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Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

Report of the Directors

FOR THE YEAR ENDED 31 MARCH 2023

THIS REPORT OF THE DIRECTORS IS SUBMITTED TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 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. The Group provides voice, data, financial services and enterprise solutions for a range of subscribers, small businesses, large corporate and government institutions, using a variety of platforms. We have purposed to serve our customers 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.

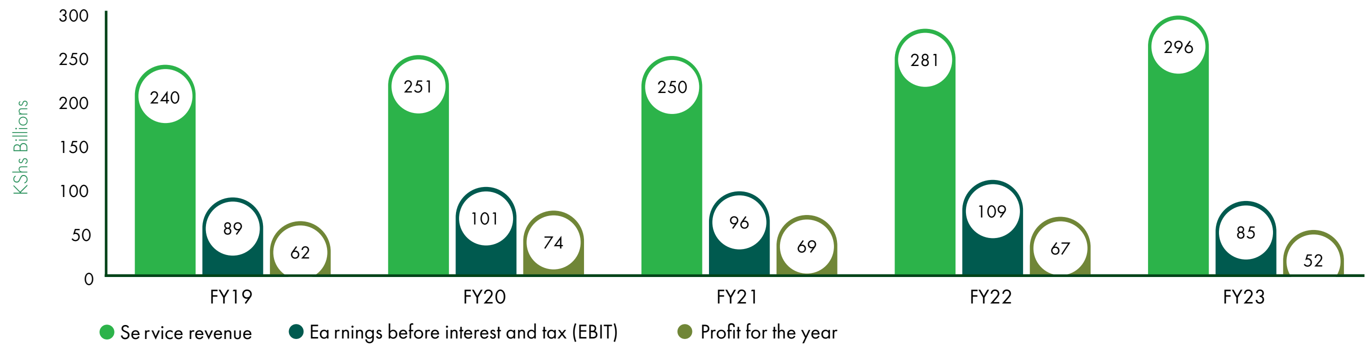
In the past two decades, Safaricom has grown from a telecommunication service provider and is evolving to be a technology Group. Our customers have been a key part of this journey. We are cognisant that technology can further support Kenya's and Ethiopia's economic growth, this will be our launchpad for the next 20 years.

Our next phase of growth will be driven by a vision to become a purpose-led technology Group by 2025. This will see us continue our innovation tradition and simplify our products and services in line with our FOR YOU brand promise. We will also continue to support the growth of Small and Medium Enterprises (SMEs) and Micro-SMEs, which are the engines of economic growth in our country, by offering enhanced financial services and connectivity solutions.

We continue to partner with communities across the countries we operate in to bring their dreams to life in the areas of health, education and empowerment through our Safaricom and M-PESA Foundations. We also continue to explore innovative partnership models which bring together philanthropy, strategic investments, shared value and issue-based advocacy for continued connection with communities.

Our business continues to record impressive growth over the years, as evidenced by the trend below on our 5-year Key Performance Indicators.

KEY PERFORMANCE INDICATORS



	FY19	FY20	FY21	FY22	FY23
Service revenue (KShs billions)	240	251	250	281	**296**
Earnings Before Interest & Tax (EBIT) (KShs billions)	89	101	96	109	**85**
Profit for the year (KShs billions)	62	74	69	67	**52**

Service revenue grew by 5.2% to KShs 296 billion driven predominantly by increased usage of non-voice services mainly M-PESA, Mobile Data and Fixed Data.

Overall, customers grew 8.1% year on year to 45.89 million while one-month active customers grew marginally by 5.3% year on year to 34.54 million. According to the Communication Authority of Kenya our overall market share stood at 65.7% as at December 2022 (2021: 65.1%).

REVIEW OF OPERATIONS – KENYA

VOICE AND MESSAGING

Voice revenue declined by 2.8% year on year to KShs 80.92 billion due to continued competition from new technological influences. Our Customer Value Management (CVM) initiatives and propositions have enabled us to offer differentiated value propositions and personalised offers. We continue to drive affordability with rate per minute declining 2.4% to KShs 1.38 in the second half of FY23. Messaging revenue grew 4.6% year on year to KShs 11.37 billion supported by 5.1% growth in Average Revenue Per Unit (ARPU) to KShs 43.82. Usage increased with messages per sub growing 25.9% to 191.6 while rate per message declined 16.6% to KShs 0.23. Voice and messaging revenue are now 31.3% of service revenue.

M-PESA

M-PESA revenue grew by 8.8% to KShs 117.19 billion supported by increased usage and growth of chargeable transactions per one-month active customers which rose 16.2% year on year to 23.54. The slowdown in M-PESA growth was mainly due to macroeconomic effects on the economy which affected the business activity. One-month active M-PESA Average Revenue per Unit (ARPU) rose 1.9% year on year to KShs 311.28. Total transaction value and volumes grew 21.4% to KShs 35.86Trn and 33.5% to KShs 21.03 billion respectively supporting the growth in FY23. M-PESA is now a two-sided digital platform serving both businesses and consumers. M-PESA one-month active customers grew by 5.2% to 32.11 million with 76.4% of total registered M-PESA customers making up the one-month active M-PESA customers. M-PESA remains the biggest revenue earner accounting for 39.7% of service revenue.

Report of the Directors (continued)

FOR THE YEAR ENDED 31 MARCH 2023

BUSINESS REVIEW (CONTINUED)

MOBILE DATA

Mobile data revenue grew 10.6% year on year to KShs 53.60 billion supported by our Customer Value Management (CVM) initiatives which have continued to unlock latent potential in usage and growth. As we continue to enhance affordability, usage has grown with chargeable data per subscriber rising 53.8% year on year to 3.57GB. The average rate per MB declined further by 24.5% year on year to 6.70 cents while Mobile Data ARPU increased 16.2% to KShs 239.04. We continue to drive penetration of 4G-enabled mobile devices through our device financing program in addition to providing the right content to encourage usage.

The number of smart phones on our network grew by 10.0% to 20.30 million of which 13.22 million (+20.6% year on year) are 4G devices with 52.2% using more than 1GB. Mobile data now accounts for 18.2% of service revenue.

FIXED SERVICE AND WHOLESALE TRANSIT

Fixed service and wholesale transit revenue recorded a strong growth of 20.1% year on year to KShs 13.50 billion supported by increased usage and connections. This was attributable to growth in enterprise revenue by 21.4% to KShs 8.55 billion as well as growth in consumer revenue by 17.9% to KShs 4.94 billion. Fibre-to-the-Home (FTTH) customers grew 17.9% year on year to 195.74K. FTTH penetration currently stands at 59.2% with homes connected at 275.66K (+42.8%) while homes passed were 465.56K (+27.6%).

Fixed Enterprise customers grew marginally by 0.1% year on year to 48.37K, of which 55.5%, representing 26.86K, account for Long-Term Evolution (LTE) customers. FTTH and fixed enterprise now account for 1.7% and 2.9% of service revenue, respectively.

TRENDS IN MOBILE SUBSCRIPTIONS AND PENETR ATION

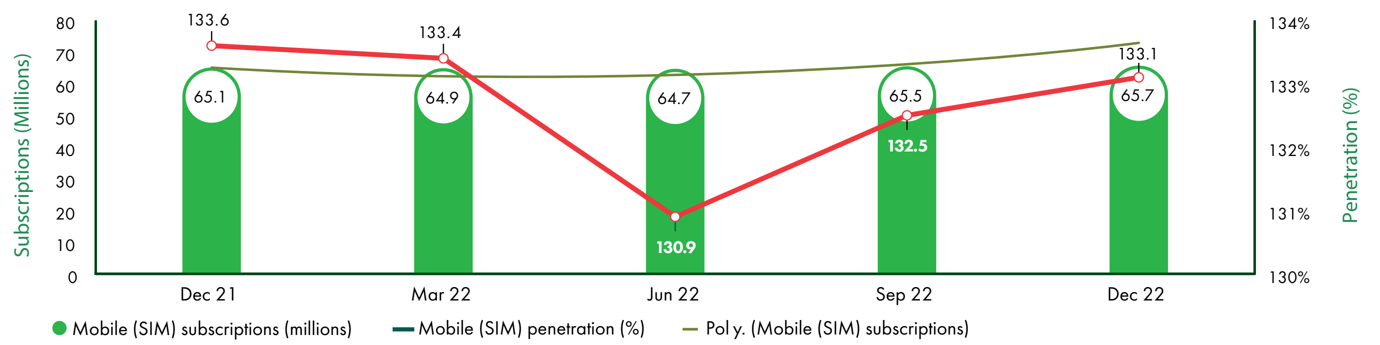


Figure 1: Mobile Subscriptions and Penetration as per Communication Authority of Kenya (CA)

Source: CA, Operators' Returns

Capital expenditure for the year ended 31 March 2023 stood at KShs 96.13 billion with KShs 55.77 billion being investment in rolling out operations in Ethiopia.

ETHIOPIA OPERATIONS

During the year, we launched commercial operations for Safaricom Telecommunications Ethiopia PLC (STE) on 6th October 2022 post the phased city by city customer network pilots that commenced on 29th August 2022.

We are optimistic about the transformative opportunities it presents for us. Our focus has been to accelerate the pace of rollout and we have now covered 22 large and medium sized cities representing a population coverage of 24% with 1,272 sites. We have added 2.95 million gross adds since launch with 2.14 million being three-month active base.

Following the declaration of Ethiopia economy as hyperinflationary, the Group has applied IAS 29 Financial Reporting in Hyperinflationary Economies to account for its results from STEP. See Note 2(e) and Note 35 for further details.

ICT INDUSTRY/SECTOR STATISTICS

Mobile (SIM) subscriptions

The year was characterised by increased activity across mobile network platforms fueled by the festivities in the last quarter of 2023. As at 31 December 2022, the number of active mobile (SIM) subscriptions was 65.7 million compared to the 65.1 million subscriptions recorded by end of December 2021 representing a marginal increase of 1%.

Report of the Directors (continued)

FOR THE YEAR ENDED 31 MARCH 2023

BUSINESS REVIEW (CONTINUED)

ICT INDUSTRY/SECTOR STATISTICS (CONTINUED)

Mobile (SIM) subscriptions (continued)

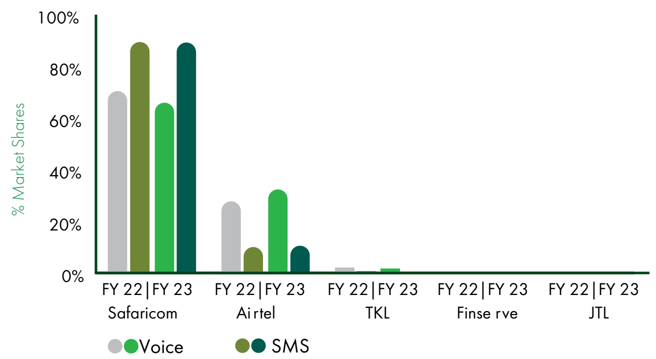
Safaricom PLC active mobile subscriptions increased by 1% as indicated the below table:

	DEC 2022			DEC 2021			
Operator Name	**Pre-paid**	**Postpaid**	**Total**	**Pre-paid**	**Postpaid**	**Total**	**YoY variation**
Safaricom PLC	41,974,326	1,186,379	43,160,705	41,679,898	1,199,277	42,879,175	1%
Airtel	17,546,839	91,668	17,638,507	16,339,931	85,468	16,425,399	7%
Telkom	3,069,495	12,955	3,082,450	4,099,086	44,607	4,143,693	(26%)
Equitel	1,522,917	–	1,522,917	1,401,121	–	1,401,121	9%
Jamii	332,585	–	332,585	236,332	–	236,332	41%
Total Mobile Subscriptions	64,446,162	1,291,002	65,737,164	63,756,368	1,329,352	65,085,720	1%

Source: CA, Operators' Returns.

Market shares in domestic mobile traffic

During the period (October–December 2022), Safaricom PLC recorded the highest market share in domestic voice and SMS traffic at 65.9% (2022: 70.4%) and 89.2% (2022: 89.2%) respectively.



	Safaricom		Airtel		TKL		Finserve		JTL	
Voice	70.4	65.9	27.6	32.2	1.9	1.7	0.1	0.2	0	0
SMS	89.4	89.2	9.9	10.4	0.6	0.3	0.1	0.1	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' needs 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 i.e. Safaricom Foundation and M-PESA Foundation. We transform lives through investing in communities, leveraging on technology and strategic partnerships in areas of health, education and economic empowerment.

The year under review was a challenging one by all accounts, for us as a business and for our society at large due to the effects of the Russia Ukraine war, drought and inflationary pressures.

We take our social and moral responsibility to manage our impacts very seriously. 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.

Report of the Directors (continued)

FOR THE YEAR ENDED 31 MARCH 2023

BUSINESS REVIEW (CONTINUED)

ICT INDUSTRY/SECTOR STATISTICS (CONTINUED)

Market shares in domestic mobile traffic (continued)

As part of our commitment to the United Nations 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) Provide 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 clients. (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) Manage our operations responsibly decreasing our environmental impact and promoting responsible behaviors among all our stakeholders. We have committed to eliminate single use plastics in our operations by 2025. (SDG 12)

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

ix) Partner and build 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 750,000 trees as part of our commitment to grow 5 million trees in 5 years.
- Advocacy and thought leadership on sustainability and Sustainable Development Goals – we launched the Safaricom Sustainable Future Series which is a thought leadership platform for business leaders on various sustainability-related issues.
- 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 license for 5G.

FINANCIAL STATEMENTS

Report of the Directors (continued)

FOR THE YEAR ENDED 31 MARCH 2023

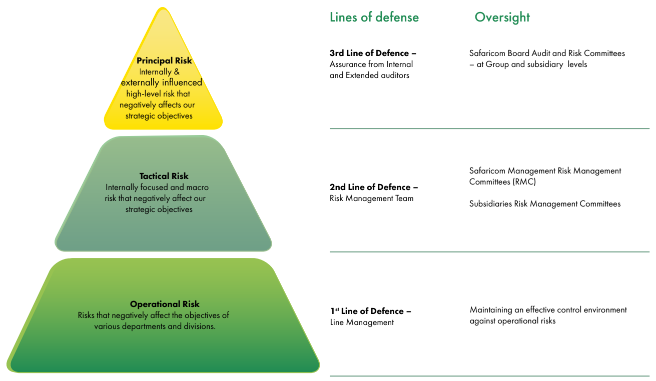
BUSINESS REVIEW (CONTINUED)

OUR RISK MANAGEMENT FRAMEWORK

Safaricom remains committed to robust risk management 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 is aligned to the International Risk Management Standard ISO 31000 (Risk Management Guidelines), 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. This framework is adopted across all Safaricom subsidiaries and supported by management and robust oversight by the Board.

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.

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

1. REGULATORY ENVIRONMENT

OPPORTUNITIES:

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

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 or its subsidiaries to significant financial implications, reputational damage and/or suspension of our licenses.

With the regional expansion into Ethiopia with our subsidiary Safaricom Telecommunication Ethiopia PLC (STEP), our regulatory and compliance landscape has expanded.

The nature of products and services provided require compliance with a wide range of rules and laws from the different regulators.

MITIGATION

We continue to build and maintain proactive and constructive relationships with the regulators and governments, informed by a shared understanding of the need for inclusive economic development.

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.

Our products and services are carefully and continuously monitored to ensure they do not contravene any laws and regulations.

Strengthened focus placed on ensuring robust governance processes and strong regulatory compliance.

Report of the Directors (continued)

FOR THE YEAR ENDED 31 MARCH 2023

BUSINESS REVIEW (CONTINUED)

OUR RISK MANAGEMENT FRAMEWORK (CONTINUED)

Our principal risks and what we are doing about them (continued)

2. ECONOMIC, MARKET AND FOREX CONDITIONS

OPPORTUNITIES:

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

CONTEXT

The economy continues to pose a challenge this year due to inflationary pressures, subdued agricultural production and drought, global increase in energy costs, geopolitical shocks and pressure on foreign currency exchange conditions.

These economic pressures continue to negatively impact the purchasing power of our consumers with our services competing against the shrinking wallet.

Telecommunication companies (Telcos) are regarded as good sources of tax revenue and usually fall within the top tax payers categories and any changes in taxation may have an impact on product pricing and could lead to reduced revenues or increased cost of operations. Regional expansion into Ethiopia has further increased the taxation jurisdictions.

MITIGATION

We continue to proactively monitor these factors, implement measures to mitigate the effects and cushion the business from adverse effects.

Enhanced value propositions to cater for reduced purchasing power and provide the customer with the ability to only spend what they have.

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 rates, inflation, and exchange rates.

Compliance with tax obligations and proactive review of our product and services with a key focus on key tax exposures.

3. MARKET DISRUPTION AND COMPETITION

OPPORTUNITIES:

The competitive and disruptive environment has yielded innovations that are setting us apart, allows us to be agile, drive partnerships and explore new markets 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 nontraditional sources.

Competition in the telecommunication industry is on the rise in terms of product and service offerings and our recent entry into Ethiopia as a market challenger further exacerbates this risk.

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 focus on growing and retaining our customers by:

- Focus in new growth areas such as ICT, managed security services and markets (Ethiopia) .
- Developing insights using big data into our customers' needs, wants and behaviors 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.

Report of the Directors (continued)

FOR THE YEAR ENDED 31 MARCH 2023

BUSINESS REVIEW (CONTINUED)

OUR RISK MANAGEMENT FRAMEWORK (CONTINUED)

Our principal risks and what we are doing about them (continued)

4. CYBER THREATS AND PRIVACY RISKS

OPPORTUNITIES:

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	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. We continue to see a lot of activities related to Business email compromise, Exploitation of Vulnerabilities, Zero-day exploits, Supply Chain Attacks and Third-Party Breaches, Ransomware, Phishing and Advance Persistent Attacks across the globe. 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. Failure to mitigate these risks would lead to denial of service attacks, fraud, leakage of confidential and customer data, loss of digital trust, litigations and penalties.	Robust cyber security tools, systems and controls complemented by the 24/7 Cyber Defense Center to ensure we safeguard the services that we offer. Creation of a cyber aware ecosystem through collaboration with various stakeholders. Our networks and infrastructure are built with security in mind with layers of security control applied to all applications and infrastructure. Our ISO 27001 Information Security Certification and Privacy Information system implementation is an independent confirmation to our customers that we have implemented appropriate processes and controls relating to product and services to protect the privacy of their information.

5. TECHNOLOGY RISK AND OPERATIONAL RESILIENCE

OPPORTUNITIES:

Extensive investment in a robust network architecture driven by customer needs 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 and services. 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. A major failure in critical network or information technology assets for example, through natural disasters, insufficient preventative maintenance, or malicious attacks would have a profound impact on our customers and business partners.	Invest in maintaining and upgrading our network on an ongoing basis, with comprehensive business continuity and disaster recovery plans in place. Investments to ensure adequate redundancy capabilities and elimination of any single point of failure.

Report of the Directors (continued)

FOR THE YEAR ENDED 31 MARCH 2023

BUSINESS REVIEW (CONTINUED)

OUR RISK MANAGEMENT FRAMEWORK (CONTINUED)

Our principal risks and what we are doing about them (continued)

6. SOCIAL ENGINEERNG FRAUDS, MONEY LAUNDERING AND TERRORIST FINANCING

OPPORTUNITIES:

Providing our customers with a worry free and safe services is crucial to being a trusted and reliable service provider while its our social responsibility to ensure that the products, services, 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	MITIGATION
Due to the wide usage of our M-PESA services across the country , our M-PESA customers and partners are exposed to social engineering frauds. The large size of our business channels, rapid growth of international money transfers further exposes our services to money laundering and counter terrorist financing activities.	Existence of strong Anti-Money Laundering (AML) and fraud programs with continuous review and development of technical controls to minimi se social engineering fraud and money laundering. Always on customer education and awareness through various platforms , as well as continuous collaboration and engagement with financial institutions on fraud reduction/prevention initiatives and minimise instances of money laundering and counter terrorist financing activities. Investment in banking grade AML solution and use of advanced technologies to prevent, monitor and detect these activities.

7. INSECURITY AND POLITICAL LANDSCAPE

OPPORTUNITIES:

Our existing community interactions has embedded our brand creating a sense of ownership and protection. Our collaboration with gover nments and other agencies to combat crime and insecurity enable us to take part in creating a better environment for all.

CONTEXT	MITIGATION
The first half of the year experienced a heated political climate due to the electioneering activities that were concluded during our third quarter of our financial year. Our expansion into Ethiopia has further exposed us to geopolitical tensions following the civil unrest experienced in some of the regions. While relative calm has been attained the political environment in the region is still volatile. There has been an increase in general insecurity due to economic and opportunistic conditions and continued terror activities in the country with some threats targeting our Base Transmission Station (BTS) assets.	Security program in place to support our business and partners in creating a secure and safe environment. The Ethiopian market offers a great opportunity for us to offer differentiated products and services to markets that have for a long time operated under a closed market. Further the support accorded by the Ethiopian Government creates an enabling business environment.

8. HEALTH AND SAFETY RISK

OPPORTUNITIES:

Our ongoing focus is to provide a safe working environment for everyone working for and on behalf of Safaricom and the communities in which we operate in.

CONTEXT	MITIGATION
Exposure to health and safety risks to our staff and partners due to the nature of our operations (driving, working at heights/underground, work ing with electricity and working in terror prone locations). Exposure to a large ecosystem of partners working within our distribution and network rollout/maintenance and support who are exposed to health and safety risks while executing their duties across the country.	Entrenching of our zero-harm strategy across the business and to our partners and creating a health and safety aware culture across Safaricom, its subsidiaries and the entire ecosystem. Suppliers' safety management through strengthening supplier oversight and accelerating supplier maturity, through enhanced onboarding and monitoring processes.

Report of the Directors (continued)

FOR THE YEAR ENDED 31 MARCH 2023

BUSINESS REVIEW (CONTINUED)

OUR RISK MANAGEMENT FRAMEWORK (CONTINUED)

Our principal risks and what we are doing about them (continued)

9. SUPPLY CHAIN DISRUPTIONS/GEOPOLITICAL RISKS

OPPORTUNITIES:

Supply chain disruptions create opportunities for us to develop more resilient supply chains, leverage on disruptions to innovate and improve our products therefore gaining a competitive advantage over the competition or disruptions.

CONTEXT	MITIGATION
We rely upon various key suppliers and partners to drive and meet our goals. If these suppliers and/or partners fail to meet the agreed service level agreements, we could experience disruptions, which could have an adverse effect on our operations. Additional risks could result from other geopolitical conflicts impacting supply chains, availability of certain components such as chipsets, disruption of logistics/shipping lines and international trade sanctions/ conflicts resulting in supply side pressures.	We operate our supply chain with resiliency in design by having dual supply partners, strong SLA and partnership framework while proactively monitoring of the ongoing geopolitical activities/dynamics and adjusting our business strategies and controls accordingly.

10. TALENT RISK – AVAILABILITYAND RETENTIONOF RARE SKILLS

OPPORTUNITY:

Implementation of an effective talent management to create a resilient workforce that will be key in enhancing innovation at Safaricom and remaining ahead of the curve.

CONTEXT	MITIGATION
Talent is a key resource that is valuable to the organisation and a key pillar in attainment of our mission. There is lack of adequate resources due to increased demand for some critical/rare skills such as data scientists, Cyber Security and Fintech in the industry.	Collaboration with industry partners and universities and have launched the Industry Digital Talent Program focusing on Data science, Artificial intelligence, Digital Engineering, Cyber security, Machine learning , and Software Engineering. Identification of critical skills and succession planning while upskilling our staff with relevant skills.

RESULTS AND DIVIDEND

The Group's profit for the year is KShs 52,482.8 million (2022: KShs 67,496.1 million) and has been added to retained earnings.
During the year, an interim dividend of KShs 0.58 per ordinary share (2022: KShs 0.64) amounting to KShs 23.24 billion (2022: KShs 25.64 billion) was declared. The Directors have proposed a final dividend in respect of the year ended 31 March 2023 of KShs 0.62 per ordinary share amounting to a total of KShs 24.84 billion to be approved at the Annual general Meeting (AGM) to be held on 28 July 2023. This brings the total dividend for the year to KShs 48.08 billion (2022: KShs 55.69 billion) which represents KShs 1.20 per share in respect of the year ended 31 March 2023 (2022: KShs 1.39 per share).

