Vodacom Tanzania Public Limited Company

Interim consolidated financial results

for the six months ended 30 September 2019

The future is exciting.

Ready?

vodacom

Following on from last year's strong results for Vodacom Tanzania, we delivered on our strategy of commercial execution which has seen us enhance good customer experience as a result of our intensified investment in the network, this coupled with leading innovative financial services offered via our mobile money platform M-Pesa, have resulted in our continued market leadership across all customer segments and various services. We further strengthened our leadership position in the market evidenced by an increase in customer market share of 1.2ppts to 32.9%[1] and mobile money customer market share of 40.9%[1].

Vodacom Tanzania Plc Managing Director

HISHAM HENDI commented

Over 760 000 customers joined the Vodacom Tanzania network, a 5.5% increase to 14.8 million, of which 7.2 million[2] use M-Pesa and 8.2 million[3] access data services. Service revenue grew by 6.5% with margins expanding. We invested TZS78.7 billion in network and IT infrastructure to ensure all customers benefit from superior service and network experience across the country.

Our key strategic growth pillars, being M-Pesa and data, continued to deliver good results despite intensified competition in the market. M-Pesa revenue increased 15.9% and data revenue was up 17.4% while proactive measures to stabilise voice revenues are proving to be successful.

Our commercial execution and strategic partnerships, aimed at driving financial inclusion, as well as empowering customers to transact easily, has proven successful with TZS29.1 trillion transacted on M-Pesa in the mobile money system during the first half of the year, up 21.4%. We continue to expand the ecosystem with more services such as micro loans, merchant payment system and widening interconnection with the banks and other operators. We have seen very good traction in our recently launched overdraft product known as 'Songesha', with 1.9 million customers utilising the service and TZS4.4 billion provided through this product. We were pleased with the uptake of the MasterCard product that was launched one year ago which allows our customers to transact online by creating a virtual card and ultimately linking to their M-Pesa wallet. A total of 233 000 virtual cards were created and over 200 000 transactions valued at US$2.3 million were processed.

We continue accelerating the implementation of biometric registration for our customers to comply with the Regulator's deadline of 31 December 2019. The key challenge is the associated cost as well as the low penetration of national identification cards specifically in the regions. While all necessary measures are taken, there are concerns on the wider impact of the envisaged deadline if customers will have to be switched off to ensure compliance.

Looking ahead, we continue to make good progress on our key growth pillars. We expect momentum from our expanding mobile money services, investment into our high-value and youth segments as well as enhanced data user experiences across the country to continue. We aim to provide a superior 4G data user experience to more regions, allowing for further improvement to the monetisation of data traffic country-wide.

1. Tanzania Communication Regulatory Authority's quarterly communications statistics as at June 2019.
2. M-Pesa customers are based on the number of unique users who have generated billable transactions during the month.
3. Data customers are based on the number of unique users generating billable data traffic during the month

Highlights

Service revenue up

6.5% (7.6% excluding the impact of mobile termination rates (MTRs)) driven by strong growth in M-Pesa, mobile data and messaging revenue.

We now connect

14.8 million customers, up 5.5%.

Net profit after tax increased

32.6%# to **TZS51.4 billion**, achieved through strong revenue growth supported by our cost containment programme.

Continued significant capital investment of

TZS78.7 billion in expanding our 4G coverage and improve the quality of our network.

EBITDA up

9.3%# to **TZS147.0 billion** supported by the strong revenue growth and continued execution on cost containment.

Operating free cash flow increased by

17.3% to **TZS55.5 billion** predominantly from strong EBITDA growth partially offset by the increased capital expenditure.

Summary financial information

	Six months ended 30 September				
TZS m	2019 IFRS 16	2019 IAS 17#	2018 IAS 17	% change reported	% change IAS 17#
Service revenue	**528 962**	**528 962**	496 629	**6.5**	
Revenue	**532 289**	**532 289**	502 014	**6.0**	
EBITDA	**207 153**	**146 966**	134 479	**54.0**	9.3
Operating profit	**75 545**	**58 115**	50 135	**50.7**	15.9
Net profit after tax	**42 002**	**51 373**	38 747	**8.4**	32.6
Operating free cash flow	**55 473**	**55 473**	47 277	**17.3**	
Free cash flow	**26 229**	**26 229**	25 675	**2.2**	
Capital expenditure	**78 679**	**78 679**	75 748	**3.9**	
Earnings per share ('EPS') (shillings)	**18.75**	**22.93**	17.30	**8.4**	32.5
Contribution margin (%)	**70.6**	**70.6**	69.2	**1.4ppts**	
EBITDA margin (%)	**38.9**	**27.6**	26.8	**12.1ppts**	0.8ppts
Operating profit margin (%)	**14.2**	**10.9**	10.0	**4.2ppts**	0.9ppts
Effective tax rate (%)	**30.6**	**30.5**	32.9	**(2.3)ppts**	(2.4)ppts
Net profit margin (%)	**7.9**	**9.7**	7.7	**0.2ppts**	2.0ppts
Capital intensity (%)	**14.8**	**14.8**	15.1	**(0.3)ppts**	

Following the adoption of IFRS 16: Leases on 1 April 2019 with the cumulative retrospective impact reflected as an adjustment to equity on date of adoption. The Group's results for the six months ended 30 September 2019 are presented on IFRS 16 basis, whereas the results for the six months ended 30 September 2018 are presented on IAS 17 basis. Comparisons between the two bases of reporting are not meaningful and to ensure appropriate disclosure during the period of transition to IFRS 16, results for the six months ended 30 September 2019 has been disclosed on both an IFRS 16 and IAS 17 basis. Our commentary describing our Financial and Operating Review has been provided solely on an IAS 17 basis. The accounting standard applied is clearly marked in the heading of relevant columns in this results announcement. To aid in the understanding of the transition from IAS 17 to IFRS 16, we have provided commentary on the main differences between the two standards on page 2.

Note:
Amounts marked with an '#' in this document, represent normalised growth, which presents performance on a comparable IAS 17 basis.

Operating and financial review

	Six months ended 30 September				
TZS m	2019 IFRS 16	2019 IAS 17	2018 IAS 17	% change reported	% change IAS 17#
Mobile voice revenue	**194 685**	**194 685**	196 602	**(1.0)**	
M-Pesa revenue	**182 022**	**182 022**	157 090	**15.9**	
Mobile data revenue	**91 231**	**91 231**	77 678	**17.4**	
Mobile incoming revenue	**27 960**	**27 960**	34 215	**(18.3)**	
Messaging revenue	**21 128**	**21 128**	19 032	**11.0**	
Other service revenue	**11 936**	**11 936**	12 012	**(0.6)**	
Service revenue	**528 962**	**528 962**	496 629	**6.5**	
Non-service revenue	**3 327**	**3 327**	5 385	**(38.2)**	
Revenue	**532 289**	**532 289**	502 014	**6.0**	
Direct expenses	**(156 637)**	**(156 637)**	(154 823)	**(1.2)**	
Staff expenses	**(28 116)**	**(28 116)**	(28 514)	**1.4**	
Publicity expenses	**(15 931)**	**(15 931)**	(17 835)	**10.7**	
Other operating expenses	**(124 717)**	**(184 639)**	(169 977)	**26.6**	(8.6)
Depreciation and amortisation	**(131 343)**	**(88 851)**	(80 730)	**(62.7)**	(10.1)
Operating profit	**75 545**	**58 115**	50 135	**50.7**	15.9
EBITDA	**207 153**	**146 966**	134 479	**54.0**	9.3
EBITDA Margin	**38.9%**	**27.6%**	26.8%	**+12.1ppts**	+0.8ppts

Understanding the impacts of IFRS 16: Leases

IFRS 16: Leases has replaced IAS 17 whereby under IAS 17, lease contracts were classified as either operating or finance leases. Under IFRS 16 the lease agreements for lessee give rise to the recognition of a 'right-of-use asset', representing the right to use the leased item, and a liability for the future lease payments over the 'reasonably certain' period of the lease, which may include future lease periods for which the Group has extension options.

Lessee accounting under IFRS 16 is similar to finance lease accounting for lessees under IAS 17; lease costs are recognised in the form of depreciation of the right-of-use asset and interest on the lease liability which is generally discounted at the incremental borrowing rate of the relevant Group entity, although the interest rate implicit in the lease is used when it is more readily determinable. Interest charges will typically be higher in the early stages of a lease and will reduce over the term.

