Expense upon the initial recognition of financial guarantee | **–** | – | **120.9** | – |
| Discounting adjustment on construction contract receivable | **(36.1)** | 60.0 | **(36.1)** | 60.0 |
| Interest on ARO liability | **379.4** | 223.2 | **379.4** | 223.2 |
| Gain/loss on Lease termination | **(8.9)** | (37.4) | **(7.1)** | (37.4) |
| Revaluation of lease liability | **184.7** | 218.4 | **184.7** | 218.4 |
| Interest on lease liability | **1,802.9** | 1,717.9 | **1,772.4** | 1,717.9 |
| Expected credit loss of receivables | **2,351.3** | 3,005.0 | **2,594.8** | 3,860.5 |
| **Change in operating assets and liabilities:** | | | | |
| – Movement in accrual for other liabilities (Note 28(b)) | **751.3** | (1,180.0) | **751.3** | (1,180.0) |
| – Movement in contract liabilities | **(1,321.5)** | 3,075.3 | **(1,321.5)** | 3,110.3 |
| – Movement in contract costs | **444.4** | (1,089.0) | **444.4** | (1,089.0) |
| – Movement in receivables and prepayments | **(5,945.3)** | (8,264.8) | **(4,265.5)** | (7,383.7) |
| – Movement in inventories | **(1,819.8)** | (627.6) | **(1,706.2)** | (648.1) |
| – Movement in payables and accrued expenses | **2,258.3** | 3,192.1 | **(1,103.4)** | 3,005.4 |
| **Cash generated from operations** | **143,574.7** | **132,551.8** | **145,801.0** | **132,866.4** |

## 30 (b) Net cash/(debt) reconciliation

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| Net cash and cash equivalents (Note 26a) | **30,779.6** | 26,736.1 | **25,560.6** | 26,035.9 |
| Borrowings (note 16) | **(65,310.8)** | (14,772.0) | **(65,310.8)** | (14,772.0) |
| Lease liabilities (Note 22) | **(20,093.4)** | (16,073.7) | **(19,516.6)** | (16,073.7) |
| **Net debt** | **(54,624.6)** | **(4,109.6)** | **(59,266.8)** | **(4,809.8)** |
| Net cash and cash equivalents (Note 26a) | **30,779.6** | 26,736.1 | **25,560.6** | 26,035.9 |
| Gross debt | **(85,404.2)** | (30,845.7) | **(84,827.4)** | (30,845.7) |
| **Net debt** | **(54,624.6)** | **(4,109.6)** | **(59,266.8)** | **(4,809.8)** |

## 30 (c) Liabilities from financing activities and net debt

GROUP

| | Borrowings KShs'm | Lease liabilities KShs'm | Sub total KShs'm | Cash and cash equivalents KShs'm | Net debt KShs'm |
|---|---|---|---|---|---|
| **Net debt as at** | | | | | |
| 1 April 2021 | (14,772.0) | (16,073.7) | (30,845.7) | 26,736.1 | (4,109.6) |
| Receipts | (120,564.8) | – | (120,564.8) | 4,137.9 | (116,426.9) |
| Payments | 70,026.0 | 5,154.3 | 75,180.3 | – | 75,180.3 |
| Acquisitions and revision | – | 7,183.2 | (7,183.2) | – | (7,183.2) |
| Interest charged | – | (1,802.9) | (1,802.9) | – | (1,802.9) |
| Forex revaluation | – | (184.7) | (184.7) | – | (184.7) |
| Translation reserves | – | (3.2) | (3.2) | (94.4) | (97.6) |
| **31 March 2022** | (65,310.8) | (20,093.4) | (85,404.2) | 30,779.6 | (54,624.6) |

| | Borrowings KShs'm | Lease liabilities KShs'm | Sub total KShs'm | Cash and cash equivalents KShs'm | Net debt KShs'm |
|---|---|---|---|---|---|
| **Net debt as at** | | | | | |
| 1 April 2020 | (8,000.0) | (15,224.7) | (23,224.7) | 26,759.7 | 3,535.0 |
| Receipts | (44,970.0) | – | (44,970) | (23.6) | (44,993.6) |
| Payments | 38,198.0 | 3,874.6 | 42,072.6 | – | 42,072.6 |
| Acquisitions and revision | – | (2,787.3) | (2,787.3) | – | (2,787.3) |
| Interest charged | – | (1,717.9) | (1,717.9) | – | (1,717.9) |
| Forex revaluation | – | (218.4) | (218.4) | – | (218.4) |
| **31 March 2021** | (14,772.0) | (16,073.7) | (30,845.7) | 26,736.1 | (4,109.6) |