DIRECTORS

The Directors who held office during the year were:

Name	Position	Nationality	Date of Appointment
Adil Arshed Khawaja (MBS) [1]	Chairman and Non-Executive Director	Kenyan	22 December 2022
John Ngumi [2]	Chairman and Non-Executive Director	Kenyan	1 August 2022
Michael Joseph [3]	Non-Executive Director	Kenyan & American	8 September 2008
Peter Ndegwa	Chief Executive Officer (CEO) and Executive Director	Kenyan	1 April 2020
Dilip Pal	Chief Finance Officer and alternate to the CEO	Indian	1 November 2020
Cabinet Secretary, National Treasury and Economic Planning	Non-Executive Director	Kenyan	10 February 2021

Report of the Directors (continued)

FOR THE YEAR ENDED 31 MARCH 2023

DIRECTORS (CONTINUED)

Name	Position	Nationality	Date of Appointment
Christopher Kirigua [4]	Alternate to CS, National Treasury	Kenyan	10 February 2021
Eng. Stanley Kamau [5]	Alternate to CS, National Treasury	Kenyan	28 June 2022
Sitholizwe Mdlalose [6]	Non-Executive Director	British	29 July 2020
Francesco Bianco	Non-Executive Director	Italian	20 March 2020
Ory Okolloh [7]	Independent Director	Kenyan	24 February 2023
Linda Muriuki [8]	Non-Executive Director	Kenyan	31 August 2017
Mohamed Joosub	Non-Executive Director	South African	31 August 2017
Raisibe Morathi	Non-Executive Director	South African	1 November 2020
Bitange Ndemo [9]	Independent Director	Kenyan	2 March 2017
Rose Ogega	Independent Director	Kenyan	12 February 2019
Winnie Ouko	Independent Director	Kenyan	10 February 2021
Karen Kandie [10]	Alternate to CS, National Treasury and Economic Planning	Kenyan	24 February 2023

1 *Adil Arshed Khawaja (MBS) was appointed a Director in the Board with effect from 22 December 2022. He was elected the Chairman of the Board on 26 January 2023.*
2 *John Ngumi was appointed a Director in the Board with effect from 1 August 2022. He ceased to be a Director and the Chairman of the Board with effect from 22 December 2022.*
3 *Michael Joseph ceased to be the Chairman of the Board with effect from 1 August 2022.*
4 *Christopher Kirigua ceased to be an alternate Director to the CS, National Treasury and Economic Planning with effect from 28 June 2022 and was replaced by Eng. Stanley Kamau.*
5 *Eng. Stanley Kamau ceased to be an alternate Director to the CS, National Treasury and Economic Planning with effect from 24 February 2023 and was replaced by Karen Kandie.*
6 *Sitholizwe Mdlalose ceased to be a Director in the Board with effect from 1 August 2022.*
7 *Ory Okolloh was appointed to be an independent Director in the Board with effect from 24 February 2023.*
8 *Linda Muriuki ceased to be a Director in the Board with effect from 20 February 2023.*
9 *Bitange Ndemo ceased to be an Independent Director in the Board with effect from 24 February 2023.*
10 *Karen Kandie was appointed to be an alternate Director to CS, National Treasury and Economic Planning with effect from 24 February 2023.*

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 29 July 2022, the shareholders resolved to re-appoint Messrs Ernst and Young LLP, as the Company's independent 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
10 May 2023

Statement of Directors' Responsibilities

FOR THE YEAR ENDED 31 MARCH 2023

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 controls that 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 10 May 2023 and signed on its behalf by:

Adil Arshed Khawaja (MBS)
Chairman

Peter Ndegwa
Chief Executive Officer

Directors' Remuneration Report

FOR THE YEAR ENDED 31 MARCH 2023

INFORMATION NOT SUBJECT TO AUDIT

The Company's Board composition as at 31 March 2023 is as below:

Name	Position	Nationality	Date of appointment
a) Non-Executive Directors			
Adil Arshed Khawaja (MBS)	Chairman and Non-Executive Director	Kenyan	22 December 2022
Michael Joseph	Non-Executive Director	Kenyan and American	8 September 2008
Cabinet Secretary (CS), National Treasury	Non-Executive Director	Kenyan	10 February 2021
Francesco Bianco	Non-Executive Director	Italian	20 March 2020
Mohamed Joosub	Non-Executive Director	South African	31 August 2017
Raisibe Morathi	Non-Executive Director	South African	1 November 2020
b) Independent Directors			
Rose Ogega	Independent Director	Kenyan	12 February 2019
Winnie Ouko	Independent Director	Kenyan	10 February 2021
Ory Okolloh	Independent Director	Kenyan	24 February 2023
c) Executive Director			
Peter Ndegwa	Chief Executive Officer (CEO) and Executive Director	Kenyan	1 April 2020
d) Alternate Directors			
Karen Kandie	Alternate to CS, National Treasury and Economic Planning	Kenyan	24 February 2023
Dilip Pal	Chief Finance Officer and alternate to the CEO	Indian	1 November 2020

The following Directors served in office and resigned during the year.

Name	Position	Nationality	Date of resignation
John Ngumi	Chairman and Non-Executive Director	Kenyan	22 December 2022
Bitange Ndemo	Independent Director	Kenyan	24 February 2023
Eng. Stanley Kamau	Alternate to CS, National Treasury	Kenyan	24 February 2023
Christopher Kirigua	Alternate to CS, National Treasury	Kenyan	28 June 2022
Sitholizwe Mdlalose	Non-Executive Director	British	01 August 2022
Linda Muriuki	Non-Executive Director	Kenyan	20 February 2023

NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY

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 sur vey commissioned by the Board through its Board Nominations and Remuneration Committee and carried out by PricewaterhouseCoopers (PwC), a consultant, 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 Board agreed at KShs 8,500,000 per annum.
- Annual Directors fees paid to each Non-Executive Director agreed at KShs 3,000,000 per annum.
- Sitting allowance payable to the Chairman of the Board retained at KShs 230,000 per meeting.
- Sitting allowance payable to the Chair of a Committee retained at KShs 125,000 per meeting.
- Sitting allowance payable to each Non-Executive Director retained at KShs 110,000 per meeting.

The annual Directors' fees for the director representing the National Treasury and Economic Planning is paid directly to the National Treasury and Economic Planning.

The annual Directors' fees for the directors representing Vodafone Kenya Limited are paid directly to Vodafone Foundation/Vodacom Group Limited.
The Board members are also entitled to telephone and internet usage allowance.
The Board has in place a formal process of reviewing its performance and that of its committees and individual directors. Evaluation of the Board during the year ended 31 March 2023 was facilitated by an independent external consultant.

Directors' Remuneration Report (continued)

FOR THE YEAR ENDED 31 MARCH 2023

INFORMATION NOT SUBJECT TO AUDIT (CONTINUED)

EXECUTIVE DIRECTORS' REMUNERATION

The Executive Director's remuneration is as per the negotiated employment contract and is employed on permanent basis.

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

STATEMENT OF VOTING ON THE DIRECTORS' REMUNERATION REPORT AT THE PREVIOUS AGM

During the AGM held on 29 July 2022, voting was done by the ballot to approve the Directors' Remuneration Report.

The results of the vote were as below;

Agenda	Vote	Total votes	Percentage of the total votes
Directors' Remuneration report	For	32,557,898,414	99.27%
	Against	240,314,530	0.73%
	Spoilt Votes	–	–
	Withheld	1,426,306	–
Total votes		**32,799,639,250**	**100.00%**

INFORMATION SUBJECT TO AUDIT

The following table shows remuneration for the Executive and Non-Executive Directors in respect of qualifying services for the financial year ended 31 March 2023 and comparative figures for the year ended 31 March 2022. The aggregate Directors' emoluments are shown in Note 32(iii).

DIRECTORS' REMUNERATION FOR THE YEAR ENDED 31 MARCH 2023

Name	Salary KShs'm	Directors' fees KShs'm	Bonus KShs'm	Non-cash benefits KShs'm	Total KShs'm
Executive Directors					
Peter Ndegwa	95.24	–	196.27	21.60	313.11
Dilip Pal	57.94	–	39.67	17.73	115.34
Total	153.18	–	235.94	39.33	428.45
Non-Executive Directors					
Adil Khawaja	–	4.65	–	0.02	4.66
John Ngumi	–	7.90	–	3.07	10.97
Michael Joseph	–	15.71	–	5.39	21.10
Bitange Ndemo	–	5.68	–	0.19	5.88
Rose Ogega	–	10.39	–	0.21	10.60
Linda Muriuki	–	7.37	–	0.32	7.69
Mohamed Joosub	–	6.74	–	–	6.74
National Treasury	–	2.50	–	–	2.50
Francesco Bianco	–	5.53	–	–	5.53
Christopher Kirigua	–	0.88	–	5.65	6.53
Eng. Stanley Kamau	–	2.89	–	0.10	2.99
Winnie Ouko	–	8.54	–	0.35	8.89
Sitholizwe Mdlalose	–	2.21	–	–	2.21
Raisibe Morathi	–	7.84	–	–	7.84
Ory Okolloh	–	0.80	–	–	0.80
Karen Kandie	–	0.66	–	–	0.66
Total	–	90.29	–	15.30	105.59
Grand total	153.18	90.29	235.94	54.63	534.04

Directors' remuneration report (continued)

FOR THE YEAR ENDED 31 MARCH 2023

INFORMATION NOT SUBJECT TO AUDIT (CONTINUED)

DIRECTORS' REMUNERATION FOR THE YEAR ENDED 31 MARCH 2022

Name	Salary KShs'm	Directors' fees KShs'm	Bonus KShs'm	Non-cash benefits KShs'm	Total KShs'm
Executive Directors					
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

* *EPSAP – Employee Performance Share Award Plan*

On behalf of the Board

Winnie Ouko

Winnie Ouko
Chairperson, Board Nominations and Remuneration Committee
10 May 2023

Report of the Independent Auditor to the shareholders of Safaricom PLC

FOR THE YEAR ENDED 31 MARCH 2023

REPORT ON THE AUDIT OF THE GROUP AND COMPANY FINANCIAL STATEMENTS

OPINION

We have audited the Group and Company financial statements of Safaricom PLC (the "Company") and its subsidiaries (together, the "Group") set out on pages 184 to 268, which comprise the Group and Company Statements of Financial Position as at 31 March 2023, and the Group and the Company's Statements of Profit or Loss, the Group and the Company's Statements of Comprehensive Income, the Group and the Company's Statements of Changes in Equity and the Group and the Company's Statements of Cash Flows for the year then ended, and notes to the Group and the Company's financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the Group and the Company's financial position of Safaricom PLC as at 31 March 2023, and its Group and the Company's financial performance and its Group and the Company's 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 Group and the Company's Financial Statements section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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 Group and Company's financial statements of the current period. These matters were addressed in the context of our audit of the Group and Company's 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 Group and Company's 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 Group and Company's 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 Group and Company financial statements.

The Key Audit Matters below apply to the audits of the Group and the Company's financial statements.

Report of the Independent Auditor to the shareholders of Safaricom PLC (continued)

FOR THE YEAR ENDED 31 MARCH 2023

KEY AUDIT MATTERS (CONTINUED)

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. 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. 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. We therefore considered revenue recognition to be a matter of most significance to our current year audit. The significant accounting policies and detailed disclosures on revenue recognition are included in Note 2(f) – Revenue recognition, Note 5(a) – Revenue from contracts with customers, and Note 30(b) – Contract liabilities, to the financial statements.	• 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; • We tested the controls in place over the authorisation of rate changes and a review of the new products recorded in the billing systems; • We tested the IT general controls of the rating and billing environment, as well as assessed the completeness of the relevant revenue reports utilised for audit purposes; • We tested the end-to-end reconciliation over significant revenue streams from rating and billing systems to the journals processed in the general ledger; • We performed analytical review procedures over significant revenue streams; • We selected and tested a sample 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; • We selected and tested a sample of journal entries, processed in relation to non-standard revenue including manual 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 • 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.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Hyperinflation accounting in the subsidiary, Safaricom Telecommunications Ethiopia PLC. As disclosed in Notes 2(e), 3(iv) and 35, the Ethiopian economy, where Safaricom Telecommunications Ethiopia PLC operates, has been classified as hyperinflationary as of 31 December 2022 and thereafter. As a result, the financial statements of Safaricom Telecommunications Ethiopia PLC, have been prepared in accordance with IAS 29: Financial Reporting in Hyperinflationary Economies, and consolidated into the Group's financial statements. IAS 29 requires that the financial statements of an entity that reports in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date by applying a general price index. We have considered this as a Key Audit Matter due to the complexity and significant judgements relating to the restatement of the Safaricom Telecommunications Ethiopia PLC's financial statements into current measuring units, and the importance of IAS 29 disclosures i.e. Notes 2(e), 3(iv) and 35, to the financial statements.	We performed the following audit procedures in response to this matter: • Obtained the IAS 29 model used by management in the restatement of the Safaricom Telecommunications Ethiopia PLC's financial statements into current measuring units. • Assessed whether the underlying assumptions and judgements applied in the model were justifiable in the context of IAS 29. • Re-calculated the current measuring units and the hyperinflationary monetary gain in the restated financial statements using management's model. • Assessed the adequacy of the financial statement disclosures in accordance with International Financial Reporting Standards.

EY Report of the Independent Auditor to the shareholders of Safaricom PLC (continued)

FOR THE YEAR ENDED 31 MARCH 2023

OTHER INFORMATION

The other information comprises Report of the Directors, Statement of Directors' Responsibilities, and Directors' Remuneration Report, 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 Group or the Company's financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the Group and the Company's financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act, 2015, as set out in the Report on Other Matters Prescribed by the Kenyan Companies Act, 2015 section of our report.

In connection with our audit of the Group and Company's financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Group and Company's 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 GROUP AND COMPANY'S FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of the Group and Company's 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 Group and Company's financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group and Company's 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 GROUP AND COMPANY'S FINANCIAL STATEMENTS

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

Report of the Independent Auditor to the shareholders of Safaricom PLC (continued)

FOR THE YEAR ENDED 31 MARCH 2023

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE GROUP AND COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

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 Group and Company's 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 166 to 175 is consistent with the Group and Company's financial statements.

ii) in our opinion, the auditable part of Directors' Remuneration Report on page 177 to 179 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
16 May 2023

FINANCIAL **STATEMENTS**

Statement of Profit or Loss

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Revenue from contracts with customers	5(a)	**307,142.1**	295,441.4	**302,579.4**	292,556.2
Revenue from other sources	5(b)	**3,762.7**	2,636.5	**7,900.4**	3,289.7
Total revenue		**310,904.8**	298,077.9	**310,479.8**	295,845.9
Direct costs	6(a)	**(92,232.1)**	(91,467.8)	**(89,363.4)**	(90,613.6)
Expected credit losses on financial assets	6(b)	**(4,725.3)**	(2,361.2)	**(4,925.3)**	(2,602.7)
Other expenses	7	**(74,085.0)**	(55,187.0)	**(53,118.7)**	(49,545.5)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**139,862.4**	149,061.9	**163,072.4**	153,084.1
Depreciation – property and equipment	18	**(39,754.5)**	(34,145.2)	**(36,971.8)**	(33,922.2)
Amortisation – indefeasible rights of use (IRUs)	19	**(281.3)**	(281.3)	**(281.3)**	(281.3)
Amortisation – intangible assets	21	**(8,417.9)**	(1,850.0)	**(2,329.6)**	(1,850.0)
Amortisation – right-of-use (RoU) assets	22(a)	**(6,411.3)**	(3,656.8)	**(4,419.0)**	(3,644.2)
Operating profit		**84,997.4**	109,128.6	**119,070.7**	113,386.4
Finance income	8	**4,075.2**	2,413.4	**2,403.7**	2,050.1
Finance costs	9	**(11,162.3)**	(8,852.6)	**(12,416.0)**	(8,895.2)
Fair value adjustment to investment properties	20	**90.0**	–	**90.0**	–
Share of profit/(loss) of associates	23(b)	**12.5**	(279.8)	**12.5**	(279.8)
Share of loss of joint venture	23(b)	**(50.7)**	(196.2)	**(50.7)**	(196.2)
Hyperinflationary monetary gain	35	**10,383.1**	–	**–**	–
Profit before income tax		**88,345.2**	102,213.4	**109,110.2**	106,065.3
Income tax expense	12(a)	**(35,862.4)**	(34,717.3)	**(34,170.6)**	(34,276.0)
Profit for the year		**52,482.8**	67,496.1	**74,939.6**	71,789.3
Attributable to:					
Equity holders of the parent		**62,268.9**	69,648.1	**74,939.6**	71,789.3
Non-controlling interests		**(9,786.1)**	(2,152.0)	**–**	–
Profit for the year		**52,482.8**	67,496.1	**74,939.6**	71,789.3
Basic earnings per share (KShs per share)	13	**1.6**	1.7	**1.9**	1.8
Diluted earnings per share (KShs per share)	13	**1.6**	1.7	**1.9**	1.8
Profit for the year		**52,482.8**	67,496.1	**74,939.6**	71,789.3
Other comprehensive income/(loss):					
Items that will subsequently be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations		**10,260.0**	(9,536.3)	**–**	–
Other comprehensive income/(loss) for the year		**10,260.0**	(9,536.3)	**–**	–
Total comprehensive income for year		**62,742.8**	57,959.8	**74,939.6**	71,789.3
Attributable to:					
Equity holders of the parent		**34,954.0**	64,335.4	**74,939.6**	71,789.3
Non-controlling interests		**27,788.8**	(6,375.6)	**–**	–
Total comprehensive income for year		**62,742.8**	57,959.8	**74,939.6**	71,789.3

** These components of other comprehensive income/(loss) do not attract any tax*

Statement of Financial Position

AS AT 31 MARCH 2023

	Notes	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Non-current assets					
Deferred income tax assets	17	**15,337.0**	9,908.8	**15,338.0**	9,908.7
Property and equipment	18	**221,987.6**	148,993.0	**141,803.5**	138,502.6
Indefeasible rights of use	19	**2,283.0**	2,564.3	**2,283.0**	2,564.3
Investment properties	20	**935.0**	845.0	**935.0**	845.0
Intangible assets	21	**150,198.8**	93,647.2	**14,163.0**	11,349.6
Right of use assets	22(a)	**36,885.5**	18,301.7	**17,691.3**	17,177.4
Investment in subsidiaries	23(a)	**–**	–	**78,012.5**	59,057.8
Investment in associates and joint venture	23(b)	**3,943.9**	3,982.1	**3,943.9**	3,982.1
Restricted cash	26(b)	**1,481.4**	1,759.9	**1,481.4**	1,759.9
Deferred restricted cash asset	26(c)	**278.2**	407.9	**278.2**	407.9
Contract costs	30(a)	**1,852.7**	1,138.7	**1,578.3**	1,138.7
Loans receivable from related company	32(x)	**1,588.4**	–	**1,588.4**	–
Loan receivable from subsidiary	32(x)	**–**	–	**565.5**	666.1
		436,771.5	281,548.6	**279,662.0**	247,360.1
Current assets					
Current income tax	12(b)	**851.6**	7.9	**–**	–
Inventories	24	**3,655.6**	4,306.8	**2,231.5**	4,147.4
Trade and other receivables	25	**40,791.5**	25,919.2	**23,862.0**	22,003.7
Net cash and cash equivalents	26(a)	**22,098.1**	30,779.6	**18,061.9**	25,560.6
Restricted cash – letter of credit	27	**615.1**	–	**–**	–
Other financial assets	28	**28.6**	–	**–**	–
Contract costs	30(a)	**4,395.0**	2,951.5	**4,236.3**	2,951.5
Loan receivable from related company	32(x)	**–**	1,285.0	**–**	1,285.0
		72,435.5	65,250.0	**48,391.7**	55,948.2
Total assets		**509,207.0**	346,798.6	**328,053.7**	303,308.3
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		**121,823.6**	110,528.9	**137,065.2**	110,204.0
Other reserves		**36,688.4**	(5,312.7)	**–**	–
Proposed dividend	15	**24,840.6**	30,049.1	**24,840.6**	30,049.1
Equity attributable to equity holders of the parent		**187,555.9**	139,468.6	**166,109.1**	144,456.4
Non-controlling interests	23(a)	**75,810.0**	40,232.3	**–**	–
Total equity		**263,365.9**	179,700.9	**166,109.1**	144,456.4

Statement of Financial Position (continued)

AS AT 31 MARCH 2023

	Notes	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Non-current liabilities					
Borrowings	16	**42,050.0**	44,910.8	**38,533.6**	44,910.8
Lease liabilities	22(b)	**29,984.0**	14,584.9	**17,070.1**	14,079.2
Payables and accrued expenses	29(a)	**27,359.3**	4,330.6	**–**	–
Provisions for liabilities	29(b)	**4,462.8**	3,183.3	**3,410.7**	3,183.3
Contract liabilities	30(b)	**1,607.8**	1,937.5	**1,607.8**	1,937.5
Financial guarantees liability	32(xi)	**–**	–	**960.4**	120.9
		105,463.9	68,947.1	**61,582.6**	64,231.7
Current liabilities					
Current income tax	12(b)	**2,408.8**	5,291.2	**192.2**	5,086.3
Dividend payable	15	**1,783.0**	12,053.9	**1,783.0**	12,053.9
Borrowings	16	**43,492.3**	20,400.0	**35,500.0**	20,400.0
Lease liabilities	22(b)	**5,354.9**	5,508.5	**4,376.6**	5,437.4
Payables and accrued expenses	29(a)	**72,688.2**	41,312.6	**44,298.6**	38,058.2
Provisions for liabilities	29(b)	**4,524.1**	3,373.8	**4,524.1**	3,373.8
Contract liabilities	30(b)	**10,125.9**	10,210.6	**9,687.5**	10,210.6
		140,377.2	98,150.6	**100,362.0**	94,620.2
Total liabilities		**245,841.1**	167,097.7	**161,944.6**	158,851.9
Total equity and liabilities		**509,207.0**	346,798.6	**328,053.7**	303,308.3

The financial statements on pages 184 to 268 were approved for issue by the Board of Directors on 10 May 2023 and signed on its behalf by:

Adil Arshed Khawaja (MBS)
Chairman

Peter Ndegwa
Chief Executive Officer

Group Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2023

GROUP

	Notes	Share capital KShs'm	Share premium KShs'm	Retained earnings KShs'm	Other reserves** KShs'm	Proposed dividend KShs'm	Total KShs'm	Non-controlling interests KShs'm	Total equity KShs'm
Year ended 31 March 2023									
At start 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
– Adjustment on initial application of IAS 29	35(b)	–	–	(2,895.8)	36,285.3	–	33,389.5	26,545.0	59,934.5
As restated		2,003.3	2,200.0	107,633.1	30,972.6	30,049.1	172,858.1	66,777.3	239,635.4
Profit for the year		–	–	62,268.9	–	–	62,268.9	(9,786.1)	52,482.8
Other comprehensive income									
Exchange differences on translating foreign operations		–	–	–	5,715.8	–	5,715.8	4,544.2	10,260.0
Total comprehensive income/(loss) for the year		–	–	62,268.9	5,715.8	–	67,984.7	(5,241.9)	62,742.8
Transactions with owners:									
Dividend:									
– Declared final dividend for 2022	15	–	–	–	–	(30,049.1)	(30,049.1)	–	(30,049.1)
– Interim dividend paid	15	–	–	(23,237.8)	–	–	(23,237.8)	–	(23,237.8)
– Capital contribution from NCI shareholders*		–	–	–	–	–	–	14,274.6	14,274.6
– Proposed final dividend for 2023		–	–	(24,840.6)	–	24,840.6	–	–	–
		–	–	(48,078.4)	–	(5,208.5)	(53,286.9)	14,274.6	(39,012.3)
At end of year		2,003.3	2,200.0	121,823.6	36,688.4	24,840.6	187,555.9	75,810.0	263,365.9