The adoption of IFRS 16 resulted in the recognition of right-of-use assets and lease liabilities in relation to leases such as towers, office building, retail shops and warehouses, that were previously recognised as operating leases in IAS 17. The lease liability was recognised at present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate.

For the six months ended 30 September 2019, the application of the new standard resulted in reduction of operating expenses by TZS59.9 billion as a result of not recognising operating lease expenses; increased depreciation by TZS42.5 billion of the right-of-use-asset recognised over its useful life as well as finance cost by TZS30.8 billion resulting from interest on the outstanding capital balance on lease liability.

Revenue

Service revenue grew 6.5% (7.6% excluding the impact of change in MTRs) to TZS529.0 billion driven by an 8.8% growth in mobile customer revenue primarily from a healthy 5.5% increase in customer base and improved spend from customers partly offset by the decline in MTR. We are pleased with the 764 000 net customer additions during the period.

Voice revenue remained resilient, decreasing by 1.0% to TZS194.7 billion as a result of competitive pressure on pricing. Price optimisation through 'Just 4 You' and segmentation of offers to our base, contributed significantly to the improvement of rate decline in the voice revenue during the period.

M-Pesa revenue grew 15.9% to TZS182.0 billion, primarily from strong growth in our customer base as well as an increasing uptake of mobile money products as the ecosystem continues to expand. M-Pesa now contributes 34.4% of service revenue, up 2.8ppts. We added 379 000 customers reaching 7.2 million customers in the first half of the year, up 5.6%.

We continue to add new services to the platform to expand customers' payment options and make transacting more accessible by increasing our agent network. On average, TZS4.8 trillion was processed monthly through our M-Pesa platform, growing 20.9%. Our merchant payment solution continues to expand and give our customers the convenience to transact with M-Pesa at more points of sale. More than 7.4 million transactions were processed during the first half of the year, up 43.1%.

Mobile data revenue grew 17.4% to TZS91.2 billion primarily driven by a 13.4% increase in data traffic and an optimized price per MB through offering new relevant data bundles. Data customers increased 1.3% to 8.2 million, with improved spend as we continue to utilise our CVM platform to offer personalised bundles. We saw a significant growth in 4G traffic reflecting a strong demand of mobile data services supported by our continuous investment in enhancing customer's data experience.

Our focus on the youth and high-value customer segments, coupled with partnership-led smartphone campaigns, resulted in active smartphone users' growth of 3.6% to 3.6 million.

Mobile incoming revenue declined by 18.3% to TZS28.0 billion, reflecting a 33.3% mobile termination rate reduction in January 2019 in line with the regulated glide path, partially offset by a 16.8% increase in the number of incoming minutes as operators continued to provide more all network value in their products offering. We continue to see the decline in the contribution of mobile incoming revenue to service revenue, currently at 5.3% (down 1.6ppts).

Messaging revenue increased by 11.0% to TZS21.1 billion with the number of SMSs transmitted declining by 4.2% to 16.3 billion while price per SMS increased by 15.9%. This is a result of the continuous improvement on our integrated products offering and price optimisation.

Total expenses[1]

Total expenses decreased 12.3% to TZS325.4 billion. Excluding the impact of IFRS 16 adoption, total expenses increased 3.8% to TZS385.3 billion, well below service revenue growth of 6.5%.

Our continuous focus on cost containment through initiatives such as 'Fit for growth' continued to yield strong results, supported by the savings from lower interconnect costs resulting from reduction in MTR. This was offset by greater network operating costs, as a result of a higher number of network elements and inflation adjustments applied under service contracts as well as staff.

EBITDA

EBITDA grew 54.0% to TZS207.2 billion, with EBITDA margin of 38.9%. Excluding the impact of IFRS 16 adoption, EBITDA was TZS147.0 billion, up 9.3% resulting in EBITDA margin expansion of 0.8ppts to 27.6%, supported by the strong revenue growth and continued execution on cost containment.

Operating profit

Operating profit increased by 50.7% to TZS75.5 billion. Excluding the impact of IFRS 16 adoption, operating profit grew 15.9% to TZS58.1 billion, with operating profit margin improvement of 0.9ppts to 10.9%–supported by the strong EBITDA growth partially offset by the increase in depreciation from increased investment in the network.

Capital expenditure

Capital expenditure was TZS78.7 billion excluding right-of-use assets, 14.8% of revenue. We continued to focus on enhancing our data network and expanding 4G coverage across the country. 396 new 4G sites were deployed in the first half of the year, with fibre and high capacity microwave backhaul further enhancing customer data experience and solidifying our lead as the fastest network across the country[2]. We added 188 3G sites to reach 2 558 sites and modernised our network with the continuation of capacity upgrades across our 3G sites. We spent TZS4.6 billion in biometric registration devices to ensure the acceleration of customer registration before the deadline.

1. Excluding depreciation, amortisation and impairment losses
2. Ookla speed test report as at 30 September 2019.

Operating and financial review *continued*

Net finance charges

	Six months ended 30 September				
TZS m	**2019 IFRS 16**	**2019 IAS 17**	**2018 IAS 17**	**% change reported**	**% change IAS 17#**
Interest income from M-Pesa cash balances	**10 061**	**10 061**	10 147	**(0.8)**	
Interest income from cash and government Treasury bill investments	**15 702**	**15 702**	7 620	**106.1**	
Finance Income	**25 763**	**25 763**	17 767	**45.0**	
Finance cost of M-Pesa cash balances	**(10 161)**	**(10 161)**	(10 095)	**(0.7)**	
Finance cost - lease liability	**(30 816)**	**-**	-	**n/a**	
Other finance cost	**(2)**	**(2)**	(81)	**97.5**	
Finance cost	**(40 979)**	**(10 163)**	(10 176)	**<(200)%**	0.1
Net loss on re-measurement and disposal of financial instruments	**155**	**155**	38	**>200%**	
Net finance (cost)/ income	**(15 061)**	**15 755**	7 629	**<(200)%**	106.5

Net finance cost increased by TZS22.7 billion. This includes finance costs recognised in terms of IFRS 16 adoption, excluding which, net finance income increased by TZS8.1 billion primarily driven by the increase in interest rate from government treasury bills as well as increased cash investment.

Taxation

The tax expense of TZS18.5 billion is 2.8% lower than prior year (2018: TZS19.0 billion) mainly due to decrease in the unrecognised tax loss from Shared Network Tanzania (SNT) as well as non-deductible operating expenses during the period. The effective tax rate for the Group is 30.6% broadly in line with the statutory rate.

Earnings

Earnings per share for the six months was up 8.4% to TZS18.75. Excluding the impact of IFRS 16, underlying earnings per share grew 32.6% attributable to strong growth in service revenue complimented by strong results from our 'Fit for growth' programme in containing costs.

Statement of financial position

Property, plant and equipment and intangible assets increased by 68.7% to TZS1 197.0 billion. This includes right-of-use assets recognised on adoption of IFRS 16 of TZS484.7 billion excluding which, property plant and equipment was flat. The investments made during the year were largely offset by the depreciation of network infrastructure assets from previous years' investments.

Net cash

TZS m	2019 IFRS 16	2019 IAS 17	2018 IAS 17	% change reported	% change IAS 17#
	Six months ended 30 September				
Bank and cash balances	**464 466**	**464 466**	343 489	**35.2**	
Finance lease and short-term borrowings	**–**	**–**	(5 711)	**100.0**	
Lease liability	**(500 199)**	**–**	–	**n/a**	
Net (debt)/cash	**(35 733)**	**464 466**	337 778	**(110.6)**	37.5
Net (debt)/cash to EBITDA (times)	**(0.2)**	**3.2**	2.5	**(2.7)x**	0.6x

Net debt increased significantly from the recognition of finance lease liability on adoption of IFRS 16 of TZS500.2 billion, excluding which, net cash grew 37.5% to TZS464.5 billion due to matured government treasury bills that rolled back from short term investment to cash as well as improved cash flow from operations.