COMPANY

| | Borrowings KShs'm | Lease liabilities KShs'm | Sub total KShs'm | Cash and cash equivalents KShs'm | Net debt KShs'm |
|---|---|---|---|---|---|
| **Net debt as at** | | | | | |
| 1 April 2021 | (14,772.0) | (16,073.7) | (30,845.7) | 26,035.9 | (4,809.8) |
| Receipts | (120,564.8) | – | (120,564.8) | (475.3) | (121,040.1) |
| Payments | 70,026.0 | 4,565.9 | 74,591.9 | – | 74,591.9 |
| Acquisitions and revision | – | (6,051.7) | (6,051.7) | – | (6,051.7) |
| Interest charged | – | (1,772.4) | (1,772.4) | – | (1,772.4) |
| Forex revaluation | – | (184.7) | (184.7) | – | (184.7) |
| **31 March 2022** | (65,310.8) | (19,516.6) | (84,827.4) | 25,560.6 | (59,266.8) |

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 30 (c) Liabilities from financing activities and net debt

COMPANY

| | Borrowings KShs'm | Lease liabilities KShs'm | Sub total KShs'm | Cash and cash equivalents KShs'm | Net debt KShs'm |
|---|---|---|---|---|---|
| 1 April 2020 | (8,000.0) | (15,224.7) | (23,224.7) | 25,859.7 | 2,635.0 |
| Receipts | (44,970.0) | – | (44,970) | 176.2 | (44,793.8) |
| Payments | 38,198.0 | 3,874.6 | 42,072.6 | – | 42,072.6 |
| Acquisitions and revision | – | (2,787.3) | (2,787.3) | – | (2,787.3) |
| Interest charged | – | (1,717.9) | (1,717.9) | – | (1,717.9) |
| Forex revaluation | – | (218.4) | (218.4) | – | (218.4) |
| **31 March 2021** | **(14,772.0)** | **(16,073.7)** | **(30,845.7)** | **26,035.9** | **(4,809.8)** |

## 31 Related party transactions

Vodafone Kenya Limited incorporated in Kenya, whose ultimate parent is Vodafone Group PLC, incorporated in the United Kingdom (UK), 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 are the significant arrangements that exist and form the basis of various transactions within the Group:

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

(b) The Company operates the M-PESA business which offers integrated financial services. M-PESA is an innovative mobile payment solution that enables users to complete money transfer transactions and 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 airtime to M-PESA account holders as well as run the M-Shwari and KCB M-PESA products as detailed out in Note 2(e).

M-PESA Africa Limited is a joint venture between Safaricom PLC and Vodacom Group (SA). The Company has entered into a managed services agreement with the Safaricom PLC to provide technical and product-based M-PESA solutions against which a fee is charged monthly. The fee is based on 2% of the M-PESA transaction revenue effective 1 April 2020.

M-PESA Holding Co. 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 for participation in the Vodafone procurement company services and other commercial services support. The agreement is effective from April 2020 to March 2023. Under the agreement, Safaricom PLC will have access to Vodafone's support 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 business and consumer products and marketing support.

The contract provides for a fixed participation fee of EUR 6,747,143 payable in two equal installments (six months) in advance and a variable procurement fee at 6.3% calculated as a percentage of the actual purchase order value.

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

(e) The Company seconds its staff to other Vodafone affiliate companies. The payroll cost for these secondees is managed by Vodafone Group Enterprises (VGE) and recharged (invoiced) by the Company for payment on a monthly basis.