Group Statement of Changes in Equity (continued)

FOR THE YEAR ENDED 31 MARCH 2023

GROUP

	Notes	Share capital KShs'm	Share premium KShs'm	Retained earnings KShs'm	Other reserves** KShs'm	Proposed dividend KShs'm	Total KShs'm	Non-controlling interests KShs'm	Total equity KShs'm
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.*

** *Other reserves include foreign currency translation reserve representing the cumulative position of translation gains and losses arising from translation of net assets of foreign subsidiary companies to the presentation currency and adjustment on initial application of IAS 29 (Note 35(b)).*

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2023

COMPANY

	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 2023						
At start of year		**2,003.3**	**2,200.0**	**110,204.0**	**30,049.1**	**144,456.4**
Profit for the year		**–**	**–**	**74,939.6**	**–**	**74,939.6**
Transactions with owners:						
Dividend:						
Declared final dividend for 2022	15	**–**	**–**	**–**	**(30,049.1)**	**(30,049.1)**
Interim dividend	15	**–**	**–**	**(23,237.8)**	**–**	**(23,237.8)**
Proposed final dividend for 2023		**–**	**–**	**(24,840.6)**	**24,840.6**	**–**
		–	**–**	**(48,078.4)**	**(5,208.5)**	**(53,286.9)**
At end of year		**2,003.3**	**2,200.0**	**137,065.2**	**24,840.6**	**166,109.1**
Year ended 31 March 2022						
At start of year		2,003.3	2,200.0	94,105.7	36,860.2	135,169.2
Profit for the year		–	–	71,789.3	–	71,789.3
Transactions with owners:						
Dividend:						
Declared final dividend for 2021	15	–	–	–	(36,860.2)	(36,860.2)
Interim dividend	15	–	–	(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

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Cash flows from operating activities					
Cash generated from operations	31(a)	**159,596.8**	143,574.7	**164,463.4**	145,801.0
Interest received		**1,571.0**	1,254.5	**1,302.3**	1,207.9
Income tax paid	12(b)	**(45,016.7)**	(34,128.7)	**(44,493.9)**	(33,784.2)
Net cash generated from operating activities		**116,151.1**	110,700.5	**121,271.8**	113,224.7
Cash flows from investing activities					
Purchase of property and equipment		**(66,331.2)**	(41,058.0)	**(38,564.0)**	(34,667.6)
Proceeds from disposal of property and equipment		**43.8**	49.2	**43.6**	49.2
Acquisition of intangible assets	21	**(5,143.0)**	(96,288.3)	**(5,143.0)**	(4,728.1)
Investment in other financial assets	28	**(28.6)**	–	**–**	–
Movement in restricted cash		**(116.6)**	352.3	**416.0**	352.3
Loans to joint ventures		**(300.0)**	–	**(300.0)**	–
Loans to subsidiaries		**–**	–	**(120.0)**	(500.0)
Investment in subsidiaries		**–**	–	**(18,116.1)**	(58,626.6)
Net cash used in investing activities		**(71,875.6)**	(136,944.8)	**(61,783.5)**	(98,120.8)
Cash flows from financing activities					
Dividend paid	15	**(63,557.8)**	(59,132.3)	**(63,557.8)**	(59,132.3)
Repayment of lease liabilities – principal	22(b)	**(8,349.1)**	(3,806.4)	**(4,001.3)**	(3,220.5)
Repayment of lease liabilities – interest	22(b)	**(1,768.5)**	(1,347.9)	**(1,735.3)**	(1,345.4)
Interest paid on borrowings		**(6,924.4)**	(2,477.9)	**(6,415.4)**	(2,419.8)
Proceeds from borrowings	16	**62,238.1**	120,564.8	**51,500.0**	120,564.8
Repayment of borrowings	16	**(42,777.2)**	(70,026.0)	**(42,777.2)**	(70,026.0)
Capital contribution from NCI shareholders		**14,274.6**	46,607.9	**–**	–
Net cash (used in)/generated from financing activities		**(46,864.3)**	30,382.2	**(66,987.0)**	(15,579.2)
(Decrease)/increase in cash and cash equivalents		**(2,588.9)**	4,137.9	**(7,498.7)**	(475.3)
Movement in cash and cash equivalents					
At start of year		**30,779.6**	26,736.1	**25,560.6**	26,035.9
Net foreign exchange differences		**537.6**	(94.4)	**–**	–
Net monetary gain on cash and cash equivalents		**(6,630.3)**	–	**–**	–
(Decrease)/increase in cash and cash equivalents		**(2,588.9)**	4,137.9	**(7,498.7)**	(475.3)
At end of year	26(a)	**22,098.1**	30,779.6	**18,061.9**	25,560.6

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

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
P.O Box 66827-00800
Nairobi, Kenya

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

For the Kenyan Companies Act, 2015 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, except for cashflow information have been prepared using the accrual accounting basis. The financial statements are presented in Kenya Shillings (KShs), which is also the functional currency of the Company, rounded to the nearest million (KShs'm), 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 adjusted for the effects of inflation where entities operate in hyperinflationary economies except for investment property that has been measured at fair value. The financial statements have been adjusted for the effects of inflation for Safaricom Telecommunication Ethiopia PLC as the Ethiopian economy has been declared hyperinflationary on or after 31 December 2022.

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
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

These amendments apply for the first time in the period, but do not have significant impact on the audited financial statements of the Group and Company. Below are the new standards or amendments which affect the Group and Company:

Amendments to IFRS 3: Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

The amendments do not have a material impact on the Group and Company as there are no transactions relevant to the amendments.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT BASIS (CONTINUED)

New and amended standards (continued)

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

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2: Inventories.

The amendments also clarify the meaning of "testing whether an asset is functioning properly". IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the Statement of Comprehensive Income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the Statement of Comprehensive Income include(s) such proceeds and cost.

The amendments do not have a material impact on the Group and Company as there are no items of property and equipment relevant as defined under the amendments.

Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property and equipment used in fulfilling the contract).

Annual Improvements to IFRS Accounting Standards 2018–2020 Cycle

Where applicable, the Group and Company has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018–2020 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards.

IFRS 1: First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1: D16(a).

IFRS 9: Financial Instruments

The amendment clarifies that in applying the "10 per cent" test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16: Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

IAS 41: Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

These amendments do not have a material impact on the Group and Company as they currently do not have any onerous contracts.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT BASIS (CONTINUED)

New and revised IFRS Accounting Standards in issue 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
IFRS 17 Insurance Contracts	1 January 2023
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023
Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10	To be determined

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.

IFRS 17: Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(A) BASIS OF PREPARATION (CONTINUED)

New and revised IFRS Accounting Standards in issue but not yet effective (continued)

Amendments to IAS 1: Presentation of Financial Statements—Classification of Liabilities as Current or Non-current

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current in the Statement of Financial Position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of "settlement" to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.

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.

Amendments to IAS 1: Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the "four-step materiality process" described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

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.

Amendments to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The IASB added two examples (Examples 4–5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period.

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, with earlier application permitted.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(A) BASIS OF PREPARATION (CONTINUED)

New and revised IFRS Accounting Standards in issue but not yet effective (continued)

Amendments to IAS 12: Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.
Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. 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 amendments.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

The management of the Group and Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IFRS 10: Consolidated Financial Statements and IAS 28: Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent' s profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. 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 amendments.

(B) CONSOLIDATION

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2023. 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

(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; and
- provision of essential technical information by the investor to the investee.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) CONSOLIDATION (CONTINUED)

(ii) Investment in associates (continued)

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.

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 the 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 report and 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.

(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 two operating segments, namely Kenya and Ethiopia. The financial statements are presented on the basis that risks and rates of return are related to these two reportable segments. Entity wide segments 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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) Translation of foreign operations

The results, cash flows and financial position of Group entities which are not accounted for as entities operating in hyperinflationary economies and that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows:

- Assets and liabilities, including goodwill and fair value adjustments arising on acquisition, are translated at rates of exchange ruling at the reporting date;
- Specific transactions in equity are translated at rates of exchange ruling at the transaction dates;
- Income and expenditure and cash flow items are translated at weighted average exchange rates for the period or translated at exchange rates at the date of the transaction, where applicable; and
- Foreign exchange translation differences are recognised in OCI and accumulated in the foreign currency translation reserve (FCTR), except to the extent the difference is allocated to non-controlling interests.

The results, cash flows and financial position of the Group entities, which are accounted for as entities operating in hyperinflationary economies and that have functional currencies different from the presentation currency of the Group are translated into the presentation currency of its immediate parent at rates of exchange ruling at the reporting date. As the presentation currency of the Group is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the price level or exchange rates in the current financial year.

An entity may have a monetary item that is receivable from a foreign operation. An item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the entity's net investment in that foreign operation. On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income and accumulated in the foreign currency translation reserve.

(iv) 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(E) HYPERINFLATION

The financial statements of the Group entities whose functional currencies are the currencies of hyperinflationary economies are adjusted in terms of the measuring unit current at the end of the reporting period.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the consumer price index from the date of acquisition to the end of the reporting period. On initial application of hyperinflation, prior period gains and losses are recognised directly in equity.

An impairment loss is recognised in profit or loss if the restated amount of a non-monetary item exceeds its estimated recoverable amount. Gains or losses on the net monetary position are recognised in profit or loss. All items recognised in the Income Statement are restated by applying the change in the consumer price index from the dates when the items of income and expenses were initially earned or incurred.

At the beginning of the first period of application, the components of equity, except retained earnings, are restated by applying a consumer price index from the dates the components were contributed or otherwise arose. These restatements are recognised directly in equity as an adjustment to opening retained earnings. Restated retained earnings are derived from all other amounts in the restated Statement of Financial Position.

If on initial application of hyperinflation accounting the restated value of the non-monetary assets exceed their recoverable amount, the amount in excess of the recoverable amount is recorded as a reduction in retained earnings.

At the end of the first period and in subsequent periods, all components of equity are restated by applying a consumer price index from the beginning of the period or the date of contribution, if later. All items in the Statement of Cash Flows are expressed in terms of the consumer price index at the end of the reporting period.

The Ethiopian economy has been classified as hyperinflationary. Accordingly, the results, cash flows and financial position of the Group's subsidiary; Safaricom Telecommunication Ethiopia PLC have been expressed in terms of the measuring unit current at the reporting date. For further details, refer to Note 35.

(F) 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 standalone selling prices as determined at contract inception.

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

The standalone 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 standalone 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. 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 SMSes and browse the internet.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) 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 predetermined 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 Groups' 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.

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 expir y 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.

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) REVENUE RECOGNITION (CONTINUED)

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.

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 types of handsets.

Revenue from this service which is earned at a 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 Kenya, 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 predetermined limit.

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) REVENUE RECOGNITION (CONTINUED)

M-PESA revenue (continued)

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 1,000 (USD 10.00) 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 predetermined 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.

Loyalty programme

The Group's 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 Shs 10 spent on voice calls, short messages 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. Naivasha 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 predetermined 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 include 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.

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(k) 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.

(G) 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 statement during the financial period in which they are incurred.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) PROPERTY AND EQUIPMENT (CONTINUED)

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

Depreciation relating to the property and equipment of Safaricom Telecommunications Ethiopia PLC is based on the restated amounts, which have been adjusted for the effects of hyperinflation.

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 carr ying amount of the item.
As the functional currency of Safaricom Telecommunication Ethiopia PLC is currency of hyperinflationary economies, property and equipment relating to the subsidiary are restated by applying the change in the consumer price indices from the date of acquisition to the current reporting date. Depreciation relating to property and equipment of Safaricom Telecommunication Ethiopia PLC is based on the restated amounts which have been adjusted for the effects of hyperinflation.

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.

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 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.

(H) INVESTMENT PROPERTIES

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 in the period in which the property is de-recognised.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) INTANGIBLE ASSETS – NETWORK LICENCES

Separately acquired trademarks and licenses 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. Licenses acquired in a business combination are recognised at fair value at the acquisition date. Licenses 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 licenses over their estimated useful lives of 10 to 15 years.

As the functional currency of Safaricom Telecommunication Ethiopia PLC is currency of hyperinflationary economies, intangible assets relating to the subsidiary are restated by applying the change in the consumer price indices from the date of acquisition to the current reporting date.
A telecommunication license 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 license fees are capitalised at cost and amortised over the period of the license 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; and
- 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.

Amortisation relating to Safaricom Telecommunication Ethiopia PLC is based on the restated amounts, which have been adjusted for the effects of hyperinflation.

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

The following licences are also in place for 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 License issued by Ethiopian Communications Authority (ECA) on 9 July 2021 to Safaricom Telecommunications Ethiopia PLC valid for 15 years.

(J) 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 assets 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).

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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).

(K) ACCOUNTING FOR LEASES

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 2,557.5 million (2022: KShs 2,193.9 million).

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.

(L) 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(L) FINANCIAL ASSETS (CONTINUED)

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.

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 Twelve-month 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.

As the functional currency of Safaricom Telecommunications Ethiopia PLC is of hyperinflationary economy, prepayments relating to this subsidiary are restated by applying the change in the general price indices from the date of payment to the current reporting date.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's Consolidated Statement of Financial Position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either

  (a) the Group has transferred substantially all the risks and rewards of the asset; or

  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Write-off

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(M) 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
The East African Marine Systems Limited (TEAMS)	1 May 2011	25 years
Kenya Power and Lighting Company (KPLC)	1 Feb 2010	20 years
SEACOM	1 July 2008	20 years

(N) 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. As the functional currency of Safaricom Telecommunications Ethiopia PLC is of hyperinflationary economy, inventories relating to this subsidiary are measured at the lower of the restated cost and net realisable value.

(O) 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 nor mal 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.

(P) 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.

(Q) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

(R) 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 Kenya 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.

(S) 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(S) EMPLOYEES BENEFITS (CONTINUED)

(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.

(iv) Short-term benefits

Short-term benefits consist of salaries, bonuses and any non-monetary benefits such as medical aid contributions and free services. They exclude equity-based benefits and termination benefits.
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(T) 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 3-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.

(U) TAXES

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.

Income tax expense

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

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 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(U) TAXES (CONTINUED)

Deferred income tax (continued)

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.

As the functional currency of Safaricom Telecommunications Ethiopia PLC is of hyperinflationary economy, deferred tax relating to this subsidiary is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their restated carrying amounts.

Value added tax

Expenses and assets are recognised net of the amount of Value Added Tax (VAT) except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

(V) BORROWINGS

Borrowings are recognised initially at fair value net of directly attributable transaction costs and subsequently stated at amor tised 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.

(W) 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 is approved by the Company's shareholders. Proposed dividend is shown as a separate component of equity until approved.

(X) 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. The details on specific provisions are outlined under Note 29(b).

(Y) DIVIDEND INCOME

Dividend income is recognised when the Group's and Company's right to receive payment is established.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(Z) SEGMENT REPORTING

The Group has identified reportable segments that are used by the Group Executive Committee (Chief Operating Decision-maker (CODM)) to make key operating decisions, allocate resources and assess performance. The reportable segments are grouped according to their geographic locations namely Kenya and Ethiopia.

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) SIGNIFICANT 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.

Hyperinflation

The Group exercises significant judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its subsidiaries, associates or joint ventures is the currency of a hyperinflationary economy.

The management have made judgements in the process of applying accounting policies that would have significant effects on the amounts recognised in the consolidated financial statements. Judgement was made in determining whether the economy of Ethiopia in which Safaricom Telecommunications Ethiopia PLC operates was hyperinflationary as at 31 March 2023.

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(g) 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(k), 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.

These balances have been included under contract liabilities, Note 30(b).

Expected credit losses

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., product type, customer type and rating, and coverage by letters of credit). The Group also 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 (Note 6(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 industr y best practice. Further details can be found in Note 29(b).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(II) SIGNIFICANT 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.
- Assessment of IFRS 16 – Leases.
- Assessment 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.
- 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) SIGNIFICANT JUDGEMENT ON GOING CONCERN

The Group's current liabilities exceed its current assets by KShs 67.9 billion (2022 net current liabilities position: KShs 32.9 billion) at the statement of financial position. For items that significantly impact the net working capital, refer to Notes 24 to 30.

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 ongoing 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 2.6 billion (2022: KShs 2.3 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 is 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 3.0 billion (2022: KShs 4.5 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 is no expected cash outflow since its reduction is based on usage rather than actual cash outflow.
- Unutilised resources by the customers of KShs 3.7 billion (2022: KShs 2.9 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 is 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 uses a broad mix of long-term and short-term debt to finance its operations. In the year ended 31 March 2023, the Group borrowed KShs 62.2 billion and repaid KShs 42.8 billion. Of the outstanding loan amount of KShs 85.5 billion, KShs 43.5 billion is shor t-term working capital loan.

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(IV) SIGNIFICANT JUDGEMENT ON HYPERINFLATION

The Group applies IAS 29 in accounting for entities in hyperinflationary economies.

The Group exercises significant judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its subsidiaries, associates or joint ventures is the currency of a hyperinflationary economy.

Various characteristics of the economic environment of each country are taken into account. These characteristics include, but are not limited to, whether:

- the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
- prices are quoted in a relatively stable foreign currency;
- sales or purchase prices take expected losses of purchasing power during a short credit period into account;
- interest rates, wages and prices are linked to a price index; and
- the cumulative inflation rate over three years is approaching, or exceeds, 100%.

Based on inflation data published by the International Monetary Fund (IMF) World Economic Outlook (WEO) in October 2022, Ethiopia reported a 3-year cumulative rate of inflation of 91% as of December 2021. For 2022, the IMF WEO forecasts an annual rate of inflation of 32% (2023: 26%) and a 3-year cumulative rate of inflation of 111% (2023: 126%). The Ethiopian National Statistics Office reported a 3-year and 12-month cumulative rate of inflation of 107% and 33%, respectively, as of August 2022.

Based on the criteria for determining hyperinflationary economies provided under IAS 29, management believes that Ethiopia is hyperinflationary as at 31 December 2022 and thereafter. Following management's assessment, the Group's subsidiary, Safaricom Telecommunication Ethiopia PLC has been accounted for as an entity operating in hyperinflationary economies. The results, cash flows and financial positions of Safaricom Telecommunication Ethiopia PLC have been expressed in terms of the measuring units current at the reporting date.

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 Group Treasury section in Finance Division under policies approved by the Board of Directors. The Group 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 change by KShs 1,249.9 million and KShs 874.9 million for Group (2022: KShs 209.5 million and KShs 146.6 million) and KShs 879.6 million and KShs 615.7 million respectively for Company (2022: KShs 614.7 million and KShs 430.3 million), 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 change by KShs 2,714.5 million and KShs 1,900.1 million for Group (2022: KShs 454.1 million and KShs 317.9 million) respectively for Company KShs 514.2 million and KShs 359.9 million (2022: KShs 211.9 million and KShs 148.4 million), 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

MARKET RISKS (CONTINUED)

(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 (2022: 100 basis points) would have resulted in a net decrease/increase in Group' s consolidated pre and post-tax profit of KShs 469.7 million and KShs 328.8 million respectively (2022: KShs 175.2 million and KShs 122.3 million). This sensitivity is a fair and reasonable reflection of the Group and Company's pre- and post-tax.

(iii) Price risk

The Group and Company do not hold any financial instruments subject to price risk.

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, 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.

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	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Category 1	**4,042.1**	12,618.4	**4,013.4**	12,618.4
Category 2	**8,493.2**	9,891.1	**4,645.0**	6,923.9
Category 3	**9,573.2**	8,284.7	**9,404.8**	6,029.4
	22,108.5	30,794.2	**18,063.2**	25,571.7

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 2023 are shown in Note 25(a). The calculated 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 2023 is 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.

Amounts due from related parties

The Group has used the simplified approach where applicable for measuring the loss allowance for balances 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 2023 are disclosed in Note 25.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

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 their 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.

The dealer channel comprises 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.

The Group has signed international roaming agreements. The roaming strategy is to have preferential partners in 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 contracted roaming partners are settled within 60 days unless a dispute arises. Disputes are handled by Comfone, the current 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 a defined aging system for monitoring its receivables. Dealers' transactions and credit positions are closely monitored in line with existing credit policy.

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

The Group applies the simplified approach to determine the expected credit losses (ECL) for trade receivables. This results in calculating lifetime expected credit losses (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 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 2023				
Trade receivables	**12,774.2**	**3,667.3**	**8,441.8**	**24,883.3**
Expected credit loss rate	**6.1%**	**40.1%**	**96.7%**	**–**
Loss allowance	**776.9**	**1,469.8**	**8,164.5**	**10,411.2**
	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	7.1%	32.3%	96.3%	–
Loss allowance	743.9	686.9	5,486.1	6,916.9

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

Trade receivables (continued)

COMPANY

	0–30 days KShs'm	31–90 days KShs'm	Over 91 days KShs'm	Total KShs'm
At 31 March 2023				
Trade receivables	**10,470.5**	**3,669.6**	**8,529.5**	**22,669.6**
Expected credit loss rate	**5.8%**	**40.1%**	**92.6%**	**–**
Loss allowance	**607.7**	**1,469.7**	**7,894.2**	**9,971.6**
	0–30 days KShs'm	31–90 days KShs'm	Over 91 days KShs'm	Total KShs'm
At 31 March 2022				
Trade receivables	10,517.3	2,143.5	5,516.5	18,177.3
Expected credit loss rate	7.1%	32.0%	96.1%	–
Loss allowance	743.9	686.9	5,299.1	6,729.9

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 2023			
Dealers	**21.1**	**(14.0)**	**7.1**
Postpay	**4,264.1**	**(1,326.4)**	**2,937.7**
Roaming and interconnect	**3,286.5**	**(1,583.1)**	**1,703.4**
Other trade receivables	**17,311.6**	**(7,487.7)**	**9,823.9**
Total trade receivables	**24,883.3**	**(10,411.2)**	**14,472.1**
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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

Trade receivables (continued)

COMPANY

	Gross carrying amount KShs'm	Expected credit loss KShs'm	Net carrying amount KShs'm
At 31 March 2023			
Dealers	**20.4**	**(14.0)**	**6.4**
Postpay	**4,263.9**	**(1,326.4)**	**2,937.5**
Roaming and interconnect	**3,273.6**	**(1,583.1)**	**1,690.5**
Other trade receivables	**15,111.7**	**(7,048.1)**	**8,063.6**
Total trade receivables	**22,669.6**	**(9,971.6)**	**12,698.0**
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**

Collat eral held on the trade receivables as at 31 March 2023 is KShs 165.2 million (2022: KShs 195.4 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 KShs'm	Net carrying amount KShs'm
At 31 March 2023			
Cash at bank, government securities and deposits with financial institutions	**22,108.5**	**(10.4)**	**22,098.1**
Trade receivables	**24,883.3**	**(10,411.2)**	**14,472.1**
Due from related parties	**1,599.3**	**(12.0)**	**1,587.3**
Other receivables	**13,296.0**	**(71.7)**	**13,224.3**
Total	**61,887.1**	**(10,505.3)**	**51,381.8**
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	6,628.0	(117.5)	6,510.5
Total	57,597.3	(7,055.7)	50,541.6

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

Maximum credit exposure (continued)

COMPANY

	Gross carrying amount KShs'm	Expected credit loss KShs'm	Net carrying amount KShs'm
At 31 March 2023			
Cash at bank, government securities and deposits with financial institutions	**18,063.2**	**(1.3)**	**18,061.9**
Trade receivables	**22,669.6**	**(9,971.6)**	**12,698.0**
Due from related parties	**4,580.5**	**(1,413.6)**	**3,166.9**
Other receivables	**5,146.0**	**(71.7)**	**5,074.3**
Total	**50,459.3**	**(11,458.2)**	**39,001.1**
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	4,989.7	(117.5)	4,872.2
Total	52,573.4	(7,954.8)	44,618.6

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

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, prudent liquidity risk management includes maintaining sufficient cash, and the availability of funding from an adequate amount of committed credit facilities. (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 they fall due, without incurring unacceptable losses or risking damage to the Group's reputation.