Cash flow

TZS m	2019 IFRS 16	2019 IAS 17	2018 IAS 17	% change reported	% change IAS 17#
	Six months ended 30 September				
EBITDA	**207 153**	**146 966**	134 479	**54.0**	9.3
Working capital	**(18 559)**	**(13 171)**	(11 475)	**(61.7)**	(14.8)
Capital expenditure	**(78 679)**	**(78 679)**	(75 748)	**(3.9)**	
Lease payments	**(54 799)**	**–**	–	**n/a**	
Other cash flows	**357**	**357**	21	**>200%**	
Operating free cash flow	**55 473**	**55 473**	47 277	**17.3**	
Net finance cost paid	**(3 412)**	**(3 412)**	5 499	**(162.0)**	
Tax paid	**(25 833)**	**(25 833)**	(27 101)	**4.7**	
Free cash flow	**26 229**	**26 229**	25 675	**2.2**	

Operating free cash flow increased 17.3% to TZS55.5 billion primarily driven by strong EBITDA growth partially offset by a 3.9% increase in capital expenditure.

Free cash flow of TZS26.2 billion was achieved predominantly from improved trading performance partially offset by the interest paid to M-Pesa customers during the period.

Operating and financial review *continued*

Regulatory matters

Customer registration

The Tanzania Communication Regulatory Authority ('TCRA') directed biometric registration of customers using national identification documents ('IDs') to commence on 1 May 2019, and has issued biometric registration guidelines. TCRA requires eKYC registrations to stop and biometric re-registration to be completed by December 2019. The Ministry of Communications intends to issue amendments to the SIM registration regulations.

Vodacom Tanzania Plc in alignment with the industry have continuously engaged with TCRA to ensure compliance. The industry in association with TCRA and the National Identification Agency (NIDA) launched country-wide awareness campaigns to drive biometric registration. While all necessary measures are taken, there are concerns on the wider impact of the envisaged deadline if customers will have to be switched off to ensure compliance.

Acquisition of Shared Networks Tanzania Limited ('SNT')

On 26 October 2015, Vodacom Tanzania Plc entered into an agreement for acquisition of 100% of SNT's shares including its spectrum licenses subject to regulatory approvals to further enhance the mobile and data services it offers to its customers in Tanzania particularly rural areas. Vodacom proceeded to acquire SNT after formal application and approval from TCRA and Fair Competition Commission. However, TCRA declined the transfer of SNT spectrum to Vodacom on the basis that there was no framework in place.

In 2018, the TCRA published new Radio Frequency Spectrum Regulations which granted the mandate to review spectrum assignments in the case of a merger or acquisition between two or more licensees. Subsequently, the TCRA issued Guidelines for Spectrum Review and Re-assignment on Merger and Acquisitions, which among other things govern resulting spectrum assignments including the regulatory costs that will be applicable for re-assignments. In compliance with the afore-mentioned Guidelines, the TCRA re-assigned SNT's 2x5MHz of 900MHz spectrum to Vodacom on 11 July 2019 at a reassessment cost of US$2.1 million.

M-Pesa business separation

The National Payment Systems Act and Electronic Money Issuer Regulations were enacted in 2015. The Act provides the legal framework for payment systems to operate in Tanzania, and requires non-banks or financial institutions licensed as payment system providers to obtain an electronic money issuer licence, which includes the requirement to set-up a separate legal entity. Vodacom Tanzania Plc. was granted requisite licenses and accordingly set-up M-Pesa Limited.

M-Pesa Limited is a wholly owned subsidiary of Vodacom Tanzania Plc.

Other matters

In October 2019, Mr. Ali A. Mufuruki resigned as independent non-executive director and the Chairman of the Board of Directors and of the Nominations Committee effective from 1 December 2019. Mr. Mufuruki wishes to devote more time to pursue his business interests. The Board is in the process of identifying a new independent Chairman and a further announcement will be made in due course.

Outlook

We are encouraged by the progress we made during the first half of the year. Prioritising financial inclusion through our mobile money platform, M-Pesa, while enabling a digital society through connectivity is proving to be a success. We have seen strong customer growth and accelerating growth in key initiatives, such as M-Pesa and data revenue. We continue to invest and expand in the eco systems of these platforms and expect this will remain a strong driver for growth in the future. The trend of accelerated top line growth and continued focus on cost efficiencies through our 'Fit for growth' and digitalisation programmes, will continue to improve profitability.

However, on top of the increased compliance cost, biometric registration remains to be a key risk that could adversely impact the outlook if customers will have to be switched off to ensure compliance.

With this in mind, we continue to target mid-single-digit service revenue growth, with broadly stable capital intensity in the up-coming financial year. This guidance assumes a stable currency, regulatory and macroeconomic environment.

Declaration of dividend – payable from income reserves

At the Annual General Meeting held on Friday 20 September 2019, the shareholders of Vodacom Tanzania Public Limited Company ('the Company') approved a gross final dividend of TZS24.31 per share, up 40.3% year-on-year (2018: TZS17.33), in line with policy and payable from income reserves, in respect of the financial year ended 31 March 2019.

The final dividend represents 60% of net profit after tax, a total of TZS54.5 billion. The dividend was paid on Friday 18 October 2019 to shareholders recorded in the register at the close of trading on Thursday 22 August 2019.

The last day which shares traded cum dividend was Monday 19 August 2019. Shares commenced trading ex-dividend on Tuesday 20 August 2019.

The number of ordinary shares in issue at the date of the Board's recommendation was 2 240 000 300.

The dividend was subject to a local withholding tax rate to those shareholders not exempt from paying dividend withholding tax.

On Friday 18 October 2019, the final dividend was electronically transferred to the bank or mobile money accounts of all certificated shareholders, where this facility is available.

Dividend policy

The dividend policy is to pay out at least 50% of earnings after tax, subject to factors stated below.

The Company intends to pay dividends in line with the policy after retaining such sums and repaying such borrowings owing to third parties as shall be necessary to meet the requirements reflected in the budget and business plan, taking into account monies required for investment opportunities. There is no fixed date on which entitlement to dividends arises and the date of payment will be recommended by the Board and approved by the shareholders at the time of declaration, subject to the DSE listing requirements.

For and on behalf of the Board

Ali A. Mufuruki
Chairman

Hisham Hendi
Managing Director

Jacques Marais
Finance Director

Dar es Salaam

8 November 2019

Statement of directors' responsibilities

The directors are responsible for the preparation, integrity and fair presentation of the interim condensed consolidated financial statements for the six months period ended 30 September 2019 of Vodacom Tanzania Public Limited Company (the "Company") and its subsidiaries (the "Group") in accordance with, and containing the information required by the International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"), the requirements of the Tanzanian Companies Act No. 12 of 2002, and the requirements of the Dar es Salaam Stock Exchange PLC Rules, 2016 (Amended). The directors are also responsible for safeguarding the assets of the Group and taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

These interim condensed consolidated financial statements have been reviewed by the independent auditor Ernst & Young (EY), who was given unrestricted access to all financial records and related data, including minutes of meetings of shareholders, the Board of Directors (the "Board") and committees of the Board. The directors believe that all representations made to the independent auditor during their review were valid and appropriate. The auditor's review report is presented on page 9.

The directors are of the opinion that the interim condensed consolidated financial statements have been prepared, in all material respects, in accordance with the basis of preparation described in Notes 2 and 3 to the interim condensed consolidated financial statements. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the interim condensed consolidated financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation of interim condensed consolidated financial statements that are free from material misstatement whether due to fraud or error. The going concern basis has been adopted in preparing the interim condensed consolidated financial statements.

Hisham Hendi
Managing Director

8 November 2019

Jacques Marais
Finance Director

8 November 2019

Review report of the independent auditor

To the Directors of Vodacom Tanzania Public Limited Company

Report on review of interim condensed consolidated financial statements

We have reviewed the accompanying interim condensed consolidated financial statements of Vodacom Tanzania Public Limited Company (the "Company") and its subsidiaries (together the "Group") which comprise the condensed consolidated statement of financial position as at 30 September 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes as set out on pages 10 to 26.

Directors' responsibility for the interim condensed consolidated financial statements

The directors are responsible for the preparation of the interim condensed consolidated financial statements in accordance with, and containing the information required by the International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"), the requirements of the Tanzanian Companies Act No. 12 of 2002, and the requirements of the Dar es Salaam Stock Exchange PLC Rules, 2016 (Amended).