## 31 Related party transactions continued

The following relationships exist within Safaricom PLC:

| | | Percentage of interest held as at | |
|---|---|---|---|
| | | **March 2022** | March 2021 |
| **Subsidiaries** | **Held by** | | |
| One Communications Limited | Safaricom PLC | **100%** | 100% |
| Instaconnect Limited | Safaricom PLC | **100%** | 100% |
| Safaricom Money Transfer Services Limited | Safaricom PLC | **100%** | 100% |
| East Africa Tower Company Limited | Safaricom PLC | **100%** | 100% |
| Safaricom Foundation* | Safaricom PLC | **–** | – |
| 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% |
| DigiFarm Kenya Limited | Safaricom PLC | **100%** | 100% |
| Vodafamily Ethiopia Holding Company Limited | Safaricom PLC | **90%-1share** | |
| Global Partnership for Ethiopia B.V | Vodafamily Ethiopia Holding Company Limited | **61.9% (Safaricom indirectly owns 55.71%)** | |
| Safaricom Telecommunications Ethiopia (STE) | Global Partnership for Ethiopia B.V (GPE) | **100 % (Safaricom indirectly owns 55.71%)** | |
| **Associates** | | | |
| The East African Marines Systems Limited (TEAMS) | Safaricom PLC | **32.5%** | 32.5% |
| Circle Gas Limited | Safaricom PLC | **14.648%** | 18.39% |
| **Joint venture** | | | |
| M-PESA Africa Limited | Safaricom PLC | **50%** | 50% |

* *Safaricom Foundation was established by Safaricom PLC as a public charitable trust by a declaration of trust dated 14 August 2003 and is domiciled in Kenya.*

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 31 Related party transactions continued

The following transactions were carried out with related parties:

### (i) Sale of goods and services

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| **Other related parties** | | | | |
| Vodafone Roaming Services S.à r.l | **69.5** | 87.2 | **69.5** | 87.2 |
| Vodacom Tanzania Public Limited Company | **49.6** | 46.3 | **49.6** | 46.3 |
| M-PESA Holding Co. Limited | **96,826.8** | 73,389.0 | **96,826.8** | 73,389.0 |
| Vodacom South Africa Limited | **508.7** | 735.7 | **508.7** | 735.7 |
| Vodafone UK | **292.9** | 316.9 | **292.9** | 316.9 |
| Vodafone Group Enterprises | **95.7** | – | **95.7** | – |
| Vodacom Business (Kenya) Limited | **13.5** | 6.9 | **13.5** | 6.9 |
| Vodafone Egypt Telecom. S.A.E. | **10.3** | 2.9 | **10.3** | 2.9 |
| Vodafone Network PTY Limited | **0.6** | 0.3 | **0.6** | 0.3 |
| Vodafone Sverige AB | **0.4** | – | **0.4** | – |
| Vodafone Qatar Q.S.C. | **0.7** | – | **0.7** | – |
| Vodafone Group Services Limited | **–** | 114.3 | **–** | 114.3 |
| Vodafone Ghana | **9.2** | 18.2 | **9.2** | 18.2 |
| Vodafone Services LLC Oman | **–** | 12.0 | **–** | 12.0 |
| Vodafone DRC Congo | **0.3** | 4.6 | **0.3** | 4.6 |
| Vodafone Us Inc. | **9.2** | 9.9 | **9.2** | 9.9 |
| Vodacom Group Limited | **35.7** | 4.4 | **35.7** | 4.4 |
| **Joint venture** | | | | |
| M-PESA Africa limited | **628.0** | 172.2 | **628.0** | 172.2 |
| **Subsidiaries** | | | | |
| Safaricom Money Transfer Services Limited | **–** | – | **810.8** | 786.2 |
| DigiFarm Kenya | **–** | – | **251.4** | 113.0 |
| Global Partnership For Ethiopia B.V | **–** | – | **124.6** | – |
| Safaricom Telecommunication Ethiopia | **–** | – | **725.7** | – |
| One Communications Limited | **–** | – | **–** | 119.8 |
| | **98,551.1** | **74,920.8** | **100,463.6** | **75,939.8** |