Due to the dynamic nature of the underlying businesses, Group 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.

GROUP

	Maturing within 1 month KShs'm	Maturing after 1 month but within 6 months KShs'm	Maturing after 6 months but within 12 months KShs'm	Maturing after 12 months but within 5 years KShs'm	Maturing after 5 years KShs'm	Total KShs'm
Non-derivative financial assets						
Cash and bank balances	**22,098.1**	**–**	**–**	**–**	**–**	**22,098.1**
Receivables and prepayments	**12,774.2**	**3,667.3**	**8,441.8**	**15,908.2**	**–**	**40,791.5**
Loans and receivable from related companies	**–**	**–**	**–**	**–**	**1,588.4**	**1,588.4**
Other assets*	**–**	**28.6**	**5,752.1**	**278.2**	**–**	**6,058.9**
Total non-derivative financial assets	**34,872.3**	**3,695.9**	**14,193.9**	**16,186.4**	**1,588.4**	**70,536.9**
Non-derivative financial liabilities						
Payables and accrued expenses	**–**	**–**	**67,092.4**	**27,359.3**	**–**	**94,451.7**
Borrowings	**8,081.4**	**36,154.6**	**4,590.6**	**35,352.4**	**3,516.4**	**87,695.4**
Lease liabilities (Note 22(c))	**–**	**–**	**5,800.9**	**–**	**43,516.4**	**49,317.3**
Other liabilities**	**6,307.1**	**–**	**4,462.8**	**–**	**–**	**10,769.9**
Total non-derivative financial liabilities	**14,388.5**	**36,154.6**	**81,946.7**	**62,711.7**	**47,032.8**	**242,234.3**
Liquidity gap at 31 March 2023	**20,483.8**	**(32,458.7)**	**(67,752.8)**	**(46,525.3)**	**(45,444.4)**	**(171,697.4)**

Guarantees amounting to KShs 292.3 million (2022: KShs 258.9 million) have been issued by the banks to various suppliers for ser vices provided to the Group (Note 33).
There are also undrawn bank facilities amounting to KShs 25.9 billion (2022: KShs 21.9 billion) that would be utilised to settle its obligations as they fall due.

Other assets includes restricted cash, deferred restricted cash assets, inventories, restricted cash-letter of credit and othe r financial assets*
*Other liabilities** includes provision for liabilities, financial guarantee for liabilities and dividend payable*

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK (CONTINUED)

GROUP

	Maturing within 1 month KShs'm	Maturing after 1 month but within 6 months KShs'm	Maturing after 6 months but within 12 months KShs'm	Maturing after 12 months but within 5 years KShs'm	Maturing after 5 years KShs'm	Total KShs'm
Non-derivative financial assets						
Cash and bank balances	30,779.6	–	–	–	–	30,779.6
Receivables and prepayments	10,551.2	2,126.0	5,696.7	7,545.3	–	25,919.2
Loans to subsidiaries	–	–	–	–	–	–
Loans and receivable from related companies	–	–	1,285.0	–	–	1,285.0
Other assets*	7.9	–	6,058.8	407.9	–	6,474.6
Total non-derivative financial assets	41,338.7	2,126.0	13,040.5	7,953.2	–	64,458.4
Non-derivative financial liabilities						
Payables and accrued expenses	–	–	33,994.2	4,330.6	–	38,324.8
Borrowings	–	25,769.7	1,380.0	29,706.5	12,444.3	69,300.5
Lease liabilities (Note 22(c))	–	–	5,641.9	–	21,495.6	27,137.5
Other liabilities**	15,427.7	–	3,183.3	–	–	18,611.0
Total non-derivative financial liabilities	15,427.7	25,769.7	44,199.4	34,037.1	33,939.9	153,373.8
Liquidity gap at 31 March 2022	25,911.0	(23,643.7)	(31,158.9)	(26,083.9)	(33,939.9)	(88,915.4)

Other assets includes restricted cash, deferred restricted cash assets, inventories, restricted cash-letter of credit and other financial assets*
*Other liabilities** includes provision for liabilities, financial guarantee for liabilities and dividend payable*

COMPANY

	Maturing within 1 month KShs'm	Maturing after 1 month but within 6 months KShs'm	Maturing after 6 months but within 12 months KShs'm	Maturing after 12 months but within 5 years KShs'm	Maturing after 5 years KShs'm	Total KShs'm
Non-derivative financial assets						
Cash and bank balances	**18,061.9**	**–**	**–**	**–**	**–**	**18,061.9**
Receivables and prepayments	**10,470.5**	**3,669.6**	**8,529.5**	**1,192.4**	**–**	**23,862.0**
Loans and receivable from related companies	**–**	**–**	**–**	**2,153.8**	**–**	**2,153.8**
Other assets*	**–**	**–**	**3,712.8**	**278.2**	**–**	**3,991.0**
Total non-derivative financial assets	**28,532.4**	**3,669.6**	**12,242.3**	**3,624.4**	**–**	**48,068.7**
Non-derivative financial liabilities						
Payables and accrued expenses	–	–	38,905.9	–	–	38,905.9
Borrowings	–	36,154.6	4,590.6	35,352.4	–	76,097.6
Lease liabilities (Note 22(c))	–	–	4,498.3	–	23,521.5	28,019.8
Other liabilities**	6,307.1	–	3,410.7	–	10,647.9	20,365.7
Total non-derivative financial liabilities	**6,307.1**	**36,154.6**	**51,405.5**	**35,352.4**	**34,169.4**	**163,389.0**
Liquidity gap at 31 March 2023	**22,225.3**	**(32,485.0)**	**(39,163.2)**	**(31,728.0)**	**(34,169.4)**	**(115,320.3)**

Other assets includes restricted cash, deferred restricted cash assets, inventories, restricted cash-letter of credit and other financial assets*
*Other liabilities** includes provision for liabilities, financial guarantee for liabilities and dividend payable*

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK (CONTINUED)

COMPANY

	Maturing within 1 month KShs'm	Maturing after 1 month but within 6 months KShs'm	Maturing after 6 months but within 12 months KShs'm	Maturing after 12 months but within 5 years KShs'm	Maturing after 5 years KShs'm	Total KShs'm
Non-derivative financial assets						
Cash and bank balances	30,779.6	–	–	–	–	30,779.6
Receivables and prepayments	10,517.3	2,143.5	13,258.4	–	–	25,919.2
Loans to subsidiaries	–	–	–	–	666.1	666.1
Loans and receivable from related companies	–	–	–	–	1,285.0	1,285.0
Other assets*	–	–	6,066.7	407.9	–	6,474.6
Total non-derivative financial assets	41,296.9	2,143.5	19,325.1	407.9	1,951.1	65,124.5
Non-derivative financial liabilities						
Payables and accrued expenses	–	–	41,204.1	–	–	41,204.1
Borrowings	–	22,938.0	1,380.0	29,706.5	12,444.3	66,468.8
Lease liabilities (Note 22(c))	–	–	5,570.6	–	20,602.7	26,173.3
Other liabilities**	15,427.7	–	3,183.3	–	10,210.6	28,821.6
Total non-derivative financial liabilities	15,427.7	22,938.0	51,338.0	29,706.5	43,257.6	162,667.8
Liquidity gap at 31 March 2022	25,869.2	(20,794.5)	(32,012.9)	(29,298.6)	(41,306.5)	(97,543.3)

Other assets includes restricted cash, deferred restricted cash assets, inventories, restricted cash-letter of credit and other financial assets*
*Other liabilities** includes provision for liabilities, financial guarantee for liabilities and dividend payable*

CAPITAL MANAGEMENT

The Group and Company's objective when managing capital is 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 levels, 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 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.

The Group maintains to operate a progressive distribution policy based on what it assess to be sustainable levels of dividend 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 Group aims to maintain the Gearing ratios within the industry standards with the optimal debt equity mix as demonstrated by the position below:

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

CAPITAL MANAGEMENT (CONTINUED)

Gearing ratio

	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Net debt – Note 31(b)	**98,783.1**	54,624.6	**77,418.4**	59,266.8
Total equity	**263,366.0**	179,700.9	**166,109.1**	144,456.4
Total capital	**362,149.1**	234,325.5	**243,527.5**	203,723.2
Gearing ratio	**27.3%**	23.3%	**31.8%**	29.1%

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, investment properties, other financial assets, 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 two reportable operating segments whose revenue is presented below:

GROUP

	31 March 2023			31 March 2022		
	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
M-PESA revenue	**117,192.2**	**–**	**117,192.2**	107,691.8	–	107,691.8
Voice revenue	**–**	**81,053.9**	**81,053.9**	–	83,211.8	83,211.8
Mobile data revenue	**–**	**53,952.4**	**53,952.4**	–	48,441.0	48,441.0
Fixed data revenue	**–**	**13,458.0**	**13,458.0**	–	11,242.5	11,242.5
Messaging revenue	**–**	**11,375.6**	**11,375.6**	–	10,876.7	10,876.7
Interconnect revenue	**–**	**5,303.5**	**5,303.5**	–	6,840.6	6,840.6
Mobile incoming	**–**	**2,805.9**	**2,805.9**	–	3,007.6	3,007.6
Other services revenues*	**–**	**10,550.8**	**10,550.8**	–	9,795.3	9,795.3
Service revenue	**117,192.2**	**178,500.1**	**295,692.3**	107,691.8	173,415.5	281,107.3
Handset revenue	**10,468.9**	**–**	**10,468.9**	12,334.7	–	12,334.7
Connection revenue	**–**	**980.9**	**980.9**	–	1,999.4	1,999.4
Total revenue	**127,661.1**	**179,481.0**	**307,142.1**	120,026.5	175,414.9	295,441.4

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

5 REVENUE (CONTINUED)

(A) REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Disaggregation of the Group's revenue from contracts with customers per geographical markets:

GROUP

	KENYA			ETHIOPIA			ELIMINATIONS	CONSOLIDATED
	KShs'm At a point in time	**KShs'm Over time**	**KShs'm Sub Total**	**KShs'm At a point in time**	**KShs'm Over time**	**KShs'm Sub Total**	**KShs'm Total**	**KShs'm Sub Total**
Service revenue	**117,117.9**	**178,063.4**	**295,181.3**	**–**	**518.9**	**518.9**	**(7.9)**	**295,692.3**
Handset revenue	**9,796.9**	**–**	**9,796.9**	**672.0**	**–**	**672.0**	**–**	**10,468.9**
Connection revenue	**–**	**976.2**	**976.2**	**–**	**4.7**	**4.7**	**–**	**980.9**
Total revenue	**126,914.8**	**179,039.6**	**305,954.4**	**672.0**	**523.6**	**1,195.6**	**(7.9)**	**307,142.1**

The geographical segments include Ethiopia. Safaricom Telecommunication Ethiopia launched its operations in Ethiopia in October 2022.

COMPANY

	31 MARCH 2023			31 MARCH 2022		
	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
M-PESA revenue	**114,359.7**	**–**	**114,359.7**	105,218.1	–	105,218.1
Voice revenue	**–**	**80,918.2**	**80,918.2**	–	83,211.8	83,211.8
Mobile data revenue	**–**	**53,596.0**	**53,596.0**	–	48,441.0	48,441.0
Fixed data revenue	**–**	**13,496.6**	**13,496.6**	–	11,242.5	11,242.5
Messaging revenue	**–**	**11,371.7**	**11,371.7**	–	10,876.7	10,876.7
Interconnect revenue	**–**	**5,302.2**	**5,302.2**	–	6,840.6	6,840.6
Mobile incoming	**–**	**2,753.8**	**2,753.8**	–	3,007.6	3,007.6
Other services revenues*	**–**	**10,008.2**	**10,008.2**	–	9,383.8	9,383.8
Service revenue	**114,359.7**	**177,446.7**	**291,806.4**	105,218.1	173,004.0	278,222.1
Handset revenue	**9,796.9**	**–**	**9,796.9**	12,334.7	–	12,334.7
Connection revenue	**–**	**976.1**	**976.1**	–	1,999.4	1,999.4
Total revenue	**124,156.6**	**178,422.8**	**302,579.4**	117,552.8	175,003.4	292,556.2

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

5 REVENUE (CONTINUED)

(B) REVENUE FROM OTHER SOURCES

	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Site rental revenue	**2,557.5**	2,193.3	**2,557.5**	2,193.3
Other income				
– Gain on disposal of property and equipment	**34.6**	47.1	**34.6**	47.1
– Dividend income	**–**	–	**4,200.0**	–
– Miscellaneous income*	**1,170.6**	396.1	**1,108.3**	1,049.3
	3,762.7	2,636.5	**7,900.4**	3,289.7

* *Miscellaneous income includes cash discounts and non-recurring revenue from partnership agreements.*

6(A) DIRECT COSTS

	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
M-PESA commissions	**(35,599.2)**	(32,546.8)	**(35,191.0)**	(32,302.5)
Airtime commissions	**(8,281.7)**	(9,420.7)	**(8,104.9)**	(9,420.7)
Licence fees	**(10,986.3)**	(10,463.5)	**(10,854.7)**	(10,363.3)
Interconnect and roaming costs	**(7,581.7)**	(8,681.3)	**(7,350.7)**	(8,681.3)
Handset costs	**(10,929.3)**	(12,392.5)	**(10,097.8)**	(12,392.5)
Customer acquisition and retention	**(11,203.2)**	(10,590.2)	**(10,699.9)**	(10,590.2)
Promotions and value-added services costs (voice and SMS)	**(5,387.8)**	(5,210.0)	**(5,363.1)**	(5,210.0)
Other direct costs	**(2,262.9)**	(2,162.8)	**(1,701.3)**	(1,653.1)
	(92,232.1)	**(91,467.8)**	**(89,363.4)**	**(90,613.6)**

6(B) EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS

	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Trade and other receivables	**(4,732.5)**	(2,348.5)	**(4,717.9)**	(2,521.8)
Loan receivables	**3.4**	(2.8)	**(217.2)**	(73.0)
Cash and cash equivalents	**3.8**	(9.9)	**9.8**	(7.9)
	(4,725.3)	(2,361.2)	**(4,925.3)**	(2,602.7)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

7 OTHER EXPENSES

	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Repairs and maintenance	**(302.1)**	(272.3)	**(274.4)**	(258.8)
Non-lease operating costs – buildings**	**(67.2)**	(107.4)	**(40.2)**	(64.6)
Non-lease operating costs – sites**	**(1,247.8)**	(760.1)	**(1,199.2)**	(752.0)
Inventory storage costs	**(319.3)**	(325.7)	**(291.1)**	(321.6)
Employee benefits expense (Note 10)	**(28,334.9)**	(22,554.1)	**(21,266.5)**	(20,118.2)
Auditor's remuneration	**(125.3)**	(62.2)	**(81.8)**	(51.2)
Sales and advertising	**(5,593.7)**	(4,380.5)	**(4,326.8)**	(4,469.5)
Consultancy and legal fees	**(966.7)**	(3,036.9)	**(75.1)**	(1,678.9)
Network operating costs	**(19,699.7)**	(14,087.7)	**(14,228.6)**	(14,050.7)
Travel and accommodation	**(1,287.9)**	(803.5)	**(462.3)**	(457.6)
Computer maintenance	**(2,968.2)**	(2,670.6)	**(2,381.1)**	(2,443.0)
Office administration	**(669.4)**	(482.0)	**(449.5)**	(440.2)
Net foreign exchange losses, other than on borrowings and cash and cash equivalents	**(2,162.9)**	(434.4)	**(1,073.8)**	(392.3)
Other operating expenses*	**(10,339.9)**	(5,209.6)	**(6,968.3)**	(4,046.9)
	(74,085.0)	(55,187.0)	**(53,118.7)**	(49,545.5)

* *Other operating expenses includes Vodafone procurement fees (Note 32(ii)), 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 lease payments. The cost is excluded from the measurements of the lease liabilities as required by IFRS 16: Leases.*

8 FINANCE INCOME

	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Interest income*	**1,563.7**	1,227.6	**1,304.9**	1,206.0
Foreign exchange gain on cash and borrowings	**2,503.7**	1,206.4	**1,091.0**	864.7
Amortisation of deferred restricted cash asset	**7.8**	(20.6)	**7.8**	(20.6)
	4,075.2	2,413.4	**2,403.7**	2,050.1

* *Interest income relates to income earned from fixed deposits. The interest income is calculated at effective interest rates.*

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

9 FINANCE COSTS

	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Interest expense	**(7,786.6)**	(3,165.4)	**(7,320.6)**	(2,986.4)
Foreign exchange losses on cash and borrowings	**(152.1)**	(2,816.6)	**(2,511.5)**	(2,961.4)
Interest on asset retirement obligation (ARO)	**(382.6)**	(379.4)	**(382.6)**	(379.4)
Interest on lease liabilities	**(2,875.9)**	(1,802.9)	**(2,238.5)**	(1,772.4)
Financial guarantee	**–**	–	**–**	(120.9)
Origination fee on credit facilities	**(1.5)**	(724.4)	**0.8**	(710.8)
Discounting adjustment on construction contract receivables*	**36.4**	36.1	**36.4**	36.1
	(11,162.3)	(8,852.6)	**(12,416.0)**	(8,895.2)

* *This adjustment is in relation to discounting of construction contract receivable (due from Government of Kenya).*

The interest expense included within finance costs relates to interest paid on borrowings and is calculated at effective interest rates.

10 EMPLOYEE BENEFITS EXPENSE

The following items are included within employee benefits expense:

	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Club membership	**(147.4)**	(35.6)	**(147.2)**	(34.6)
Employee other administrative costs	**(284.3)**	(64.6)	**(15.7)**	(64.6)
Secondees other administrative costs	**(1,173.5)**	(803.0)	**(174.8)**	(140.3)
Employee Performance Share Award Plan	**(304.4)**	(663.4)	**(304.3)**	(661.4)
Leave provision	**(10.3)**	(77.1)	**12.1**	(57.5)
NSSF	**(25.3)**	(12.9)	**(25.3)**	(12.6)
Defined pension contribution	**(886.1)**	(743.3)	**(805.2)**	(737.7)
Salaries	**(19,116.5)**	(17,110.5)	**(17,895.4)**	(16,719.0)
Secondee salaries	**(4,593.7)**	(1,237.6)	**(224.3)**	81.5
Staff medical and life insurance	**(1,793.4)**	(1,806.1)	**(1,686.4)**	(1,772.0)
	(28,334.9)	(22,554.1)	**(21,266.5)**	(20,118.2)

NUMBER OF EMPLOYEES

	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Permanent employees	**6,271**	4,631	**5,362**	4,631
Fixed-term contract employees	**392**	1,221	**345**	1,221
	6,663	5,852	**5,707**	5,852

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

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 (2022: 12.4 million shares at a cost of KShs 489.4 million). Additionally, 15.3 million shares historically valued at KShs 519.4 million (2022: 15.3 million shares valued at KShs 519.4 million) vested and were exercised by eligible staff.

The Trust currently holds 11.5 million shares at a total cost of KShs 416.2 million (2022: 11.5 million shares at a cost of KShs 416.2 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 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Current income tax	**(41,113.5)**	(39,146.8)	**(39,422.7)**	(38,706.8)
Adjustments in respect of current income tax of previous year	**(177.1)**	(12.1)	**(177.1)**	(12.1)
Deferred income tax (Note 17)	**5,194.6**	4,472.0	**5,195.6**	4,473.4
Adjustments in respect of deferred income tax of previous year	**233.6**	(30.4)	**233.6**	(30.5)
Income tax expense	**(35,862.4)**	(34,717.3)	**(34,170.6)**	(34,276.0)
Profit before income tax	**87,500.9**	102,213.4	**109,110.2**	106,065.3
Tax calculated at the applicable income tax rate of 30%	**(26,250.3)**	(30,664.0)	**(32,733.1)**	(31,819.6)
Tax effect of:				
– Income not subject to tax	**2,174.2**	283.2	**3,424.6**	1,635.0
– Expenses not deductible for tax purposes	**(4,984.1)**	(4,112.6)	**(4,918.6)**	(4,048.8)
Adjustments in respect of deferred income tax of previous year	**233.6**	(30.4)	**233.6**	(30.5)
Adjustments in respect of current income tax of previous year	**(177.1)**	(12.1)	**(177.1)**	(12.1)
Deferred tax not recognised in the year	**(6,858.7)**	(181.4)	**–**	–
Income tax expense	**(35,862.4)**	(34,717.3)	**(34,170.6)**	(34,276.0)

12(B) CURRENT INCOME TAX PAYABLE

	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
At start of year	**(5,283.3)**	(253.1)	**(5,086.3)**	(151.6)
Current income tax	**(41,113.5)**	(39,146.8)	**(39,422.7)**	(38,706.8)
Adjustments in respect of current income tax of previous year	**(177.1)**	(12.1)	**(177.1)**	(12.1)
Tax paid during the year	**45,016.7**	34,128.7	**44,493.9**	33,784.2
At 31 March	**(1,557.2)**	(5,283.3)	**(192.2)**	(5,086.3)
Current asset	**851.6**	7.9	**–**	–
Current liabilities	**(2,408.8)**	(5,291.2)	**(192.2)**	(5,086.3)
At end of year	**(1,557.2)**	(5,283.3)	**(192.2)**	(5,086.3)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

13 EARNINGS PER SHARE

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

	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Profit attributable to equity holders of the Group (KShs million)	**62,268.9**	69,648.1	**74,939.6**	71,789.3
Total number of ordinary shares in issue (million)	**40,065.4**	40,065.4	**40,065.4**	40,065.4
Basic earnings per share (KShs)	**1.6**	1.7	**1.9**	1.8
Diluted earnings per share (KShs)	**1.6**	1.7	**1.9**	1.8

There were no potentially dilutive shares outstanding as at 31 March 2023. 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 2023 and 31 March 2022	40,065.4	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 5 non-redeemable preference shares of KShs 4 each. The issued share capital comprises 40,065,428,000 (2022: 40,065,428,000) ordinar y shares with a par value of KShs 0.05 each. Share premium reserve was established on initial issuance of the Company's 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 is 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 0.58 per ordinary share (2022: KShs 0.64) amounting to KShs 23.24 billion (2022: KShs 25.64 billion) was declared. The Directors have proposed a final dividend in respect of the year ended 31 March 2023 of KShs 0.62 per ordinary share amounting to a total of KShs 24.84 billion to be approved at the Annual General Meeting (AGM) to be held on 28 July 2023. This brings the total dividend for the year to KShs 48.08 billion (2022: KShs 55.69 billion) which represents KShs 1.20 per share in respect of the year ended 31 March 2023 (2022: KShs 1.39 per share). 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

	GROUP 2023 KShs'm	GROUP 2022 KShs'm
At start of year	**12,053.9**	8,684.1
Final dividend declared	**30,049.1**	36,860.2
Interim dividend declared	**23,237.8**	25,641.9
Paid during the year	**(63,557.8)**	(59,132.3)
At end of year	**1,783.0**	12,053.9

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

16 BORROWINGS

	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
At start of year	**65,310.8**	14,772.0	**65,310.8**	14,772.0
Additions	**62,238.1**	120,564.8	**51,500.0**	120,564.8
Repayments	**(42,777.2)**	(70,026.0)	**(42,777.2)**	(70,026.0)
Foreign exchange difference	**770.6**	–	**–**	–
At end of year	**85,542.3**	65,310.8	**74,033.6**	65,310.8

SPLIT

	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Current	**43,492.3**	20,400.0	**35,500.0**	20,400.0
Non-current	**42,050.0**	44,910.8	**38,533.6**	44,910.8
At 31 March	**85,542.3**	65,310.8	**74,033.6**	65,310.8

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 loan facilities are with Kenyan banks at an average interest rate of 8%–13% (2022: average interest rate of 8%–13%). Long-ter m facilities repayment period is 7 years for the Kenya shilling denominated loan and 5 years for United States dollar and Ethiopian Birr denominated loan.