Auditor's responsibility and scope of review

Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with International Standard on Review Engagements 2410, '*Review of financial information performed by the independent auditor of the entity*'. A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements as at 30 September 2019 and for the six-month period then ended, have not been prepared, in all material respects, in accordance with in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*.

Julius Rwajekare
TACPA 2760

For and on behalf of Ernst & Young
Certified Public Accountants
Dar es Salaam, Tanzania

8 November 2019

Condensed consolidated interim financial statements

Statement of profit or loss and other comprehensive income

For the six months ended 30 September 2019

TZS m	Notes	Six months ended 30 September 2019 Reviewed	Six months ended 30 September 2018 Reviewed	Year ended 31 March 2019 Audited
Revenue	7	**532 289**	502 014	1 024 587
Direct expenses		**(156 637)**	(154 823)	(303 306)
Staff expenses		**(28 116)**	(28 514)	(59 368)
Publicity expenses		**(15 931)**	(17 835)	(36 311)
Other operating expenses		**(124 717)**	(169 977)	(344 086)
Depreciation and amortisation	11,12	**(131 343)**	(80 730)	(165 834)
Impairment charges		**–**	–	(349)
Operating profit		**75 545**	50 135	115 333
Finance income		**25 763**	17 767	38 475
Finance costs	8	**(40 979)**	(10 176)	(19 891)
Net gain on re-measurement of financial instruments		**155**	38	970
Profit before tax		**60 484**	57 764	134 887
Income tax expense	9	**(18 482)**	(19 017)	(44 126)
Profit and total comprehensive income for the period		**42 002**	38 747	90 761
Basic and diluted earnings per share (TZS)	10	**18.75**	17.30	40.52

Condensed consolidated interim financial statements

Statement of financial position

As at 30 September 2019

TZS m	Notes	30 September 2019 Reviewed	30 September 2018 Reviewed	31 March 2019 Audited
Assets				
Non-current assets		**1 278 762**	851 273	857 074
Goodwill		**1 639**	1 988	1 639
Property, plant and equipment[1]	11	**1 120 091**	640 435	646 288
Intangible assets	12	**76 878**	69 077	74 740
Capacity prepayments		**52 683**	60 007	58 385
Income tax receivable		**19 724**	19 724	19 724
Trade and other receivables[2]		**7 747**	7 938	7 705
Deferred loss		–	52 104	48 593
Current assets		**1 193 182**	1 109 678	1 134 121
Capacity prepayments		**11 994**	13 291	11 527
Inventories		**2 626**	1 497	2 145
Trade and other receivables		**151 181**	144 975	126 232
Income tax receivable		–	4 181	–
Financial assets[3]		**371 779**	384 104	378 019
Short term investment		**191 136**	222 774	219 576
Cash and cash equivalents		**464 466**	338 856	396 622
Non-current assets held for sale		–	2 257	1 307
Total assets		**2 471 944**	1 963 208	1 992 502
Equity and liabilities				
Capital and reserves		**1 251 392**	1 250 649	1 263 844
Share capital	14	**112 000**	112 000	112 000
Share premium	14	**442 435**	442 435	442 435
Capital contribution		**27 698**	27 698	27 698
Retained earnings		**669 259**	668 516	681 711
Non-current liabilities		**482 631**	102 629	100 790
Lease liabilities	15	**447 816**	5 656	5 801
Government grant		**3 249**	3 808	2 922
Deferred tax		**31 088**	49 551	45 687
Trade and other payables		**478**	43 614	46 380
Current liabilities		**737 921**	609 930	627 868
Lease liabilities	15	**52 382**	–	–
Borrowings		–	55	–
Trade and other payables[4]		**652 695**	574 397	584 018
Interest due to customers		**12 565**	24 637	31 577
Income tax payable		**9 176**		1 983
Government grant		**672**	1 772	2 379
Provisions	16	**10 431**	9 069	7 911
Total liabilities		**1 220 552**	712 559	728 658
Total equity and liabilities		**2 471 944**	1 963 208	1 992 502

The condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 8 November 2019 and were signed on its behalf by:

Ali A. Mufuruki
Chairman

Hisham Hendi
Managing Director

1. Property, plant and equipment as at 30 September 2019 include Right of Use assets amount TZS 484 662 million.
2. Trade and other receivables as at 30 September 2019 include contract asset receivable amount; current TZS 2 257 million and non-current TZS 775 million ((2018: current TZS 2 136 and non- current TZS 631 million; March 2019: current 1 753 and non-current TZS 895 million)
3. Financial assets represent mainly restricted cash balances from M-Pesa deposits.
4. Trade and other payables include amounts owed to M-Pesa customers. As at 30 September 2019 this amount was TZS 362 730 million (2018: TZS 358 350 million; March 2019: TZS 349 946 million)

Condensed consolidated interim financial statements

Statement of changes in equity

For the six months ended 30 September 2019

TZS m	Notes	Share capital	Share premium	Capital contribution	Retained earnings	Total
1 April 2019		**112 000**	**442 435**	**27 698**	**681 711**	**1 263 844**
Profit and total comprehensive income for the period		**–**	**–**	**–**	**42 002**	**42 002**
Dividends declared		**–**	**–**	**–**	**(54 454)**	**(54 454)**
30 September 2019 (Reviewed)		**112 000**	**442 435**	**27 698**	**669 259**	**1 251 392**
1 April 2018		112 000	442 435	27 698	629 769	1 211 902
Profit and total comprehensive income for the period		–	–	–	38 747	38 747
30 September 2018 (Reviewed)		112 000	442 435	27 698	668 516	1 250 649
1 April 2018		112 000	442 435	27 698	629 769	1 211 902
Profit and total comprehensive income for the period		–	–	–	90 761	90 761
Dividend declared		–	–	–	(38 819)	(38 819)
31 March 2019 (Audited)		112 000	442 435	27 698	681 711	1 263 844

Condensed consolidated interim financial statements

Consolidated statement of cash flows

For the six months ended 30 September 2019

TZS m	Notes	Six months ended 30 September 2019 Reviewed	Six months ended 30 September 2018 Reviewed	Year ended 31 March 2019 Audited
Cash flows from operating activities				
Cash generated from operations		**184 428**	129 342	318 541
Income tax paid		**(25 833)**	(27 101)	(45 197)
Net cash generated from operating activities		**158 595**	102 241	273 344
Cash flows from investing activities				
Additions to property, plant and equipment and intangible assets		**(66 563)**	(85 524)	(184 843)
Proceeds from disposal of property, plant and equipment		**654**	20	20
Government grants received		**–**	1 267	2 489
Short term investment made		**28 440**	(97 984)	(89 307)
Finance income received		**15 702**	4 021	9 557
Cash held in restricted deposits		**6 240**	(26 595)	(25 143)
Interest received from M-Pesa deposits		**10 061**	10 147	19 841
Net cash used in investing activities		**(5 466)**	(194 648)	(267 386)
Cash flows from financing activities				
Dividends paid		**(37)**	(13)	(38 783)
Interest paid on other borrowings		**(30 816)**	(260)	(324)
Interest paid to M-Pesa customers		**(29 173)**	(8 409)	–
Payment of lease liabilities	15	**(23 983)**	–	–
Interest payments made on a shareholder loan		**–**	–	(11 108)
Net cash used in financing activities		**(84 009)**	(8 682)	(50 215)
Net increase/(decrease) in cash and cash equivalents		**69 120**	(101 089)	(44 257)
Cash and cash equivalents at the beginning of the period/year		**396 622**	439 889	439 889
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies		**(1 276)**	56	990
Cash and cash equivalents at the end of the period/year		**464 466**	338 856	396 622

Notes to the interim condensed consolidated financial statements

For the six months ended 30 September 2019

1. General information

Vodacom Tanzania Public Limited Company (the "Company") and its subsidiaries are incorporated and domiciled in Tanzania. The Company is a limited liability company and it shares are listed and traded on the Dar es Salaam Stock Exchange. The principal activities of the Group are disclosed in the Directors' Report issued with the latest audited consolidated financial statements. The address of the Company's registered office is disclosed under the Corporate Information issued with the latest audited consolidated financial statements.

2. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with, and containing the information required by the International Accounting Standard 34 as issued by the International Accounting Standards Board ('IASB'), and to the extent applicable, the requirements of the Tanzanian Companies Act No. 12 of 2002, and the requirements of the Dar es Salaam Stock Exchange PLC Rules, 2016 (Amended). The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value or at amortised cost, and are presented in Tanzanian Shilling (TZS), which is the Group's functional and presentation currency.

he condensed consolidated interim financial statements do not include all the information and disclosures required in audited annual financial statements and should be read in conjunction with the latest audited annual consolidated financial statements of the Group. The explanatory notes in these condensed consolidated interim financial statements disclose the events and transactions that update the relevant information presented in the latest audited annual consolidated financial statements.

The significant accounting policies and methods of computation are consistent in all material respects with those disclosed in the latest audited consolidated financial statements as applied in the previous year and interim period, except where otherwise indicated as disclosed in Note 3.

3. Changes in accounting policies

The Group adopted the new, revised or amended accounting pronouncements as issued by the IASB, which were effective and applicable to the Group from 1 April 2019. The accounting pronouncement considered by the Group as significant on adoption was IFRS 16 "Leases" ("IFRS 16") as set out below.

Other IFRS changes effective on 1 April 2019 had no material impact on the consolidated results, financial position or cash flows of the Group.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16 "Leases"

IFRS 16 was adopted by the Group on 1 April 2019 using the modified retrospective approach with the cumulative impact recognised as an adjustment to accumulated profit on the date of adoption.

The Group has applied the following expedients in relation to the adoption of IFRS 16:

- The right-of-use assets were measured at an amount equal to the lease liability at adoption, and initial direct costs incurred when obtaining leases were excluded from this measurement. Lease prepayments and accruals previously recognised under IAS 17 at 31 March 2019 were added and deducted, respectively, from the value of the right-of-use assets on adoption.
- The Group impaired the right-of-use assets recognised on adoption by the value of the provisions for onerous leases held under IAS 37 at 31 March 2019 instead of performing a new impairment assessment for those assets on adoption.

The above expedients applied on initial adoption have resulted in reclassifications of lease-related prepayments, accruals and provisions at 1 April 2019 to the right-of-use assets or lease liabilities.

3. Changes in accounting policies *continued*

IFRS 16 "Leases" *continued*

The key differences between the Group's IAS 17 accounting policy (the 'previous policy' which is disclosed in the Group's annual financial statements for the year ended 31 March 2019) and the Group's IFRS 16 accounting policy (which is indicated below), as well as the primary impact of applying IFRS 16 in the current financial period are disclosed below.

The primary impact on the Group's financial statements, and the key causes of the movements recorded in the consolidated statement of financial position on 1 April 2019, as a result of applying the IFRS 16 ('current') accounting policy instead of the previous policy under IAS 17 are:

Lessee:

- Under IAS 17, lessees classified leases as either operating or finance leases.
  - Operating lease costs were expensed on a straight-line basis over the period of the lease.
  - Finance leases resulted in the recognition, in the statement of financial position, of an asset and a corresponding liability for lease payments, at present value.
- Under IFRS 16 all lease agreements give rise to the recognition of a 'right-of-use asset', representing the right to use the leased item, and a liability for the future lease payments over the 'reasonably certain' period of the lease, which may include future lease periods for which the Group has extension options.
- Lessee accounting under IFRS 16 is similar to finance lease accounting for lessees under IAS 17; lease costs are recognised in the form of depreciation of the right-of-use asset and interest on the lease liability which is generally discounted at the incremental borrowing rate of the relevant Group entity, although the interest rate implicit in the lease is used when it is more readily determinable. Interest charges will typically be higher in the early stages of a lease and will reduce over the term.
- Under IFRS 16, both cash flows from operating activities and payments classified within cash flows used in financing activities increase, as payments made at both lease inception and subsequently are characterised as repayments of lease liabilities and interest. Under IAS 17, operating lease payments were treated as operating cash outflows. Net cash flow is not impacted by the change in policy.

Lessor:

Lessor accounting under IFRS 16 is similar to IAS 17. The only substantive change is that when the Group sub-leases assets it classifies the lease out as either operating or finance leases by reference to the terms of the head lease contract, whereas under IAS 17, the classification was determined by reference to the underlying asset leased out.

4. Significant accounting policies

Lease accounting policy – IFRS 16

As a lessee

When the Group leases an asset, a right-of-use-asset is recognised for the leased item and a lease liability is recognised for any lease payments due at the lease commencement date. The right-of-use-asset is initially 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 costs (if not recognised as part of a restoration asset), less any lease incentives received.

Right-of-use-assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. The lease term is the non-cancellable period of the lease plus any periods for which the Group is 'reasonably certain' to exercise any extension options (see below).

The useful life of the asset is determined in a manner consistent to that for owned property, plant and equipment. If right-of-use assets are considered to be impaired, the carrying value is reduced accordingly.

Notes to the interim condensed consolidated financial statements *continued*

4. Significant accounting policies *continued*

Lease accounting policy – IFRS 16 *continued*

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date and are usually discounted using the incremental borrowing rates of the applicable Group entity or where determinable, the rate implicit in the lease is used. Lease payments included in the lease liability include:

- fixed payments and in-substance fixed payments during the term of the lease;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After initial recognition, the lease liability is recorded at amortised cost using the effective interest method. It is remeasured when:

- there is a change in the residual value guarantee;
- there is a change in future lease payments arising from a change in an index or rate (e.g. an inflation related increase);
- the Group's assessment of the lease term changes;
- lease modifications occur that are not treated as separate leases.

Any change in the lease liability as a result of these changes also results in a corresponding change in the recorded right-of-use-asset.

As a lessor

Where the Group is a lessor, it determines at inception whether the lease is a finance or an operating lease. When a lease transfers substantially all the risks and rewards of ownership of the underlying asset then the lease is a finance lease; otherwise, the lease is an operating lease.

Where the Group is an intermediate lessor, the interest in the head lease and the sub-lease is accounted for separately and the lease classification of a sub-lease is determined by reference to the right-of-use asset arising from the head lease.

Income from operating leases is recognised on a straight-line basis over the lease term. Profit or loss from finance leases is recognised in full at lease commencement.

5. Critical accounting judgements and key sources of estimation

Relating to IFRS 16

Lease identification

Whether the arrangement is considered a lease, or a service contract depends on the analysis by management of both the legal form and substance of the arrangement between the Group and the counter-party to determine if control of an identified asset has been passed between the parties; if not, the arrangement is a service arrangement. Control exists if the Group obtains substantially all of the economic benefit from the use of the asset, and has the ability to direct its use, for a period of time. An identified asset exists where an agreement explicitly or implicitly identifies an asset or a physically distinct portion of an asset which the lessor has no substantive right to substitute.

The scenarios requiring the greatest judgement include those where the arrangement is for the use of fibre or other fixed telecommunication lines. Generally, where the Group has exclusive use of a physical line it is determined that the Group can also direct the use of the line and therefore leases will be recognised. Where the Group provides access to fibre or other fixed telecommunication lines to another operator on a wholesale basis, the arrangement will generally be identified as a lease, whereas when the Group provides fixed line services to an end-user, generally control over such lines is not passed to the end-user and a lease is not identified.

The impact of determining whether an agreement is a lease, or a service contract depends on whether the Group is a potential lessee or lessor in the arrangement and, where the Group is a lessor, whether the arrangement is classified as an operating or finance lease. The impact for each scenario are described below where the Group is potentially:

5. Critical accounting judgements and key sources of estimation *continued*

Relating to IFRS 16 *continued*

A lessee: The judgment impacts the nature and timing of both costs and reported assets and liabilities. A lease results in depreciation and interest being recognised and an asset and a liability being reported; the interest charge will decrease over the life of the lease. A service contract results in operating expenses being recognised evenly over the life of the contract and no assets or liabilities being recorded, other than trade payables, prepayments and accruals.

An operating lessor: The judgment impacts the nature of income recognised. An operating lease results in lease income being recognised whilst a service contract results in service revenue. Both are recognised evenly over the life of the contract.

A finance lessor: The judgment impacts the nature and timing of both income and reported assets. A finance lease results in the lease income being recognised at commencement of the lease and an asset (the net investment in the lease) being recorded.

