

Vodacom Tanzania Public  
Limited Company

# Preliminary consolidated financial results

for the year ended 31 March 2020

The future is exciting.

**Ready?**



This year we delivered a solid operational performance which resulted in continued commercial momentum as evidenced by the expansion of our customer market leadership to 32.8%<sup>1</sup> and solidifying our lead as the fastest data network across the country<sup>2</sup>. We invested TZS154.6 billion in network and IT infrastructure to ensure all customers benefit from superior services and network experience across the country. This saw 1.4 million customers join the Vodacom Tanzania's leading network, an increase of 9.8% to 15.5 million customers<sup>3</sup>, enjoying access to a wide array of financial and digital services despite intense regulatory and competitive pressure.



## Vodacom Tanzania Plc Managing Director

**HISHAM HENDI** commented

We are pleased with the success of the initiatives taken during the year to ensure compliance with the new customer registration guidelines. We spent more than TZS20 billion to set up the registration platform as well as ensuring there is a strong customer registration distribution network in place, with over 35 000 service points established across the country. As at 31 March 2020, three quarters of our customer base was biometrically registered. A total of 2.9 million customers were barred in the last quarter of the year, of which 736 000 customers were reconnected, while 2.5 million customers remain non biometrically registered in accordance with the guidelines. The Tanzania Communication Regulatory Authority (TCRA) has temporarily suspended barring in response to the COVID-19 pandemic.

The financial impact of complying with the new customer registration guidelines masks an otherwise sound operational performance. This is evident in the slowdown in service revenue in the second half of the year as well as increased compliance costs resulting in service revenue growth of 0.9% (1.8% excluding the impact of mobile termination rates) led by demand for M-Pesa and data.

M-Pesa continues to deliver on its promise of delivering financial inclusion, empowering customers to transact easily and contributing to economic growth. We now have 10.1 million customers<sup>4</sup> using this service, processing 1.4 billion transactions worth TZS58.1 trillion in the mobile money system during the year. We continue to expand the ecosystem with

more services such as micro loans, international money transfer, merchant payments and further interconnection with banks and other operators. Our overdraft product – known as 'Songesha' – progressed well with 5.3 million customers utilising this service and TZS52.0 billion in overdrafts provided during the year.

We continued to provide a superior data experience to our customers across the country and help bridge the digital divide through sustained investment in our network infrastructure, offering low-cost smartphones as well as affordable data services. During the year, we added 460 4G sites and 253 3G sites across the country and introduced an affordable \$25 smart-feature phone dubbed "Smart Kitochi" which provides many customers with the ability to access an enhanced data experience. This has led to data revenue growth of 9.8%, contributed by the 14.6% increase in data traffic, with significant growth coming from 4G traffic.

Looking ahead, we expect that our continuous engagement with the TCRA and National Identification Authority (NIDA) will enable us to reconnect barred customers over the short to medium term as well as accelerate the biometric registration of the remaining customers.

Our investment in the network continues to provide us with a competitive advantage to expand our mobile money services, leverage our investment into high-value and youth segments as well as provide even greater value to data users across the country. It remains a management priority to focus on cost containment.

<sup>1</sup> Tanzania Communication Regulatory Authority's quarterly communications statistics as at December 2019.

<sup>2</sup> Ookla speed test report as at 31 March 2020.

<sup>3</sup> 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. There were 11.9 million customers who generated billable transactions during the month.

<sup>4</sup> M-Pesa customers are based on the number of unique customers who generated billable transactions in the last three months. There were 6.7 million customers who generated billable transactions during the month.

# Highlights

## Service revenue up

**0.9%** (1.8% excluding the impact of mobile termination rates) supported by strong customer growth, albeit impacted by the biometric registration as well as intense competitive pricing pressure.

## M-Pesa revenue up

**7.4%** contributing 35.0% to service revenue, up 2.2pp, driven by increased transactions per customer.

## Continued significant capital investment of

**TZS154.6 billion**

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

## Data revenue grew

**9.8%** contributing 17.7% to service revenue, up 1.5pp, supported by the strong demand for mobile data services and our investment in the data network.

## We added

**1.4 million**

customers<sup>5</sup> during the year, to serve 15.5 million customers, up 9.8%.

## Summary financial information

### For the twelve months ended 31 March

TZS m	2020 IFRS 16	2020 IAS 17	2019 IAS 17	% change IFRS 16	% change IAS 17*
Service revenue	1 024 916	1 024 916	1 016 237	0.9	
Revenue	1 032 667	1 032 667	1 024 587	0.8	
EBITDA	364 763	243 571	288 656	26.4	(15.6)
Operating profit	95 999	59 728	115 333	(16.8)	(48.2)
Net profit after tax	45 762	67 276	90 761	(49.6)	(25.8)
Operating free cash flow	107 383	107 383	142 151	(24.5)	
Free cash flow	61 624	61 624	114 919	(46.4)	
Capital expenditure	154 586	154 586	171 432	(9.8)	
Earnings per share ('EPS') (shillings)	20.43	30.05	40.52	(49.6)	(25.8)
Contribution margin (%)	67.9	67.9	70.4	(2.5)pp	
EBITDA margin (%)	35.3	23.6	28.2	+7.1pp	(4.6)pp
Operating profit margin (%)	9.3	5.8	11.3	(2.0)pp	(5.5)pp
Effective tax rate (%)	24.2	26.1	32.7	(8.5)pp	(6.6)pp
Net profit margin (%)	4.4	6.5	8.9	(4.5)pp	(2.4)pp
Capital intensity (%)	15.0	15.0	16.7	(1.7)pp	

Following the adoption of IFRS 16: Leases on 1 April 2019 the Group's results for the twelve months ended 31 March 2020 are presented on IFRS 16 basis, whereas the results for the twelve months ended 31 March 2019 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 twelve months ended 31 March 2020 have 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 marked in the heading of the 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 pages 3.