17 DEFERRED INCOME TAX

GROUP

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

	2023 KShs'm	2022 KShs'm
– Deferred income tax assets	**21,144.4**	15,152.9
– Deferred income tax liability	**(5,807.4)**	(5,244.1)
Net deferred income tax asset	**15,337.0**	9,908.8

Deferred income tax is calculated using the enacted income tax rate of 30%.

	2023 KShs'm	2022 KShs'm
At start of year	**9,908.8**	5,467.2
Credit to profit or loss (Note 12)	**5,194.6**	4,472.0
Adjustments in respect of deferred income tax of previous year (Note 12)	**233.6**	(30.4)
At end of year	**15,337.0**	9,908.8

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

17 DEFERRED INCOME TAX (CONTINUED)

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 2023	1 April 2022 KShs'm	Credit/ (charged) to SOCI KShs'm	31 March 2023 KShs'm
Deferred income tax liabilities			
Unrealised foreign exchange gains	(90.8)	(411.6)	(502.4)
Right of use assets	(5,153.3)	(153.9)	(5,307.2)
	(5,244.1)	(565.5)	(5,809.6)
Deferred income tax assets			
Unrealised foreign exchange losses	119.5	101.0	220.5
Tax losses	391.5	6,858.7	7,250.2
Property and equipment	4,738.8	3,171.4	7,910.2
Lease liabilities	5,855.0	579.0	6,434.0
Other temporary differences*	4,525.2	2,142.3	6,667.5
	15,630.0	12,852.4	28,482.4
Deferred tax asset not recognised	(477.1)	(6,858.7)	(7,335.8)
Net deferred income tax asset	**9,908.8**	**5,428.2**	**15,337.0**

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 asset	(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 liabilities	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

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

In relation to Ethiopia, Federal Income Tax Proclamation 979/2016 Article 26 allows carry forward of a maximum of two years of losses. According to the proclamation, if the determination of taxable profits results in a loss in a tax period, the loss may base off against a future taxable income, but a taxpayer is not allowed to carry a loss forward for more than 5 tax years after the end of year in which the loss was incurred.

The Group has not recognised deferred income tax asset relating to tax losses carried forward amounting to KShs 7,335.8 million (2022: KShs 477.1 million) due to lack of certainty of availability of future taxable profits against which such deductible temporary differences and tax losses could be utilised. There is no expiry date to this unrecognised asset.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

17 DEFERRED INCOME TAX (CONTINUED)

COMPANY

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

	2023 KShs'm	2022 KShs'm
– Deferred income tax assets	21,686.3	15,152.9
– Deferred income tax liability	(6,348.3)	(5,244.2)
Net deferred income tax asset	**15,338.0**	9,908.7

Deferred income tax is calculated using the enacted income tax rate of 30%.

	2023 KShs'm	2022 KShs'm
At start of year	9,908.7	5,465.8
Credit to Statement of Profit or Loss (Note 12)	5,195.6	4,473.4
Adjustments in respect of deferred income tax of previous year (Note12)	233.7	(30.5)
At end of year	**15,338.0**	9,908.7

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 2023	1 April 2022 KShs'm	Credit/ (charged) to SOCI KShs'm	31 March 2023 KShs'm
Deferred income tax liabilities			
Unrealised foreign exchange gains	(90.9)	(99.9)	(190.8)
Right of use assets	(5,153.3)	(1,004.2)	(6,157.5)
	(5,244.2)	(1,104.1)	(6,348.3)
Deferred income tax assets			
Unrealised foreign exchange losses	119.3	(409.4)	(290.1)
Property and equipment	4,741.6	3,167.5	7,909.1
Lease liabilities	5,855.0	579.1	6,434.1
Other temporary differences*	4,437.0	3,196.2	7,633.2
	15,152.9	6,533.4	21,686.3
Net deferred income tax asset	**9,908.7**	**5,429.3**	**15,338.0**

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

17 DEFERRED INCOME TAX (CONTINUED)

COMPANY (CONTINUED)

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 assets	(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 liabilities	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

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

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

18 PROPERTY AND EQUIPMENT

GROUP

	Network infra-structure KShs'm	Capital work in progress (CWIP)* KShs'm	Network mainte-nance spares KShs'm	Lease-hold improve-ments KShs'm	Vehicles and equip-ment KShs'm	Fibre KShs'm	Freehold property KShs'm	Total KShs'm
Year ended 31 March 2023								
Opening carrying amount	57,017.3	25,181.6	360.8	886.9	36,903.4	28,438.7	204.3	148,993.0
Hyperinflation adjustment (Note 35(a))	–	5,288.8	–	–	24.0	–	–	5,312.8
Additions	–	105,981.8	–	–	411.7	–	–	106,393.5
Transfers from CWIP	11,911.1	(41,885.3)	81.6	50.5	24,549.9	5,292.2	–	–
Disposal – cost	(1,625.7)	–	–	–	(3,149.9)	(2.6)	–	(4,778.2)
Asset retirement – cost	(12,056.7)	–	–	–	(10,271.1)	–	–	(22,327.8)
Asset retirement obligation (ARO) additions	1,052.1	–	–	–	–	–	–	1,052.1
Asset retirement – depreciation	12,056.7	–	–	–	10,271.1	–	–	22,327.8
Depreciation charge	(16,630.8)	–	(124.4)	(354.1)	(21,077.0)	(1,568.2)	–	(39,754.5)
Depreciation on disposals	1,620.0	–	–	–	3,148.6	0.3	–	4,768.9
Closing carrying amount	53,344.0	94,566.9	318.0	583.3	40,810.7	32,160.4	204.3	221,987.6

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

18 PROPERTY AND EQUIPMENT (CONTINUED)

GROUP

	Network infra-structure KShs'm	Capital work in progress (CWIP)* KShs'm	Network mainte-nance spares KShs'm	Lease-hold improve-ments KShs'm	Vehicles and equip-ment KShs'm	Fibre KShs'm	Freehold property KShs'm	Total KShs'm
At 31 March 2023								
Cost	252,588.4	94,566.9	1,811.4	7,986.0	149,808.4	40,787.6	204.3	547,753.0
Accumulated depreciation and impairment	(199,244.4)	–	(1,493.4)	(7,402.7)	(108,997.7)	(8,627.2)	–	(325,765.4)
Net book carrying amount	53,344.0	94,566.9	318.0	583.3	40,810.7	32,160.4	204.3	221,987.6

**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.*

Included in property and equipment are fully depreciated assets amounting to KShs 202,423.4 million (2022: KShs 203,855.1 million) which would have a notional depreciation of KShs 2,921.0 million (2022: KShs 2,557 million).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

18 PROPERTY AND EQUIPMENT (CONTINUED)

GROUP

	Network infra-structure KShs'm	Capital work in progress (CWIP)* KShs'm	Network mainte-nance spares KShs'm	Lease-hold improve-ments KShs'm	Vehicles and equip-ment KShs'm	Fibre KShs'm	Freehold property KShs'm	Total 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 differences	–	(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 infrastr ucture and fibre that had not been brought into use as at year end.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

18 PROPERTY AND EQUIPMENT (CONTINUED)

COMPANY

	Network infra-structure KShs'm	**Capital work in progress (CWIP)* KShs'm**	**Network mainte-nance spares KShs'm**	**Leasehold improve-ments KShs'm**	**Vehicles and equip-ment KShs'm**	**Fibre KShs'm**	**Freehold Property KShs'm**	**Total KShs'm**
Year ended 31 March 2023								
Opening net book amount	**57,017.3**	**14,917.7**	**360.8**	**886.9**	**36,677.0**	**28,438.7**	**204.3**	**138,502.7**
Additions	**–**	**39,866.7**	**–**	**–**	**411.7**	**–**	**3.3**	**40,281.7**
Transfers from CWIP	**11,911.1**	**(41,745.7)**	**81.6**	**50.5**	**24,410.3**	**5,292.2**	**–**	**–**
Disposal – cost	**(1,625.7)**	**–**	**–**	**–**	**(3,149.8)**	**(2.7)**	**–**	**(4,778.2)**
Asset retirement – cost	**(12,056.7)**	**–**	**–**	**–**	**(10,271.1)**	**–**	**–**	**(22,327.8)**
Depreciation charge	**(14,376.9)**	**–**	**(124.4)**	**(351.0)**	**(20,551.3)**	**(1,568.2)**	**–**	**(36,971.8)**
Asset retirement – depreciation	**12,056.7**	**–**	**–**	**–**	**10,271.1**	**–**	**–**	**22,327.8**
Depreciation on disposals	**1,620.0**	**–**	**–**	**–**	**3,148.8**	**0.3**	**–**	**4,769.1**
Closing net book amount	**54,545.8**	**13,038.7**	**318.0**	**586.4**	**40,946.7**	**32,160.3**	**207.6**	**141,803.5**
At 31 March 2023								
Cost	**251,536.3**	**13,038.7**	**1,811.4**	**7,986.0**	**149,245.1**	**40,787.5**	**207.6**	**464,612.6**
Accumulated depreciation and impairment	**(196,990.5)**	**–**	**(1,493.4)**	**(7,399.6)**	**(108,298.4)**	**(8,627.2)**	**–**	**(322,809.1)**
Net book amount	**54,545.8**	**13,038.7**	**318.0**	**586.4**	**40,946.7**	**32,160.3**	**207.6**	**141,803.5**

Capital work-in-progress largely relates to self-constructed assets not yet completed. These mostly include network infrastr ucture and fibre that had not been brought into use as at year end.

Included in property and equipment are fully depreciated assets amounting to KShs 202,423.4 million (2022: KShs 203,855.1 million) which would have a notional depreciation of KShs 2,921.0 million (2022: KShs 2,557 million).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

18 PROPERTY AND EQUIPMENT (CONTINUED)

COMPANY

	Network infra-structure 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 infrastr ucture and fibre that had not been brought into use as at year end.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

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 2023							
Opening net book amount	**1,622.5**	**613.2**	**328.6**	**–**	**–**	**–**	**2,564.3**
Amortisation charge	**(76.7)**	**(41.9)**	**(162.7)**	**–**	**–**	**–**	**(281.3)**
Closing net book amount	**1,545.8**	**571.3**	**165.9**	**–**	**–**	**–**	**2,283.0**
At 31 March 2023							
Cost	**3,253.0**	**1,534.9**	**838.3**	**–**	**–**	**–**	**5,626.2**
Accumulated amortisation	**(1,707.2)**	**(963.6)**	**(672.4)**	**–**	**–**	**–**	**(3,343.2)**
Net book amount	**1,545.8**	**571.3**	**165.9**	**–**	**–**	**–**	**2,283.0**
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 2023						
Opening net book amount	**1,622.5**	**613.2**	**328.6**	**–**	**–**	**2,564.3**
Amortisation charge	**(76.7)**	**(41.9)**	**(162.7)**	**–**	**–**	**(281.3)**
Closing net book amount	**1,545.8**	**571.3**	**165.9**	**–**	**–**	**2,283.0**
At 31 March 2023						
Cost	**3,253.0**	**1,534.9**	**838.3**	**–**	**–**	**5,626.2**
Accumulated amortisation	**(1,707.2)**	**(963.6)**	**(672.4)**	**–**	**–**	**(3,343.2)**
Net book amount	**1,545.8**	**571.3**	**165.9**	**–**	**–**	**2,283.0**
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)

FOR THE YEAR ENDED 31 MARCH 2023

20 INVESTMENT PROPERTIES (GROUP AND COMPANY)

The investment properties relate to vacant parcels of 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 proper ties or the remittance of income and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancements.

GROUP AND COMPANY

	2023 KShs'm	2022 KShs'm
At 1 April	**845.0**	845.0
Net gain from fair value adjustment	**90.0**	–
At 31 March	**935.0**	845.0

The fair value measurement of the investment property as at 31 March 2023 was performed by a registered and independent valuation firm who has 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.

Details of the Group's and Company's investment properties and information about fair value hierarchy as at 31 March 2023 and 31 March 2022 is as follows:

Non-financial asset	Fair Value as at 31 March 2023 KShs'm	Fair Value as at 31 March 2022 KShs'm	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs
Investment properties	**935.0**	845.0	Level III	Market comparison approach	**Recent sale transactions for similar properties in the neighbourhood**

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 properties would have been KShs 93.5 million lower/higher.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

21 INTANGIBLE ASSETS – NETWORK LICENCES

GROUP

	2023 KShs'm	2022 KShs'm
Opening carrying amount	**93,647.2**	8,475.5
Additions – cost	**5,143.0**	96,288.3
Hyperinflation adjustment	**52,433.0**	–
Translation difference	**7,393.4**	(9,266.6)
Derecognition – cost	**(1,673.8)**	(5,077.6)
Derecognition – amortisation	**1,673.8**	5,077.6
Amortisation charge	**(8,417.9)**	(1,850.0)
Closing carrying amount	**150,198.8**	93,647.2
Cost	**168,300.2**	105,004.5
Accumulated amortisation	**(18,101.4)**	(11,357.3)
Carrying amount	**150,198.8**	93,647.2

21 INTANGIBLE ASSETS – NETWORK LICENCES (CONTINUED)

COMPANY

	2023 KShs'm	2022 KShs'm
Opening carrying amount	**11,349.6**	8,471.5
Additions – cost	**5,143.0**	4,728.1
Derecognition – cost	**(1,673.8)**	(5,077.6)
Derecognition – amortisation	**1,673.8**	5,077.6
Amortisation charge	**(2,329.6)**	(1,850.0)
Closing carrying amount	**14,163.0**	11,349.6
Cost	**26,157.8**	22,688.6
Accumulated amortisation	**(11,994.8)**	(11,339.0)
Carrying amount	**14,163.0**	11,349.6

Derecognition represents amounts derecognised upon expiry of license.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

22 LEASES

(A) RIGHT OF USE ASSET (ROU)

GROUP

	Site KShs'm	Co-location KShs'm	Shops KShs'm	Facilities KShs'm	Secondees houses KShs'm	Equipment KShs'm	Total KShs'm
Year ended 31 March 2023							
Opening cost	7,082.9	8,270.1	806.7	2,081.5	52.8	7.6	18,301.6
Additions	5,460.5	15,809.7	337.7	1,768.8	1,071.2	–	24,447.9
Termination and revisions cost	71.2	719.9	4.5	(1,397.2)	0.7	–	(600.9)
Armortisation charge	(1,610.3)	(2,372.1)	(293.4)	(1,327.6)	(801.3)	(6.6)	(6,411.3)
Amortisation on termination and revision	23.3	(4.6)	–	1,136.4	–	–	1,155.1
Hyperinflation adjustment	(1.8)	–	(0.2)	(3.1)	(1.8)	–	(6.9)
Closing net book amount	11,025.8	22,423.0	855.3	2,258.8	321.6	1.0	36,885.5
At 31 March 2023							
Cost	15,637.6	28,078.9	1,906.4	4,802.9	1,188.5	15.8	51,630.1
Accumulated amortisation	(4,611.8)	(5,655.9)	(1,051.1)	(2,544.1)	(866.9)	(14.8)	(14,744.6)
Closing net book amount	11,025.8	22,423.0	855.3	2,258.8	321.6	1.0	36,885.5

GROUP

	Site KShs'm	Co-location 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
Armortisation charge	(1,041.4)	(1,318.4)	(259.7)	(1,014.4)	(16.3)	(6.6)	(3,656.8)
Translation differences	1.6	–	0.1	1.8	0.1	–	3.6
Amortisation on termination 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 depreciation	(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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

22 LEASES (CONTINUED)

(A) RIGHT OF USE ASSET (ROU) (CONTINUED)

COMPANY

	Site KShs'm	Co-location KShs'm	Shops KShs'm	Facilities KShs'm	Secondees houses KShs'm	Equipment KShs'm	Total KShs'm
Year ended 31 March 2023							
Opening cost	6,630.7	8,270.5	771.6	1,479.4	17.7	7.5	17,177.4
Additions	508.7	3,407.3	199.5	262.3	–	–	4,377.8
Termination and revisions cost	71.9	719.5	4.6	(1,397.3)	0.7	0.1	(600.5)
Armortisation charge	(1,086.1)	(2,005.0)	(262.9)	(1,050.2)	(8.2)	(6.6)	(4,419.0)
Amortisation on termination and revision	22.9	(4.6)	–	1,137.3	–	–	1,155.6
Closing net book amount	6,148.1	10,387.7	712.8	431.5	10.2	1.0	17,691.3
At 31 March 2023							
Cost	10,203.1	15,676.1	1,732.9	2,688.7	106.6	15.9	30,423.3
Accumulated amortisation	(4,055.0)	(5,288.4)	(1,020.1)	(2,257.2)	(96.4)	(14.9)	(12,732.9)
Closing net book amount	6,148.1	10,387.7	712.8	431.5	10.2	1.0	17,691.3

COMPANY

	Site KShs'm	Co-location 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	27.50	(1.6)	5,185.4
Termination and revisions 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)
Amortisation on termination and revision	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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

22 LEASES (CONTINUED)

(B) LEASE LIABILITIES

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

GROUP	Current KShs'm	Non-current KShs'm	Total KShs'm
Year ended 31 March 2023			
Opening balance	**5,508.4**	**14,584.9**	**20,093.3**
Additions	**2,844.2**	**13,927.2**	**16,771.4**
Interest charge	**2,875.9**	**–**	**2,875.9**
Payments	**(10,117.6)**	**–**	**(10,117.6)**
Termination and revisions	**4,274.7**	**–**	**4,274.7**
Forex revaluation	**–**	**731.1**	**731.1**
Translation reserves	**(30.7)**	**740.8**	**710.1**
Closing balance	**5,354.9**	**29,984.0**	**35,338.9**
Year ended 31 March 2022			
Opening balance	4,119.5	11,954.2	16,073.7
Additions	3,535.3	2,443.1	5,978.4
Interest charge	1,802.9	–	1,802.9
Payments	(5,154.3)	–	(5,154.3)
Termination and revisions	1,204.8	–	1,204.8
Forex revaluation	–	184.7	184.7
Translation reserves	0.3	2.9	3.2
Closing balance	5,508.5	14,584.9	20,093.4

Included in the direct costs and reported in the Statement of Profit or Loss in the period is an amount of KShs 1,549.7 million (2022: KShs 1,828.7 million) for Group and KShs 1,383.8 million (2022: KShs 1,725.5 million) for Company relating to short-term leases of less than one year which were not accounted for under IFRS 16.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

22 LEASES (CONTINUED)

(B) LEASE LIABILITIES (CONTINUED)

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

COMPANY	Current KShs'm	Non-current KShs'm	Total KShs'm
Year ended 31 March 2023			
Opening balance	**5,437.4**	**14,079.2**	**19,516.6**
Additions	**1,972.8**	**2,404.7**	**4,377.5**
Interest charge	**2,238.5**	**–**	**2,238.5**
Payments	**(5,736.6)**	**–**	**(5,736.6)**
Termination and revisions	**464.5**	**–**	**464.5**
Forex revaluation	**–**	**586.2**	**586.2**
Closing balance	**4,376.6**	**17,070.1**	**21,446.7**
Year ended 31 March 2022			
Opening balance	4,119.5	11,954.2	16,073.7
Additions	3,245.1	1,940.3	5,185.4
Interest charge	1,772.4	–	1,772.4
Payments	(4,565.9)	–	(4,565.9)
Termination and revisions	866.3	–	866.3
Forex revaluation	–	184.7	184.7
Closing balance	5,437.4	14,079.2	19,516.6

Payments split

The lease payment split is as follows:

	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Repayment of lease liabilities – principal	**8,349.1**	3,806.4	**4,001.3**	(3,220.5)
Repayment of lease liabilities – interest	**1,768.5**	1,347.9	**1,735.3**	(1,345.4)
Total payments	**10,117.6**	5,154.3	**5,736.6**	4,565.9

(C) MATURITY ANALYSIS OF UNDISCOUNTED LEASE LIABILITIES

	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Less than 1 year	**5,800.9**	5,641.9	**4,498.3**	5,570.6
Greater than 1 year	**43,516.4**	21,495.6	**23,521.5**	20,602.7
Total	**49,317.3**	27,137.5	**28,019.8**	26,173.3

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

23 INVESTMENTS

From time to time the Group invests in various entities in the form of subsidiaries, associates and joint arrangements and ventures for strategic reasons in order to achieve its 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

	2023 KShs'm	2022 KShs'm
At start of year	**59,057.8**	431.3
Additions – financial guarantees issued in the year	**838.7**	–
Additional investment – Vodafamily Ethiopia Holding Limited	**18,116.0**	58,626.5
At end of year	**78,012.5**	59,057.8

In April 2021, 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 British International Investment PLC (formerly known as CDC Group PLC) 10.9%. The intention was to bid for one of the telecommunications license in Ethiopia.

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 Government of Ethiopia. In addition, transaction fees of USD 4 million was paid to 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 (STEP), 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 STEP is 55.71%. STEP's primary purpose is to hold and operate a full-service telecommunications licence granted to GPE by the Federal Republic of Ethiopia.

The subsidiary financial position and results have been consolidated in the Group's financial statements.

Below is the contribution for Non-Controlling Interest (NCI) arising from their ownership in GPE and STEP:

Name	Non-controlling percentage	At start of year	Contribution by NCI shareholders KShs'm	Other reserve KShs'm	Loss allocated to NCI KShs'm	Totals NCI KShs'm
Vodacom Group Limited	6.19%	5,622.9	1,995.0	4,345.1	(1,367.7)	10,595.3
Sumitomo Corporation	27.20%	24,708.0	8,766.5	19,092.8	(6,010.0)	46,557.5
CDC Group PLC	10.90%	9,901.4	3,513.1	7,651.3	(2,408.4)	18,657.3
Total	44.29%	40,232.3	14,274.6	31,089.2	(9,786.1)	75,810.0

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

23 INVESTMENTS (CONTINUED)

(A) INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Company's interest in its subsidiaries was as follows:

	Year end	% interest held	2023 KShs'm	2022 KShs'm
Vodafamily Ethiopia Holding Limited	31 March	90	**77,581.2**	58,626.5
Instaconnect Limited	31 March	100	**411.2**	411.2
Safaricom Money Transfer Services Limited	31 December	100	**20.0**	20.0
DigiFarm Kenya Limited [1]	31 March	100	**0.1**	0.1
One Communications Limited and its subsidiaries* [2]	31 March	100	**–**	–
East Africa Tower Company Limited*	31 March	100	**–**	–
			78,012.5	59,057.8

[1] In October 2019, DigiFarm Kenya Limited 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 technology 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 together with East Africa Tower Company Limited were written off in the year ended 31 March 2017. The summarised financial information of Vodafamily Ethiopia Holding Limited consolidated is provided below. The subsidiary is incorporated in United Kingdom and the principal place of business is London, United Kingdom. This information is based on amounts before inter-company eliminations.
[2]The subsidiaries are Comtec Training Management Services Limited, Comtec Integrations System Limited and Flexible Bandwidth Service Limited.

