



Vodacom Tanzania Public  
Limited Company

# Preliminary consolidated financial results

for the year ended  
31 March 2023



Together we can

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# Managing Director's review

During the financial year ended 31 March 2023, our purpose-led strategy faced ongoing macro challenges associated with the war in Ukraine. Despite these obstacles, we accelerated our 'Tech for Good' initiatives to provide solutions to key societal challenges and meaningfully contributed to reducing the digital divide in Tanzania. Pleasingly, we also reported a significant year-on-year improvement in our financial performance.

One of our key purpose driven interventions in the year was to improve access to our services for people with special needs, consistent with our 'inclusion for all' objective. Through inclusive care initiatives, we made structural changes to improve access for physically challenged people across 80 of our retail shops and service desks. We also introduced dedicated counters for special needs customers in our retail shops. In addition, we trained over 30 retail support personnel on basic sign language knowledge, who are placed in key customer service channels including WhatsApp video. In the past four months, these initiatives have benefitted 1 300 customers, showcasing our passion of putting our customers first in everything we do.

Our M-Kulima and M-Mama services are examples of us scaling our 'Tech for Good' solutions in partnership with government. M-Kulima provides farmers with the benefits of digital agricultural services, including; cashless electronic payments, market information and weather forecasts. Through this mobile-first solution we continued to digitize farming communities, while also providing the government with useful statistics for the agricultural sector. In close collaboration and support from the ministry responsible for agriculture, we accelerated farmers' registration

to over 3.1 million from 140 000 in the prior year, with TZS4.6 billion of disbursements to farmers, securely made through M-Pesa during the year. Our M-Mama program expansion to 14 regions is progressing well and we are already live and operational in 8 regions, including Zanzibar. This service provides emergency transport services that connect mothers and new-borns to vital life-saving healthcare in rural areas.

Consistent with our focus on bridging Tanzania's digital divide, we invested TZS156.0 billion in network capacity, coverage and IT infrastructure improvements. We enhanced our broadband coverage with 390 additional 4G sites, 228 new 3G sites and in September 2022, we announced a key technology milestone with a launch of Tanzania's first-ever 5G network, ending the financial year with 231 sites supporting this technology. In October 2022, we participated in a spectrum auction conducted by the Tanzania Communications Regulatory Authority and successfully acquired four blocks of low and mid-band spectrum for a price of US\$63.2 million. This significant investment will accelerate our future network expansion plans and help us unlock the growth potential from products such as fixed-wireless access. Our network investment,

coupled with smartphone adoption and investment in spectrum supported 4G data usage growth of 57.1%.

In executing on our commercial strategy, we focused on customer experience through personalisation. This was supported by machine learning capabilities and multi-product offerings. Pleasingly, our customer experience efforts were reflected in market leadership of customer share and Net Promoter Score. Our key customer performance indicators grew pleasingly in the year, despite the impact of intense market competition and the barring of service to 238 000 customers for failure to complete the multiple sim-ownership declaration. Our customer base grew 8.9% to 16.7 million, while data customers increased 15.1% to 8.7 million, of which 60.3% were smartphone users. This represents a 6.1pp increase in the penetration rate of smartphones. Our M-Pesa customer base recovered strongly in the year, up 20.0% to 8.2 million.

From a financial performance perspective, we generated TZS1 053.8 billion of service revenue, up 10.2%, or 13.2% on an underlying basis<sup>1</sup>. The growth was driven by a strong result from mobile data, a recovery in M-Pesa and accelerating fixed growth. The M-Pesa recovery was partially supported by reduction

<sup>1</sup> Underlying performance includes an estimated add back of TZS29.3 billion levy impact on service revenue and TZS16.3 billion on EBITDA.

## Managing Director's review continued

in government levies on mobile money transfer and withdrawal transactions, following a collaborative process to drive financial inclusion. We commend the government for reducing the levies as we believe that the reduction will boost our contribution to financial inclusion through affordable M-Pesa services.