Lease term

Where leases include additional optional periods after an initial lease term, significant judgement is required in determining whether these optional periods should be included when determining the lease term. The impact of this judgment is significantly greater where the Group is a lessee. As a lessee, optional periods are included in the lease term if the Group is reasonably certain it will exercise an extension option or will not exercise a termination option. This depends on an analysis by management of all relevant facts and circumstances including the leased asset's nature and purpose, the economic and practical potential for replacing the asset and any plans that the Group has in place for the future use of the asset. Where a leased asset is highly customised, either when initially provided or as a result of leasehold improvements, or it is impractical or uneconomic to replace, then the Group is more likely to judge that lease extension options are reasonably certain to be exercised.

Where extension options are included, a higher value of the right-of-use asset and lease liability will be recognised. The normal approach adopted for determining the lease term by asset class is described below.

- Between 5 and 10 years for land and buildings (excluding retail), with terms at the top end of this range if the lease relates to assets that are considered to be difficult to exit sooner for economic, practical or reputational reasons;
- Where leases are used to provide internal connectivity, the lease term for the connectivity is aligned to the lease term or useful economic life of the assets connected; and
- The customer service agreement length for leases of local loop connections or other assets required to provide fixed line services to individual customers.

In most instances, the Group has options to renew or extend leases for additional periods after the end of the lease term which are assessed using the criteria above.

6. IFRS 16 Transition disclosures

The weighted average incremental borrowing rate applied to the Group's lease liabilities recognised in the statement of financial position at 1 April 2019 was 13.11%.

The most significant differences between the IAS 17 lease commitments as at 31 March 2019 and the lease liabilities recognised on transition to IFRS 16 are set out below:

	TZS m
Undiscounted operating lease commitments at 31 March 2019	**756 959**
Less: Effect of discounting on payments included in the operating lease commitments	**(257 693)**
Add: Transfer from finance lease liabilities previously reported under IAS 17	**5 801**
Lease liability	**505 067**
The lease liability is made up as follows:	
Non-current	**456 946**
Current	**48 121**
Lease liability	**505 067**

Notes to the interim condensed consolidated financial statements *continued*

6. IFRS 16 Transition disclosures *continued*

The effect [increase/(decrease)] of adopting IFRS 16 as at 1 April 2019 was as follows:

TZS m	31 March 2019 Audited	Impact of adoption of IFRS 16 Reviewed	1 April 2019 Reviewed
ASSETS			
Non-current assets	**857 074**	454 426	1 311 500
Goodwill	**1 639**		1 639
Property, plant and equipment[5]	**646 288**	503 019	1 149 307
Intangible assets	**74 740**	–	74 740
Capacity prepayments	**58 385**	–	58 385
Income tax receivable	**19 724**	–	19 724
Trade and other receivables	**7 705**	–	7 705
Deferred loss[6]	**48 593**	(48 593)	–
Current assets	**1 134 121**	(1 012)	1 133 110
Capacity prepayments	**11 527**	–	11 527
Inventories	**2 145**	–	2 145
Trade and other receivables	**126 232**	(1 012)	125 221
Financial assets	**378 019**	–	378 019
Short term investment	**219 576**	–	219 576
Cash and cash equivalents	**396 622**	–	396 622
Non-current assets held for sale	**1 307**		1 307
TOTAL ASSETS	**1 992 502**	453 414	2 445 916
EQUITY AND LIABILITIES			
Capital and reserves	**1 263 844**		1 263 844
Share capital	**112 000**	–	112 000
Share premium	**442 435**	–	442 435
Capital contribution	**27 698**	–	27 698
Retained earnings	**681 711**	–	681 711
Non-current liabilities	**100 790**	405 293	506 083
Lease liabilities[7]	**–**	456 946	456 946
Finance lease[7]	**5 801**	(5 801)	–
Government grant	**2 922**		2 922
Deferred tax liability	**45 687**	–	45 687
Trade and other payables[8]	**46 380**	(45 852)	528
Current liabilities	**627 868**	48 121	675 989
Trade and other payables	**584 018**	–	584 018
Lease liabilities[7]	**–**	48 121	48 121
Interest due to customers	**31 577**	–	31 577
Income tax payable	**1 983**	–	1 983
Government grant	**2 379**	–	2 379
Provisions	**7 911**	–	7 911
Total liabilities	**728 658**	453 414	1 182 072
TOTAL EQUITY AND LIABILITIES	**1 992 502**	453 414	2 445 916

5. Increase relates to right-of-use-asset recognised on initial application of IFRS 16 and net prepayments on lease arrangements
6. Refer to note 13
7. Increase relates to the lease liability recognised on initial application of IFRS 16 and reclassification of finance lease amount previously recognised under IAS 17.
8. Reversal of accruals for operating leases previously recognised under IAS 17.

7. Revenue

TZS m	**Six months ended 30 September 2019 Reviewed**	Six months ended 30 September 2018 Reviewed	Year ended 31 March 2019 Audited
Customer service revenue (mobile contract and prepaid revenue)	**484 187**	447 910	920 723
Mobile interconnect	**27 961**	34 215	65 709
Fixed service revenue	**6 281**	5 462	11 707
Other service revenue	**7 186**	9 041	18 098
Service revenue	**525 615**	496 629	1 016 237
Equipment revenue	**2 755**	4 303	6 918
Other non-service revenue	**3 660**	856	935
Revenue from contracts with customers	**532 031**	502 788	1 024 090
Interest income recognised as revenue	**259**	226	497
Revenue	**532 289**	502 014	1 024 587

Revenue is further disaggregated per revenue streams as below:

TZS m	**Six months ended 30 September 2019 Reviewed**	Six months ended 30 September 2018 Reviewed	Year ended 31 March 2019 Audited
Mobile voice revenue	**194 685**	196 602	385 498
M-Pesa revenue	**182 022**	157 090	333 519
Mobile data revenue	**91 231**	77 678	164 658
Mobile incoming revenue	**27 960**	34 215	65 019
Messaging revenue	**21 128**	19 032	42 130
Other service revenue	**11 936**	12 012	25 413
Service revenue	**528 962**	496 629	1 016 237
Non-service revenue	**3 327**	5 385	8 350
Revenue	**532 289**	502 014	1 024 587

8. Finance costs

Finance costs include interest on the lease liabilities recognised following the adoption of IFRS 16. The additional recognized finance cost is detailed below:

TZS m	**Six months ended 30 September 2019 Reviewed**	Six months ended 30 September 2018 Reviewed	Year ended 31 March 2019 Audited
Interest on long term loans	**–**	–	(9)
Interest on bank overdrafts	**(2)**	(7)	(1)
Finance charge on lease liabilities	**(30 816)**	(74)	(149)
	(30 818)	(81)	(159)
Interest payable – M-Pesa customers	**(10 161)**	(10 095)	(19 732)
	(40 979)	(10 176)	(19 891)

Notes to the interim condensed consolidated financial statements *continued*

9. Income tax expense

TZS m	Six months ended 30 September 2019 Reviewed	Six months ended 30 September 2018 Reviewed	Year ended 31 March 2019 Audited
Expected income tax expense at the Tanzania statutory tax rate of 30%	**18 137**	17 329	40 466
Adjusted for:			
– Non-deductible expenditure	**1 847**	1 593	2 290
–- Non-taxable gaming income	**(1 358)**	(1 879)	(499)
–- Subsidiary tax losses not recognised	**492**	1 180	1 079
– Other adjustments to profit before tax and/or tax charge	**(636)**	794	790
Income tax expense	**18 482**	19 017	44 126
Effective tax rate	**30.6%**	33.0%	32.7%

10. Earnings and dividends per share

Earnings per share calculations use the earnings which are attributable to shareholders and the number of ordinary shares outstanding during the period, as shown below.

TZS m	Six months ended 30 September 2019 Reviewed	Six months ended 30 September 2018 Reviewed	Year ended 31 March 2019 Audited
Basic and diluted earnings per share (TZS)	**18.75**	17.30	40.52
Earnings attributable to shareholders (TZS m)	**42 002**	38 747	90 761
Number of ordinary shares outstanding	**2 240 000 300**	2 240 000 300	2 240 000 300
Dividends per share (TZS)	**24.31**	17. 30	40.52

11. Property, plant and equipment

TZS m	Six months ended 30 September 2019 Reviewed	Six months ended 30 September 2018 Reviewed	Year ended 31 March 2019 Audited
Net carrying value as at 1 April	**646 288**	644 772	644 772
Initial impact of IFRS 16	**503 019**	–	–
Net carrying value as at 1 April - Restated	**1 149 307**	644 772	644 772
Additions	**94 225**	71 838	155 380
Disposals	**(5)**	(122)	(136)
Depreciation	**(124 591)**	(75 831)	(154 456)
Transfer from non-current assets held for sale	**1 307**	–	950
Other adjustment	**(152)**	(222)	(222)
Net carrying value as at end of the period	**1 120 091**	640 435	646 288

Property, plant and equipment includes the following right of use (ROU) assets recognised following the application of IFRS 16.