Vodafamily Ethiopia Holding Limited consolidated summarised Statement of Profit or Loss and Other Comprehensive Income for year ended 31 March

	2023 KShs'm	2022 KShs'm
Total revenue	**1,834.5**	–
Total expenses	**(22,324.0)**	(5,109.2)
Loss before interest, tax, depreciation and amortisation	**(20,489.5)**	(5,109.2)
Depreciation and amortisation	**(10,767.4)**	(14.3)
Financing costs	**(1,478.0)**	(75.9)
Finance income	**212.7**	340.6
Net monetary gain (Note 35)	**10,383.1**	–
Income tax expense	**–**	–
Loss after tax	**(22,139.1)**	(4,858.8)
Other comprehensive income		
Exchange differences on translation of foreign operations	**10,260.0**	(9,536.3)
Total comprehensive income	**(11,879.1)**	(14,395.1)
Attributable to non-controlling interests	**(11,879.1)**	(5,484.5)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

23 INVESTMENTS (CONTINUED)

(A) INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Vodafamily Ethiopia Holding Limited consolidated summarised Statement of Financial Position as at 31 March

	2023 KShs'm	2022 KShs'm
Equity attributable to:		
Equity holders of parent	**106,026.4**	56,229.6
Non-controlling interest	**65,260.2**	34,609.8
Non-current liabilities	**44,841.6**	4,715.3
Total equity and non-current liabilities	**216,128.2**	95,554.7
Non-current assets	**235,461.7**	93,672.9
Current assets		
Cash and cash equivalents	**3,806.4**	2,687.6
Other current assets	**11,175.0**	3,255.9
Total current assets	**14,981.4**	5,943.5
Current liabilities	**34,314.9**	4,061.7
	216,128.2	95,554.7

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

	2023 KShs'm	2022 KShs'm
Cash flows from operating activities	**31,104.0**	148.4
Cash flows from investing activities	**(68,763.6)**	(102,002.5)
Cash flows from financing activities	**38,240.8**	104,636.1
Net increase in cash and cash equivalents	**581.2**	2,782.0
Movement in cash and cash equivalents		
At start of year	**2,687.6**	–
Net foreign exchange differences	**537.6**	(94.4)
Increase in cash and cash equivalents	**581.2**	2,782.0
Cash and cash equivalents at end of year	**3,806.4**	2,687.6

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

23 INVESTMENTS (CONTINUED)

(B) INVESTMENT IN ASSOCIATES AND JOINT VENTURES – GROUP AND COMPANY

	2023 KShs'm	2022 KShs'm
Investment in associates		
Circles Gas Limited	**–**	–
The East African Marines Systems Limited (TEAMS)	**135.6**	123.1
Total investment in associates	**135.6**	123.1
Investment in joint ventures		
M-PESA Africa Limited	**3,808.3**	3,859.0
Total investment in joint ventures	**3,808.3**	3,859.0
Total investment in associates and joint ventures	**3,943.9**	3,982.1
The movement in investment in associates and joint ventures is as follows:		
At start of year The East African Marines Systems Limited (TEAMS)	**123.1**	118.1
Share of profit from TEAMS	**12.5**	5.0
At start of year Circle Gas Limited	**–**	284.8
Share of loss from Circle Gas Limited	**–**	(284.8)
At start of year M-PESA Africa Limited	**3,859.0**	4,055.2
Share of loss from M-PESA Africa Limited	**(50.7)**	(196.2)
At end of year	**3,943.9**	3,982.1
Share of profit from The East African Marines Systems Limited (TEAMS)	**12.5**	5.0
Share of loss from Circle Gas Limited	**–**	(284.8)
Total share of profit/(loss) of associates	**12.5**	(279.8)
Share of loss from M-PESA Africa Limited	**(50.7)**	(196.2)
Total share of loss of joint venture	**(50.7)**	(196.2)

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 Limited is London, United Kingdom. Strategically, the investment in Circle Gas Limited 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 in Kenya whilst driving financial inclusion through technology by offering customers an affordable, clean energy source for cooking.

In 2022 Circle Gas Limited subsequently issued ordinary shares which were used in settlement of debt. This led to a dilution of the Safaricom's shareholding to 14.648%.

The investment in Circle Gas Limited has been treated as an investment in associate as per IAS 28.6 where the existence of significant influence by an investor is usually evidenced if one or more of the following exists:

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

Circle Gas Limited has a 31 December year end and derives its revenues from the provision of an 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. Initial Investment on Circle Gas Limited were fully written off by the reported losses. Further details are provided in Note 3(ii).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

23 INVESTMENTS (CONTINUED)

(B) INVESTMENT IN ASSOCIATES AND JOINT VENTURES – GROUP AND COMPANY (CONTINUED)

Circle Gas Limited summarised Statement of Profit or Loss and Other Comprehensive Income

	6 months ended 30 June 2022 KShs'm	12 months ended 31 December 2021 KShs'm
Revenue	**357.6**	418.9
Expenses	**(1,578.4)**	(2,508.2)
Loss before tax	**(1,220.8)**	(2,089.3)
Income tax expense	**–**	–
Loss after tax	**(1,220.8)**	(2,089.3)
Share of loss after tax	**–**	–
Share of loss of associate – reported	**–**	(284.8)
Share of loss of associate – unrecognised	**(178.8)**	(21.2)

Circle Gas Limited summarised Statement of Financial Position

	As at 30 June 2022 KShs'm	As at 31 December 2021 KShs'm
Total equity	**(2,713.3)**	(514.1)
Current liabilities	**1,511.9**	103.9
Non-current liabilities	**10,377.1**	7,435.9
Total liabilities and equity	**9,175.7**	7,025.7
Non-current assets	**6,039.7**	4,333.9
Current assets	**3,136.0**	2,691.8
Total assets	**9,175.7**	7,025.7

At the time of the report the financial statements for Circle Gas Limited as at 31 December had not been received. As such, the unaudited six months results for the associate have been incorporated in the Group's financial statements.

Included in the investment in associate is the investment of 32.5% (2022: 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 infor mation for TEAMS as at 31 March 2023, which is accounted for using the equity method.

TEAMS summarised Statement of Financial Position as at 31 March 2023

	2023 KShs'm	2022 KShs'm
Total equity	**415.7**	462.2
Current liabilities	**386.7**	189.9
Non-current liabilities	**–**	–
Total liabilities and equity	**802.4**	652.1
Non-current assets	**24.1**	4.3
Current assets	**778.3**	647.8
Total assets	**802.4**	652.1

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

23 INVESTMENTS (CONTINUED)

(B) INVESTMENT IN ASSOCIATES AND JOINT VENTURES – GROUP AND COMPANY (CONTINUED)

TEAMS summarised Statement of Profit or Loss and Other Comprehensive Income for the 9 months period ended 31 March

	2023 KShs'm	2022 KShs'm
Revenue	**49.3**	218.7
Other income	**16.1**	12.6
Total Income	**65.4**	231.3
Operating expenses	**(3.7)**	(175.5)
Administrative expenses	**(7.6)**	(27.5)
Total expenses	**54.1**	28.3
Profit before tax	**54.1**	28.3
Income tax expense	**(16.2)**	(8.1)
Profit after tax	**37.9**	20.2
Share of profit of associate reported	**12.3**	6.6
Profit/(loss) after tax for the 3 months ended 30 June (2022 and 2021)	**0.2**	(1.6)
Share of profit of associate reported	**12.5**	5.0

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 objectives of the JV is to strategically help accelerate M-PESA growth in Africa and 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. The joint venture is accounted for using equity method in these consolidated and separate financial statements. Summarised financial infor mation 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

	2023 KShs'm	2022 KShs'm
Total equity	**8,597.0**	8,756.8
Non-current liabilities		
Deferred income tax	**2,741.9**	2,909.9
Other non-current financial liabilities	**8,473.2**	3,922.2
Total non-current liabilities	**11,215.1**	6,832.1
Total equity and non-current liabilities	**19,812.1**	15,588.9
Non-current assets	**23,110.0**	18,623.5
Current assets		
Cash and cash equivalents	**2,029.8**	2,431.3
Other current assets	**1,287.1**	1,015.2
Total current assets	**3,316.9**	3,446.5
Current liabilities		
Payables and accrued expenses	**6,596.6**	3,314.3
Other current financial liabilities	**18.2**	3,166.8
Total current liabilities	**6,614.8**	6,481.1
Net current assets	**(3,297.9)**	(3,034.6)
	19,812.1	15,588.9

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

23 INVESTMENTS (CONTINUED)

(B) INVESTMENT IN ASSOCIATES AND JOINT VENTURES – GROUP AND COMPANY (CONTINUED)

M-PESA Africa Limited summarised Statement of Profit or Loss and Other Comprehensive Income for year ended

	2023 KShs'm	2022 KShs'm
Revenue	5,576.1	4,269.8
Total expenses	(3,575.0)	(2,918.2)
Profit before interest, tax, depreciation and amortisation	2,001.1	1,351.6
Depreciation and amortisation	(1,756.2)	(1,477.4)
Financing costs	(235.7)	(125.1)
Income tax expense	(110.6)	(141.6)
Loss after tax	(101.4)	(392.5)
Share of loss before tax (50%)	(50.7)	(196.3)
Share of loss from joint venture	**(50.7)**	**(196.2)**

24 INVENTORIES

	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Handsets and accessories	2,362.1	3,402.3	1,288.1	3,402.3
Scratch cards	53.7	32.6	19.4	32.6
Starter packs	1,648.7	733.1	1,215.9	733.1
Stationery and other stocks	124.4	10.3	4.4	10.3
Set top boxes	–	2.0	–	2.0
Less: Provision for obsolescence	(540.5)	(32.9)	(296.3)	(32.9)
	3,648.4	4,147.4	2,231.5	4,147.4
Farm stocks	7.2	159.4	–	–
	3,655.6	4,306.8	2,231.5	4,147.4

The cost of inventories recognised as an expense during the year was KShs 11,261.1 million (2022: KShs 14.5 million) reported under direct costs Note 6. The cost of inventories written down during the year is KShs 60.4 million (2022: Nil). This cost is included under direct costs Note 6.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

25 TRADE AND OTHER RECEIVABLES

	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Current:				
Trade receivables	24,883.3	18,373.9	22,669.6	18,177.3
Less: Allowance for expected credit losses	(10,411.2)	(6,916.9)	(9,971.6)	(6,729.9)
	14,472.1	11,457.0	12,698.0	11,447.4
Receivable from related parties (Note 32 (viii))	1,599.3	1,801.2	4,580.5	3,834.7
Less: Allowance for expected credit losses	(12.0)	(6.7)	(1,413.6)	(1,096.3)
	1,587.3	1,794.5	3,166.9	2,738.4
Other receivables*	13,296.0	6,628.0	5,146.0	4,989.7
Less: Allowance for expected credit losses	(71.7)	(117.5)	(71.7)	(117.5)
	13,224.3	6,510.5	5,074.3	4,872.2
Prepayments	11,507.8	6,157.2	2,922.8	2,945.7
	40,791.5	25,919.2	23,862.0	22,003.7

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

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

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

	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
At start of year	7,041.1	5,436.0	7,943.7	6,165.3
Provision for expected credit losses for the year				
– Trade and other receivables	5,150.3	2,874.7	5,209.3	2,770.0
– Related parties	5.3	9.3	317.3	275.2
Release of prior year provisions	(423.1)	(535.5)	(808.7)	(523.4)
Provision for expected credit losses	4,732.5	2,348.5	4,717.9	2,521.8
Receivables written off during the year as uncollectible	(1,278.9)	(942.7)	(1,204.7)	(942.7)
Recovery from third parties	0.2	199.3	–	199.3
Closing allowance for expected credit losses at year end	10,494.9	7,041.1	11,456.9	7,943.7
Provision for trade receivables	10,411.2	6,916.9	9,971.6	6,729.9
Provision for related parties	12.0	6.7	1,413.6	1,096.3
Provision for other receivables	71.7	117.5	71.7	117.5
Closing allowance for expected credit losses as at year end	10,494.9	7,041.1	11,456.9	7,943.7

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

26 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
(A) CASH AND CASH EQUIVALENTS				
Cash at bank	**22,108.5**	30,794.2	**18,063.2**	25,571.7
Allowance for expected credit losses	**(10.4)**	(14.6)	**(1.3)**	(11.1)
	22,098.1	30,779.6	**18,061.9**	25,560.6
(B) RESTRICTED CASH				
Restricted cash	**2,014.8**	2,430.8	**2,014.8**	2,430.8
Discounting adjustment at inception	**(533.4)**	(670.9)	**(533.4)**	(670.9)
	1,481.4	1,759.9	**1,481.4**	1,759.9
(C) DEFERRED RESTRICTED CASH ASSET				
Discounting adjustment at inception (Note 26(b))	**533.4**	670.9	**533.4**	670.9
Accumulated amortisation	**(255.2)**	(263.0)	**(255.2)**	(263.0)
Net deferred restricted cash asset	**278.2**	407.9	**278.2**	407.9
(D) RESTRICTED CASH ASSET MOVEMENT				
At start of year	**2,167.8**	2,540.7	**2,167.8**	2,540.7
Staff mortgage issued	**32.8**	50.0	**32.8**	50.0
Repayments	**(433.3)**	(402.3)	**(433.3)**	(402.3)
Amortisation of deferred restricted cash asset	**(7.7)**	(20.6)	**(7.7)**	(20.6)
Net deferred restricted cash asset at end of year	**1,759.5**	2,167.8	**1,759.5**	2,167.8

Restricted cash relates to deposits held with Housing Finance Group Limited, NCBA Bank Kenya PLC and KCB Bank Kenya Limited. 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 RESTRICTED CASH LETTER OF CREDIT

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
At start of year	**–**	–	**–**	–
Restricted cash-letter of credit issued	**615.1**	–	**–**	–
At end of year	**615.1**	–	**–**	–

The restricted cash-letter of credit balance relates to cash deposited by Group and held by the Bank as security to the letters of guarantee issued by the Bank to external suppliers as a guarantee for payment once goods have been delivered. As at 31 March 2023, a guarantee of KShs 615.1 million had been issued by the Bank to external suppliers.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

28 OTHER FINANCIAL ASSETS

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
At start of year	**–**	–	**–**	–
Government securities	**28.6**	–	**–**	–
At end of year	**28.6**	–	**–**	–

Safaricom Foundation invested in Government securities during the year.

29(A) PAYABLES AND ACCRUED EXPENSES

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Trade payables	**14,296.8**	6,636.6	**12,564.0**	7,264.8
Due to related companies (Note 32 (ix))	**2,304.7**	1,678.5	**817.3**	630.9
Accrued liabilities				
– Network infrastructure	**53,154.7**	11,312.5	**6,315.1**	6,711.4
– Inventory	**1,165.1**	1,892.7	**683.3**	1,817.7
– Other expenses	**15,243.5**	13,356.4	**11,315.0**	10,923.1
Other payables				
– Indirect and other taxes payable	**7,416.3**	4,330.7	**6,733.0**	4,321.9
– M-PESA agent accrual	**3,023.7**	3,107.1	**3,023.7**	3,107.1
– Other accrued expenses	**3,442.7**	3,328.7	**2,847.2**	3,281.3
	100,047.5	45,643.2	**44,298.6**	38,058.2

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Split				
Current	**72,688.2**	41,312.6	**44,298.6**	38,058.2
Non-current	**27,359.3**	4,330.6	**–**	–
At 31 March	**100,047.5**	45,643.2	**44,298.6**	38,058.2

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

29(B) PROVISIONS FOR LIABILITIES

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
At start of year	**6,557.1**	5,712.9	**6,557.1**	5,712.9
Charge for the year	**1,532.9**	1,377.4	**1,532.9**	1,377.4
Addition ARO provision	**926.0**	(286.5)	**(126.1)**	(286.5)
Payments and release for the year	**(29.1)**	(246.7)	**(29.1)**	(246.7)
At end of year	**8,986.9**	6,557.1	**7,934.8**	6,557.1
Current	**4,524.1**	3,373.8	**4,524.1**	3,373.8
Non-current	**4,462.8**	3,183.3	**3,410.7**	3,183.3
	8,986.9	6,557.1	**7,934.8**	6,557.1

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 2023.

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 agreement between parties involved. The impact of discounting on the provision is not considered to be material.

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 within the knowledge of management and has accounted for them appropriately.

Asset restoration provision (ARO)

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.

The increase in ARO provision is mainly attributed to roll out of the network by Safaricom Telecommunications Ethiopia PLC.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

30(A) CONTRACT COSTS

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Costs to fulfil a contract:				
Dealer connection commissions	**3,894.7**	2,541.6	**3,844.5**	2,541.6
SIM activation cost	**1,122.4**	548.5	**917.8**	548.5
	5,017.1	3,090.1	**4,762.3**	3,090.1
Costs to obtain a contract:				
Deferred SIM cost	**1,230.6**	1,000.1	**1,052.3**	1,000.1
Total contract cost	**6,247.7**	4,090.2	**5,814.6**	4,090.2
The movement of the contract costs is as below:				
Opening balance – 1 April	**4,090.2**	4,534.6	**4,090.2**	4,534.6
Additions in the year	**7,524.6**	6,066.1	**6,801.8**	6,066.1
Armortised costs in the year	**(5,367.1)**	(6,510.5)	**(5,077.4)**	(6,510.5)
Closing balance – 31 March	**6,247.7**	4,090.2	**5,814.6**	4,090.2
Current	**4,395.0**	2,951.5	**4,236.3**	2,951.5
Non-current	**1,852.7**	1,138.7	**1,578.3**	1,138.7
	6,247.7	4,090.2	**5,814.6**	4,090.2

30(B) CONTRACT LIABILITIES

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Customer loyalty programmes	**2,965.1**	4,509.1	**2,965.1**	4,509.1
Deferred airtime revenue	**2,598.1**	2,335.1	**2,289.1**	2,335.1
Deferred connection revenue	**1,906.0**	1,243.3	**1,838.5**	1,243.3
Deferred integrated products	**1,811.8**	1,683.3	**1,749.9**	1,683.3
Deferred Neo voice and data	**1,349.9**	1,138.3	**1,349.9**	1,138.3
Deferred fixed data	**717.7**	637.5	**717.7**	637.5
Deferred fibre and site rental revenue	**225.6**	274.7	**225.6**	274.7
Deferred bulk SMS	**152.1**	128.7	**152.1**	128.7
Deferred Visa revenues	**–**	189.8	**–**	189.8
Deferred bundled handset resources	**3.1**	0.4	**3.1**	0.4
Deferred emergency top up access fee	**3.9**	4.4	**3.9**	4.4
Deferred PRSP initial set-up fee	**0.4**	2.8	**0.4**	2.8
Deferred interest on device financing	**–**	0.7	**–**	0.7
Total contract liabilities	**11,733.7**	12,148.1	**11,295.3**	12,148.1
The movement of the contract liabilities is as below:				
Opening balance – 1 April	**12,148.1**	13,469.6	**12,148.1**	13,469.6
Additions in the year	**211,080.3**	189,898.3	**210,641.9**	189,898.3
Recognised as revenue in the year	**(211,494.7)**	(191,219.8)	**(211,494.7)**	(191,219.8)
Closing balance – 31 March	**11,733.7**	12,148.1	**11,295.3**	12,148.1
Current	**10,125.9**	10,210.6	**9,687.5**	10,210.6
Non-current	**1,607.8**	1,937.5	**1,607.8**	1,937.5
	11,733.7	12,148.1	**11,295.3**	12,148.1

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

31(A) CASH GENERATED FROM OPERATIONS

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Profit before income tax	**88,345.2**	102,213.4	**109,110.2**	106,065.3
Adjustments for:				
Hyperinflationary monetary gain	**(10,383.1)**	–	**–**	–
Interest income (Note 8)	**(1,563.7)**	(1,227.6)	**(1,304.9)**	(1,206.0)
Interest expense (Note 9)	**7,786.6**	3,165.4	**7,320.6**	2,986.4
Interest on lease liability	**2,875.9**	1,802.9	**2,238.5**	1,772.4
Depreciation on property and equipment (Note 18)	**39,754.5**	34,145.2	**36,971.8**	33,922.2
Amortisation of financial guarantee	**–**	–	**–**	120.9
Amortisation of right of use (ROU) asset (Note 22(a))	**6,411.3**	3,656.8	**4,419.0**	3,644.2
Amortisation of intangible assets (Note 21)	**8,417.9**	1,850.0	**2,329.6**	1,850.0
Share of loss from associate (Note 23(b))	**(12.5)**	279.8	**(12.5)**	279.8
Amortisation of IRUs (Note 19)	**281.3**	281.3	**281.3**	281.3
Share of loss of Joint Venture (M-PESA Africa Limited) (Note 23(b))	**50.7**	196.2	**50.7**	196.2
Fair value adjustment to investment properties (Note 20)	**(90.0)**	–	**(90.0)**	–
Gain on disposal of property and equipment (Note 5(b))	**(34.6)**	(47.1)	**(34.6)**	(47.1)
Amortisation of deferred restricted cash asset (Note 8)	**(7.8)**	20.6	**(7.8)**	20.6
Discounting adjustment on construction contract receivable	**(36.4)**	(36.1)	**(36.4)**	(36.1)
Interest on ARO liability	**382.6**	379.4	**382.6**	379.4
Gain/loss on lease termination	**(56.1)**	(8.9)	**(90.0)**	(7.1)
Revaluation of lease liability	**731.1**	184.7	**586.2**	184.7
Expected credit loss of receivables	**4,725.3**	2,351.3	**4,925.3**	2,594.8
Change in operating assets and liabilities:				
– Movement in accrual for other liabilities (Note 29(b))	**2,429.8**	751.3	**995.1**	751.3
– Movement in contract liabilities	**(414.4)**	(1,321.5)	**(852.9)**	(1,321.5)
– Movement in contract costs	**(1,946.7)**	444.4	**(1,724.5)**	444.4
– Movement in receivables and prepayments	**(10,042.5)**	(5,945.3)	**(6,537.5)**	(4,265.5)
– Movement in inventories	**651.2**	(1,819.8)	**1,916.0**	(1,706.2)
– Movement in payables and accrued expenses	**21,341.2**	2,258.3	**3,627.6**	(1,103.4)
Cash generated from operations	**159,596.8**	143,574.7	**164,463.4**	145,801.0

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

31(B) NET CASH/(DEBT) RECONCILIATION

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Net cash and cash equivalents (Note 26(a))	**22,098.1**	30,779.6	**18,061.9**	25,560.6
Borrowings (Note 16)	**(85,542.3)**	(65,310.8)	**(74,033.6)**	(65,310.8)
Lease liabilities (Note 22)	**(35,338.9)**	(20,093.4)	**(21,446.7)**	(19,516.6)
Net debt	**(98,783.1)**	(54,624.6)	**(77,418.4)**	(59,266.8)
Net cash and cash equivalents (Note 26(a))	**22,098.1**	30,779.6	**18,061.9**	25,560.6
Gross debt	**(120,881.2)**	(85,404.2)	**(95,480.3)**	(84,827.4)
Net debt	**(98,783.1)**	(54,624.6)	**(77,418.4)**	(59,266.8)

31(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 – 2023					
As at 1 April 2022	**(65,310.8)**	**(20,093.4)**	**(85,404.2)**	**30,779.6**	**(54,624.6)**
Receipts	**(62,238.1)**	**(16,771.4)**	**79,009.5**	**(9,223.4)**	**(88,232.9)**
Payments	**44,533.8**	**10,117.6**	**54,651.4**	**–**	**54,651.4**
Acquisitions and revision	**–**	**(4,274.7)**	**(4,274.7)**	**–**	**(4,274.7)**
Interest charged	**–**	**(2,793.6)**	**(2,793.6)**	**–**	**(2,793.6)**
Forex revaluation	**(770.6)**	**(731.1)**	**(1,501.7)**	**–**	**(1,501.7)**
Translation reserves	**(1,756.6)**	**(792.4)**	**(2,549.0)**	**527.3**	**(2,021.7)**
As at 31 March 2023	**(85,542.3)**	**(35,339.0)**	**(120,881.3)**	**22,083.5**	**(98,797.8)**
Net debt – 2022					
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)
As at 31 March 2022	(65,310.8)	(20,093.4)	(85,404.2)	30,779.6	(54,624.6)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

31(C) LIABILITIES FROM FINANCING ACTIVITIES AND NET DEBT (CONTINUED)

COMPANY

	Borrowings KShs'm	Lease liabilities KShs'm	Sub total KShs'm	Cash and cash equivalents KShs'm	Net debt KShs'm
Net debt – 2023					
As at 1 April 2022	**(65,310.8)**	**(19,516.6)**	**(84,827.4)**	**25,560.6**	**(59,266.8)**
Receipts	**(51,500.0)**	**(4,377.5)**	**(55,877.5)**	**(1.3)**	**(55,878.8)**
Payments	**42,777.2**	**5,736.6**	**48,513.8**	**–**	**48,513.8**
Acquisitions and revision	**–**	**(464.5)**	**(464.5)**	**–**	**(464.5)**
Interest charged	**–**	**(2,238.5)**	**(2,238.5)**	**–**	**(2,238.5)**
Forex revaluation	**–**	**(586.2)**	**(586.2)**	**–**	**(586.2)**
Translation Reserves	**–**	**–**	**–**	**–**	**–**
As at 31 March 2023	**(74,033.6)**	**(21,446.7)**	**(95,480.3)**	**25,559.3**	**(69,921.0)**
Net debt – 2022					
As at 1 April 2021	(14,772.0)	(16,073.7)	(30,845.7)	26,035.9	(4,809.8)
Receipts	(120,564.8)	(5,185.3)	(125,750.1)	(475.3)	(126,225.4)
Payments	70,026.0	4,565.9	74,591.9	–	74,591.9
Acquisitions and revision	–	(866.4)	(866.4)	–	(866.4)
Interest charged	–	(1,772.4)	(1,772.4)	–	(1,772.4)
Forex revaluation	–	(184.7)	(184.7)	–	(184.7)
As at 31 March 2022	(65,310.8)	(19,516.6)	(84,827.4)	25,560.6	(59,266.8)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

32 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(f).