In addition to the levy reduction, M-Pesa's recovery was also supported by a good uptake in our new revenue growth areas comprising of lending, insurance, international money transfers (IMT) and merchant services. Our merchant services supported small businesses and customers through digitised payments using our 'Lipa kwa M-Pesa' service accessible to over 150 000 merchants countrywide. During the year, transactions worth TZS6.1 trillion were processed by more than 2 million customers representing a significant increase of more than 200% for transaction values and 100% for customers numbers respectively. Our micro loans services continued to provide small businesses an easy access to finances in support of the financial inclusion agenda. During the year, more than TZS100 billion worth of micro loans were disbursed to more than 75 000 agents, representing a significant increase of more than

200%. In the year, the contribution of these new growth areas to M-Pesa revenue exceeded 25%, more than double the prior year's level.

With respect to profitability, we generated TZS81.5 billion operating profit, up 26.5% increase, or 51.7%<sup>1</sup> on underlying basis. The growth was supported by our strong revenue performance and cost containment initiatives, partly offset by 5.1% increase in depreciation and amortisation reflecting investments in our network, IT infrastructure and newly acquired spectrum. It is pleasing to report a net profit after tax of TZS44.6 billion or TZS5.6 billion on an underlying basis<sup>1</sup>, a clear improvement from the loss of TZS20.3 billion in the prior financial year.

Looking ahead, we will continue with our commercial execution momentum and focus on managing our expenses to improve returns to our shareholders. At Vodacom, customer satisfaction is at the forefront of our strategic priorities. We are committed to continue improving customer experience through innovative and simplified products and investment in the network infrastructure to address continuously evolving customer expectations and needs. Supported

by our business partners and resources across the wider Vodacom Group, we will enrich our advanced segmented multi-products approach called our system of advantage powered by our customer value management (CVM) systems.

In seeking sustainable and mutually beneficial relationships, I look forward to continued engagements with the government through its various departments including the regulators, ministries and other stakeholders. It is our commitment to continue delivering on our social contract directly and through partnerships, including driving digital and financial inclusion. This is in line with our purpose of connecting Tanzanians to a better future by providing technological solutions to social challenges. The wide ranging impact of the war in Ukraine will continue to be our focus, and we will proactively take actions to mitigate potential impacts on our business performance.

**Philip Besiimire**

**“Our ambition remains – leading Tanzania into the digital age and changing lives through technology.”**



<sup>1</sup> Underlying performance includes an estimated add back of TZS1.9 billion levy impact on profit after tax and excludes TZS50.9 billion upside from deferred tax asset recognition.

# Highlights

## Service revenue increased

# 10.2%

(underlying: 13.2%)<sup>1</sup>, supported by growth in M-Pesa, mobile and fixed data.

## M-Pesa revenue growth recovered to

# 8.4%,

(underlying: 16.6%)<sup>1</sup> having declined in the prior year, driven by 20.0% growth in customers.

## Data customers up

# 15.1%

to 8.7 million, with data revenue up 34.2%.

## EBITDA growth of

# 9.7%

(underlying: 15.1%)<sup>1</sup> was driven by our revenue performance and cost containment.

Profitability improvement to TZS44.6 billion – underlying profit after tax of

# TZS5.6<sup>1</sup> billion

## Capital expenditure of

# TZS156.0 billion

funding 390 additional 4G sites, 231 5G sites, 283 kilometres of fibre and enhancement of IT infrastructure.