# Operating and financial review

For the twelve months ended 31 March

TZS m	2020 IFRS 16	2020 IAS 17	2019 IAS 17	% change IFRS 16	% change IAS 17*
Mobile voice revenue	373 005	373 005	385 498	(3.2)	
M-Pesa revenue	358 243	358 243	333 519	7.4	
Mobile data revenue	180 840	180 840	164 658	9.8	
Mobile incoming revenue	53 204	53 204	65 709	(19.0)	
Messaging revenue	42 413	42 413	41 441	2.3	
Other service revenue	17 211	17 211	25 412	(32.3)	
<b>Service revenue</b>	<b>1 024 916</b>	<b>1 024 916</b>	1 016 237	<b>0.9</b>	
Non-service revenue	7 751	7 751	8 350	(7.2)	
<b>Revenue</b>	<b>1 032 667</b>	<b>1 032 667</b>	1 024 587	<b>0.8</b>	
Direct expenses	(331 779)	(331 779)	(303 306)	(9.4)	
Staff expenses	(57 671)	(57 671)	(59 368)	2.9	
Publicity expenses	(30 571)	(30 571)	(36 311)	15.8	
Other operating expenses	(247 883)	(369 075)	(344 086)	28.0	(7.3)
Depreciation and amortisation	(268 764)	(183 843)	(165 834)	(62.1)	(10.9)
Impairment charges	–	–	(349)	100	
<b>Operating profit</b>	<b>95 999</b>	<b>59 728</b>	115 333	<b>(16.8)</b>	(48.2)
<b>EBITDA</b>	<b>364 763</b>	<b>243 571</b>	288 656	<b>26.4</b>	(15.6)
<b>EBITDA margin</b>	<b>35.3%</b>	<b>23.6%</b>	28.2%	<b>+7.1pp</b>	(4.6)pp

## Revenue

**Service revenue** grew 0.9% (1.8% excluding the impact of change in MTRs) to TZS1 024.9 billion driven by 3.3% growth in mobile customer revenue primarily from a healthy 9.8% increase in customer base partly offset by the decline in ARPU due to service barring to 2.9 million non-biometrically registered customers and intense competitive pricing pressure. We are pleased with the 1.4 million net customer additions during the year, significantly driven by the ground commercial activities across the country, boosted by existing customers registering new sim cards biometrically instead of re-registering their existing sim cards, as required by the new registration guidelines.

**Voice** decreased by 3.2% to TZS373.0 billion, with contribution to service revenue decreasing by 1.5pp to 36.4%. The rate of decline in the second half of the year increased as a result of reduced customers' activities following the biometric registration implementation as well as competitive pricing pressure.

**M-Pesa** revenue grew 7.4% to TZS358.2 billion, with contribution to service revenue increasing by 2.2pp to 35.0%. The increasing uptake of mobile money products has contributed to the ARPU increase partially offset by the slowdown in customer spend in the second half of the year following the biometric registration implementation and ongoing competitive pricing pressure. 10.1 million<sup>6</sup> customers are now using this service, and continued to lead the industry with customer market share of 39.3%<sup>7</sup>. M-Pesa continues to deliver on its promise of financial inclusion, empowering customers to transact easily and contribute to the economic growth. We are now processing 1.4 billion transactions worth TZS58.1 trillion in the mobile money system during the year, with transaction values up 21.1%. Our overdraft product known as 'Songesha' progressed well with 5.3 million customers utilising this service and TZS52.0 billion in overdrafts provided during the year. We expanded our international remittance portfolio in partnership with global partners, including World Remit, receiving a total of TZS115.6 billion across the portfolio and remitting TZS48.6 billion within East Africa.

<sup>6</sup> M-Pesa customers are based on the number of unique customers who generated billable transactions in the last three month. There were 6.7 million customers who generated billable transactions during the month.

<sup>7</sup> Tanzania Communication Regulatory Authority's quarterly communications statistics as at December 2019.

## Operating and financial review (continued)

**Mobile data** revenue grew 9.8% to TZS180.8 billion primarily driven by a 14.6% increase in data traffic, with significant growth coming from 4G traffic reflecting a strong demand of mobile data services supported by our continuous investment in enhancing customer's data experience, low-cost smartphone as well as affordable data services. Data customers decreased 2.6% to 7.7 million primarily from barring of non-biometrically registered customers in the last quarter of the year.

**Mobile incoming** revenue declined by 19.0% to TZS53.2 billion, reflecting a 50% mobile termination rate reduction in January 2020 in line with the regulated glide path, partially offset by a 30.1% 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 5.2% (down 1.3pts).

**Messaging** revenue increased by 2.3% to TZS42.4 billion with the number of SMSs transmitted declining by 3.5% to 33.1 billion while price per SMS increased by 6.0%. This is a result of the continuous improvement in our products offering and price optimisation.

### Understanding the effects of IFRS 16

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 the present value of the remaining lease payments, discounted using the incremental borrowing rates.

For the twelve months ended 31 March 2020, the application of the new standard resulted in reduction of operating expenses by TZS121.2 billion as a result of not recognising operating lease expenses; increased depreciation by TZS84.9 billion of the right of use asset recognised over its useful life as well as finance cost by TZS67.0 billion resulting from interest on the outstanding capital balance of the lease liabilities. This led to a TZS30.7 billion net reduction in profit before tax.

### Total expenses<sup>8</sup>

**Total expenses** decreased 10.1% to TZS667.9 billion. Excluding the impact of IFRS 16 adoption, total expenses increased 6.2% to TZS789.1 billion. The increase in expenses includes TZS21.0 billion relating to biometric and COVID-19 expenses<sup>9</sup> excluding which, total expenses grew 3.4% benefitting from lower interconnect costs as a result of lower MTR as well as strong yields from our 'Fit for growth' programme, partially offset by greater network operating costs, as a result of a higher number of network elements and inflation adjustments applied under service contracts.

### EBITDA

EBITDA increased 26.4% to TZS364.8 billion, with EBITDA margin improving by 7.1pp to 35.3%. Excluding the impact of IFRS 16 adoption, EBITDA declined 15.6% to TZS243.6 billion. The decline was primarily due to the slowdown in revenue growth in the second half of the year as well as increased total expenses including biometric registration costs. Adjusting for the biometric related and COVID-19 expenses<sup>9</sup>, EBITDA declined 8.3%.

### Operating profit

Operating profit declined 16.8% to TZS96.0 billion. Excluding the impact of IFRS 16 adoption, operating profit declined 48.2% to TZS60.0 billion mainly impacted by the slowdown in EBITDA growth as well as the increase in depreciation charge from increased investment in the network. Adjusting for the biometric related and COVID-19 expenses<sup>9</sup>, operating profit declined 28.5%.

<sup>8</sup> Excluding depreciation, amortisation and impairment losses.

<sup>9</sup> Biometric registration costs of TZS15.6 billion, TZS1.7 billion depreciation for biometric registration devices and TZS5.5 billion costs relating to COVID-19 pandemic and legal related expenses.

## Operating and financial review (continued)

## Capital expenditure

We invested TZS154.6 billion excluding right-of-use assets, 15.0% of revenue. We continued to focus on enhancing our data network and expanding 4G coverage across the country. 460 new 4G sites were deployed during 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<sup>10</sup>. We added 253 3G sites to reach 2 682 sites and modernised our network with the continuation of capacity upgrades across our 3G sites. We spent TZS5.3 billion in biometric registration devices to ensure the acceleration of customer registration.

