

Vodacom Tanzania Public Limited Company

Preliminary consolidated financial results
for the year ended 31 March 2022



Together we can





**Sitholizwe Mdlalose,
Managing Director,
Vodacom Tanzania PLC,
commented:**

In April 2022 we extended the reach of our M-Mama program, which provides emergency transportation for pregnant women to healthcare centres in rural areas, to cover half the population. The program partners with the government in an effort to reduce maternal deaths and builds on the contribution we have already made in the Lake region areas of Mwanza and Shinyanga.

In the financial year 2022, we accelerated the delivery of our purpose-led strategy, building on critical programs to support the government, businesses and communities during the peak of the COVID-19 pandemic, and by advancing broader initiatives to reinforce our social contract and sustain our responsible corporate citizenship status.

We are pleased with the impact of our rural connectivity program, which already spans 1 680¹ sites, including 283 sites built in collaboration with the government through the Universal Communications Service Access Fund to widen connectivity for the deep rural communities. Rural connectivity is crucial in bridging the digital divide by providing access to affordable communications while also supporting execution of our social contract programs focused on education, health, environment and agriculture.

We also extended our purpose-led impact beyond our core connectivity business by leveraging our digital ecosystem. Our M-Kulima initiative provides a cashless payment platform to more than 140 000 registered farmers, with additional benefits on speed of payments and security to the parties involved. Our impactful M-Mama program has assisted over 12 000 expectant mothers in the Lake region areas of Mwanza and Shinyanga since initiation in 2013. In April, we officially launched the program country-wide. The program will now operate in 14 regions.

From a financial performance perspective, our service revenue momentum was stalled by the impact of the new levies imposed on mobile money services in July 2021. Having delivered 12.0% growth in the first quarter, our full year service revenue declined by 1.0%. Adjusting for an estimated TZS103.8 billion impact from the levies, our underlying service revenue grew 9.8%* in the year, underpinned by strong performance in data,

All amounts in this report marked with a “*” represent underlying growth which presents performance adjusted by an estimated impact of the levy on mobile money transfer and withdrawal transactions.

¹ Based on Vodacom's internal classification criteria.

supported by growing demand for digital services following our continued investment in the data network. Despite the pressure on reported service revenue, we reported operating profit of TZS64.4 billion, a 30.1% (149.5%*) improvement year on year, accelerated by our cost containment measures. Looking ahead, we continue to engage with government on a further levy reduction. We are grateful for the 30% reduction announced in September 2021, however it still represents material increase in end user charges. We believe by unlocking the growth potential in M-Pesa we can meaningfully address financial inclusion.

Leveraging our relationship with Vodacom Group and M-Pesa Africa, we continue to expand our product portfolio and implement the best practices to sustain our M-Pesa customer market leadership currently at 39.6%¹. This product portfolio and strong commercial execution helped us in acquiring new customers to mitigate a proportion of the 1.3 million M-Pesa customers that relinquished services immediately following the introduction of the levy. Additionally, products such as financial services, merchant payments and international money transfer (IMT) are increasingly becoming core service offers on M-Pesa. Our lending product, Songesha, continued to perform well in facilitating seamless completion of customer transactions, with a 10.9% growth in value of overdrafts issued and a 6.8% increase in Songesha customers. The value of Songesha overdraft issued to agents scaled by over 120%, with an average overdraft of TZS230 000 per beneficiary per month. We also focused on providing our customers with an end-to-end payment solution through "Lipa kwa M-Pesa", a point-of-sale payment mechanism. In the year, we have increased active merchants to over 40 000 with more than TZS1.7 trillion in transaction value processed, an increase of over 25%. Our IMT service also continued to play an important role in supporting financial inclusion and funds inflow into our M-Pesa ecosystem with over 40% growth in transaction value to more than TZS850 billion.

Despite financial performance headwinds, we remain positive on the potential of the market and continued to invest in the network. Capital expenditure of TZS174.0 billion, was up 42.1% and directed towards improving the quality of our network by accelerating 4G sites roll-out and upgrades and enhancing our IT infrastructure. I am particularly pleased that our sustained capital investment was supported by the availability of more affordable devices due to government's decision to

exempt Value Added Tax on imported smartphones. This investment supported double-digit growth in data revenue of 18.9%. Further, smartphone penetration increased to 54.2% of data customers, up 13.5pp year-on-year, and contributed to 22.3% growth in data usage to 1.7 gigabytes per customer per month. We maintained our leadership in headline Net Promoter Score with an 18-point gap to the next best competitor, and customer market share at 29.4%¹ despite the impact from barring 568 000 non-biometrically registered customers in the second half of the year in compliance with registration regulations.

I am incredibly proud of what we have achieved, and what we are working on, to drive the business through its commercial recovery in order to deliver and protect shareholders' value, our workforce wellbeing and safety—while contributing significantly to Tanzania's economic growth and improve society's living standard. This year, we celebrated a landmark 10th fatality free year at Vodacom Tanzania, demonstrating our success and commitment in establishing a safe working environment to both our employees and suppliers.

Looking ahead, we are encouraged by the willingness of government to engage on industry reforms that may pave the way for improving business performance and encourage further investments by addressing both shareholders' expectations and delivery of our purpose. Against a backdrop of uncertain global macro conditions, we remain focused on delivering diversified and differentiated offerings to our customers. We will continue to deliver on sustainable cost containment initiatives and proactive measures to drive top line recovery to support profitability of the company.

In closing, I would like to express my sincere gratitude and appreciation to the Board, the executive team, staff, the Government of Tanzania and all the stakeholders I have had the pleasure of engaging with during my tenure as the Managing Director of Vodacom Tanzania. I will be returning to South Africa at the end of June to lead Vodacom South Africa.

I am without doubt that Vodacom Tanzania is poised for growth and I am confident that the team I am leaving behind is well placed to deliver on its social contract and purpose – leading Tanzania into the digital age and changing lives through technology. Pamoja Tunaweza.

¹ Tanzania Communication Regulatory Authority's (TCRA) quarterly report for December 2021.

Highlights



Service revenue declined

1.0%

an underlying growth of 9.8%* (excluding the TZS103.8 billion impact from the levy on mobile money transfer and withdrawal transactions).



Mobile data revenue increased

18.9%

supported by increased demand for data services as well continuous investment in data network.



Smartphone users up 12.1% to

4.1 million

a penetration of 54.2% of data users.

Capex investment of

TZS174.0 billion

representing 17.9% of our revenue, directed towards improving quality of our network, expanding our 4G network and IT infrastructure.

Operating profit increased

30.1%

(149.5%*) supported by our success in cost containment measures and lower depreciation.