# Summary financial information

Twelve months ended 31 March

TZS m	2023	2022	Year-on-year % Change
<b>Service revenue</b>	<b>1 053 762</b>	956 515	<b>10.2</b>
Revenue	1 073 018	971 025	10.5
<b>EBITDA</b>	<b>329 398</b>	300 341	<b>9.7</b>
Operating profit	81 477	64 434	26.5
Net profit/(loss) after tax	44 556	(20 263)	>200%
<b>Operating free cash flow</b>	<b>63 345</b>	56 184	<b>12.7</b>
Free cash flow	54 887	13 033	>200%
Capital expenditure	155 981	173 955	(10.3)
Earnings/(loss) per share (shillings)	19.89	(9.05)	>200%
Contribution margin (%)	67.2	69.4	(2.2)pp
EBITDA margin (%)	30.7	30.9	(0.2)pp
Operating profit margin (%)	7.6	6.6	+1.0pp
Net profit/(loss) margin (%)	4.2	(2.1)	+6.3pp
Capital intensity (%)	14.5	17.9	(3.4)pp

<sup>1</sup> Underlying performance includes an add back of TZS29.3 billion in service revenue, TZS16.3 billion in EBITDA and TZS11.9 billion in profit after tax being impact of the levies in the first quarter of the year. Additionally, the underlying performance excludes TZS50.9 billion tax expense saving from deferred tax asset recognition.

# Operating and financial review

Twelve months ended 31 March

TZS m	2023	2022	Year-on-year % Change
Mobile voice revenue	283 547	286 985	(1.2)
M-Pesa revenue	357 136	329 557	8.4
Mobile data revenue	273 702	203 985	34.2
Digital & VAS revenue	35 797	36 294	(1.4)
Mobile incoming revenue	46 340	48 105	(3.7)
Messaging revenue	29 038	28 861	0.6
Fixed revenue	19 509	15 328	27.3
Other service revenue	8 693	7 400	17.5
<b>Service revenue</b>	<b>1 053 762</b>	<b>956 515</b>	<b>10.2</b>
Non-service revenue	19 256	14 510	32.7
<b>Revenue</b>	<b>1 073 018</b>	<b>971 025</b>	<b>10.5</b>
<b>Total expenses</b>	<b>(740 261)</b>	<b>(672 665)</b>	<b>(10.0)</b>
Direct expenses	(349 470)	(299 185)	(16.8)
Staff expenses	(65 230)	(63 823)	(2.2)
Publicity expenses	(27 255)	(30 184)	9.7
Other operating expenses	(298 306)	(279 473)	(6.7)
Depreciation and amortisation	(248 306)	(236 201)	(5.1)
Net (charge)/release of credit losses on financial assets <sup>1</sup>	(2 974)	2 275	
<b>Operating profit</b>	<b>81 477</b>	<b>64 434</b>	<b>26.5</b>
<b>EBITDA</b>	<b>329 398</b>	<b>300 341</b>	<b>9.7</b>
<b>EBITDA margin</b>	<b>30.7%</b>	<b>30.9%</b>	<b>(0.2)pp</b>

## Revenue

**Service Revenue** grew 10.2% to TZS1 053.8 billion supported by a strong performance in data, M-Pesa and fixed revenue streams – a reflection of our strategic priorities. Our commercial execution focused on growing the customer base through customer acquisition and retention, and increased adoption of our transformative services in M-Pesa, while also driving increased usage per customer and adoption across our services. During the year, we grew our customer base by close to 1.4m through both on the ground acquisition and segmented retention initiatives, and sustained our customer market share leadership at 30.0%<sup>2</sup>. Adjusting for the TZS29.3 billion estimated impact from the levy on mobile money transfer and

withdrawal transactions in the first quarter of the year, underlying service revenue grew 13.2%. **In the fourth quarter**, service revenue grew 17.7% mainly due to the 37.2% growth in data revenue, 24.0% in M-Pesa revenue and 37.9% in fixed revenue. This was our third successive quarter of double digit revenue growth.

**Mobile voice revenue** declined 1.2% to TZS283.5 billion reflecting pressure on average revenue per customer (ARPU), which was partly offset by growth in active customers. The ARPU decline of 9.4% was due to the continued impact of competitive pricing pressure on voice bundles, leading to 22.0% decline in average price per minute, while minutes of use expanded 16.0%. **In the fourth**

**quarter**, mobile voice revenue grew marginally at 0.7%, driven by active customer increase, as we continue with initiatives to grow our base through acquisition and retention, as well as focus on active days' management through CVM initiatives. ARPU remained under pressure due to a 20.5% decline in average price per minute.