## Net finance charges

## For the twelve months ended 31 March

TZS m	2020 IFRS 16	2020 IAS 17	2019 IAS 17	% change IFRS 16	% change IAS 17*
Interest income from M-Pesa cash balances	19 347	19 347	19 841	(2.5)	
Interest income from cash and government Treasury bill investments	31 118	31 118	18 634	67.0	
<b>Finance income</b>	<b>50 465</b>	<b>50 465</b>	38 475	31.2	
Finance cost of M-Pesa cash balances	(19 428)	(19 428)	(19 733)	1.6	
Finance cost – lease liability	(67 041)	–	–	n/a	
Other finance cost	( 1)	( 1)	( 158)	99.4	
<b>Finance cost</b>	<b>(86 470)</b>	<b>(19 429)</b>	(19 891)	<(200)%	2.3
Net loss on re-measurement and disposal of financial instruments	356	356	970	(63.3)	
<b>Net finance (cost)/ income</b>	<b>(35 649)</b>	<b>31 392</b>	19 554	<(200)%	60.5

Net finance cost increased by TZS55.2 billion. This includes finance costs recognised in terms of IFRS 16 adoption, excluding which, net finance income increased by TZS11.8 billion primarily driven by the increase in interest rate on government treasury bills investment as well as increased cash investment.

## Taxation

The tax expense of TZS14.6 billion is 66.9% lower than prior year (2019: TZS44.1 billion). The prior year profit before tax included a non-deductible expense related to the compensation and penalty, which increased the tax charge. In the current year, the decline in profit before tax as well as the recognition of deferred tax asset relating to the impairment of the Shared Network Tanzania ('SNT')<sup>11</sup> assets led to the decline in tax charge.

The effective tax rate decreased to 24.2% (2019: 32.7%) and lower than the statutory rate mainly due to the inclusion of the non-deductible charge in the prior year as well as the recognition of deferred tax asset relating to the impairment of the SNT assets in the current year, that will be deductible for tax in future years.

<sup>10</sup> Ookla speed test report as at 31 March 2020.

<sup>11</sup> Shared Networks Tanzania Limited ('SNT'), a wholly owned subsidiary of Vodacom Tanzania PLC acquired in July 2016.

## Operating and financial review (continued)

### Earnings

Earnings per share declined 49.9% to TZS20.43. Excluding the impact of IFRS 16, earnings per share declined 25.9%, better than operating profit decline as a result of the increase in net finance income as well as lower tax expense. Adjusting for the biometric related and COVID-19 expenses<sup>12</sup>, underlying earnings per share declined 8.3%.

### Statement of financial position

Property and equipment and intangible assets increased 66.8% to TZS1 202.5 billion. This includes right-of-use assets recognised on adoption of IFRS 16 of TZS505.6 billion excluding which, property and equipment declined by 3.4%. The investments made during the year were largely offset by the depreciation of network infrastructure assets from previous years' investments.

### Net (debt)/cash

For the twelve months ended 31 March

TZS m	2020 IFRS 16	2020 IAS 17	2019 IAS 17	% change IFRS 16	% change IAS 17*
Bank and cash balances	473 828	473 828	396 622	19.5	
Lease liability	(545 223)	–	(5 801)	<200	100
<b>Net(debt)/cash</b>	<b>(71 395)</b>	<b>473 828</b>	<b>390 821</b>	<b>(118.3)</b>	<b>21.2</b>
<b>Net (debt)/cash to EBITDA (times)</b>	<b>(0.2)</b>	<b>1.9</b>	<b>1.4</b>	<b>(1.6)</b>	<b>0.5</b>

Net debt increased significantly from the recognition of finance lease liability on adoption of IFRS 16 of TZS545.2 billion, excluding which, net cash grew 21.2% to TZS473.8 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

For the twelve months ended 31 March

TZS m	2020 IFRS 16	2020 IAS 17	2019 IAS 17	% change IFRS 16	% change IAS 17*
<b>EBITDA</b>	<b>364 763</b>	<b>243 571</b>	<b>288 657</b>	<b>26.4</b>	<b>(15.6)</b>
Working capital	7 273	17 976	24 906	(70.8)	(27.8)
Capital expenditure	(154 586)	(154 586)	(171 432)	9.8	
Lease payments	(110 489)	–	–	n/a	n/a
Other cash flow	422	422	20	>200%	
<b>Operating free cash flow</b>	<b>107 383</b>	<b>107 383</b>	<b>142 151</b>	<b>(24.5)</b>	
Net finance cash inflow	11 452	11 452	17 966	(36.3)	
Tax paid	(57 211)	(57 211)	(45 197)	(26.6)	
<b>Free cash flow</b>	<b>61 624</b>	<b>61 624</b>	<b>114 920</b>	<b>(46.4)</b>	

Operating free cash flow decreased 24.5% to TZS107.4 billion. EBITDA increase of 26.4% was offset by the adoption of IFRS 16 and the inclusion of lease payments of TZS110.5 billion under lease liability payment. The decline was driven by the deterioration in working capital resulting from payment of old intercompany outstanding amounts partially offset by the lower capex.

Free cash flow declined 46.4% driven by the decline in net finance income resulting from increase in interest paid to M-Pesa customers due to timing difference in M-Pesa interest distribution as well as increase in tax paid driven by the tax deposit paid to object to the 2017 and 2018 tax assessments.

<sup>12</sup> Biometric registration costs of TZS15.6 billion, TZS1.7 billion depreciation for biometric registration devices and TZS5.5 billion costs relating to COVID-19 pandemic and legal related expenses.

## 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. The TCRA required eKYC registrations to stop and extended the deadline for biometric re-registration from 31 December 2019 to 20 January 2020. The Company in alignment with the industry has continuously engaged with the TCRA to ensure compliance. The industry in association with the TCRA and NIDA launched country-wide awareness campaigns to drive biometric registration.

The low penetration of NINs across the country has largely impacted the biometric registration process. On 20 January, the TCRA directed that Sim Cards be barred in phases, which led to the barring of 2.9 million Sim Cards from 20 January to 31 March 2020, and 2.5 million SIM Cards remain not biometrically registered. These SIM Cards will be barred as per TCRA's instruction, until such time that the biometric registration is concluded for these SIM Cards.

On 7 Feb 2020, the Government published new Electronic & Postal Communications (SIM Card Registration) Regulations 2020. The Regulations provide for a biometric process of using the National ID, as the sole means of registering SIM Cards in the United Republic of Tanzania. The regulation has also introduced limitation on ownership of the number of SIM Cards for individuals and companies or institutions effective from 1 July 2020. An individual is allowed not more than one SIM Card for use on voice, SMS and data services and not more than four SIM Cards for use on machine to machine communication from each mobile network operator. A company or institution is allowed not more than thirty SIM Cards for use on voice, SMS and data services and not more than fifty SIM Cards for use on machine to machine communication from each mobile network operator. TCRA's approval is required for additional SIM Cards. The Company and other mobile network operators are engaging with the TCRA with a view of putting in place an automated solution that will facilitate customers to get approval for additional SIM Cards.