## 31 Related party transactions continued

### (ii) Purchase of goods and services

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| **Other related parties** | | | | |
| Vodafone Sales and Services Limited | **2,416.9** | 2,105.9 | **2,416.9** | 2,105.9 |
| Vodafone Group Services Limited | **–** | 98.3 | **–** | 98.3 |
| Vodafone Roaming Services S.à r.l | **151.5** | 85.4 | **151.5** | 85.4 |
| Vodafone UK | **642.3** | 34.7 | **148.1** | 34.7 |
| Vodacom South Africa Limited | **57.1** | 78.5 | **57.1** | 78.5 |
| Vodacom Tanzania Public Limited Company | **217.8** | 220.0 | **217.8** | 220.0 |
| Vodafone Sverige AB | **–** | 0.2 | **–** | 0.2 |
| Vodafone Egypt Telecom. S.A.E. | **2.8** | 3.9 | **2.8** | 3.9 |
| Vodafone Network PTY Limited | **1.6** | 2.1 | **1.6** | 2.1 |
| Vodafone Qatar Q.S.C. | **86.8** | 65.5 | **86.8** | 65.5 |
| Vodacom Group Ltd | **552.6** | 117.6 | **250.7** | 117.6 |
| Vodacom International | **–** | 64.9 | **–** | 64.9 |
| Vodafone IDEA Limited | **–** | 6.1 | **–** | 6.1 |
| Vodafone Innovus S.A. | **23.4** | 19.8 | **23.4** | 19.8 |
| Vodacom Business (Kenya) Limited | **28.5** | 58.9 | **–** | 3.2 |
| Telecel Vodafone S.A. | **1.6** | – | **1.6** | – |
| Vodafone Hungary Ltd | **1.3** | – | **1.3** | – |
| Vodafone Telekomunikasyon A.S | **1.4** | – | **1.4** | – |
| Vodafone-Panafon Hellenic Tel.Co | **3.1** | – | **3.1** | – |
| Vodafone Dağıtım | **2.3** | – | **2.3** | – |
| Iot Nxt (Pty) Limited | **418.3** | – | **418.3** | – |
| Sendy Office | **15.3** | – | **15.3** | – |
| Eneza Education Ltd | **67.3** | – | **67.3** | – |
| Vodafone Procurement Company | **1,152.6** | – | **–** | – |
| The East African Marine System Limited | **103.2** | – | **103.2** | – |
| Sumitomo Corporation Group | **179.0** | – | **–** | – |
| **Joint venture** | | | | |
| M-PESA Africa limited | **1,956.4** | 1,466.5 | **1,956.4** | 1,466.5 |
| **Subsidiary** | | | | |
| One Communications Limited | **–** | – | **–** | 180.9 |
| Safaricom Money Transfer Services Limited | **–** | – | **459.6** | 391.1 |
| DigiFarm Kenya Limited | **–** | – | **4.3** | 17.3 |
| Comtec Integrated Services Limited | **–** | – | **4.3** | – |
| | **8,083.1** | **4,428.3** | **6,395.1** | **4,961.9** |

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 31 Related party transactions continued

### (iii) Directors' remuneration

| | GROUP AND COMPANY | |
|---|---|---|
| | **2022 KShs'm** | **2021 KShs'm** |
| Fees for services as Director | 92.4 | 38.7 |
| Salaries | 142.9 | 162.7 |
| Bonuses | 192.7 | 243.2 |
| Value for non-cash benefits | 43.5 | 22.3 |
| Employee Performance Share Award Plan | – | 2.8 |
| | **471.5** | **469.7** |

### iv) Key management compensation

| | GROUP AND COMPANY | |
|---|---|---|
| **Salaries and other short-term employment benefits** | **2022 KShs'm** | **2021 KShs'm** |
| Employee Performance Share Award Plan | **109.8** | 83.9 |
| Pension contribution | **27.0** | 18.8 |
| Termination benefits | **87.0** | 33.6 |
| | **223.8** | **136.3** |

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

There are no loans from shareholders outstanding as at 31 March 2022 (2021: Nil).

### vi) Loans to Directors of the Company

There are no loans to Directors of the Company as at 31 March 2022 (2021: Nil).

## 31 Related party transactions continued

### vii) Donations to Safaricom Foundation

Donations made during the year amounted to KShs 510 million (2021: KShs 510 million).