We continue to lead the mobile money industry with customer market share of

39.6%¹.

Summary financial information

Year ended 31 March

TZS m	2022	2022 Underlying*	2021	% Change Reported	% Change Underlying*
Service revenue	956 515	1 060 359	966 014	(1.0)	9.8
Revenue	971 025	1 074 870	974 391	(0.3)	10.3
EBITDA	300 341	359 432	316 134	(5.0)	13.7
Operating profit	64 434	123 525	49 514	30.1	149.5
Net (loss)/profit after tax	(20 263)	21 101	(30 106)	32.7	170.1
Operating free cash flow	56 184	115 275	79 404	(29.2)	45.2
Free cash flow	13 033	54 397	22 761	(42.7)	139.0
Capital expenditure	173 955	173 955	122 447	42.1	42.1
(Loss)/earnings per share ('EPS') (shillings)	(9.05)	9.42	(13.44)	32.7	170.1
Contribution margin (%)	69.4	68.6	68.9	+0.5pp	(0.3)pp
EBITDA margin (%)	30.9	33.4	32.4	(1.5)pp	+1.0pp
Operating profit margin (%)	6.6	11.5	5.1	+1.5pp	+6.4pp
Net (loss)/profit margin (%)	(2.1)	2.0	(3.1)	+1.0pp	+5.1pp
Capital intensity (%)	17.9	16.2	12.6	+5.3pp	+3.6pp

¹ Tanzania Communication Regulatory Authority's (TCRA) quarterly report for December 2021.

Operating and financial review

Year ended 31 March

TZS m	2022	2021	% Change Reported
Mobile voice revenue	286 985	302 037	(5.0)
M-Pesa revenue	329 557	356 801	(7.6)
Mobile data revenue	203 985	171 585	18.9
Digital & VAS revenue	36 294	24 749	46.6
Mobile incoming revenue	48 105	58 141	(17.3)
Messaging revenue	28 861	31 877	(9.5)
Other service revenue	22 728	20 824	9.1
Service revenue	956 515	966 014	(1.0)
Non-service revenue	14 510	8 377	73.2
Revenue	971 025	974 391	(0.3)
Direct expenses	(296 910)	(303 420)	2.1
Staff expenses	(63 823)	(61 579)	(3.6)
Publicity expenses	(30 184)	(35 775)	15.6
Other operating expenses	(279 473)	(260 064)	(7.5)
Depreciation and amortisation	(236 201)	(264 039)	10.5
Operating profit	64 434	49 514	30.1
EBITDA	300 341	316 134	(5.0)
EBITDA Margin	30.9%	32.4%	(1.5)pp

Revenue

Service revenue declined 1.0% to TZS956.5 billion impacted by the direct and indirect effects of levy on mobile money transfer and withdrawal transactions, and competitive pressures. These pressures were also evident in mobile customer ARPU, which declined 3.5% (up 7.9%*). Accounting for the TZS103.8 billion estimated impact from the levy on mobile money transfer and withdrawal transactions, underlying service revenue was up 9.8%*. The underlying performance reflected sustained demand for our financial, digital and data services. During the year, our customer base increased 3.4% to 15.4 million, reflecting our commercial execution success in active days' management and increased products uptake.

Voice¹ revenue decreased 5.0% to TZS287.0 billion, with the contribution to service revenue decreasing by 1.3pp to 30.0%, primarily due to competitive pricing pressure and service barring of 568 000 SIM cards in the second half of the financial year. Aggressive competitive pricing pressure led to a 15.1% decline in average price per minute, while minutes of usage grew by 10.0%.

M-Pesa revenue declined 7.6% to TZS329.6 billion. Adjusted for the estimated impact of the levy on mobile money transfer and withdrawal transactions, underlying M-Pesa revenue growth was 17.7%*, underpinned by ecosystem expansion and service adoption. Our lending product 'Songesha' continued to perform well in facilitating seamless completion of transactions. Songesha revenue grew 22.7%, increasing its contribution to M-Pesa revenue by 1.8pp from the previous year. Despite the challenges associated with the levy on mobile money transfer and withdrawal transactions, we are pleased that during the year, we continued supporting our customers and agents in addressing their short-term financial requirements through our financial service portfolio of Songesha, M-Pawa and Agents' term-loans. Loans and overdraft worth TZS562.4 billion were disbursed to agents and customers, representing growth of close to 40% year-on-year, delivering on our promise to support financial inclusion.

¹ Previously, "Mobile Voice revenue" reported included revenue from Airtime Advance Credit Service revenue (2021: TZS9.5 billion) which is now reported under "Digital and VAS" revenue. There was no impact on overall service revenue as a result of this reclassification.

Operating and financial review continued

Our "Lipa kwa M-Pesa" merchant solution, which provides customers with the ability to make seamless point-of-sale payments continued to accelerate, with over 1 million customers transacting through this platform. During the year, transactions worth over TZS1.7 trillion were processed through our merchant platform, an increase of over 25%. This demonstrates our commercial success in driving adoption and expansion of our M-Pesa product portfolio, and more importantly, providing our customers with technological solutions to facilitate easy completion of transactions. Our international money transfer business also continued to play an important role in supporting financial inclusion with more than 40% growth in transaction values to over TZS850 billion. During the year, our M-Pesa platform processed transactions with a total value of more than TZS60 trillion, a decline of over 11% compared to previous year, underscoring the significant impact from the levy on mobile money transfer and withdrawal transactions despite the 30% reduction in September 2021. Transaction value for the most common peer-to-peer service, declined by close to 40% post levy on mobile money transfer and withdrawal transactions implementation, impacting our momentum in driving financial inclusion through M-Pesa. Positively, revenue from non-traditional M-Pesa services proved more resilient to levy on mobile money transfer and withdrawal transactions impact, with lending services growing 26.1% year-on-year driven by product adoption and attachment.

Mobile data¹ revenue increased 18.9% to TZS204.0 billion primarily due to the 20.3% growth in data ARPU driven by the increased demand for data services. Data traffic increased 20.8%, supported by additional smartphones on the network. Smartphone users increased 12.1% to 4.1 million representing 54.2% penetration on our data customer base, up 13.5pp from the previous year, with data usage per customer increasing 22.3% to reach an average of 1.7 gigabytes per customer per month. Data customer growth was impacted by the service barring to over 200 000 data users in the second half of the financial year, contributing to a 1.2% decline to 7.6 million customers. Data services remain a key lever of growth and central to our commitment of connecting for a better future. We undertook actions to drive data adoption and usage including roll out of 143 4G sites, in addition to capacity enhancement for over 530 sites across the country, aimed at improving customer experience.