TZS m	Network infrastructure & equipment	Leasehold land & buildings	Other assets	Total
At 1 April 2019	–	–	–	–
Transfer from deferred loss (Note 13)	48 593	–	–	48 593
Transfer from trade and other payables: non-current (Note 6)	(45 852)	–	–	(45 852)
Recognised on initial application of IFRS 16	481 256	16 865	2 157	500 278
Initial impact of IFRS 16	483 997	16 865	2 157	503 019
Transfer of furniture finance lease assets to right of use assets	–	–	3 594	3 594
At 1 April 2019 – Restated	483 997	16 865	5 751	506 613
Additions	20 542	–	–	20 542
Depreciation	(38 822)	(2 179)	(1 491)	(42 492)
At 30 September 2019	**465 717**	**14 686**	**4 260**	**484 663**

Notes to the interim condensed consolidated financial statements *continued*

12. Intangible assets

TZS m	Six months ended 30 September 2019 Reviewed	Six months ended 30 September 2018 Reviewed	Year ended 31 March 2019 Audited
Net book value as at 1 April	**74 740**	47 175	47 175
Additions	**9 803**	26 579	38 721
Amortisation charge	**(6 752)**	(4 899)	(11 378)
Disposals	**(913)**	-	
Other adjustments	–	222	222
Net book value as at end of period	**76 878**	69 077	74 740

Intangible assets consist of licences and computer software.

13. Deferred loss

The Group maintained its sell and leaseback agreement of the passive equipment to Helios Towers Tanzania Limited ('HTT') during the year ended 31 March 2019. These agreements resulted into recognition of a deferred loss due to the fact that the proceeds from the sales were significantly lower than the estimated fair value of the disposed of assets. Therefore, management concluded that the losses from the disposal of these assets are compensated under the terms of the leaseback agreements, whereby lease payments which are below market-value were agreed.

In the prior periods, these losses were deferred and amortised over the minimum 12-year term of the leaseback agreement. Following the adoption of IFRS 16, management assessed that the remaining deferred loss represented lease prepayments under IFRS 16. Consequently, the remaining carrying amount of the deferred losses was transferred to the right of use asset.

TZS m	Six months ended 30 September 2019 Reviewed	Six months ended 30 September 2018 Reviewed	Year ended 31 March 2019 Audited
At 1 April	**48 593**	55 617	55 617
Reclassification to right of use asset	**(48 593)**	–	–
Amortisation charge for the period	–	(3 513)	(7 024)
Closing balance	–	52 104	48 593

14. Share capital and share premium

The Group is controlled by its parent, Vodacom Group Limited, which as at 30 September 2019 owned 75% of the shares directly (30 September 2018: owned 48.75% of the Company's shares directly and 12.86% indirectly through Mirambo Limited which owned 26.25% of the shares), with the remaining 25% held by the public.

	2019 Reviewed	2018 Reviewed	31 March 2019 Audited
Authorized ordinary shares	**4 000 000 000**	4 000 000 000	4 000 000 000
Par value (TZS)	**50**	50	50
Authorised capital (TZS m)	**200 000**	200 000	200 000
Issued shares	**2 240 000 300**	2 240 000 300	2 240 000 300
Share capital (TZS m)	**112 000**	112 000	112 000
Share premium per share (TZS)	**790**	790	790
Share premium proceeds (TZS m)	**442 435**	442 435	442 435
Share premium (TZS m)	**442 435**	442 435	442 435

15. Lease liabilities

	TZS m
At 1 April 2019 – Finance leases under IAS 17	**5 801**
Increase on initial application of IFRS 16	**499 266**
Finance leases at 1 April 2019 – Restated (Note 6)	**505 067**
Additions	**20 542**
Interest expense	**30 816**
Foreign currency revaluation	**(1 428)**
Payments	**(54 799)**
Lease as at 30 September 2019	**500 198**
Of which are:	**447 816**
Current lease liability	**52 382**
Non-current lease liability	**500 198**

Notes to the interim condensed consolidated financial statements *continued*

16. Provisions

The Group is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the outcome of these proceedings to have the total probable exposure indicated below. Other provisions are disclosed below.

TZS m	**Six months ended 30 September 2019 Reviewed**	Six months ended 30 September 2018 Reviewed	Year ended 31 March 2019 Audited
Opening balance	**7 911**	3 725	3 725
Decrease in provisions – legal	**(441)**	(432)	(1 013)
Increase in provision – marketing fees	**2 961**	–	–
Decrease in provisions – Restructuring costs	**–**	(391)	–
Reclassification from trade and other payables	**–**	6 167	5 199
Closing balance	**10 431**	9 069	7 911
Comprising of:			
Legal and restructuring costs provision	**2 271**	2 902	2 712
Marketing fees	**8 160**	6 167	5 199
Closing balance	**10 431**	9 069	7 911

17. Commitments

TZS m	**Six months ended 30 September 2019 Reviewed**	Six months ended 30 September 2018 Reviewed	Year ended 31 March 2019 Audited
Leases	**–**	619 194	756 959
Capital expenditure contracted but not yet incurred	**59 114**	45 065	25 805
Other (including sports and marketing commitments)	**72 781**	142 178	76 509
	131 895	806 437	859 273

18. Contingent liabilities

Tax matters

The Group is regularly subject to an evaluation by tax authorities of its direct and indirect tax filings. The consequence of such reviews is that disputes can arise with tax authorities over the interpretation or application of certain tax rules applicable to the Group's businesses. These disputes may not necessarily be resolved in a manner that is favourable to the Group. Additionally, the resolution of the disputes could result in an obligation to the Group. The Group is currently involved in the resolution of significant tax demands arising from assessments by the Tanzania Revenue Authority ("TRA"), a substantial amount of which the Group disagrees with the TRA's interpretation of the tax laws and regulations, and consequently for which no provisions have been recorded.

Having considered internal and external expert advice, the Directors believe that the Group has made sufficient provision for any losses arising from tax exposures that are more likely to occur than not.

Litigation and other claims contingencies

The Group is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the outcome of these proceedings. Following this assessment, the Group's management has determined, that adequate provision has been made in respect of these legal proceedings as at period-end.

18. Contingent liabilities *continued*

Litigation and other claims contingencies *continued*

The Group is subject to claims under contracts signed with other parties. Disputes can arise with other parties over the interpretation or application of contractual provisions. These disputes may not necessarily be resolved in a manner that is favourable to the Group, and the resolution of the disputes could result in an obligation to the Group. Management has assessed that no provision for claims is warranted as at period-end.

19. Other matters

Acquisition of Mirambo Shares

The Group's biggest shareholder, Vodacom Group Limited acquired 588 million shares of Vodacom Tanzania Plc previously owned by Mirambo Limited ("Mirambo"). This results in Vodacom Group Limited increasing its total interest in Vodacom Tanzania from 61.6% (direct and indirect) to 75%. The transaction was closed during the period after completing the conditions precedent, including requisite regulatory approvals.

Customer registration

The Tanzanian Communication Regulatory Authority ('TCRA') directed biometric registration of customers using national identification documents ('IDs') to commence on 1 May 2019, and has issued biometric registration guidelines. The TCRA requires eKYC registrations to stop and biometric re-registration to be completed by December 2019. The Ministry of Communications intends to issue amendments to the SIM registration regulations.

Vodacom Tanzania Plc in alignment with the industry have continuously engaged with the TCRA to ensure compliance. The industry in association with the TCRA and the National Identification Agency (NIDA) launched a country-wide awareness campaigns to drive biometric registration. While all necessary measures are taken, there are concerns on the wider impact of the envisaged deadline if customers will have to be switched off to ensure compliance.

Alleged illegal use of network facilities

The companies retained global law firm, Squire Patton Boggs to assist it with an internal investigation into the underlying facts in line with the companies' legal and corporate governance principles and to safeguard the Company. The internal investigation report will be shared with the Group's board of directors for their action as per the internal policy.