**M-Pesa revenue** growth was 8.4%, reaching TZS357.1 billion. This marks a recovery in M-Pesa revenue to the levels last reported two years ago, prior to the disruption from the levies on mobile money. Accounting for the estimated impact of the levies in the first quarter, the underlying M-Pesa revenue growth for the year was 16.6%. This strong underlying performance reflects a good uptake of our new

1 The amount relates to the impairment charges. The overall prior year decrease was mainly driven by collection of previously impaired financial assets.

2 Tanzania Communication Regulatory Authority quarterly statistics report as at March 2023.

services in M-Pesa. Revenue from these new growth areas including lending and insurance services, merchant payment service and international money transfer service increased by over 100%, with contribution to M-Pesa revenue more than doubling to exceed 25%. This helped offset the decline in traditional M-Pesa revenue streams, such as peer-to-peer and cash out. **In the fourth quarter**, M-Pesa revenue grew 24.0%, reflecting an ongoing recovery and supported by the government's decision to reduce the mobile money levies by 43% in July 2022, and a subsequent reduction to a maximum of TZS2 000 in October 2022.

During the year we continued driving the uptake of our Songesha overdraft to both customers and agents. We served more than 4 million beneficiaries with this product, with over a trillion shillings in overdraft facilities issued. Our business is built on mutual trust and empowerment of our customers and business partners including financial empowerment. In the year, close to 100 000 agents benefitted from over TZS800 billion issued in overdraft and term loans, representing an increase of almost three fold in funds issued. These loans support agents' float availability and also supports their existing businesses. By enriching our M-Pesa ecosystem, we continued accelerating our payments services including 'business to consumers', 'consumer to businesses' and the merchant payment solution. In the year, these payments options processed over TZS12 trillion in value, an increase of over 80%. We continued driving adoption of our merchant payment solution to reach over 150 000 merchants who accept payments through M-Pesa, under the 'Lipa kwa simu' service.

In addition to generating revenue for the company, M-Pesa service is at the

core of our purpose-led strategy to support a financial inclusion agenda, contributing positively to the country's social-economic development, as well as individual customers and agents' personal finances. It was encouraging that M-Pesa customers increased 1.4 million in the past twelve months to 8.2 million, up 20.0%. The total number of transactions grew 22.5% with value transacted increasing 13.3%, to an average of over TZS5.9 trillion per month. During the year, we also continued deepening financial inclusion through international money transfer services. We extended our money transfer services to some of the Southern African Development Community (SADC) countries capitalizing on the changes in the governing regulations. This extension partly contributed to the 24.2% growth in value of money sent through our IMT service. The growth trends in M-Pesa performance indicators sets up a positive outlook for the future of M-Pesa business and hence our contribution towards financial inclusion.

**Mobile data** revenue was pivotal to our overall service revenue performance and grew 34.2% to TZS273.7 billion, expanding the contribution to service revenue by 4.6ppt to reach 26.0%. Data revenue growth was driven by a 16.6% increase in data ARPU and 15.1% growth in customers, reflecting strong demand for data services supported by our continued investment into the network and the acceleration of smartphone adoption. The monthly average usage per customer increased 9.5% to 1.9 gigabytes driven by segmented offers under our 'Just for You' umbrella, supported by our world-class CVM and machine learning platforms. Smartphone users grew 27.9% to 5.3 million equivalent to 60.3% penetration of our data customers, with growth supported by investment

in device subsidy and expanding our share of open market device sales.

**In the fourth quarter**, mobile data revenue was up 37.2%, with 19.3% higher data ARPU underpinned by a more constructive pricing environment.