Digital & VAS² revenue comprising of airtime advance credit service and value added services (VAS) grew 46.6% to TZS36.3 billion, mainly driven by the 48.4% ARPU growth. The growth demonstrates a success of our commercial execution on expanding our digital and VAS product portfolio aimed at driving customer acquisition and adoption of our services, as demand continue to accelerate.

Mobile incoming revenue decreased 17.3% to TZS48.1 billion driven by a 41.9% decline in the average incoming price per minute due to the Mobile Termination Rate (MTR) drop from TZS5.2 to TZS2.6 in January 2021 and a further drop to TZS2.0 in January 2022 as per TCRA's glide path. The MTR decline was partly offset by 42.4% higher incoming minutes, as competitors upped competitive intensity and offered more value in their off-net minutes.

Messaging revenue declined 9.5% to TZS28.9 billion driven by the decline in number of messages transmitted.

Total expenses³

Total expenses increased 1.4% (up 8.2%*) to TZS670.4 billion. Our cost transformation initiatives were a success, delivering a cost saving of more than TZS40 billion. Despite the 2.1% decline in **direct expenses** in line with the decline in revenue, the competitive pressure led to higher commission to the distribution channels as well as interconnect cost. The savings realised from our cost transformation initiatives were offset by cost pressures in our staff expenses and other operating expenditure. **Staff expenses** increased 3.6%, excluding the impact of a one off adjustment in the previous year staff expenses declined 2.8% due to realised savings from business restructuring. **Other operating expenses** increased 7.5% driven by a tax settlement in relation to excise duty assessments relating to previous years, higher legal fees related to tax cases mediation, as well as increased network costs mainly from contractual price adjustments and network expansion. Excluding the one off costs, other operating expenses grew only by 2.1%, reflecting the strong cost containment measures executed in the year.

1 Previously, "Mobile Data revenue" reported included revenue from data usage and revenue from the Value Added Services (VAS) (2021: TZS15.3 billion) which has been reported separately starting financial year 2022. There was no impact on overall service revenue as a result of this reclassification.

2 Include Airtime Advance Credit Service revenue previously reported under "Mobile voice revenue" and Value added services (VAS) revenue previously reported under "Mobile data revenue". The two services have now been combined to formulate Digital and VAS revenue. There was no impact on overall service revenue as a result of this reclassification.

3 Excluding depreciation, amortisation and impairment losses.

Operating and financial review continued

EBITDA

EBITDA declined 5.0% to TZS300.3 billion. Adjusting for the TZS59.1 billion estimated impact of the levy on mobile money transfer and withdrawal transactions, underlying EBITDA grew 13.7%* with 1.0pp margin expansions to 33.4%*. The underlying performance reflected strong growth in service revenue and diligent cost containment.

Operating profit

Operating profit grew 30.1% (up 149.5%*) to TZS64.4 billion supported by the decline in depreciation following a review of the useful lives of our assets. The review of our assets was in line with our accounting policy to evaluate technology relevance and existing assets' conditions.

Capital expenditure

We invested TZS174.0 billion in capital expenditure, equivalent to 17.9% of our revenue, to improve the quality of our network, coverage expansion and enhancing our IT infrastructure. The incremental 143 4G sites added in the year to improve capacity and expand our 4G coverage supported 59.0% growth in 4G data traffic and a clear lead on network quality Net Promoter Score – a gap of 14 points against the second competitor.

Net finance charges

	Year ended 31 March		
TZS m	2022	2021	% Change
Interest income from M-Pesa cash balances	18 618	20 793	(10.5)
Interest income from cash at bank	7 219	17 625	(59.0)
Finance Income	25 837	38 418	(32.7)
Finance cost of M-Pesa cash balances	(18 592)	(20 767)	10.5
Finance cost – lease liability	(60 871)	(64 040)	4.9
Other finance cost	(6 081)	(425)	<(200)%
Finance cost	(85 544)	(85 232)	(0.4)
Net (loss)/gain on foreign currency translation	(1 548)	3 627	(142.7)
Net finance cost	(61 255)	(43 187)	(41.8)

Our net finance cost increased 41.8% to TZS61.3 billion. The reduction in finance income was a result of decreased investment in government treasury bills due to the payment of a special dividend in the second half of the previous financial year and lower interest rates received on cash. The increase in other finance cost was mainly due to the settlement of TZS5.7 billion interest expense relating to the long outstanding tax cases. Additionally, the change in exchange rates resulted in TZS1.5 billion net loss on foreign currency translation from cash held in foreign currency, which was a gain in prior year.

Taxation

The tax expense of TZS23.4 billion was 35.7% lower than the prior year (2021: TZS36.4 billion). The lower tax expense reflected a decline in the profit before tax of our subsidiary M-Pesa Limited, which was impacted by the levy on mobile money transfer and withdrawal transactions.

Earnings

Loss per share improved by 32.7% driven by the better performance from operating profit and lower tax expense, partially offset by the increase in net finance cost. Normalised for the estimated impact of levy on mobile money transfer and withdrawal transactions, earnings per share would have been TZS9.4, representing significant growth.

Operating and financial review continued

Statement of financial position

Property and equipment decreased 2.6% to TZS1 041.6 billion and intangible assets increased 8.6% to TZS76.7 billion. The investments made during the year were offset by the depreciation of network infrastructure and amortisation of intangible assets from previous years' investments.

Net (debt)/cash

TZS m	Year ended 31 March		
	2022	2021	% Change
Bank and cash balances	256 961	244 257	5.2
Lease liability	(506 516)	(534 679)	5.3
Net(debt)/cash	(249 555)	(290 422)	14.1
Net (debt)/cash to EBITDA (times)	(0.8)	(0.9)	0.1

Net debt decreased 14.1% to TZS249.6 billion mainly due to decrease in lease liability following lease contracts' settlements and by an increase in bank and cash balances, due to increase in cash from operations.

Cash flow

TZS m	Year ended 31 March		
	2022	2021	% Change
EBITDA	300 341	316 134	(5.0)
Working capital	59 846	11 136	>200%
Capital expenditure	(173 955)	(122 447)	(42.1)
Lease payments	(130 054)	(125 435)	(3.7)
Other Cash Flow	6	16	(62.5)
Operating free cash flow	56 184	79 404	(29.2)
Net finance cash inflow	40	10 997	(99.6)
Tax paid	(43 191)	(67 640)	36.1
Free cash flow	13 033	22 761	(42.7)

Operating free cash flow declined 29.2% to TZS56.2 billion due to lower EBITDA, higher capital expenditure and lease obligations settlements offsetting a working capital inflow.