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| **Other related parties** | | | | |
| Vodafone Roaming Services S.à r.l | **–** | 10.4 | **–** | 10.4 |
| Vodafone Group Enterprises | **45.2** | 22.7 | **44.2** | 22.7 |
| M-PESA Holding Co. Limited | **1,160.9** | 2,292.5 | **990.4** | 1,622.3 |
| Vodacom Tanzania Public Limited Company | **3.1** | 10.2 | **3.1** | 10.2 |
| Vodacom South Africa Limited | **85.7** | 69.7 | **85.7** | 69.7 |
| Vodafone UK | **25.7** | – | **25.7** | – |
| Vodacom Business (Kenya) Limited | **8.3** | 3.5 | **8.3** | 3.5 |
| Vodafone Egypt Telecom. S.A.E. | **8.6** | 4.6 | **8.6** | 4.6 |
| Vodafone Group Services Limited | **1.2** | 1.2 | **1.2** | 1.2 |
| Vodafone Ghana | **0.4** | 28.9 | **0.4** | 28.9 |
| Vodafone US Inc. | **1.6** | 2.3 | **1.6** | 2.3 |
| Vodafone Sverige Ab | **0.1** | 0.1 | **0.1** | 0.1 |
| Vodacom Group Limited | **37.0** | – | **37.0** | – |
| Vodafone DRC Congo | **0.3** | – | **0.3** | – |
| Telecel Vodafone S.A. | **1.5** | – | **1.5** | – |
| **Joint venture** | | | | |
| M-PESA Africa Limited | **421.6** | 29.3 | **421.6** | 29.3 |
| **Subsidiaries** | | | | |
| East African Towers Company Limited | **–** | – | **16.0** | 16.0 |
| Instaconnect Limited | **–** | – | **90.1** | 88.4 |
| Safaricom Money Transfer Services Limited | **–** | – | **93.4** | 116 |
| Safaricom Telecommunication Ethiopia | **–** | – | **725.7** | – |
| Global Partnership for Ethiopia B.V | **–** | – | **124.6** | – |
| DigiFarm Kenya Limited | **–** | – | **1,153** | 848.7 |
| Safaricom Foundation | **–** | – | **0.9** | – |
| Vodafamily Ethiopia Holding Company Limited | **–** | – | **1.3** | – |
| | **1,801.2** | **2,475.4** | **3,834.7** | **2,874.3** |

The receivables arise mainly from trading, are unsecured and bear no interest. A provision of KShs 6.7 million and KShs 1,096.3 million for the Group and Company respectively (2021: KShs 17.4 million and KShs 911.7 million for the Group and Company respectively) is held against receivables from related parties as indicated in Note 25.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 31 Related party transactions continued

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| **Other related parties** | | | | |
| Vodafone Sales and Services Limited | **151.6** | 661.4 | **151.6** | 661.4 |
| Vodafone Roaming Services S.à r.l | **28.5** | 2.0 | **28.5** | 2.0 |
| Vodacom Tanzania Public Limited Company | **29.8** | 14.7 | **29.8** | 14.7 |
| Vodacom South Africa Limited | **3.1** | 2.3 | **3.1** | 2.3 |
| Vodafone UK | **535.2** | – | **40.9** | – |
| Vodafone Sverige AB | **0.3** | 0.3 | **0.3** | 0.3 |
| Vodafone Qatar Q.S.C. | **7.9** | 5.4 | **7.9** | 5.4 |
| Vodafone Egypt Telecom. S.A.E. | **0.3** | 0.2 | **0.3** | 0.2 |
| Vodacom Business (Kenya) Limited | **18.8** | 10.4 | **–** | – |
| MTC Vodafone Bahrain | **–** | 0.9 | **–** | 0.9 |
| Vodafone India Limited | **–** | 0.8 | **–** | 0.8 |
| Vodacom Mozambique | **0.1** | 0.1 | **0.1** | 0.1 |
| Vodafone Network PTY Ltd | **1.1** | 0.2 | **1.1** | 0.2 |
| Vodafone Malta | **0.2** | – | **0.2** | – |
| Vodafone Mobile Services Limited | **0.1** | – | **0.1** | – |
| Vodafone Services LLC Oman | **0.2** | – | **0.2** | – |
| Vodafone Hungary Ltd | **1.2** | – | **1.2** | – |
| Vodafone Telekomunikasyon A.S | **1.3** | – | **1.3** | – |
| Vodafone-Panafon Hellenic Tel.Co | **3.0** | – | **3.0** | – |
| Vodafone Innovus S.A. | **17.7** | – | **17.7** | – |
| Vodacom Group Ltd | **652.9** | – | **–** | – |
| Sumitomo Corporation Group | **179.0** | – | **–** | – |
| CDC Group | **7.8** | – | **–** | – |
| **Joint ventures** | | | | |
| M-PESA Africa Limited | **38.4** | 185.5 | **38.4** | 185.5 |
| **Subsidiaries** | | | | |
| One Communications Limited | **–** | – | **299.0** | 304.3 |
| Safaricom Money Transfer Services Limited | **–** | – | **1.9** | 0.7 |
| DigiFarm Kenya Limited | **–** | – | **–** | 0.6 |
| Comtec Integrated Services Limited | **–** | – | **4.3** | – |
| | **1,678.5** | **884.2** | **630.9** | **1,179.4** |