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 (6 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

32 RELATED PARTY TRANSACTIONS (CONTINUED)

The following relationships exist within Safaricom PLC:

		PERCENTAGE OF INTEREST HELD AS AT	
		March 2023	March 2022
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**	90%–1share
Global Partnership for Ethiopia B.V	Vodafamily Ethiopia Holding Company Limited	**61.9% (Safaricom indirectly owns 55.71%)**	61.9% (Safaricom indirectly owns 55.71%)
Safaricom Telecommunications Ethiopia PLC (STEP)	Global Partnership for Ethiopia B.V (GPE)	**100 % (Safaricom indirectly owns 55.71%)**	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%**	14.648%
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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(I) SALE OF GOODS AND SERVICES

The following transactions were carried out with related parties:

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Other related parties				
Vodafone Roaming Services S.à r.l	**79.7**	69.5	**79.7**	69.5
Vodacom Tanzania Public Limited Company	**40.6**	49.6	**40.6**	49.6
M-PESA Holding Co. Limited	**106,362.2**	96,826.8	**106,361.5**	96,826.8
Vodafone Group Enterprises	**–**	95.7	**–**	95.7
Vodacom (Pty) Limited	**440.8**	508.7	**440.8**	508.7
Vodacom Business (Kenya) Limited	**16.2**	13.5	**16.2**	13.5
Vodafone Egypt Telecom. S.A.E.	**1.3**	10.3	**1.3**	10.3
Vodafone Network PTY Limited	**1.6**	0.6	**1.6**	0.6
Vodafone Sverige AB	**0.5**	0.4	**0.5**	0.4
Vodafone Qatar Q.S.C.	**2.2**	0.7	**2.2**	0.7
Vodafone Group Services Limited	**42.5**	–	**42.5**	–
Vodafone Malta	**0.4**	–	**0.4**	–
Vodafone Enterprise Global Limited	**194.6**	292.9	**194.6**	292.9
Vodafone Ghana	**–**	9.2	**–**	9.2
Vodafone DRC Congo	**–**	0.3	**–**	0.3
Vodafone US Inc.	**8.7**	9.2	**8.7**	9.2
Vodacom Group Limited	**118.4**	35.7	**118.4**	35.7
Vodafone Sales & Services Limited	**47.9**	–	**47.9**	–
Joint venture				
M-PESA Africa Limited	**929.4**	628.0	**929.4**	628.0
Subsidiaries				
Safaricom Money Transfer Services Limited	**–**	–	**876.2**	810.8
DigiFarm Kenya Limited	**–**	–	**202.0**	251.4
Global Partnership for Ethiopia B.V	**–**	–	**60.9**	124.6
Instaconnect Limited	**–**	–	**0.1**	–
Safaricom Telecommunication Ethiopia PLC	**–**	–	**1,435.1**	725.7
Safaricom Foundation	**–**	–	**81.0**	–
One Communications Limited	**–**	–	**3.2**	–
	108,287.0	98,551.1	**110,944.8**	100,463.6

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(II) PURCHASE OF GOODS AND SERVICES

	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Other related parties				
Vodafone Sales and Services Limited	**1,657.4**	2,416.9	**1,657.4**	2,416.9
Vodafone Global Enterpise Limited	**214.5**	–	**214.5**	–
Vodafone Roaming Services S.à r.l	**220.2**	151.5	**205.2**	151.5
Vodafone UK	**195.6**	642.3	**135.0**	148.1
Vodacom South Africa Limited	**–**	57.1	**–**	57.1
Vodacom Tanzania Public Limited Company	**209.7**	217.8	**176.2**	217.8
Vodacom Service Provider Company (Pty) Ltd	**37.3**	–	**37.3**	–
Vodafone Egypt Telecom. S.A.E.	**0.9**	2.8	**0.9**	2.8
Vodafone Network (Pty) Limited	**2.1**	1.6	**2.1**	1.6
Vodafone Qatar Q.S.C.	**53.0**	86.8	**53.0**	86.8
Vodacom Group Ltd	**103.2**	552.6	**–**	250.7
Vodacom International	**146.9**	–	**–**	–
Vodafone Innovus S.A.	**14.1**	23.4	**14.1**	23.4
Vodacom Business (Kenya) Limited	**65.7**	28.5	**34.1**	–
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 Da ğitlm	**–**	2.3	**–**	2.3
Iot Nxt (Pty) Limited	**2.1**	418.3	**2.1**	418.3
Sendy Office	**14.5**	15.3	**14.5**	15.3
Eneza Education Ltd	**–**	67.3	**–**	67.3
Mtc Vodafone Bahrain	**1.9**	–	**1.9**	–
The East African Marine System Limited	**113.3**	103.2	**113.3**	103.2
Sumitomo Corporation Group	**368.5**	179.0	**–**	–
Vodafone Foundation	**–**	–	**–**	–
Vodafone Malta	**0.1**	–	**0.1**	–
Vodafone Sverige Ab	**–**	–	**0.0**	–
Vodafone Mobile Services Limited	**0.2**	–	**0.2**	–
Vodafone Procurement Company S.A.RI.	**1,765.7**	1,152.6	**–**	–
Vodafone Group Services Ltd	**747.6**	–	**–**	–
Vodacom Lesotho Proprietary Limited	**21.0**	–	**–**	–
Vodacom Mocambique S.A.	**46.2**	–	**–**	–
Vodacom Congo (RDC) S.A.	**30.4**	–	**–**	–
Vodacom Proprietary Limited	**126.7**	–	**–**	–
Vodafone Ghana Limited	**22.8**	–	**–**	–

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(II) PURCHASE OF GOODS AND SERVICES (CONTINUED)

	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Joint venture				
M-PESA Africa Limited	**2,126.9**	1,956.4	**2,126.9**	1,956.4
Subsidiary				
Safaricom Foundation	**–**	–	**90.0**	–
Safaricom Money Transfer Services Limited	**–**	–	**761.3**	459.6
DigiFarm Kenya Limited	**–**	–	**5.9**	4.3
Comtec Integrated Services Limited	**–**	–	**–**	4.3
Safaricom Telecommunication Ethiopia PLC	**–**	–	**8.0**	–
	8,308.5	8,083.1	**5,654.0**	6,395.1

(III) DIRECTORS' REMUNERATION

	GROUP AND COMPANY 2023 KShs'm	GROUP AND COMPANY 2022 KShs'm
Fees for services as Director	**90.3**	92.4
Salaries	**153.2**	142.9
Bonuses	**235.9**	192.7
Value for non-cash benefits	**54.6**	43.5
	534.0	471.5

(IV) KEY MANAGEMENT COMPENSATION

	GROUP AND COMPANY 2023 KShs'm	GROUP AND COMPANY 2022 KShs'm
Salaries and other short-term employment benefits	**661.4**	505.7
Employee Performance Share Award Plan	**38.2**	109.8
Pension contribution	**26.8**	27.0
Termination benefits	**47.8**	87.0
	774.2	729.5

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 2023 (2022: Nil).

(VI) LOANS TO DIRECTORS OF THE COMPANY

There are no loans to Directors of the Company as at 31 March 2023 (2022: Nil).

(VII) DONATIONS TO SAFARICOM FOUNDATION

Donations made during the year amounted to KShs 588 million in March (2022: KShs 510 million).

FINANCIAL STATEMENTS

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(VIII) OUTSTANDING RECEIVABLE BALANCES ARISING FROM SALE OF GOODS/SERVICES

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Other related parties				
Vodafone Roaming Services S.à r.l	**11.4**	–	**11.4**	–
Vodafone Group Enterprises	**–**	45.2	**–**	44.2
M-PESA Holding Co. Limited	**1,124.2**	1,160.9	**1,124.2**	990.4
Vodacom Tanzania Public Limited Company	**–**	3.1	**–**	3.1
Vodacom South Africa Limited	**–**	85.7	**–**	85.7
Vodafone US Inc.	**0.9**	1.6	**0.9**	1.6
Vodafone UK	**–**	25.7	**–**	25.7
Vodacom Business (Kenya) Limited	**22.8**	8.3	**5.1**	8.3
Vodafone Egypt Telecom. S.A.E.	**16.4**	8.6	**16.4**	8.6
Vodafone Group Services Limited	**61.7**	1.2	**61.7**	1.2
Vodafone Ghana	**0.4**	0.4	**0.4**	0.4
Vodafone Qatar Q.S.C.	**0.1**	–	**0.1**	–
Vodafone Sverige Ab	**–**	0.1	**–**	0.1
Vodacom Group Limited	**111.4**	37.0	**111.4**	37.0
Vodafone DRC Congo	**0.3**	0.3	**0.3**	0.3
Vodafone Malta	**0.1**	–	**0.1**	–
Vodacom (Pty) Limited	**37.2**	–	**37.2**	–
Vodafone Network PTY Limited	**0.2**	–	**0.2**	–
Vodafone Sverige AB	**0.2**	–	**0.2**	–
Telecel Vodafone S.A.	**–**	1.5	**–**	1.5
Vodafone Sales and Services Limited	**55.6**	–	**55.6**	–
Joint venture				
M-PESA Africa Limited	**156.4**	421.6	**156.4**	421.6
Subsidiaries				
East African Towers Company Limited	**–**	–	**16.0**	16.0
One Communications Limited	**–**	–	**3.2**	–
Instaconnect Limited	**–**	–	**90.1**	90.1
Safaricom Money Transfer Services Limited	**–**	–	**38.1**	93.4
Safaricom Telecommunication Ethiopia PLC	**–**	–	**1,486.9**	725.7
Global Partnership for Ethiopia B.V	**–**	–	**–**	124.6
DigiFarm Kenya Limited	**–**	–	**1,363.1**	1,153.0
Safaricom Foundation	**–**	–	**1.5**	0.9
Vodafamily Ethiopia Holding Company Limited	**–**	–	**–**	1.3
	1,599.3	1,801.2	**4,580.5**	3,834.7

The receivables arise mainly from trading, are unsecured and bear no interest. An allowance of KShs 12.0 million and KShs 1,413.6 million for the Group and Company respectively (2022: KShs 6.7 million and KShs 1,096.3 million for the Group and Company respectively) is held against receivables from related parties as indicated in Note 25.

FOR THE YEAR ENDED 31 MARCH 2023

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(IX) OUTSTANDING PAYABLE BALANCES ARISING FROM PURCHASES OF GOODS/SERVICES

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Other related parties				
Vodafone Sales and Services Limited	**163.1**	151.6	**163.1**	151.6
Vodafone Roaming Services S.à r.l	**–**	28.5	**–**	28.5
Vodacom Tanzania Public Limited Company	**63.0**	29.8	**13.4**	29.8
Vodacom South Africa Limited	**–**	3.1	**–**	3.1
Vodafone Group Services Limited	**385.1**	–	**–**	–
Vodafone UK	**44.7**	535.2	**44.7**	40.9
Vodafone Sverige AB	**–**	0.3	**–**	0.3
Vodafone Qatar Q.S.C.	**3.4**	7.9	**3.4**	7.9
Vodafone Egypt Telecom. S.A.E.	**–**	0.3	**–**	0.3
Vodacom Business (Kenya) Limited	**16.7**	18.8	**–**	–
MTC Vodafone Bahrain	**0.1**	–	**0.1**	–
M-PESA Holding Co. Limited	**3.3**	–	**–**	–
Vodacom Mocambique S.A.	**68.1**	0.1	**–**	0.1
Vodafone Network (Pty) Limited	**0.2**	1.1	**0.2**	1.1
Vodafone Malta	**–**	0.2	**–**	0.2
Vodacom Mobile Services Limited	**–**	0.1	**–**	0.1
Vodafone Services LLC Oman	**–**	0.2	**–**	0.2
Vodafone Hungary Limited	**–**	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 Limited	**219.1**	652.9	**–**	–
Sumitomo Corporation Group	**506.2**	179.0	**–**	–
Vodacom Proprietary Limited	**188.8**	–	**–**	–
CDC Group	**–**	7.8	**–**	–
Vodafone Ghana Limited	**29.4**	–	**–**	–
Vodacom Lesotho Proprietary Limited	**18.6**	–	**–**	–
Vodacom International Limited	**259.9**	–	**–**	–
Vodacom Service Provider Company (Pty) Ltd	**4.9**	–	**4.9**	–
Vodacom Congo (RDC) S.A.	**44.5**	–	**–**	–
Sendy Limited	**3.1**	–	**3.1**	–
Vodacom Pty Limited South Africa	**37.2**	–	**37.2**	–
Joint ventures				
M-PESA Africa Limited	**245.3**	38.4	**245.3**	38.4
Subsidiaries				
One Communications Limited	**–**	–	**299.0**	299.0
Safaricom Money Transfer Services Limited	**–**	–	**–**	1.9
DigiFarm Kenya Limited	**–**	–	**1.1**	–
Comtec Integrated Services Limited	**–**	–	**–**	4.3
Safaricom Telecommunication Ethiopia PLC	**–**	–	**1.8**	–
	2,304.7	1,678.5	**817.3**	630.9

The payables arise mainly from trading, are unsecured and bear no interest.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(X) LOAN TO RELATED COMPANIES

The Group has a 50% shareholding in M-PESA Africa Limited 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 capital expenditure activities. The facility has a principal and interest repayment moratorium 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, RELATED COMPANY

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
At start of year	**1,285.0**	1,287.8	**1,285.0**	1,287.8
Additions in the year	**300.0**	–	**300.0**	–
Allowance for expected credit losses	**3.4**	(2.8)	**3.4**	(2.8)
At end of year	**1,588.4**	1,285.0	**1,588.4**	1,285.0

X(B) LOAN RECEIVABLE FROM DIGIFARM KENYA LIMITED, SUBSIDIARY

	COMPANY	
	2023 KShs'm	2022 KShs'm
At start of year	**666.1**	236.2
Additions in the year	**120.0**	500.0
Less: Allowance for expected credit losses	**(220.6)**	(70.1)
At end of year	**565.5**	666.1

(XI) FINANCIAL GUARANTEES

The Group has issued parental guarantees to Safaricom Telecommunication Ethiopia PLC vendors (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. There are no restrictions on title, property and equipment of the Group.

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 3 two-year Kenyan treasury bonds yield.
As at 31 March 2023, the Company had recognised KShs 960.4 million in relation to parental guarantee (2022: KShs 120.9 million).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

33 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 2023, a guarantee of KShs 25 million (2022: 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 291.3 million (2022: KShs 258.9 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.

34 COMMITMENTS

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

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Property and equipment	**42,147.0**	36,420.4	**11,785.8**	9,310.9

35(A) GAIN ON MONETARY POSITION

The consumer price indices (CPI) used in the restatement of the balances are indicated on the table below:

Month	**Consumer price index**
Opening CPI – April 2022	**273.1**
Closing CPI – March 2023	**358.6**
Movement	**(85.5)**

The financial statements have been adjusted for the effects of inflation for Safaricom Telecommunication Ethiopia PLC as the Ethiopian economy has been declared hyperinflationary on or after 31 December 2022.

The gain in monetary position as a result of translating the financial statements as at 31 March 2023 was KShs 10,383.1 million.

Management has restated all balance sheet amounts that are not expressed in terms of the measuring unit current at the balance sheet date. Monetary items were not restated, because they represent money held, to be received or to be paid. Monetary items are therefore already expressed in current purchasing power at the reporting date.

	GROUP		
	Monetary *ETB'm	**Non-monetary *ETB--'m**	**Total *ETB'm**
Assets	**6,449.7**	**97,254.3**	**103,704.0**
Liabilities	**(32,098.0)**	**(179.2)**	**(32,277.2)**
	(25,648.3)	**97,075.1**	**71,426.8**
Equity			**82,454.5**
Retained earnings			**(15,272.8)**
			67,181.7
Net monetary gain ETB			**4,245.1**
Exchange rate (USD/KShs)			**132.5**
Exchange rate (USD/ETB)			**54.2**
Exchange rate (ETB/KShs)			**2.4459**
Net hyperinflationary monetary gain (KShs)			**10,383.1**

Ethiopian Birr (ETB) is the national currency of the Federal Democratic Republic of Ethiopia.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

35(B) IMPACT OF INITIAL APPLICATION OF IAS 29

The Directors have applied IAS 29 Reporting in Hyperinflationary Economies to account for the results of the Company's subsidiary, Safaricom Telecommunication Ethiopia PLC. The resultant impact on the Group's opening total equity and other reserves is as follows:

	GROUP			
	Retained earnings KShs'm	***Other reserves KShs'm**	**Non-controlling interest KShs'm**	**Total KShs'm**
Balance as at 31 March 2022	**110,528.9**	**(5,312.7)**	**40,232.3**	
Impact of initial application of IAS 29 attributable to:				
– Intangible assets (Note 21)	**–**	**33,329.3**	**26,497.2**	**59,826.5**
– Right of use assets (Note 22)	**–**	**(3.8)**	**(3.1)**	**(6.9)**
– Property and equipment (Note 18)	**–**	**2,959.8**	**2,353.0**	**5,312.8**
– Retained earnings	**(2,895.8)**	**–**	**(2,302.2)**	**(5,198)**
Total	**(2,895.8)**	**36,285.30**	**26,544.9**	**59,934.4**
Restated as at 1 April 2022	**107,633.1**	**30,972.60**	**66,777.2**	

36 SEGMENT INFORMATION

The following tables present revenue and profit information for the Group's operating segments for the period ended 31 March 2023.

	GROUP				
	Kenya KShs'm	**Ethiopia KShs'm**	**Total segments KShs'm**	**Eliminations KShs'm**	**Consolidated KShs'm**
Revenue from contracts with customers	**305,954.4**	**1,195.6**	**307,150.0**	**(7.9)**	**307,142.1**
Revenue from other sources	**3,167.2**	**595.5**	**3,762.7**	**–**	**3,762.7**
Total revenue	**309,121.6**	**1,791.1**	**310,912.7**	**(7.9)**	**310,904.8**
Direct costs	**(90,441.6)**	**(1,798.4)**	**(92,240.0)**	**7.9**	**(92,232.1)**
Expected credit losses on financial assets	**(4,720.2)**	**(5.1)**	**(4,725.3)**	**–**	**(4,725.3)**
Other expenses	**(53,608.0)**	**(20,477.0)**	**(74,085.0)**	**–**	**(74,085.0)**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**160,351.8**	**(20,489.4)**	**139,862.4**	**–**	**139,862.4**
Depreciation – property and equipment	**(37,067.7)**	**(2,686.8)**	**(39,754.5)**	**–**	**(39,754.5)**
Amortisation – indefeasible rights of use (IRUs)	**(281.3)**	**–**	**(281.3)**	**–**	**(281.3)**
Amortisation – intangible assets	**(2,329.6)**	**(6,088.3)**	**(8,417.9)**	**–**	**(8,417.9)**
Amortisation – right-of-use assets (ROU)	**(4,419.0)**	**(1,992.3)**	**(6,411.3)**	**–**	**(6,411.3)**
Operating profit/(loss)	**116,254.2**	**(31,256.8)**	**84,997.4**	**–**	**84,997.4**
Finance income	**3,862.5**	**212.7**	**4,075.2**	**–**	**4,075.2**
Finance costs	**(9,805.2)**	**(1,478.0)**	**(11,283.2)**	**120.9**	**(11,162.3)**
Fair value adjustment to investment properties	**90.0**	**–**	**90.0**	**–**	**90.0**
Share of profit of associates and joint ventures	**12.5**	**–**	**12.5**	**–**	**12.5**
Share of loss of joint venture	**(50.7)**	**–**	**(50.7)**	**–**	**(50.7)**
Hyperinflationary monetary gain	**–**	**10,383.1**	**10,383.1**	**–**	**10,383.1**
Profit/(loss) before income tax	**110,363.3**	**(22,139.0)**	**88,224.3**	**120.9**	**88,345.2**
Income tax expense	**(35,862.4)**	**–**	**(35,862.4)**	**–**	**(35,862.4)**
Profit/(loss) for the year	**74,500.9**	**(22,139.0)**	**52,361.9**	**120.9**	**52,482.8**

There is no single customer with revenue above 10% (2022: None).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

36 SEGMENT INFORMATION (CONTINUED)

The following tables present revenue and profit information for the Group's operating segments for the period ended 31 March 2022.

	GROUP				
	Kenya KShs'm	Ethiopia KShs'm	Total segments KShs'm	Eliminations KShs'm	Consolidated KShs'm
Revenue from contracts with customers	295,441.4	–	295,441.4	–	295,441.4
Revenue from other sources	2,636.5	–	2,636.5	–	2,636.5
Total revenue	298,077.9	–	298,077.9	–	298,077.9
Direct costs	(91,467.8)	–	(91,467.8)	–	(91,467.8)
Expected credit losses on financial assets	(2,361.2)	–	(2,361.2)	–	(2,361.2)
Other expenses	(50,077.8)	(5,109.2)	(55,187.0)	–	(55,187.0)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	154,171.1	(5,109.2)	149,061.9	–	149,061.9
Depreciation – property and equipment	(34,143.4)	(1.8)	(34,145.2)	–	(34,145.2)
Amortisation – indefeasible rights of use (IRUs)	(281.3)	–	(281.3)	–	(281.3)
Amortisation – intangible assets	(1,850.0)	–	(1,850.0)	–	(1,850.0)
Amortisation – right-of-use (RoU) assets	(3,644.3)	(12.5)	(3,656.8)	–	(3,656.8)
Operating profit/(loss)	114,252.1	(5,123.5)	109,128.6	–	109,128.6
Finance income	2,072.8	340.6	2,413.4	–	2,413.4
Finance costs	(8,776.7)	(75.9)	(8,852.6)	–	(8,852.6)
Share of loss of associates and joint ventures	(476.0)	–	(476.0)	–	(476.0)
Profit/(loss) before income tax	107,072.2	(4,858.8)	102,213.4	–	102,213.4
Income tax expense	(34,717.3)	–	(34,717.3)	–	(34,717.3)
Profit/(loss) for the year	72,354.9	(4,858.8)	67,496.1	–	67,496.1

The following tables present asset and liabilities information for the Group's operating segments as at 31 March 2022 and 31 March 2023.

	GROUP				
	Kenya KShs'm	**Ethiopia KShs'm**	**Total segments KShs'm**	**Eliminations KShs'm**	**Consolidated KShs'm**
Total assets					
31 March 2023	**261,188.9**	**250,443.2**	**511,632.1**	**(2,425.1)**	**509,207.0**
31 March 2022	**306,660.5**	**99,616.4**	**406,276.9**	**(59,478.3)**	**346,798.6**
Total liabilities					
31 March 2023	**(169,230.5)**	**(79,156.6)**	**(248,387.1)**	**2,546.0**	**(245,841.1)**
31 March 2022	**(159,172.4)**	**(8,777.0)**	**(167,949.4)**	**851.7**	**(167,097.7)**
Equity and reserves					
31 March 2023	**(91,958.4)**	**(171,286.6)**	**(263,245.0)**	**(120.9)**	**(263,365.9)**
31 March 2022	**(147,488.1)**	**(90,839.4)**	**(238,327.5)**	**58,626.6**	**(179,700.9)**

The geographical segments include Ethiopia. Safaricom Telecommunication Ethiopia launched its operations in Ethiopia in October 2022.