Free cash flow declined 42.7% to TZS13.0 billion, driven by lower operating free cash flow and decline in net finance cash flow due to reduced cash investment following payment of special dividend in November 2020. This performance was partly offset by a decrease in tax paid as a result of lower taxable income of M-Pesa Limited post the implementation of levy on mobile money transfer and withdrawal transactions.

Operating and financial review continued

Regulatory matters

SIM Card Registration

On 1 May 2019, the Tanzania Communication Regulatory Authority ('TCRA') issued new customer registration guidelines, directing the biometric registration of SIM cards using the National Identification Number ('NIN') issued by the National Identification Authority ('NIDA'), as the only accepted identification. On 7 February 2020, the new Electronic & Postal Communications (SIM Card Registration) Regulations 2020 were published. The Regulations provide for a biometric registration of SIM cards using the National ID, as the sole means of registering SIM cards in the United Republic of Tanzania. During the year, as directed by the TCRA, we barred 568 000 non-biometrically registered customers.

On 1 July 2020, the TCRA issued a public release that required customers who biometrically registered more than one SIM card per service provider to verify their SIM cards ownership through their mobile phones. Furthermore, the TCRA and mobile network operators have implemented an approval process that allows customers to request for additional SIM cards by visiting service providers' retail outlets or an automated process through Unstructured Supplementary Service Data (USSD). Customers are allowed to have more than one SIM card if they follow the correct approval process. We continue to drive awareness on the SIM card verification process.

Other matters

Levies on mobile money transfers and withdrawals and airtime

On 30 June 2021, the President approved the Finance Act, which included the amendments to the National Payment System Act (NPS Act) and the Electronic & Postal and Communication Act (EPOCA) which introduced levies on mobile money transfer transactions and airtime. For mobile money transfer and withdrawal transactions, a transaction value dependent levy of between TZS10 and TZS10 000 was implemented from 15 July 2021. Subsequent to the implementation and following our continuous engagements with the relevant Government stakeholders, the regulations were amended effective from 03 September, reducing the levy by 30%. Despite this reduction, transaction volume and values are still at the lower levels compared to the transactions before the levies were implemented, as the levies still represent a material increase to end-user charges. During the year, we collected mobile money transactions' levy totalling TZS118.8 billion¹ for the government.

Additionally, and in accordance with the Electronic and Postal Communications (Airtime Levy) Regulations 2021, airtime based levies of between TZS5 and TZS223 were implemented on 20 October 2021. During the year, we collected airtime levies totalling TZS2.1 billion² for the government.

Vodacom Tanzania Plc and the other mobile operators continue to engage with the relevant Government institutions on the further reduction of levy, so as not to continue to interrupt the significant strides made in the last decade in reducing barriers to financial inclusion.

Outlook and medium term targets

We remain committed to connect Tanzanians for a better future. Our purpose is premised on three pillars that include digital society, inclusion for all and planet. We believe that accelerating data adoption, smartphones penetration, digital and financial services is key to enabling this purpose-led approach. And, by combining our integrated approach with our Social Contract with stakeholders, we will support economic progress in Tanzania, providing us with compelling growth opportunities.

We implement our strategy through a multi-product approach, called the System of Advantage, which leverages our capabilities and delivers diversified, differentiated offerings to our customers. Our System of Advantage extends our personalised connectivity offering into digital and financial services, to deliver a great customer experience. Demand for data services remain strong, underpinning our strategy for digital inclusion. We are currently providing data services to 7.6 million customers, out of which 4.1 million customers are using smartphones. This provides us with an opportunity to accelerate smartphone penetration.

¹ Payments to TRA are made in the month following collection, hence TZS106.1 billion paid during the year, and TZS12.7 billion paid in April 2022.

² Payments to TRA are made in the month following collection, hence TZS1.7 billion paid during the year, and TZS0.4 billion paid in April 2022.

Operating and financial review continued

Our diversified M-Pesa product portfolio, with innovative products such as 'Songscha' and 'Lipa kwa M-Pesa' proved to be a success. Our ambition is to expand and escalate the M-Pesa growth, including transforming the M-Pesa App to become a one stop shop – super App. We remain committed to expanding the M-Pesa ecosystem so that we continue to democratise financial services. Moreover, we will continue to leverage our relationship with Vodacom Group and M-Pesa Africa as we expand and escalate the M-Pesa growth.

Looking ahead, while we are encouraged by the improving business environment, the macro backdrop is dependent on the global repercussions of the Russia–Ukraine war. Furthermore, industry reform still remains an important aspect that will support future investments in the country. Nevertheless, we aspire to grow our business over the medium term and continue to connect Tanzania for a better future. Our medium term targets are as follows:

1

Low to mid-single digit service revenue growth

2

13.0% – 16.0% capital expenditure as a % of revenue

These medium term targets assume a stable currency, regulatory and macroeconomic environment. These targets are on average, over the next three years, excluding spectrum purchases, exceptional items and any merger and acquisition activity.

Declaration of dividend – payable from income reserves

At the Annual General Meeting held on Friday 15 October 2021, the shareholders of Vodacom Tanzania Public Limited Company ('the Company') approved not to declare dividend in relation to the financial year ended 31 March 2021 (2020: TZS12.26 per share), in the context of COVID-19 impacts and material uncertainties, as well as challenging business conditions, that resulted in a net loss after tax for the year ended 31 March 2021. The decision was in line with our dividend policy which requires at least 50% of net profit after tax to be paid as dividend to shareholders. For the year ended 31 March 2021, the company made TZS30.1 billion loss after tax.

Following the TZS20.3 billion reported net loss after tax for the current financial year, the Board of directors has decided not to recommend dividend in relation to the financial year ended 31 March 2022.

For and on behalf of the Board

Justice (Rtd) Thomas B. Mihayo
Chairman

13 May 2022

Sitholizwe Mdlalose
Managing Director

Hilda Bujiku
Finance Director

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Statement of directors' responsibilities

The directors are responsible for the preparation, integrity and fair presentation of the preliminary condensed consolidated financial statements for the year ended 31 March 2022 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 preliminary 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.

The preliminary condensed consolidated financial statements have been reviewed by the independent auditor, Ernst & Young (EY), who was given unrestricted access to the relevant 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 11.

The directors are of the opinion that the preliminary condensed consolidated financial statements have been prepared, in all material respects, in accordance with the basis of preparation described in Note 2 to the preliminary 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 preliminary condensed consolidated financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation of preliminary 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 preliminary condensed consolidated financial statements.