#### The Bank of Tanzania (Financial Consumer Protection) Regulations 2019

The Bank of Tanzania published new regulations on consumer protection on 22 November 2019. These regulations set out a range of new consumer protection measures and various restrictions for financial service providers including banks, mobile operators and electronic money issuers such as M-Pesa. Vodacom Tanzania PLC and other mobile operators through the Mobile Association of Tanzania, are engaging with the Bank of Tanzania to get clarifications on the applicability of the regulations.

#### COVID-19 pandemic impact

Following the COVID-19 pandemic that is affecting nations and citizens all around the world, Vodacom Tanzania's priority is around health and safety of our employees while continuing to deliver services and support to our customers as well as assist the government where possible, to cope with the COVID-19 situation.

We continue to closely monitor the latest guidance from the World Health Organisation as well as local health authorities and have well developed business continuity plans in place for dealing with such events. We have a dedicated team working to maintain the level of service our customers expect from us and have made available various digital offerings to assist enterprise clients.

We expect the COVID-19 pandemic to have an impact on our operational and financial performance, particularly in the first half of the year, especially, should the government impose partial or total lockdown as a measure to reduce the spread of the virus. Management is monitoring the situation and proactively dealing with the related challenges. To date we have not experienced significant supply disruptions, we are however monitoring the situation closely and putting in place the necessary measures to mitigate disruptions.

### Outlook

We made considerable progress during the year in prioritising financial inclusion through our mobile money platform, M-Pesa, while enabling a digital society through connectivity. This included introducing an affordable \$25 smart-feature phone, offering more M-Pesa services such as our overdraft product as well as expanding our international remittance portfolio, supported by continuous investment in the network. These efforts will further support the increasing demand for data and M-Pesa services by our customers, and expected to be the strong driver for growth in future. We have revamped our digital services with the aim of providing customers with more services through digital platforms and build a diverse revenue stream.

## Operating and financial review (continued)

We are encouraged by the progress made to ensure we comply with subscriber registration guidelines, with three quarters of our customers biometrically registered as at 31 March 2020. 2.9 million customers that were unregistered were barred from accessing our services on instructions from the TCRA, out of which 736 000 have been reconnected. We expect to reconnect the remaining customers over the short to medium term as we continue to engage with the TCRA and NIDA to ensure that barred customers resume access to services at the earliest time possible. We have 2.5 million customers not biometrically registered, generating TZS4.2 billion revenue per month. These customers will be barred on instructions from TCRA, until such time that the biometric registration is concluded. The TCRA has however suspended further barring of customers in reaction to the COVID-19 pandemic at this stage.

The limitation on ownership of the number of SIM cards for individuals and companies effective from 1 July 2020 remains to be a key risk that could adversely impact the outlook if customers are allowed to own and use not more than one SIM Card from each mobile network operator for use of voice, SMS and data services. We continue to engage with TCRA with the aim to simplify the approval process for additional SIM cards for customers.

Tanzania is at the initial stages of COVID-19 pandemic and there is uncertainty relating to the potential impact of the virus on the global and Tanzanian economy. If COVID-19 becomes wide spread in Tanzania, and the government imposes total or partial lockdown to reduce the virus spread, the sales of Group's products and services may decline. This could have a material adverse impact on the Group's business, results of operation and financial condition. The magnitude of the impact depends on future developments, which are highly uncertain and cannot be anticipated at this stage.

Given the uncertainty related to the COVID-19 pandemic, we are not in a position to issue service revenue guidance with a high level of confidence. We continue to monitor the impact on our business and will review guidance on a quarterly basis.

### 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 the 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 the shareholders recorded in the register at the close of trading on Thursday 22 August 2019.

The Board will recommend a final dividend, in relation to the financial year ended 31 March 2020, for approval by the shareholders at the annual general meeting. The Board's recommendation will be in accordance with the dividend policy to pay out at least 50% of earnings after tax, subject to the factors stated below. The Company intends to pay as much of its after tax profits as will be available 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



**Margaret Ikongo**  
Interim Chairperson



**Hisham Hendi**  
Managing Director



**Jacques Marais**  
Finance Director

# Statement of directors' responsibilities

The directors are responsible for the preparation, integrity and fair presentation of the Vodacom Tanzania Public Limited Company (the "Company") and its subsidiaries (together, the "Group") preliminary condensed consolidated financial statements for the year ended 31 March 2020 in accordance with the framework concepts, the recognition and measurement criteria derived from International Financial Reporting Standards ('IFRS'), specifically, in accordance with and containing the information required by International Accounting Standard 34, Interim Financial Reporting ('IAS 34') as issued by the International Accounting Standards Board ('IASB'). 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 9.

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 30 April 2020 and signed on its behalf by:



**Margaret Ikongo**  
Interim Chairperson



**Hisham Hendi**  
Managing Director



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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 2020, 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 10 to 29.

### 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 the basis of preparation described in Note 2 to the preliminary condensed consolidated financial statements.

### 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 2020 and for the year then ended, have not been prepared, in all material respects, in accordance with the basis of preparation described in Note 2 to the preliminary condensed consolidated financial statements.

.....  
Julius Rwajekare  
TACPA 2760  
For and on behalf of Ernst & Young  
Certified Public Accountants  
Dar es Salaam, Tanzania

7 May 2020

Preliminary condensed consolidated financial statements

# Statement of profit or loss and other comprehensive income

For the year ended 31 March 2020

TZ\$ m	Notes	2020 Reviewed	2019 Audited
<b>Revenue</b>	7	<b>1 032 667</b>	1 024 587
Direct expenses		<b>(331 779)</b>	(303 306)
Staff expenses		<b>(57 671)</b>	(59 368)
Publicity expenses		<b>(30 571)</b>	(36 311)
Other operating expenses		<b>(247 883)</b>	(344 086)
Depreciation and amortisation	11, 12	<b>(268 764)</b>	(165 834)
Impairment charges		–	(349)
<b>Operating profit</b>		<b>95 999</b>	115 333
Finance income		<b>50 465</b>	38 475
Finance costs	8	<b>(86 470)</b>	(19 891)
Net profit on re-measurement of financial instruments		<b>356</b>	970
<b>Profit before tax</b>		<b>60 350</b>	134 887
Income tax expense	9	<b>(14 588)</b>	(44 126)
<b>Profit for the year</b>		<b>45 762</b>	90 761
Other comprehensive income		–	–
<b>Total comprehensive income for the year, net of tax</b>		<b>45 762</b>	90 761
<b>Basic and diluted earnings per share</b>	10	<b>20.43</b>	40.52