Shared Networks Tanzania Limited

On 26 October 2015, Vodacom Tanzania Plc entered into an agreement for acquisition of 100% of SNT's shares including its spectrum licenses subject to regulatory approvals to further enhance the mobile and data services it offers to its customers in Tanzania particularly rural areas. Vodacom proceeded to acquire SNT after formal application and approval from the TCRA and Fair Competition Commission. However, the TCRA declined the transfer of SNT spectrum to Vodacom on the basis that there was no framework in place.

In 2018, the TCRA published new Radio Frequency Spectrum Regulations which granted the mandate to review spectrum assignments in the case of a merger or acquisition between two or more licensees. Subsequently, the TCRA issued Guidelines for Spectrum Review and Re-assignment on Merger and Acquisitions, which among other things govern resulting spectrum assignments including the regulatory costs that will be applicable for re-assignments. In compliance with the afore-mentioned Guidelines, the TCRA re-assigned SNT's 2x5MHz of 900MHz spectrum to Vodacom on 11 July 2019 at a reassessment cost of US$2.1 million.

Notes to the interim condensed consolidated financial statements *continued*

19. Other matters *continued*

Interest in other entities

M-Pesa Limited

This company was incorporated on 26 October 2018 and is controlled by the Company. In accordance with the National Payment Systems regulations which became effective in July 2016, this company applied for the Electronic Money Issuance (EMI) licence which was issued by Bank of Tanzania on 13 March 2019. Following the receipt of the EMI licence, the company's principal activities will be operating mobile financial services under the Electronic Money Issuance regulations issued by Bank of Tanzania. This company remained inactive during the period with the Group continuing with setting up the structures and processes for the EMI operations.

Vodacom Trust Limited (previously known as M-Pesa Limited)

This company is limited by guarantee with share capital. The principal activity of the company was to act as bona fide trustee and/or any other like officers in order to protect and safeguard all and any monies gained from and/or relating to M-PESA mobile money service for the benefit of the users of the said service. On 23 October 2018, the company's name was changed from M-Pesa Limited to Vodacom Trust Limited following approval and issuance of the certificate of change of name by BRELA. The change of name was necessary to enable compliance to the National Payment System Act 2015.

The Registered Trustees of M-Pesa (The Trust)

The Trust was incorporated under the provisions of The Trustees Incorporation Act, Cap 318 of Tanzania on 25 September 2019 with registration number 5656. The deposits held in trust by Vodacom Trust Limited will be transferred to the Trust. The Trust was dormant during the period.

The Trust is a non-profit making entity that has a mandate to fulfil its objectives in the best interest of the beneficiaries of the funds in the trust accounts. The Trust's activities will include: overseeing and managing effectively the trust accounts; ensuring safety of the beneficiaries of the funds in the trust accounts and preventing the funds from risks by setting up appropriate safe safeguard and remedy measures; ensuring the separation and not commingle the trust account funds with funds for the other operations of the Electronic Money Issuer.

20. Operating segments

In order to identify operating segments, management identifies components that engage in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the Group Executive Committee; and for which discrete financial information is available.

Based on management's analysis, there are no separate business segments for which discrete financial information, as required, is available. In addition, the Group operates within the same geographical area, the United Republic of Tanzania. Therefore, no separate geographical segments exist. Entity wide segment information is the same as that presented in the interim condensed consolidated financial statements. There are no revenues from transactions with a single external customer that amount to 10% or more of the Group's revenues

21. Fair value

The Group did not have financial instruments measured at fair value. The fair values of the Group's financial instruments reasonably approximate the carrying amounts due to the short-term nature of the instruments.

22. Events after the reporting period

In October 2019, Mr. Ali A Mufuruki resigned as independent non-executive director and the Chairman of the Board of Directors and of the Nominations Committee effective from 1 December 2019. Mr. Mufuruki wishes to devote more time to pursue his business interests. The Board is in the process of identifying a new independent Chairman and a further announcement will be made in due course.

The Board is not aware of any additional matter or circumstance arising since the end of the reporting period, not otherwise dealt with herein, which significantly affects the financial position of the Group or the results of its operations or cash flows for the period.

Supplementary information

Key indicators

TZS m	2019	2018	% change
	Six months ended 30 September		
Customers[1] (thousand)	**14 755**	13 991	5.5
ARPU[2] (shillings per month)	**5 976**	6 045	(1.1)
Data customers[3] (thousand)	**8 166**	8 064	1.3
M-Pesa customers[4] (thousand)	**7 197**	6 818	5.6
Traffic[5] (millions of minutes)	**15 106**	14 472	4.4
Outgoing	**13 226**	12 863	2.8
Incoming	**1 880**	1 609	16.8
MoU[6] per month	**175**	181	(3.3)
Messaging (million)	**16 348**	17 072	(4.2)
Number of employees	**561**	533	5.3
Number of sites			
4G	**1 138**	742	53.4
3G	**2 558**	2 370	7.9
2G	**3 127**	3 006	4.0

Notes:
1. Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.
2. ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period.
3. Data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.
4. M-Pesa customers are the number of unique customers who have generated billable transactions during the month. In the past 3 months, 9.8 million unique customers generated revenue related to M-Pesa.
5. Traffic comprises total traffic registered on Vodacom's mobile network, including bundled minutes, promotional minutes and outgoing international roaming calls, but excluding national roaming calls, incoming international roaming calls and calls to free services.
6. Minutes of use ('MoU') per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly active customers during the period.

Non-IFRS information

The auditor's report does not necessarily cover all of the information contained in this announcement, which sets out the interim consolidated financial results of Vodacom Tanzania Public Limited Company ('the Company') and its subsidiaries (together 'the Group') for the six months ended 30 September 2019. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work they should obtain a copy of that report together with the accompanying financial information from the registered office of the Company. This announcement contains certain non-IFRS financial measures which has not been reviewed or reported on by the Group's auditors. The Group's management believes these measures provide valuable additional information in understanding the performance of the Group or the Group's businesses because they provide measures used by the Group to assess performance. However, this additional information presented is not uniformly defined by all companies, including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, although these measures are important in the management of the business, they should not be viewed in isolation or as replacements for or alternatives to, but rather as complementary to, the comparable IFRS measures. Refer to the 'Operating and financial review' section of this announcement for details relating to service revenue, EBITDA and earnings per share.

Trademarks

Vodafone, the Vodafone logo, M-Pesa, Vodacom, Connected Farmer and Vodafone Supernet are trademarks of Vodafone Group PLC (or have applications pending). M-Fundi, M-Shamba, M-Pawa and Vodacom Faraja are trademarks of Vodacom Tanzania Public Limited Company (or have applications pending). Other product and company names mentioned herein may be the trademarks of their respective owners.

Forward-looking statements

This announcement, which sets out the consolidated interim results of the Group for the six months ended 30 September 2019, contains 'forward-looking statements', which have not been reviewed or reported on by the Group's auditors, with respect to the Group's financial condition, results of operations and businesses and certain information relating to the Group's plans and objectives. In particular, such forward-looking statements include statements relating to: the Group's future performance; future capital expenditures, acquisitions,

divestitures, expenses, revenues, financial conditions, dividend policy, and future prospects; business and management strategies relating to the expansion and growth of the Group; the effects of regulation of the Group's business by the government in the country in which it operates; the Group's expectations as to the launch and roll out dates for products, services or technologies; expectations regarding the operating environment and market conditions; growth in customers and usage; and the rate of dividend growth by the Group.

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

Corporate Information

Vodacom Tanzania Public Limited Company

(Incorporated in the United Republic of Tanzania)
Registration number: 38501
(ISIN: TZ1996102715 Share Code: VODA)

Directors

AA Mufuruki[1] (Chairman), H Hendi (Managing Director) [8], JJ Marais (Finance Director) [3], D Gutierrez[4], T Streichert[5], K Gomado[6], M Mbungela[3], ADJ Delport[3], M Ikongo[1], W Ouko[2], T Semane [3], HJC Surtees[7]

1. Tanzanian 2. Kenyan 3. South African 4. Bolivian
5. German 6. Ghanaian 7. British 8. Egyptian

Company secretary

Caroline Mduma

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STUDIO 5

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