The preliminary condensed consolidated financial statements were approved by the Board of Directors on 5 May 2022 and signed on its behalf by:



Justice (Rtd) Thomas B. Mihayo
Chairman



Sitholizwe Mdlalose
Managing Director



Building a better
working world

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Independent auditor's report on review of the Preliminary condensed consolidated financial statements

To the directors of Vodacom Tanzania Public Limited Company

We have reviewed the accompanying preliminary 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 31 March 2022, 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 year then ended, and selected explanatory notes as set out on pages 12 to 26.

Directors' responsibility for the preliminary condensed consolidated financial statements

The directors are responsible for the preparation of the preliminary condensed consolidated financial statements in accordance with, and containing the information required by the International Accounting Standard 34 preliminary 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 preliminary 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 preliminary condensed consolidated financial statements as at 31 March 2022 and for the year ended, have not been prepared, in all material respects, in accordance with the basis of preparation described in Notes 2 to the preliminary condensed consolidated financial statements.

Dr Neema Kiure
Partner (FCPA 1227)
For and on behalf of Ernst & Young
Certified Public Accountants
Dar es Salaam, Tanzania

11 May 2022

Condensed consolidated statement of profit or loss and other comprehensive income

for the year ended 31 March 2022

	Notes	March 2022 TZS m Reviewed	March 2021 TZS m Audited
Revenue	4	971 025	974 391
Direct expenses		(299 185)	(301 533)
Staff expenses		(63 823)	(61 579)
Publicity expenses		(30 184)	(35 775)
Other operating expenses		(279 473)	(260 064)
Depreciation and amortisation ¹		(236 201)	(264 039)
Net credit gain/(losses) on financial assets ²		2 275	(1 887)
Operating profit		64 434	49 514
Finance income		25 837	38 418
Finance costs		(85 544)	(85 232)
Net (loss)/gain on foreign currency translations		(1 548)	3 627
Profit before tax		3 179	6 327
Income tax expense	5	(23 442)	(36 433)
Loss for the year		(20 263)	(30 106)
Other comprehensive income		–	–
Total comprehensive loss for the year, net of tax		(20 263)	(30 106)
Basic and diluted loss per share (TZS)	6	TZS (9.05)	TZS (13.44)

¹ The reduction in depreciation is partly due to the impact of asset life review of TZS18.5 billion (2021: TZS9.6 billion).

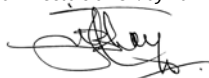
² The overall decrease has been driven by collection of previously impaired financial assets as well as improvement in collections from advance credit customers. In prior year, this was named impairment charges.

Condensed consolidated statement of financial position

as at 31 March 2022

Notes	March 2022 TZS m Reviewed	March 2021 TZS m Audited
ASSETS		
Non-current assets	1 191 715	1 219 874
Property and equipment	1 014 626	1 041 226
Intangible assets	76 681	70 593
Capacity prepayments	44 582	46 559
Goodwill	1 639	1 639
Income tax receivables ⁴	41 011	39 772
Trade and other receivables ³	11 388	18 696
Deferred tax assets	1 788	1 389
Current assets	846 914	836 067
Capacity prepayments	15 864	13 188
Inventories	2 597	4 179
Trade and other receivables ³	112 570	125 534
Income tax receivables ⁴	22 836	4 726
Mobile financial deposit ⁵	436 086	444 183
Cash and cash equivalents	256 961	244 257
TOTAL ASSETS	2 038 629	2 055 941
EQUITY AND LIABILITIES		
Equity	777 324	797 587
Share capital	112 000	112 000
Share premium	442 435	442 435
Capital contribution	27 698	27 698
Retained earnings	195 191	215 454
Non-current liabilities	451 764	466 184
Lease liabilities	446 044	461 627
Government grant	143	235
Trade and other payables	378	163
Provisions	5 199	4 159
Current liabilities	809 541	792 170
Lease liabilities ⁶	60 472	73 052
Trade and other payables	300 006	253 153
Mobile financial payables ⁵	436 086	444 183
Government grant	1 218	1 383
Provisions	11 759	20 399
Total liabilities	1 261 305	1 258 354
TOTAL EQUITY AND LIABILITIES	2 038 629	2 055 941

The preliminary condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 5 May 2022 and were signed on its behalf by:



Justice (Rtd) Thomas B. Mihayo
Chairman



Sitholizwe Mdlalose
Managing Director

³ Trade and other receivables as at 31 March 2022 include contract assets amounting to TZS3 146 million of which TZS938 million is non-current and TZS2 208 million is current (March 2021: non-current TZS788 million and current TZS1 996 million).

⁴ These are deposits with TRA in respect to objected assessments for corporate tax as well as tax refundable from revised assessments.

⁵ Mobile financial deposits relate to restricted bank balances for M-Pesa customer deposits, in prior year mobile financial deposits were named financial assets. Mobile financial payables relate to amounts due to M-Pesa customers. In prior year this balance was included under Trade and other payables. This split does not have an impact on the overall asset and liabilities. This reclassification is necessary to ensure consistency reporting with the parent company.

⁶ Lease liability additions during the period was TZS41 077 million (31 March 2021: TZS50 851 million).

Condensed consolidated statement of changes in equity

for the year ended 31 March 2022

	Share capital TZS m	Share premium TZS m	Capital contribution TZS m	Retained earnings TZS m	Total TZS m
Year ended 31 March 2022 (Reviewed)					
At 1 April 2021	112 000	442 435	27 698	215 454	797 587
Loss and total comprehensive loss for the period	–	–	–	(20 263)	(20 263)
Transactions with owners:					
At 31 March 2022	112 000	442 435	27 698	195 191	777 324
Year ended 31 March 2021 (Audited)					
At 1 April 2020	112 000	442 435	27 698	673 019	1 255 152
Loss and total comprehensive loss for the period	–	–	–	(30 106)	(30 106)
Transactions with owners:					
Dividends declared (Note 6)	–	–	–	(427 459)	(427 459)
At 31 March 2021	112 000	442 435	27 698	215 454	797 587

Condensed consolidated statement of cash flows

for the year ended 31 March 2022

	Notes	31 March 2022 TZS m Reviewed	31 March 2021 TZS m Audited
Cash flows from operating activities			
Cash generated from operations	10	316 747	427 135
Income tax paid		(43 191)	(67 642)
Interest paid on tax liabilities		(5 753)	–
Net cash flows generated from operating activities		267 803	359 493
Cash flows utilised in investing activities			
Additions to property and equipment and intangible assets		(142 153)	(112 850)
Proceeds from disposals of property and equipment		6	17
Government grants received		4 991	400
Short term investments retired		–	164 643
Finance income received		7 219	17 625
Increase in cash held in restricted deposit		8 097	(106 627)
Interest received from M-pesa deposits		18 618	20 793
Net cash flow utilised in investing activities		(103 222)	(15 999)
Cash flow utilised in financing activities			
Dividend paid		(209)	(427 093)
Interest paid to M-pesa customers		(20 043)	(24 165)
Interest paid on lease liabilities		(60 871)	(64 040)
Payment on lease liabilities – principal		(69 183)	(61 395)
Net cash flow utilised in financing activities		(150 306)	(576 693)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		244 257	473 828
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies		(1 571)	3 628
Cash and cash equivalents at the end of the year		256 961	244 257

Notes to the Preliminary condensed consolidated financial statements

for the year ended 31 March 2022

1. General information

Vodacom Tanzania Public Limited Company (the "Company") and its subsidiaries (together, the "Group") are incorporated and domiciled in Tanzania. The Company is a limited liability company and its 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 and separate financial statements. The address of the Company's registered office is disclosed under the Corporate Information issued with the latest audited consolidated and separate financial statements.