## Preliminary condensed consolidated financial statements

**Statement of financial position**

As at 31 March 2020

TZS m	Notes	2020 Reviewed	2019 Audited
<b>Assets</b>			
<b>Non-current assets</b>		<b>1 298 663</b>	857 074
Property and equipment	11	1 123 945	646 288
Intangible assets	12	78 510	74 740
Capacity prepayments		54 888	58 385
Income tax recoverable		23 755	19 724
Trade and other receivables <sup>13</sup>		15 926	7 705
Deferred loss	13	–	48 593
Goodwill		1 639	1 639
<b>Current assets</b>		<b>1 097 226</b>	1 134 121
Inventories		2 004	2 145
Capacity prepayments		13 657	11 527
Trade and other receivables <sup>13</sup>		100 815	126 232
Income tax recoverable		4 723	–
Financial assets <sup>14</sup>		337 556	378 019
Short term investment		164 643	219 576
Cash and cash equivalents		473 828	396 622
<b>Non-current assets held for sale</b>		<b>–</b>	1 307
<b>Total assets</b>		<b>2 395 889</b>	1 992 502
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>		<b>1 255 152</b>	1 263 844
Share capital	14	112 000	112 000
Share premium	14	442 435	442 435
Capital contribution		27 698	27 698
Retained earnings		673 019	681 711
<b>Non-current liabilities</b>		<b>513 575</b>	100 790
Lease liabilities	15	494 354	5 801
Government grants		1 616	2 922
Deferred tax liability		13 800	45 687
Trade and other payables		186	46 380
Provisions	16	3 619	–
<b>Current liabilities</b>		<b>627 162</b>	627 868
Lease liabilities	15	50 869	–
Trade and other payables <sup>15</sup>		552 167	584 018
Interest due to customers		11 992	31 577
Income tax payable		–	1 983
Government grant		2 310	2 379
Provisions	16	9 824	7 911
<b>Total liabilities</b>		<b>1 140 737</b>	728 658
<b>Total equity and liabilities</b>		<b>2 395 889</b>	1 992 502

The preliminary condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 April 2020 and were signed on its behalf by:



**Margaret Ikongo**  
Interim Chairperson



**Hisham Hendi**  
Managing Director

13 Trade and other receivables as at 31 March 2020 include contract assets; current amount of TZS 2 125 million and non-current amount of TZS 881 million (2019: current 1 753 million and non-current TZS 895 million).

14 Financial assets comprise of restricted cash balances relating to M-Pesa customer deposits.

15 Trade and other payables include amounts due to M-Pesa customers of TZS 329 068 million (2019: TZS 349 946 million).

## Preliminary condensed consolidated financial statements

**Statement of changes in equity**

For the year ended 31 March 2020

TZS m	Share capital	Share premium	Capital contribution	Retained earnings	Total
<b>Year ended 31 March 2020 (Reviewed)</b>					
<b>At 1 April 2019</b>	<b>112 000</b>	<b>442 435</b>	<b>27 698</b>	<b>681 711</b>	<b>1 263 844</b>
Total comprehensive income	–	–	–	<b>45 762</b>	<b>45 762</b>
<i>Transactions with owners:</i>					
Dividends declared	–	–	–	<b>(54 454)</b>	<b>(54 454)</b>
<b>At 31 March 2020</b>	<b>112 000</b>	<b>442 435</b>	<b>27 698</b>	<b>673 019</b>	<b>1 255 152</b>
<b>Year ended 31 March 2019 (Audited)</b>					
At 31 March 2018 – As originally presented	112 000	442 435	27 698	628 321	1 210 454
<i>Changes in accounting policies:</i>					
Initial impact of IFRS 15	–	–	–	1 402	1 402
Initial impact of IFRS 9	–	–	–	46	46
At 1 April 2018 – Restated	112 000	442 435	27 698	629 769	1 211 902
Total comprehensive income	–	–	–	90 761	90 761
<i>Transactions with owners:</i>					
Dividends declared	–	–	–	<b>(38 819)</b>	<b>(38 819)</b>
<b>At 31 March 2019 (Audited)</b>	<b>112 000</b>	<b>442 435</b>	<b>27 698</b>	<b>681 711</b>	<b>1 263 844</b>

## Preliminary condensed consolidated financial statements

**Statement of cash flows**

For the year ended 31 March 2020

TZS m	2020 Reviewed	2019 Audited
<b>Cash flows from operating activities</b>		
Cash generated from operations	351 346	318 541
Income taxes paid	(57 211)	(45 197)
<b>Net cash flows from operating activities</b>	<b>294 135</b>	<b>273 344</b>
<b>Cash flows used in investing activities</b>		
Additions to property and equipment and intangible assets	(159 583)	(184 843)
Proceeds from disposal of property and equipment	719	20
Government grants received	–	2 489
Short term investment made	54 933	(89 307)
Finance income received	31 118	9 557
Cash held in restricted deposits	40 463	(25 143)
Interest received from M-Pesa deposits	19 347	19 841
<b>Net cash flows used in investing activities</b>	<b>(13 003)</b>	<b>(267 386)</b>
<b>Cash flows used in financing activities</b>		
Dividends paid	(54 459)	(38 783)
Interest paid on lease liability	(67 034)	(324)
Interest paid to M-Pesa customers	(39 012)	(11 108)
Payment of lease liability	(43 455)	–
<b>Net cash flows used in financing activities</b>	<b>(203 960)</b>	<b>(50 215)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>77 172</b>	<b>(44 257)</b>
Cash and cash equivalents at 1 April	396 622	439 889
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	34	990
<b>Cash and cash equivalents at 31 March</b>	<b>473 828</b>	<b>396 622</b>

# Notes to the preliminary condensed consolidated financial statements

For the year ended 31 March 2020

## 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 the framework concepts, the recognition and measurement criteria derived from International Financial Reporting Standards ('IFRS'), specifically, in accordance with and containing the information required by International Accounting Standard 34, Interim Financial Reporting ('IAS 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, and are presented in Tanzanian Shilling (TZS), rounded to the nearest million (TZS m), which is the Group's functional and 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 and separate 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 and separate financial statements.

The significant accounting policies and methods of computation are consistent in all material respects with those disclosed in the latest audited consolidated and separate 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 new and amended IFRS and interpretations that were effective on 1 April 2019 had no material impact on the consolidated results, financial position or cash flows of the Group. IFRIC Interpretation 23 "Uncertainty over income tax treatment" did not have a significant impact on the Group because the Group's practice was in line with the interpretation.

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.

## Notes to the preliminary condensed consolidated financial statements (continued)

**3. Changes in accounting policies (continued)****IFRS 16 "Leases" (continued)**

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.

The key differences between the Group's IAS 17 accounting policy (the 'previous policy' which is disclosed in the Group's annual consolidated and separate 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 consolidated 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 Group, 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 lease term. Interest expense on lease liabilities is included in finance costs in profit or loss.
- 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 principal and interest liabilities, and repayment of lease principal liabilities is presented under financing activities. 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. The right of use assets are recognised under property and equipment.

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 and equipment. If right of use assets are considered to be impaired, the carrying value is reduced accordingly.

## Notes to the preliminary 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 Group 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 reduced by any lease incentives;
- 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; and
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

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; and
- 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.