# 31 Related party transactions continued

## x) Loan to related parties

The Group has a 50% shareholding in M-PESA Africa and owns 100% of DigiFarm Kenya Limited. During the period under review, the Group issued intragroup loans to the two entities to support their operations as per shareholders agreement and Board approvals.

The DigiFarm Kenya Limited loan will be channelled towards financing both operating and capex activities. The facility has a principal and interest repayment grace period until the business moves to positive returns and a maximum tenure of five years.

The M-PESA Africa Limited loan facility is used to support the Company's working capital requirements. The loan is repayable with interest at the 91 days treasury bill plus a margin of 1.75%.

## x(a) Loans receivable from M-PESA Africa Limited

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm | **2022 KShs'm** | 2021 KShs'm |
| M-PESA African Limited | **1,287.8** | 1,288.7 | **1,287.8** | 1,288.7 |
| Less: Allowance for expected credit losses | **(2.8)** | (0.9) | **(2.8)** | (0.9) |
| | **1,285.0** | **1,287.8** | **1,285.0** | **1,287.8** |

## x(b) Loan to subsidiaries

| | COMPANY | |
|---|---|---|
| | **2022 KShs'm** | 2021 KShs'm |
| Opening balance | **236.2** | – |
| Additions in the year | **500.0** | 240.0 |
| Less: Allowance for expected credit losses | **(70.1)** | (3.8) |
| | **666.1** | **236.2** |

## xi) Financial guarantees

The Company has issued parental guarantees to Safaricom Telecommunication Ethiopia Suppliers (Huawei and Nokia) for the supply of network rollout equipment in Ethiopia on credit terms of up to 24 months from the date of equipment receipt. This enables the parent to spread the funding requirement to the subsidiary over a longer period of time. The fair value of a financial guarantees contract is calculated as the present value of the difference between the net contractual cash flows required under a debt instrument, and the net contractual cash flows that would have been required without the guarantee. The present value is calculated using a risk-free rate calculated from the average of the last three two-year Kenyan treasury bonds yield. As at 31 March 2022, the Company had recognised KShs 120.9 million in relation to parental guarantee (2021: Nil). The undiscounted financial guarantee amount is KShs 139.4 million.

# 32 Contingent liabilities

The Group has contingent liabilities arising from normal course of business. This includes outstanding matters with Kenya Revenue Authority and various ongoing legal cases from trade and contractual disputes. As at 31 March 2022, a guarantee of KShs 25 million (2021: KShs 25 million) had been given to Citibank NA against credit cards for use by senior staff during travel and other ordinary business function. The Company has also issued a guarantee of KShs 258.9 million (2021: KShs 398.8 million) to various suppliers of goods and services regularly provided by the Company.