2. Basis of preparation

These preliminary condensed consolidated 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').

The preliminary condensed consolidated 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 Tanzania Shillings (TZS), which is the Company's functional currency and the Group's presentation currency.

The preliminary condensed consolidated 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 preliminary condensed consolidated 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 preliminary period, except where otherwise indicated as disclosed in Note 3.

3. Changes in accounting policies

The new, revised or amended accounting pronouncements adopted by the Group from 1 April 2021 had no material impact on the consolidated results, financial position or cash flows of the Group.

New and amended standards and interpretations that have been issued, but that are not yet effective

The Group has not early adopted any standard, interpretation or amendment that has been issued, but that are not yet effective, and the Group is not expecting that these standards, interpretations or amendments will have a material impact on the consolidated results, financial position or cash flows of the Group.

Notes to the Preliminary condensed consolidated financial statements continued

4. Revenue

	March 2022 TZS m Reviewed	March 2021 TZS m Audited
Major products/service lines		
Customer service revenue ⁷	882 384	883 798
Mobile interconnect	48 105	58 141
Fixed service revenue	15 328	14 318
Other service revenue	10 698	9 757
Equipment revenue	13 060	7 177
Other non-service revenue	922	686
Revenue from contracts with customers	970 497	973 877
Interest income recognised as revenue	528	514
Revenue	971 025	974 391
Revenue is further disaggregated per revenue stream as follows:		
Mobile voice revenue	286 985	302 037
M-Pesa revenue	329 557	356 801
Mobile data revenue	203 985	171 585
Digital & VAS revenue ⁸	36 294	24 749
Mobile incoming revenue	48 105	58 141
Messaging revenue	28 861	31 877
Fixed, customer and other service revenue	22 728	20 824
Service revenue	956 515	966 014
Non-service revenue	14 510	8 377
Revenue	971 025	974 391

Equipment revenue and other non-service revenue are recognised at a point in time while the service revenue are recognised over time.

⁷ Comprises of mobile contract revenue and mobile prepaid revenue.

⁸ During the year, further disaggregation to revenue was done and Digital & VAS revenue line was introduced. Previously, this line used to be aggregated in mobile voice and mobile data. This disaggregation is necessary to enhance consistency with other reports. There is no impact on the overall total revenue.

Notes to the Preliminary condensed consolidated financial statements continued

5. Income tax expense

	March 2022 TZS m Reviewed	March 2021 TZS m Audited
Expected income tax expense at the Tanzania statutory tax rate 30%	954	1 898
Adjusted for:		
– Non-deductible expenditure ⁹	6 823	7 446
– Non-taxable gaming cost/(income)	398	(2 368)
– Deferred Tax Asset not recognised for tax losses and net deductible timing differences	25 585	20 979
– Deferred tax credit not recognised – Subsidiary	421	961
– Prior year tax, prior year tax adjustments and penalties	(10 740)	7 517
Income tax expense	23 441	36 433
Effective tax rate¹⁰	737.40%	575.83%

6. Loss and dividends per share

Loss per share calculations are based on the earnings which are attributable to the shareholders and the weighted average number of ordinary shares outstanding as shown below:

	March 2022 Reviewed	March 2021 Audited
Basic and diluted loss per share (TZS)	(9.05)	(13.44)
Loss attributable to the shareholders (TZS m)	(20 263)	(30 106)
Weighted average number of ordinary shares outstanding	2 240 000 300	2 240 000 300
Dividend declared during the year (TZS m)	–	427 459
Dividend per share (TZS) – declared	–	190.83
Normal dividend declared during the year (TZS m)¹¹	–	27 462
Normal dividend per share (TZS) – declared during the year	–	12.26
Special dividend declared during the period/year (TZS m)¹¹	–	399 997
Special dividend per share (TZS) – declared during the year	–	178.57

⁹ Non deductible expenditure includes charitable donations, dispute losses, fines and penalties.

¹⁰ The effective tax rate of (737.40%) in the current period is significantly higher than the statutory rate of 30.0% mainly due to unrecognised deferred tax asset from the company and subsidiary entity.

¹¹ The normal and special dividend were proposed during the prior year ended 31 March 2021.

Notes to the Preliminary condensed consolidated financial statements continued

7. 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.

	March 2022 TZS m Reviewed	March 2021 TZS m Audited
Opening balance	24 558	13 443
Decrease in provisions – legal disputes	(747)	(1 446)
(Decrease)/increase in provisions – marketing fees	(6 187)	5 149
Increase in provision – interest expense on site restoration obligation	327	421
(Decrease)/increase in provision – restructuring ¹²	(2 582)	2 582
Increase in provisions – site restoration obligation	713	119
Increase in provision – tax assessments and disputes	876	4 290
Closing balance	16 958	24 558
Comprising of:		
Non-current		
Site restoration obligation	5 199	4 159
Current		
Legal dispute	1 606	2 353
Marketing fees	4 987	11 174
Restructuring costs	–	2 582
Tax assessments and disputes	5 166	4 290
	11 759	20 399

8. Capital Expenditure and Commitments

During the period the Group invested TZS173 955 million (March 2021: TZS122 449 million) in property and equipment and intangible assets. This capital expenditure was funded using internally generated funds. As at year end, TZS31 803 million of the total investment made was payable to capex creditors (2021: TZS9 599 million).

The Group's capital commitments is as presented below:

	March 2022 TZS m Reviewed	March 2021 TZS m Audited
Capital expenditure contracted for but not yet incurred (Including property and equipment and intangible assets)	35 580	25 303

¹² The Group restructured during the year ended 31 March 2021 and the cost involved had been provided. The decrease during the year is mainly driven by payment to staff as part of the restructuring process.