**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 fiber 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.

## Notes to the preliminary condensed consolidated financial statements (continued)

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

Relating to IFRS 16 (continued)

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:

**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.

After initial recognition of a lease, the Group only reassesses the lease term when there is a significant event or a significant change in circumstances, which was not anticipated at the time of the previous assessment. Significant events or significant changes in circumstances could include merger and acquisition or similar activity, significant expenditure on the leased asset not anticipated in the previous assessment, or detailed management plans indicating a different conclusion on optional periods to the previous assessment. Where a significant event or significant change in circumstances does not occur, the lease term, and therefore lease liability and right of use asset value, will decline over time.

## Notes to the preliminary condensed consolidated financial statements (continued)

**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	<b>756 959</b>
Less: Effect of discounting on payments included in the operating lease commitments	<b>(257 693)</b>
<b>Lease liability on initial application of IFRS 16</b>	<b>529 367</b>
Add: Transfer from finance lease liabilities previously reported under IAS 17	<b>5 801</b>
<b>Lease liability</b>	<b>535 168</b>
The lease liability is made up as follows:	
Non-current	<b>487 047</b>
Current	<b>48 121</b>
<b>Lease liability</b>	<b>535 168</b>

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

TZS m	At 31 March 2019 Audited	Impact of adoption of IFRS 16 Reviewed	At 1 April 2019 Reviewed
<b>Assets</b>			
<b>Non-current assets</b>	<b>857 074</b>	484 527	1 341 601
Property and equipment <sup>16</sup>	<b>646 288</b>	533 120	1 179 408
Intangible assets	<b>74 740</b>	–	74 740
Capacity prepayments	<b>58 385</b>	–	58 385
Income tax recoverable	<b>19 724</b>	–	19 724
Trade and other receivables	<b>7 705</b>	–	7 705
Deferred loss <sup>17</sup>	<b>48 593</b>	(48 593)	–
Goodwill	<b>1 639</b>	–	1 639
<b>Current assets</b>	<b>1 134 121</b>	(1 012)	1 133 109
Capacity prepayments	<b>11 527</b>	–	11 527
Inventories	<b>2 145</b>	–	2 145
Trade and other receivables <sup>18</sup>	<b>126 232</b>	(1 012)	125 220
Financial assets	<b>378 019</b>	–	378 019
Short term investment	<b>219 576</b>	–	219 576
Cash and cash equivalents	<b>396 622</b>	–	396 622
<b>Non-current assets held for sale</b>	<b>1 307</b>	–	1 307
<b>Total assets</b>	<b>1 992 502</b>	483 515	2 476 017

<sup>16</sup> Refer to Note 11.

<sup>17</sup> Refer to Note 13.

<sup>18</sup> Reclassification of prepayments for operating leases previously recognised under IAS 17 to right of use assets.

## Notes to the preliminary 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	At 31 March 2019 Audited	Impact of adoption of IFRS 16 Reviewed	At 1 April 2019 Reviewed
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>	<b>1 263 844</b>	–	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
<b>Non-current liabilities</b>	<b>100 790</b>	435 394	536 184
Lease liabilities <sup>19</sup>	–	487 047	487 047
Finance lease <sup>19</sup>	5 801	(5 801)	–
Government grant	2 922	–	2 922
Deferred tax liability	45 687	–	45 687
Trade and other payables <sup>20</sup>	46 380	(45 852)	528
<b>Current liabilities</b>	<b>627 868</b>	48 121	675 989
Trade and other payables	584 018	–	584 018
Lease liabilities <sup>19</sup>	–	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
<b>Total liabilities</b>	<b>728 658</b>	483 515	1 212 173
<b>Total equity and liabilities</b>	<b>1 992 502</b>	483 515	2 476 017

19 Increase relates to the lease liability recognised on initial application of IFRS 16 and reclassification of finance lease amount previously recognised under IAS 17.

20 Reversal of accruals for operating leases previously recognised under IAS 17.

## Notes to the preliminary condensed consolidated financial statements (continued)

## 7. Revenue

TZS m	2020 Reviewed	2019 Audited
<b>Major products/service lines</b>		
Customer service revenue <sup>21</sup>	951 314	920 723
Mobile interconnect	53 204	65 709
Fixed service revenue	13 202	11 707
Other service revenue	7 196	18 098
<b>Service revenue</b>	<b>1 024 916</b>	1 016 237
Equipment revenue	6 412	6 918
Other non-service revenue	815	935
<b>Revenue from contracts with customers</b>	<b>1 032 143</b>	1 024 090
Interest income recognised as revenue	524	497
	<b>1 032 667</b>	1 024 587
Revenue is further disaggregated per revenue stream as follows:		
Mobile voice revenue	373 005	385 498
M-Pesa revenue	358 243	333 519
Mobile data revenue	180 840	164 658
Mobile incoming revenue	53 204	65 019
Messaging revenue	42 413	42 130
Other service revenue	17 211	25 413
<b>Service revenue</b>	<b>1 024 916</b>	1 016 237
Non-service revenue	7 751	8 350
	<b>1 032 667</b>	1 024 587

21 Comprises of mobile contract revenue and mobile prepaid revenue.

## Notes to the preliminary condensed consolidated financial statements (continued)

## 8. Finance costs

Finance costs include interest on the lease liabilities recognised following the adoption of IFRS 16. The recognised finance costs, which are all recognised using the effective interest method, are detailed below:

TZS m	2020 Reviewed	2019 Audited
Interest on long term loans	–	(9)
Interest on bank overdrafts	(1)	(1)
Finance charge on lease liabilities	(67 041)	(149)
	(67 042)	(159)
Interest expense to M-Pesa customers	(19 428)	(19 732)
	(86 470)	(19 891)

## 9. Income tax expense

Expected income tax expense at the Tanzania statutory tax rate of 30%

Adjusted for:

– Non-deductible expenditure	4 186	2 290
– Non-taxable gaming income	(2 526)	(499)
– Deferred tax credit on items not included in profit	(7 220)	–
– Deferred tax credit not recognised – subsidiary	1 468	1 079
– Other adjustments <sup>22</sup>	575	790

<b>Income tax expense</b>	<b>14 588</b>	44 126
<b>Effective tax rate</b>	<b>24.2%</b>	32.7%

## 10. Earnings and dividends per share

Earnings per share calculations are based on the earnings which are attributable to the shareholders and the weighted average number of ordinary shares outstanding during the year, as shown below.