37 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 2023 and the date of authorisation of these consolidated and separate annual report and financial statements.

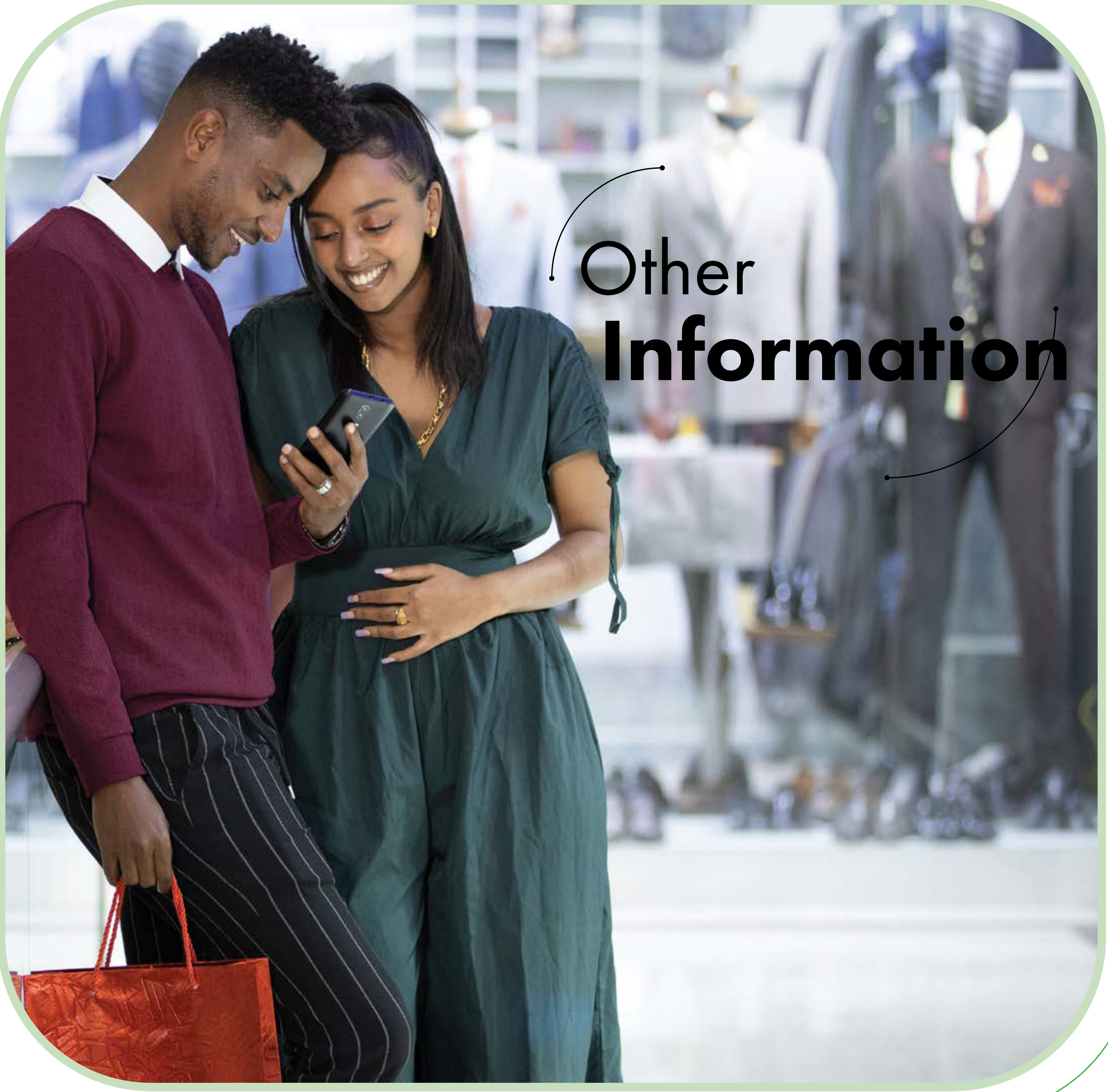
Appendix 1 – principal shareholders

The 10 largest shareholders in the Company (ordinary shares only) and the respective number of shares held as at 31 March 2023 were as follows:

	Name of shareholder	Number of shares
1	VODAFONE KENYA LIMITED	16,000,000,000
2	CABINET SECRETARY TO THE NATIONAL TREASURY	14,022,572,580
3	KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 1019D	330,463,100
4	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE19796	269,131,800
5	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE004667	251,379,206
6	STANBIC NOMINEES LIMITED A/C NR1031458	233,129,100
7	KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 915B	216,664,886
8	STANBIC NOMINEES LIMITED R6631578	178,185,153
9	STANBIC NOMINEES LIMITED A/C NR1030824	174,528,200
10	STANDARD CHARTERED NOMINEES RESD A/C KE11443	134,458,207
11	OTHERS	8,254,915,768
Total		**40,065,428,000**

DISTRIBUTION OF SHAREHOLDERS

Range (number of shares)	Number of shareholders	Number of shares	% Shareholding
1 – 1,000	351,675	207,661,310	0.52%
1,001 – 10,000	161,677	461,523,173	1.15%
10,001 – 100,000	18,868	481,828,608	1.20%
100,001 – 1,000,000	1,817	487,211,862	1.22%
1,000,001 – 10,000,000	480	1,586,709,276	3.96%
10,000,001 – 100,000,000	187	4,514,115,995	11.27%
100,000,001 – 1,000,000,000	13	2,303,805,196	5.75%
1,000,000,001 – 100,000,000,000	2	30,022,572,580	74.93%
Total	**534,719**	**40,065,428,000**	**100.00%**



Other Information

Notice and Agenda of the 2023 Annual General Meeting (AGM) (continued)

NOTES ON THE ANNUAL GENERAL MEETING (AGM)

1) Safaricom PLC has convened and is conducting this virtual annual general meeting in line with the provisions of the Company's Articles of Association.

2) Shareholders wishing to participate in the meeting should register for the AGM by doing the following: -

   a) Dialing *717# for Safaricom telephone networks, *483*903# for all Kenyan telephone networks, *284*280# for Ugandan telephone networks, *149*46*24# for Tanzania networks, *801*40# for Rwanda networks, *120*6210*10# for South Africa networks and *384*6# for Zambia networks and following the various registration prompts; or

   b) Send an email request to be registered to safaricomshares@image.co.ke

   c) Shareholders with email addresses will receive a registration link via email through which they can use to register.

   In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number at hand. For assistance shareholders should dial the following helpline number: (+254) 709 170 041 from 9:00 a.m. to 3:00 p.m. from Monday to Friday. Any shareholder outside Kenya should dial the helpline number to be assisted to register.

3) Registration for the AGM opens on Wednesday, 5 July 2023 at 9:00 am and will close on Wednesday, 26 July 2023 at 11:00 am.

4) In accordance with Section 283 (2) (c) of the Companies Act, the following documents may be viewed on the Company's website www.safaricom.co.ke (i) a copy of this Notice and the proxy form; (ii) the Company's audited financial statements for the year ended 31 March 2023.

   The reports may also be accessed upon request by dialing the USSD code above and selecting the Reports option. The reports and agenda can also be accessed on the livestream link.

5) Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:

   a) Sending their written questions by email to agmquestions@image.co.ke; or

   b) Shareholders who will have registered to participate in the meeting shall be able to ask questions via SMS by dialing the USSD code above and selecting the option (ask Question) on the prompts; or

   c) To the extent possible, physically delivering their written questions with a return physical address or email address to the registered office of the Company at Safaricom House, or to Image Registrars offices at 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street; or

   d) Sending their written questions with a return physical address or email address by registered post to the Company Registrars address: Image Registrars, P O Box 9287, 00100 Nairobi.

   Shareholders must provide their full details (full names, ID/Passport Number/CDSC Account Number) when submitting their questions and clarifications.

   Questions and/or clarifications must reach the Company on or before Wednesday, 26 July 2023 at 11:00 am. Some questions will also be responded to at the Annual General Meeting.

   Following receipt of the questions and clarifications, the directors of the Company shall provide written responses to the questions received to the return physical address or email address provided by the Shareholder no later than 12 hours before the start of the general meeting. A full list of all questions received and the answers thereto will be published on the Company's website not later than 12 hours before the start of the Annual General Meeting.

6) In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf.

   A proxy need not be a shareholder of the Company. If the Proxy appointed is not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone.

   A proxy form is available on the Company's website via this link: www.safaricom.co.ke. Physical copies of the proxy form are also available at Safaricom House, Waiyaki Way, Westlands, Nairobi, or from any of the Safaricom Shops countrywide or from Image Registrars Limited offices, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street.

   A proxy must be signed by the appointor or his attorney duly authorised in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under its common seal or under the hand of an officer or duly authorised attorney of such body corporate.

   A completed form of proxy should be emailed to info@image.co.ke or delivered to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287 – 00100 GPO, Nairobi, so as to be received not later than 48 hours before the time of holding the meeting i.e. Wednesday, 26 July 2023 at 11:00 a.m. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than Wednesday, 26 July 2023 at 11:00 a.m. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than Thursday, 27 July 2023 to allow time to address any issues.

7) The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the general meeting. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent one hour ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hours' time and providing a link to the live stream.

8) Duly registered shareholders and proxies may follow the proceedings of the AGM using the live stream platform and may access the agenda. Duly registered shareholders and proxies may vote (when prompted by the Chairman) via the USSD prompts.

9) Duly registered shareholders and proxies may vote (when prompted by the Chairman) via the USSD prompts. A poll shall be conducted for all the resolutions put forward in the notice.

10) Results of the poll shall be published within 48 hours following conclusion of the AGM, in two newspapers of national circulation and on the Company's website.

11) The preferred method of paying dividends which are below KShs 150,000/- is through M-PESA. Shareholders who wish to receive their dividend through M-PESA and who have not registered for this mode of payment can opt to receive future dividends via M-PESA when registering for the AGM via the USSD or contact Image Registrars Tel: +254 709 170000/ +254 735 565666/ +254 709 170041, Email: safaricomshares@image.co.ke or Safaricom PLC's Investor Relations Team (Tel: +254 427 4233/6218 Mobile: +254 722 004233/6218, Email: investorrelations@safaricom.co.ke).

12) Shareholders are encouraged to continuously monitor the Company's website www.safaricom.co.ke for updates relating to the AGM.

EXPLANATORY NOTES TO THE RESOLUTIONS TO BE PASSED UNDER THE SPECIAL BUSINESS:

1) RESOLUTION 8 (A) – INCORPORATION OF A NEW OPERATING COMPANY IN ETHIOPIA TO DELIVER AND PROVIDE MOBILE FINANCIAL SERVICES IN ETHIOPIA

In 2021, the Safaricom PLC led consortium of Vodacom Group Limited (Vodacom SA), Vodafone PLC (UK) (Vodafone), British International Investment (BII) (formerly known as CDC) and Sumitomo Corporation (Sumitomo), bid for and were successfully awarded a telecommunication licence to operate in the Federal Democratic Republic of Ethiopia.

The telecommunication licence held by the operating entity, Safaricom Telecommunications Ethiopia P.L.C permitted the Consortium to provide telecommunication services within the Federal Democratic Republic of Ethiopia but did not extend to the provision of mobile financial services.

The Government of Ethiopia has subsequently undertaken commendable and significant legislative steps to liberalise the financial sector in Ethiopia to allow the participation of foreign owned entities, including permitting participation by the Consortium. Following consultative discussions with the National Bank of Ethiopia, the financial sector regulator in Ethiopia, the Consortium successfully secured a Payment Instrument Issuer licence which permitted the Consortium to offer mobile financial services under the brand, M-PESA.

To this end, and in compliance with the licence conditions, the Consortium has paid the required regulatory fee of USD 150,000,000 to the National Bank of Ethiopia and set up the new entity, Safaricom M-PESA Mobile Financial Services PLC (Safaricom MPESA ET), to deliver and provide mobile financial services in Ethiopia. Safaricom M-PESA ET, is wholly owned by Safaricom Telecommunications Ethiopia P.L.C, apart from a nominal share held by the Consortium holding company, Global Partnership of Ethiopia BV.

Safaricom will indirectly hold a controlling stake of more than a 50% in Safaricom M-PESA ET and therefore this entity is a subsidiary company of Safaricom. In order to meet the stringent regulatory timelines in Ethiopia and commence its mobile financial services delivery plans in Ethiopia, Safaricom Plc wrote to and obtained the consent of the Capital Markets Authority for the approval of the shareholders for the incorporation of Safaricom M-PESA ET to be sought by way of ratification at the next scheduled annual general meeting, being this Annual General Meeting.

Safaricom and its Consortium partners intend to launch our mobile financial services under the brand, M-PESA by end of 2023.

2) RESOLUTION 8 (B) – ACQUISITION BY SAFARICOM PLC OF THE ENTIRE ISSUED SHARE CAPITAL OF M-PESA HOLDING COMPANY LIMITED FROM VODAFONE INTERNATIONAL HOLDINGS BV

Background

Safaricom's M-PESA service was launched in 2007 following a successful pilot phase. The M-PESA service has been and continues to be a means for us to transform lives in line with the Safaricom purpose.

At the point of launching the M-PESA Service in 2007, Safaricom and the Vodafone Group put in place a raft of measures to safeguard customers' funds held in trust accounts and represented in the M-PESA System. These measures included the establishment of a trust to hold all the moneys of M-PESA account holders in view of the risks that could arise in absence of an appropriate legal framework.

In this regard, Safaricom and the Vodafone Group incorporated M-PESA Holding Co. Limited (M-PESA Holding) as the custodial trustee of the M-PESA service. Vodafone International Holdings BV (Vodafone Holdings), a holding company of the Vodafone Group was designated as the shareholder of M-PESA Holding due to Vodafone's established presence in the market in 2007, existing strategic partnership with Safaricom among other factors.

The income generated by M-PESA Holding is utilised to cover its direct costs related to providing the service, in compliance with the NPS Act. Any additional income or interest is donated to a public charitable organisation for the purpose of public charitable endeavors as required by law.

Notice and Agenda of the 2023 Annual General Meeting (AGM) (continued)

The Transaction

As part of strengthening our governance systems, Safaricom and the Vodafone Group have had discussions with a view to transferring the shareholding of M-PESA Holding to Safaricom. These discussions culminated in the parties signing an agreement for the sale and transfer of the shares on 17 April 2023.

Pursuant to the agreement, Safaricom would acquire 50,000 shares of M-PESA Holding. The sale shares represent the entire issued share capital of M-PESA Holding, which has been held by Vodafone Holdings from incorporation.

The transaction is also part of the final steps of Safaricom's "bring M-PESA home" initiative which commenced in 2015 with the relocation of M-PESA servers to Kenya from Germany. The transaction will bring M-PESA's trust operations closer to its Kenyan users and stakeholders.

After completion, Safaricom PLC became the sole shareholder of M-PESA Holding.

Consideration and completion

Safaricom will pay Vodafone Holdings a nominal cash consideration of USD 1 for the Transaction as M-PESA Holding is a trust company and the transfer does not bring any financial benefit to either party. Having Safaricom as the shareholder of M-PESA Holding aligns with regulatory requirements under the NPS Regulations by ensuring that Safaricom assumes overall responsibility and oversight for the trust's operations and the entire M-PESA payment system.

The Board has considered this matter and recommends that the shareholders approve the resolution.

3) RESOLUTION 8 (C) – INCORPORATION OF A COMPANY LIMITED BY GUARANTEE TO INVEST IN SEED STAGE STARTUPS (SPARK FUND)

In line with Safaricom's purpose to transform lives by connecting people to people, people to opportunities and people to information, Safaricom has from 2015, been running and operating an investment fund, dubbed 'Spark Fund'. The aim of Spark Fund is to support the successful growth and development of seed stage startups in Kenya, as well as enhance Safaricom's position as a key enabler of the tech-ecosystem in Kenya.

Recognising the importance of early-stage investments in spurring innovation and growth, Safaricom proposes to continue supporting seed stage start-ups in Kenya through Spark Fund.

Spark Fund has since its inception, been administered through an unincorporated trust known as the Zindua Trust governed by a Board of Trustees. For administrative ease and to further strengthen governance processes, the Board has recommended that Safaricom continues this investment through a newly formed company limited by guarantee under the Companies Act, Laws of Kenya.

This new entity will be a wholly owned subsidiary of Safaricom PLC. The Board recommends that the shareholders approve the incorporation of the said new subsidiary to invest in seed stage startups to support the development and growth of tech entrepreneurs and build reputation and trust within the tech community in Kenya.

4) RESOLUTION 8 (D) – INCORPORATION OF A PRIVATE LIMITED COMPANY (OR ALTERNATIVELY THE REPURPOSING OF AN EXISTING SUBSIDIARY) TO INVEST IN GROWTH STAGE STARTUPS (VENTURE CO.)

Safaricom's mission to become a purpose led technology company, has driven us to accelerate our ambitions to scale up our strategic partnerships and investments. We seek to broaden our scope on investments in the tech-ecosystem beyond seed stage investment to include investments in growth stage startups (scale-ups) that are strategically aligned and accelerate achievement of our strategic mission.

To this end we are proposing the setup of a Limited Liability Company for investing in growth stage startups (scale-ups) and initiatives that are strategically aligned to our mission for a financial return (profit). The intention being that any gains from the portfolio of investments will be capitalised back into Safaricom PLC.

The Board is confident that this is in the best interest of the Company and its shareholders as the investments through Venture Co. will allow Safaricom to:

a) drive expansion of our core business into new customer segments within the Consumer, Financial Services, Enterprise and SME space

b) accelerate Safaricom's entry into new verticals in areas such as health, agriculture, education by:
- unlocking value chain opportunities
- driving innovation and value creation

c) build new capabilities and enable exploration of new business models

d) explore nascent and emerging technologies to complement our capabilities (Analytics, Machine Learning/Artificial Intelligence, Internet of Things)

This new entity will be a wholly owned subsidiary of Safaricom PLC. The Board recommends that the shareholders approve the incorporation of the new subsidiary to invest in growth stage startups (scale-ups) for a financial return (profit) where any gains from the portfolio can be capitalised back into Safaricom PLC.

Proxy

I/WE ____________________

Share A/c No ____________________

Of (Address) ____________________

Being a member (s) of Safaricom PLC, hereby appoint: ____________________ of mobile no./email ____________________

Or failing him/her, the duly appointed Chairman of the Meeting, to be my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company, to be held on Friday, 28 July 2023 and at any adjournment thereof.

As witness I/We lay my/our hand(s) this ____________ day of ____________________ 2023.

Signature ____________________

Signature ____________________

Please clearly mark the box below to instruct your proxy how to vote

RESOLUTION	FOR	AGAINST	ABSTAIN
1) To receive, consider and adopt the audited Financial Statements for the year ended 31 March 2023 together with the Chairman's, Directors' and Auditors' reports thereon.			
2) To note the payment of an interim dividend of KShs 0.58 per share which was paid to shareholders on or about 31 March 2023 and to approve a final dividend of KShs 0.62 per share for the Financial Year ended 31 March 2023 as recommended by the Directors. The dividend will be payable on or about 31 August 2023 to the Shareholders on the Register of Members as at the close of business on 28 July 2023.			
3) To re-appoint Ms. Winnie Ouko who retires at this meeting in accordance with the provisions of Articles 90 and 91 of the Company's Articles of Association, and, being eligible, offers herself for re-election.			
4) To re-appoint Ms. Ory Okolloh who retires at this meeting having been appointed in the course of the financial year, and being eligible, offers herself for re-election.			
5) To elect the following Directors, being members of the Board Audit Committee to continue to serve as members of the said Committee:- Ms Rose Ogega; Ms Winnie Ouko; Ms Raisibe Morathi and Ms Ory Okolloh			
6) To approve the Directors' Remuneration Policy contained in the Directors' Remuneration Report for the year ended 31 March 2023.			
7) To approve the Directors' Remuneration Report (other than the part relating to the Directors' Remuneration Policy), and the remuneration paid to the Directors, for the year ended 31 March 2023.			
8) To re-appoint Messrs Ernst & Young as Auditors of the Company in accordance with the provisions of Section 721 (2) of the Companies Act, 2015 and to authorise the Directors to fix their remuneration for the ensuing financial year in accordance with the provisions of Section 724 (1) of the Companies Act, 2015.			
9) **Special Business** To consider and if thought fit to pass the following resolutions as ordinary resolutions, as recommended by the Directors:- **Approvals under Paragraph G.06 of the Fifth Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002.** For the purposes of Paragraph G.06 of the Fifth Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002 to consider, and if thought fit, to pass the following resolutions as Ordinary Resolutions in regard to the business of Safaricom PLC and in the interests of Safaricom PLC:			
a) That the incorporation of a new operating company in Ethiopia known as Safaricom M-PESA Mobile Financial Services PLC, to deliver and provide mobile financial services in Ethiopia, resulting in this new entity becoming a wholly owned subsidiary of Safaricom Ethiopia Telecommunication and ultimately a resultant subsidiary of Safaricom PLC, be and is hereby ratified and approved.			
b) That the acquisition by Safaricom PLC of the entire issued share capital of M-PESA Holding Company Limited from Vodafone International Holdings BV be and is hereby ratified and approved.			
c) That the incorporation of a company limited by guarantee to invest in seed stage startups to support the development and growth of technology entrepreneurs and build reputation and trust within the tech community in Kenya be and is hereby approved.			
d) That the incorporation of a private limited company (or alternatively the repurposing of an existing subsidiary) to invest in growth stage startups (scale-ups) and initiatives that enable achievement of Safaricom PLC's strategic mission for a financial return (profit) be and is hereby approved.			

Proxy (continued)

ELECTRONIC COMMUNICATIONS CONSENT FORM

Please complete in BLOCK CAPITALS

Full name of Proxy(s): ______________________________

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Address: ______________________________

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Mobile Number ______________________________

Date: ______________________________

Signature: ______________________________

Please tick **ONE** of the boxes below and return to Image Registrars at P.O. Box 9287- 00100 Nairobi, 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street:

APPROVAL OF REGISTRATION

I/WE approve to register to participate in the virtual Annual General Meeting to be held on Friday, 28 July 2023 ☐

CONSENT FOR USE OF THE MOBILE NUMBER PROVIDED

I/WE would give my/our consent for the use of the mobile number provided for purposes of voting at the AGM. ☐

Notes:

1. If a member is unable to attend personally, this Proxy Form should be completed, signed and delivered (together with a power of attorney or other authority (if any) under which it is assigned or a notarised certified copy of such power or authority) to reach the Company's share registrar, Image Registrars Limited, 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287, GPO 00100, Nairobi, or via email to safaricomshares@image.co.ke to arrive not later than 11:00 a.m. on Wednesday, 26 July 2023 i.e. 48 hours before the meeting or any adjournment thereof or, in the case of a poll taken subsequent to the date of the meeting, or any adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll which is taken more than 48 hours after the day of the meeting or adjourned meeting.
2. In case of a member being a corporate body, the Proxy Form must be under its common seal or under the hand of an officer or duly authorised attorney of such body corporate.
3. As a shareholder you are entitled to appoint one or more proxies to exerc ise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. The appointment of the Chairman of the meeting as proxy has been included for convenience. To appoint as a proxy any other person, delete the words "the Chairman of the Meeting or" and insert the full name of your proxy in the space provided. A proxy need not to be a shareholder of the Company.
4. Completion and submission of the form of proxy will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.
5. In the case of a company being a shareholder then this proxy form must be executed under its common seal or signed on its behalf by an officer of that company or an authorised attorney for that company.
6. A vote "abstain" option has been included on the form of proxy. The legal effect of choosing this option on any resolution is that you will be treated as not having voted on the relevant resolution. The number of votes in respect of which votes are withheld will, however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.