Notes to the Preliminary condensed consolidated financial statements continued

9. Related parties

The Group's related parties are its ultimate parent, immediate parent, subsidiaries, other related companies including sister companies, and key management personnel including directors.

	March 2022 TZS m Reviewed	March 2021 TZS m Audited
Balances with related parties		
Trade and other receivables		
Vodafone Group Plc (Ultimate Parent)	5 249	3 241
Vodacom Group Limited (Immediate Parent)	2 068	2 038
	7 317	5 279
Trade and other payables		
Vodafone Group Plc (Ultimate Parent)	(5 616)	(3 059)
Vodacom Group Limited (Immediate Parent)	(8 330)	(2 323)
M-Pesa Africa	(1 351)	(4 715)
	(15 297)	(10 097)

The amounts due from/(to) related parties are interest free. All the balances due from/(to) related parties are due on demand and are unsecured.

Transactions with related parties

	March 2022 TZS m Reviewed	March 2021 TZS m Audited
Vodafone Group Plc and its subsidiaries		
Revenue	5 221	2 811
Direct expenses	(1 234)	(996)
Other operating expenses	(4 541)	(7 615)
	(554)	(5 800)
Vodacom Group Limited subsidiaries – Mozambique, DRC, Mauritius and Lesotho		
Revenue	568	1 189
Direct expenses	(189)	(199)
Other operating expenses	(2 239)	(2 450)
	(1 860)	(1 460)

Notes to the Preliminary condensed consolidated financial statements continued

9. Related parties continued

	March 2022 TZS m Reviewed	March 2021 TZS m Audited
Vodacom Group Limited – South Africa		
Revenue	4 924	4 522
Direct expenses	(2 108)	(1 708)
Other operating expenses	(13 112)	(11 504)
	(10 296)	(8 690)
Compensation for key management personnel		
Short-term employee benefits	(9 395)	(8 262)
Long-term employee benefits	(654)	(963)
	(10 049)	(9 225)
Non-executive directors		
Non-executive directors fees	(1 193)	(1 236)
Executive directors		
Short-term employee benefits	(5 156)	(3 115)
Long-term employee benefits	(753)	(607)
	(5 909)	(3 722)

Notes to the Preliminary condensed consolidated financial statements continued

10. Cash generated from operations

	March 2022 TZS Mil Reviewed	March 2021 TZS Mil Audited
Profit before tax	3 179	6 327
Adjusted for:		
Financing income	(25 837)	(38 418)
Financing costs	85 544	85 232
Net loss/(gain) on foreign currency translation	1 548	(3 627)
Operating profit	64 434	49 514
Adjusted for:		
Depreciation and amortisation	236 201	264 039
Net (release)/charge on financial assets ¹³	(2 275)	1 887
Amortisation of capacity prepayments	14 345	13 526
A gain/(loss) on disposal of property, plant and equipment, and right of use assets	18	(1)
(Decrease)/increase in provision for inventory	(2 555)	777
Amortisation of government grant	(1 716)	(2 003)
Government grant applied against funded assets	(3 532)	(705)
(Decrease)/increase in legal and marketing provisions	(5 657)	10 575
Cash flow from operations before working capital changes	299 263	337 609
Payment of capacity contracts	(15 044)	(4 728)
Decrease/(Increase) in inventory	4 137	(2 952)
Decrease/(Increase) in trade and other receivables	17 556	(29 776)
Increase in trade, mobile financial and other payables	10 835	126 982
Cash generated from operations	316 747	427 135

¹³ In prior year this amount was presented as cash-flow item before operating profit. In the current year it has been reallocated to cash flow item below operating profit. This change was necessary to align to parent entity presentation and has no impact on overall cash generated from operations. Also, narrations have been updated from prior year which read as impairment charges and in the current year it reads as charge on financial assets.

Notes to the Preliminary condensed consolidated financial statements continued

11. Contingent liabilities

Tax matters

The Group's future tax charge, effective tax rate and profit before tax could be affected by several factors including tax reforms conducted in Tanzania and the resolution of open tax disputes with the Tanzania Revenue Authority ("TRA" or the "tax authority") and/or tax courts.

The Group is committed to acting with integrity and transparency in all tax matters including a policy of full transparency to the tax authority and the payment of all taxes properly due under the relevant tax laws in Tanzania.

The Group is regularly subject to audits and examination by the tax authority of its direct and indirect tax filings. The consequence of such reviews is that in some instances, disputes can arise with the tax authority over the interpretation or application of certain tax rules where these tax laws are ambiguous and subject to a broad range of interpretations.

To address and manage this tax uncertainty, good governance is fundamental to the Group's business sustainability. The major tax positions taken are thus subject to review by executive management and reported to the Board. The Group has support from external advisors supporting the positions taken in respect of the significant tax matters which support the application and interpretation of the tax legislation.

The Group has considered all matters in dispute with the tax authority and has accounted for any exposure identified, if required. The Group has not disclosed all the details in relation to the open tax disputes because the matters are still under the dispute resolution process.

The following open tax disputes are material contingent liabilities not recognised in the statement of financial position and may have a significant impact on the profit or loss and financial position of the Group if these disputes are not resolved favourably:

- **Capital allowances of telecommunication equipment**

Open tax disputes in relation to the classification of telecommunication equipment for the year 2013 is currently in the court. The TRA disagrees with the Company's classification of the equipment as there is no clearly defined category for telecommunication equipment in the Income Tax Act. The matter is however a timing difference as the capital allowance deductions claimed in future years of assessment will be more if the Company does not resolve the dispute favourably, which will also result in additional penalties levied by the TRA in this regard.

- **Withholding tax on satellite, international roaming and undersea cable services**

The assessments received by the Company in respect of withholding tax on satellite services, international roaming and undersea cable services provided by foreign suppliers are also currently in the court process. The Company did not withhold the foreign services withholding tax on these telecommunication services as Tanzania is a member of the International Telecommunication Union ("ITU") and is a signatory to the ITU conventions that established the elimination of double taxation of international telecommunication services. The Company has provided evidence (attestation) from the ITU that these agreements were ratified in Tanzania by the Court.

- **Transfer pricing**

The Group, as part of a multinational enterprise, makes extensive use of services provided by associated entities in a value adding manner and applies the arm's length principle, in the taxation context, in such undertakings. These intercompany transactions are documented in the Group's transfer pricing documentation which is done in accordance with the requirements of local Transfer Pricing Regulations and OECD guidelines. The TRA conducted a transfer pricing audit for the 2018 to 2020 tax years which resulted in certain disputed items in terms of the methodology and other Transfer Pricing aspects used to support the taxation arm's length principle.