	2020 Reviewed	2019 Audited
<b>Basic and diluted earnings per share (TZS)</b>	<b>20.43</b>	40.52
Earnings attributable to the shareholders (TZS m)	45 762	90 761
Weighted average number of ordinary shares outstanding	2 240 000 300	2 240 000 300
Dividends declared during the year (TZS m)	54 454	38 819
Dividends per share (TZS) – declared during the year	24.31	17.33

22 Includes prior year tax adjustments and alternative minimum tax charged in a subsidiary.

Notes to the preliminary condensed consolidated financial statements (continued)

11. Property and equipment

TZS m	2020 Reviewed	2019 Audited
Net carrying value as at 1 April	646 288	644 772
Initial impact of IFRS 16	533 120	–
Net carrying value as at 1 April – Restated	1 179 408	644 772
Additions	193 487	155 380
Disposals – cost	(142 511)	(713)
Disposals – accumulated depreciations	142 505	577
Depreciation	(253 717)	(154 456)
Transfer from non-current assets held for sale	1 307	950
Transfer to government grants	(153)	–
Transfer to intangible assets (Note 12)	–	(222)
Increase in provision for site restoration obligation (Note 16)	3 619	–
<b>Net carrying value as at 31 March</b>	<b>1 123 945</b>	<b>646 288</b>

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

TZS m	Notes	Network infra- structure and equipment	Leasehold land and buildings	Other assets	Total
At 1 April 2019		–	–	–	–
Transfer from deferred loss	13	48 593	–	–	48 593
Transfer from trade and other payables: non-current	6	(45 852)	–	–	(45 852)
Transfer from prepayments	6	1 012	–	–	1 012
Recognised on initial application of IFRS 16	6	510 345	16 865	2 157	529 367
Initial impact of IFRS 16		514 098	16 865	2 157	533 120
Transfer of furniture finance lease assets to right of use assets		–	–	3 594	3 594
At 1 April 2019 – Restated		514 098	16 865	5 751	536 714
Additions	15	53 283	540	–	53 823
Depreciation		(81 894)	(3,027)	–	(84 921)
<b>At 31 March 2020</b>		<b>485 487</b>	<b>14 378</b>	<b>5 751</b>	<b>505 616</b>

## Notes to the preliminary condensed consolidated financial statements (continued)

## 12. Intangible assets

TZS m	2020 Reviewed	2019 Audited
<b>Net book value as at 1 April</b>	<b>74 740</b>	47 175
Additions	<b>19 730</b>	38 721
Amortisation charge	<b>(15 047)</b>	(11 378)
Disposals – cost	<b>(1 041)</b>	–
Disposals – accumulated depreciations	<b>128</b>	–
Transfer of costs from property and equipment (Note 11)	–	222
<b>Net book value as at 31 March</b>	<b>78 510</b>	74 740

Intangible assets comprise of licences and computer software.

## 13. Deferred loss

The Group maintained its sale 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	2020 Reviewed	2019 Audited
At 1 April	<b>48 593</b>	55 617
Reclassification to right of use asset (Note 11)	<b>(48 593)</b>	–
Amortisation charge for the period	–	(7 024)
<b>At 31 March</b>	<b>–</b>	48 593

## Notes to the preliminary condensed consolidated financial statements (continued)

**14. Share capital and share premium**

The Group is controlled by its parent, Vodacom Group Limited, which as at 31 March 2020 owned 75% of the shares directly (31 March 2019: 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.

	<b>2020 Reviewed</b>	<b>2019 Audited</b>
Authorized ordinary shares	4 000 000 000	4 000 000 000
Par value (TZS)	50	50
Authorised capital (TZS m)	200 000	200 000
Issued shares	2 240 000 300	2 240 000 300
<b>Share capital (TZS m)</b>	<b>112 000</b>	<b>112 000</b>
<b>Share premium (25% share capital issued through IPO):</b>		
Share premium per share (TZS)	800	800
Share premium proceeds (TZS m)	448 000	448 000
IPO cost (TZS m) <sup>23</sup>	(5 565)	(5 565)
<b>Share premium (TZS m)</b>	<b>442 435</b>	<b>442 435</b>

**15. Lease liabilities**

	<b>TZS m Reviewed</b>
At 1 April 2019 – Finance leases under IAS 17	5 801
Increase on initial application of IFRS 16	529 367
Lease liability at 1 April 2019 – Restated (Note 6)	535 168
Additions	53 823
Interest expense	67 041
Translation differences	(320)
Payments – principal	(43 455)
Payments – interest	(67 034)
<b>At 31 March 2020</b>	<b>545 223</b>
Of which are:	
Current lease liability	50 869
Non-current lease liability	494 354
	<b>545 223</b>

<sup>23</sup> These are costs deductible from the equity raised through the IPO and include: authorized collecting agency fees, lead receiving bank fees, lead advisors and sponsoring broker fees, central securities depository fees, printing, and various other fees.

## Notes to the preliminary 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	2020 Reviewed	2019 Audited
Opening balance	7 911	3 725
Increase in provisions – legal	1 087	(1 013)
Increase in provision – marketing fees	826	–
Increase in provision – site restoration obligation (Note 11)	3 619	–
Reclassification from trade and other payables	–	5 199
<b>Closing balance</b>	<b>13 443</b>	7 911
<i>Comprising of:</i>		
<b>Non-current</b>		
Site restoration obligation	3 619	–
<b>Current</b>		
Legal and restructuring costs provision	3 799	2 712
Marketing fees	6 025	5 199
	<b>9 824</b>	7 911

## 17. Commitments

TZS m	2020 Reviewed	2019 Audited
Leases	–	756 959
Capital expenditure contracted for but not yet incurred	11 945	25 805
Other (including sports and marketing commitments)	67 627	76 509
	<b>79 572</b>	859 273

## Notes to the preliminary condensed consolidated financial statements (continued)

**18. 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 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 are 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.
- *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.

## Notes to the preliminary condensed consolidated financial statements (continued)

**18. Contingent liabilities (continued)**

- *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 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 2015 to 2017 tax years which resulted in certain disputed items in terms of the methodology and other Transfer Pricing aspects used to support the arm's length principle.

## 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 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 (2019: None).

**19. Other matters**

## Acquisition of Mirambo Shares

The Group's biggest shareholders, Vodacom Group Limited, acquired 588 million shares of Vodacom Tanzania Plc previously owned by Mirambo Limited ('Mirambo'). This resulted in Vodacom Group Limited increasing its total interest in Vodacom Tanzania from 61.6% (direct and indirect) to 75.0%. The transaction was closed during the year after completing the conditions precedent, including requisite regulatory approvals.

## SIM Card registration

On 1 May 2019, the TCRA issued new customer registration guidelines, directing the biometric registration of SIM Cards using the NIN issued by the NIDA, as the only accepted identification. The TCRA required eKYC registrations to stop and extended the deadline for biometric re-registration from 31 December 2019 to 20 January 2020. The Company in alignment with the industry has continuously engaged with the TCRA to ensure compliance. The industry in association with the TCRA and NIDA launched country-wide awareness campaigns to drive biometric registration.

The low penetration of NINs across the country has largely impacted the biometric registration process. On 20 January, the TCRA directed that SIM Cards be barred in phases, which led to the barring of 2.9 million SIM Cards from 20 January to 31 March 2020, and 2.5 million SIM Cards remain not biometrically registered. These SIM Cards will be barred as per TCRA's instruction, until such time that the biometric registration is concluded for these SIM Cards.