**Digital & VAS** revenue, comprising of airtime advance credit service (ACS) and value added services (VAS), declined 1.4% to TZS35.8 billion, with revenue upside from higher product penetration offset by a strategic decision taken to address customers experience from some of the products' design. **In the fourth quarter**, digital & VAS revenue declined 0.5%, an improvement from 8.2% decline in the previous quarter, reflecting a positive trend from our actions to improve customer experience.

**Mobile incoming** revenue declined 3.7% to TZS46.3 billion. The decline was primarily due to 21.8% lower average incoming price per minute, following a 23.1% drop in mobile termination rate (MTR) from TZS2.6 to TZS2.0 per minute starting January 2022 in line with the regulatory glide path. The decline in price was partly offset by 23.3% higher incoming minutes, driven by aggressive market competition in voice offers, and growth in customers. **In the fourth quarter**, mobile incoming revenue was 4.5% higher, a result of an 8.7% increase incoming minutes driven by market competition, partly offset by 3.9% lower average price per incoming minute.

**Messaging** revenue grew 0.6% to TZS29.0 billion, due to growth in SMS customers, partly offset by 9.8% lower ARPU attributed to pricing pressure. **In the fourth quarter**, messaging revenue declined 1.7% on the back of 11.8% declining ARPU due to lower price per SMS, despite customer growth.

## Operating and financial review continued

**Fixed revenue**<sup>1</sup> increased 27.3% to TZS19.5 billion, as growth accelerated to 37.9% in the fourth quarter from 26.3% in the third quarter. The growth was attributed to a positive result from fixed services acceleration supported by customer growth, as we continue driving our fixed product offerings to both businesses and consumers.

### Total expenses<sup>2</sup>

**Total expenses** increased 10.0% to TZS740.3 billion. We realised TZS49.0 billion of savings from our cost transformation initiatives, which assisted us in mitigating inflationary pressures associated with the global energy prices and chipset shortages.

Our **direct expenses** grew 16.8% to TZS349.5 billion, reflecting the service revenue growth and investment in customer acquisition and retention. The expenses to drive growth included subsidies on starter packs and devices, and higher commissions and interconnect expenses aimed at expanding our customer reach.

**Operating<sup>3</sup> expenses** increased 4.6% to TZS390.8 billion largely due to a 6.7% increase in **other operating costs** as a result of higher energy costs, additional investment in new technologies including 5G and contractual prices escalation. **Staff related expenses** increased by 2.2% as a result of the increase in number of staff and salary adjustments, which were partly offset by our cost transformation initiatives. **Publicity expenses** were down 9.7% as we realised cost savings from our cost containment initiatives.

**In the fourth quarter**, total expenses increased 8.4% to TZS186.1 billion in line with overall business growth, and increased costs due to global challenges arising from the war in Ukraine, partly offset by cost savings from cost containment initiatives.

**Direct expenses** increased 20.8% reflecting growth in service revenue and additional investment incurred to grow and protect our customer base. **Total operating costs** declined 0.6% underpinned by once off credit from provisions alignment, and savings realised from maintenance contracts renegotiations and price reviews. These savings were partly offset by 6.1% and 1.2% increases in publicity and staff expenses respectively mainly due to increased publicity activities and an increase in number of staff and an inflationary salary adjustment.

### EBITDA

EBITDA increased 9.7% to TZS329.4 billion, as a result of good growth in service revenue and cost containment measures which helped to mitigate pressures on expenses. Adjusting for the TZS16.3 billion estimated levy impact, underlying EBITDA grew 15.1%. **In the fourth quarter**, EBITDA grew 38.8% to TZS85.7 billion supported by growth in mobile data revenue, recovery in M-Pesa and savings from our cost containment initiatives.

### Operating profit

Operating profit increased 26.5% to TZS81.5 billion driven by increase in EBITDA partly offset by 5.1% increase

in the depreciation and amortisation charge, reflecting additional investments made in network, IT systems and newly acquired spectrum. **For the fourth quarter**, operating profit increased by more than 200% attributed to the EBITDA improvement.