Notes to the Preliminary condensed consolidated financial statements continued

11. Contingent liabilities continued

Litigation and other claims contingencies

The Group is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the possible/probable 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 year end.

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 year end.

12. Other matters

Regulatory matters

SIM Card Registration

On 1 May 2019, the Tanzania Communication Regulatory Authority ('TCRA') issued new customer registration guidelines, directing the biometric registration of SIM cards using the National Identification Number ('NIN') issued by the National Identification Authority ('NIDA'), as the only accepted identification. On 7 February 2020, the new Electronic & Postal Communications (SIM Card Registration) Regulations 2020 were published. The Regulations provide for a biometric registration of SIM cards using the National ID, as the sole means of registering SIM cards in the United Republic of Tanzania. During the year, as directed by the TCRA, we barred 568 000 non-biometrically registered customers.

On 1 July 2020, the TCRA issued a public release that required customers who biometrically registered more than one SIM card per service provider to verify their SIM cards ownership through their mobile phones. Furthermore, the TCRA and mobile network operators have implemented an approval process that allows customers to request for additional SIM cards by visiting service providers' retail outlets or an automated process through Unstructured Supplementary Service Data (USSD). Customers are allowed to have more than one SIM card if they follow the correct approval process. We continue to drive awareness on the SIM card verification process.

Notes to the Preliminary condensed consolidated financial statements continued

12. Other matters continued

Other matters

Levies on mobile money transfers and withdrawals and airtime

On 30 June 2021, the President approved the Finance Act, which included the amendments to the National Payment System Act (NPS Act) and the Electronic & Postal and Communication Act (EPOCA) which introduced levies on mobile money transfer transactions and airtime. For mobile money transfer and withdrawal transactions, a transaction value dependent levy of between TZS10 and TZS10 000 was implemented from 15 July 2021. Subsequent to the implementation and following our continuous engagements with the relevant Government stakeholders, the regulations were amended effective from 03 September, reducing the levy by 30%. Despite this reduction, transaction volume and values are still at the lower levels compared to the transactions before the levies were implemented, as the levies still represent a material increase to end-user charges. During the year, we collected levies totaling TZS118.8 billion, out of which TZS106.1 billion was paid to the government during the year and TZS12.7 billion collected for the month of March 2022 was paid in April 2022 as per regulation requirements.

Additionally, and in accordance with the Electronic and Postal Communications (Airtime Levy) Regulations 2021, airtime based levies of between TZS5 and TZS223 were implemented on 20 October 2021. During the year, we collected airtime levies totaling TZS2.1 billion, out of which TZS1.7 billion was paid during the year and TZS0.4 billion collected for the month of March 2022 was paid in April 2022 as per regulation requirements.

Vodacom Tanzania Plc and the other mobile operators continue to engage with the relevant Government institutions on the further reduction of levy, so as not to continue to interrupt the significant strides made in the last decade in reducing barriers to financial inclusion.

Impact of Global incidents

COVID-19

The Group continues to monitor the impact of the Covid-19 pandemic. To date, there was no significant impact on our operations, neither do we expect a significant impact over the short- to medium term.

Ukraine-Russian war

The Ukraine-Russian war has significantly impacted commodity prices, heightening inflation risk globally which will likely impact service affordability and weigh on economic growth. This will place even greater reliance on our ability to deliver our strategy through a multi-product approach, called the System of Advantage, which leverages our capabilities and delivers diversified, differentiated offerings to our customers accommodating shifts in customer behavior.

Notes to the Preliminary condensed consolidated financial statements continued

13. Segments

In order to identify operating segments, management identifies components that engage in business activities from which it may earn revenue 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 preliminary condensed consolidated financial statements. There is no revenue from transactions with a single external customer that amounts to 10% or more of the Group's revenue.

14. Fair value

The Group does not have any financial instruments that required to be measured at fair value subsequent initial recognition. The Carrying amounts of the Group's financial instruments reasonably approximate their fair values due to the short-term nature of the instruments.

15. Events after the reporting period

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

Year ended 31 March

	2022	2021	% Change
Active customers ¹⁴ (thousands)	15 368	14 861	3.4
ARPU ¹⁵ (shillings per month)	5 132	5 259	(2.4)
Data customers ¹⁶ (thousand)	7 603	7 695	(1.2)
M-Pesa customers ¹⁷ (thousand)	6 833	7 395	(7.6)
Traffic¹⁸ (millions of minutes)	41 983	34 788	20.7
Outgoing	27 736	24 786	11.9
Incoming	14 247	10 002	42.4
MoU per month¹⁹	232	194	19.6
Messaging (million)	28 851	30 161	(4.3)
Number of employees	560	569	(1.6)
Number of sites			
4G	1 963	1 820	7.9
3G	2 868	2 825	1.5
2G	3 388	3 356	1.0

¹⁴ Active customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.

¹⁵ ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period.

¹⁶ 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 Access Point Names (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.

¹⁷ M-Pesa customers are the number of unique customers who have generated billable transactions during the month. In the past 3 months, 9.9 million unique customers generated revenue related to M-Pesa.

¹⁸ 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.

¹⁹ Minutes of use ('MoU') per month is calculated by dividing the average monthly minutes (both incoming and outgoing traffic) during the period by the average monthly active customers during the period. Outgoing MoU was 187 (2021: 170).

Non-IFRS information

The auditor's report does not necessarily cover all of the information contained in this announcement, which sets out the preliminary consolidated financial results of Vodacom Tanzania Public Limited Company ('the Company') and its subsidiaries (together 'the Group') for the twelve months ended 31 March 2022. 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 have 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 preliminary results of the Group for the twelve months ended 31 March 2022, 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

TB Mihayo¹ (Chairman), S Mdlalose (Managing Director)⁵, H Bujiku (Finance Director)¹, D Gutierrez⁴, D Kastelic⁷, M Ikongo¹, M Mbungela³, N Nyoka³, R Morathi³, S Ramasamy⁶, T Semane³, W Ouko²

1. Tanzanian 2. Kenyan 3. South African 4. Bolivian 5. British 6. Indian 7. Slovenian

Company secretary

Caroline Mduma

Registered office

15th Floor, Vodacom Tower,
Ursino Estate, Plot 23, Bagamoyo Road,
P.O. Box 2369, Dar es Salaam, Tanzania.

Transfer secretary

CSD & Registry Company Limited ('CSDR')
Kambarage House,
2nd Floor, 6 Ufukoni Street
P.O. Box 70081, Dar es Salaam, Tanzania

Sponsoring licenced dealing member

Orbit Securities Company Limited

External communications

Rosalynn Mworia

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