On 7 Feb 2020, the Government published new Electronic & Postal Communications (SIM Card Registration) Regulations 2020. The Regulations provide for a biometric process of using the National ID, as the sole means of registering SIM Cards in the United Republic of Tanzania. The regulation has also introduced limitation on ownership of the number of SIM Cards for individuals and companies or institutions effective from 1 July 2020. An individual is allowed not more than one SIM Card for use on voice, SMS and data services and not more than four SIM Cards for use on machine to machine communication from each mobile network operator. A company or institution is allowed not more than thirty SIM Cards for use on voice, SMS and data services and not more than fifty SIM Cards for use on machine to machine communication from each mobile network operator. TCRA's approval is required for additional SIM Cards. The Company and other mobile network operators are engaging with the TCRA with a view of putting in place an automated solution that will facilitate customers to get approval for additional SIM Cards.

## Notes to the preliminary condensed consolidated financial statements (continued)

**19. Other matters (continued)**

## Shared Networks Tanzania Limited spectrum reassignment

On 19 July 2016, the Company acquired 100% of Shared Networks Tanzania Limited ('SNT')'s issued share capital. SNT held a license to use spectrum in the 900MHz band in rural Tanzania. A cash payment of TZS20 609 million (85%) was made in August 2016. The remaining balance of TZS 3 637 equivalent to 15% of the total consideration was paid in March 2018.

During the year, the Group obtained approval from TCRA to reassign the spectrum that was held by SNT to the Company. A spectrum re-assignment cost of US\$ 2.1 million was paid by the Company to TCRA. The Group intends to transfer the remaining SNT assets and liabilities to the Company and wind up SNT thereafter.

## Interest in other entities

*M-PESA Limited*

This entity was incorporated on 26 October 2018 as a company limited by shares and is controlled by the Company. In accordance with the National Payment Systems regulations which became effective in July 2016, this entity 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 entity's principal activities will be operating mobile financial services under the Electronic Money Issuance regulations issued by Bank of Tanzania. This entity remained inactive during the year with the Group continuing with the setting up of the structures and processes for the EMI operations. The entity started operating subsequent to the reporting period.

*Vodacom Trust Limited (previously known as M-PESA Limited)*

This entity is limited by guarantee with share capital. The principal activity of the entity 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 cellular phone money transfer service for the benefit of the users of the said service. On 23 October 2018, the entity'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 with the National Payment Systems 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 were transferred to the Trust subsequent to the reporting period. The Trust was dormant during the year.

The Trust is a non-profit making entity that has the 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.

## Notes to the preliminary condensed consolidated financial statements (continued)

**19. Other matters (continued)****COVID-19 pandemic**

The COVID-19 pandemic affected countries and businesses during the fourth quarter. The risks arising from this pandemic could include market, services and supply chain disruptions, unavailability of key people resources, locations being quarantined, among others. The directors have assessed that considering the extent of the pandemic in the country and that the Group is an essential service provider and hence continued in operation despite the disruption caused by the pandemic, there was no significant impact on the Group's assets and liabilities as at year-end. It is however reasonably possible, based on existing knowledge about the pandemic, that outcomes within the next financial year that are different from the judgements and assumptions used, could require a material adjustment to the carrying amount of the assets or liabilities reported in these preliminary condensed consolidated financial statements.

Refer to Note 22 for further disclosures on the COVID-19 pandemic.

**20. Operating 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 amount to 10% or more of the Group's revenue.

**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**

The COVID-19 pandemic continued to affect countries and businesses at the time of issuing these preliminary condensed consolidated financial statements. The directors have assessed that, at the time of issuing these preliminary condensed consolidated financial statements, it was impracticable to quantitatively determine and disclose the extent of the possible effects of the pandemic on the Group. The directors expect that considering that the Group is an essential service provider, the Group's operations will continue despite the disruption caused by the pandemic.

Data and M-Pesa revenue streams could gain as more customers resort to remote working because of social distancing. However, biometrics customer re-registration could be delayed because of the disruptions caused by social distancing.

Network upgrading, expansion and maintenance programs could be delayed in case of lock down and due to supply chain disruptions. However, no significant impairment of tangible and intangible assets is expected. It is expected that credit risk will not increase significantly as debtors will continue paying the amounts due as they will require services despite the disruptions.

The Group might incur additional expenses arising from changes in work modalities including remote working, but it is expected that any incremental expenses will be financed from cash flows from operations and the available working capital facilities. Otherwise, no additional significant liabilities are expected to result from the pandemic.

The directors are not aware of other events after the reporting period which require adjustment to or disclosure in the preliminary condensed consolidated financial statements.

## Supplementary information

	For the twelve months ended 31 March		
	2020	2019	% change
Active customers <sup>24</sup> (thousand)	15 513	14 133	9.8
ARPU <sup>25</sup> (shillings per month)	5 616	6 010	(6.6)
Data customers <sup>26</sup> (thousand)	7 687	7 892	(2.6)
M-Pesa customers <sup>27</sup> (thousand)	6 685	6 989	(4.3)
<b>Traffic<sup>28</sup> (millions of minutes)</b>	<b>30 686</b>	<b>28 208</b>	<b>8.8</b>
Outgoing	26 361	24 884	5.9
Incoming	4 325	3 324	30.1
<b>MoU per month<sup>29</sup></b>	<b>172</b>	<b>172</b>	<b>–</b>
<b>Messaging (million)</b>	<b>33 083</b>	<b>34 269</b>	<b>(3.5)</b>
<b>Number of employees</b>	<b>551</b>	<b>548</b>	<b>0.5</b>
<b>Number of sites</b>			
4G	1 321	861	53.4
3G	2 682	2 429	10.4
2G	3 225	3 024	6.7

24 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.

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

26 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.

27 M-Pesa customers are the number of unique customers who have generated billable transactions during the month. In the past 3 months, 10.1 million unique customers generated revenue related to M-Pesa.

28 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.

29 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 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 2020. 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 preliminary consolidated results of the Group for the twelve months ended 31 March 2020, 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

M Ikongo<sup>1</sup> (Interim Chairperson), H Hendi (Managing Director)<sup>7</sup>, JJ Marais (Finance Director)<sup>3</sup>, D Gutierrez<sup>4</sup>, T Streichert<sup>5</sup>, K Gomado<sup>6</sup>, M Mbungela<sup>3</sup>, ADJ Delpoort<sup>3</sup>, W Ouko<sup>2</sup>, T Semane<sup>3</sup>

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

## Company secretary

Caroline Mduma

## Registered office

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

## Transfer secretary

CSD & Registry Company Limited ('CSDR')  
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P.O. Box 70081, Dar es Salaam, Tanzania.

## Sponsoring licenced dealing member

Orbit Securities Company Limited

## External communications

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