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Notes to the financial statements continued

## 33 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 | |
|---|---|---|---|---|
| | 2022 KShs'm | 2021 KShs'm | 2022 KShs'm | 2021 KShs'm |
| Property and equipment | 36,420.4 | 10,795.7 | 9,310.9 | 10,795.7 |

## 34 COVID-19 pandemic

The Group is domiciled in Kenya and is in the business of offering a variety of telecommunication enabled solutions to customers. Since the outbreak of the COVID-19 pandemic in March 2020, the Group has been continuously tracking the developing issues around COVID-19 including various measures taken by various government to control the spread and impact of the pandemic and has put in place measures to mitigate the impact of the outbreak to customers, employees, sales force and other stakeholders.

Management and Directors have considered the impact of COVID-19 and evaluated their effects across various lines of business and is of the opinion they do not create a material uncertainty around continuity of its operations.

Governments continues to encourage and support the vaccination of all citizens with an aim to achieve herd immunity.

The Group expects that customers disposable income (individuals and corporates) will continue the consistent recovery as the economy recovers from the impact of COVID-19. This has been demonstrated in our financial performance as reported in FY2022 against period previous year with service revenue growing 12.3% and M-PESA growing 30.3%.

## 35 Events after the reporting period

The Directors are not aware of any other events (as defined by IAS 10: Events after the Reporting Period) after the reporting date of 31 March 2022 and the date of authorisation of these consolidated and separate annual financial statements.

# Appendix 1 – principal shareholders

The 10 largest shareholders in the Company (ordinary shares only) and the respective number of shares held as at 31 March 2022 were as follows:

## Name of shareholder

| | | Number of shares |
|---|---|---|
| 1 | VODAFONE KENYA LIMITED | 16,000,000,000 |
| 2 | CABINET SECRETARY TO THE TREASURY | 14,022,572,580 |
| 3 | STANBIC NOMINEES LIMITED A/C NR1031458 | 340,321,000 |
| 4 | KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 1019D | 324,296,400 |
| 5 | STANDARD CHARTERED KENYA NOMINEES LIMITED A/C KE19796 | 269,131,800 |
| 6 | STANDARD CHARTERED KENYA NOMINEES LIMITED A/C KE004667 | 216,955,306 |
| 7 | STANDARD CHARTERED KENYA NOMINEES LIMITED | 177,656,727 |
| 8 | STANBIC NOMINEES LIMITED A/C NR1030824 | 177,231,400 |
| 9 | KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 915B KENYA | 165,449,886 |
| 10 | STANDARD CHARTERED NOMINEES RESD A/C KE11401 | 157,123,317 |
| 11 | OTHERS | 8,214,689,584 |
| **Total** | | **40,065,428,000** |

## Distribution of shareholders

| Range (number of shares) | Number of shareholders | Number of shares | % |
|---|---|---|---|
| 1–1,000 | 353,529 | 209,405,909 | 0.52% |
| 1,001–10,000 | 161,642 | 458,472,440 | 1.14% |
| 10,001–100,000 | 17,757 | 446,497,318 | 1.11% |
| 100,001–1,000,000 | 1,597 | 427,275,695 | 1.07% |
| 1,000,001–10,000,000 | 517 | 1,746,662,915 | 4.36% |
| 10,000,001–100,000,000 | 185 | 4,379,282,975 | 10.93% |
| 100,000,001–1,000,000,000 | 13 | 2,375,258,168 | 5.93% |
| 1,000,000,001–100,000,000,000 | 2 | 30,022,572,580 | 74.94% |
| **Total** | **535,242** | **40,065,428,000** | **100.00%** |

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

# Appendix 2 – mobile money services performance

| | GROUP | |
|---|---|---|
| | **2022 Kshs'm** | **2021 Kshs'm** |
| Revenue | **107,691.3** | 82,647.4 |
| Cost of sales | **(52,313.7)** | (42,639.3) |
| **Gross profit** | **55,377.6** | 40,008.1 |
| Other income | **7,689.7** | 7,160.8 |
| **Net operating income** | **63,067.3** | 47,168.9 |
| **Operating expenses** | | |
| Administration costs | **(9,609.2)** | (5,782.1) |
| Staff costs | **(3,442.7)** | (2,312.4) |
| **Total operating expenses** | **(13,051.9)** | (8,094.5) |
| **Profit before tax** | **50,015.4** | 39,074.4 |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