### Capital expenditure<sup>4</sup>

During the year, our capital expenditure was TZS156.0 billion, equivalent to 14.5% of our revenue. Investment in the latest technologies is critical for capacity expansion, supporting new services and overall improvement in customer experience. In the second quarter of the year, we started rolling out 5G sites, becoming the first operator to launch 5G technology in the country. In addition to the 5G roll out, we invested in widening our broadband coverage, capacity enhancement, and modernization of our IT infrastructure. We rolled out 390 incremental 4G sites, 228 additional 3G sites and 59 additional 2G sites to further extend our network coverage, ending with 2 353 4G sites and 231 5G sites across the country. We also deployed 283 kilometres of fibre, closing the year with more than 4 500<sup>5</sup> kilometres of fibre in our network. Investment in the data network supported 26.0% increase in total traffic and a shift in data traffic from 3G to 4G. Our 4G network carried close to 70% of our total data traffic compared to less than 60% a year ago. Increasing data adoption and usage is also critical in realising our commitment to support creation of an inclusive digital society.

1 Fixed revenue was previously included under 'Other revenue'. There is no impact on overall service revenue as a result of this disclosure change.

2 Excluding depreciation, amortisation and impairment losses.

3 Operating expenses includes staff expenses, publicity expenses and other operating expenses.

4 Excluding investment in Spectrum.

5 Include both on-built and leased fibre.

## Net finance charges

TZS m	Twelve months ended 31 March		
	2023	2022	Year-on-year % Change
Interest income from M-Pesa cash balances	16 671	18 618	(10.5)
Interest income from cash investments	7 792	7 219	7.9
<b>Finance income</b>	<b>24 463</b>	<b>25 837</b>	<b>(5.3)</b>
Finance cost of M-Pesa cash balances	(16 449)	(18 592)	11.5
Finance cost – lease liability	(57 098)	(60 871)	6.2
Other finance costs	(3 103)	(6 081)	49.0
<b>Finance cost</b>	<b>(76 650)</b>	<b>(85 544)</b>	<b>10.4</b>
Net loss on foreign currency translation	(2 939)	(1 548)	(89.9)
<b>Net finance cost</b>	<b>(55 126)</b>	<b>(61 255)</b>	<b>10.0</b>

Finance income declined 5.3% as a result of lower interest income from M-Pesa cash balances partly offset by higher interest income from cash investments. Lower interest income on M-Pesa balances and a corresponding decline in interest cost reported under finance costs were due to reduced interest rates payable on trust balances in line with regulated rates.

Finance costs declined 10.4% due to a decline in M-Pesa interest, a lower lease interest costs as a result of settlement of matured obligations on the leased liability relating to the towers. The decline in other financing costs was primarily due to TZS5.7 billion once off interest expense in the prior year, relating to the settlement of long outstanding tax cases. The decline in finance costs were partly offset by a higher net loss on the translation of foreign cash balances.

### Taxation

The tax credit of TZS18.2 billion (FY22: a tax expense of TZS23.4 billion) resulted from the recognition of a

TZS50.9 billion deferred tax asset in relation to the GSM business which reflects an improved medium-term profitability outlook. The deferred tax asset offsets the tax expense incurred by our M-Pesa Limited subsidiary, which was also lower year-on-year due to reduced profits, as a result of the levies on mobile money and increased operational costs.

### Earnings

Earnings per share improved from a loss in the prior year to a positive earning of TZS19.89 or TZS2.48 on an underlying basis as a result of increased profit after tax, supported by operating profit growth and the recognition of a deferred tax asset in relation to the GSM business.

### Statement of financial position

Property and equipment decreased 4.9% to TZS965.2 billion as investments made during the year were offset by depreciation of network infrastructure, while intangible assets increased 174.2% to TZS210.2 billion.

The significant increase in intangible assets was due to TZS143.1 billion capitalisation of spectrum acquired in the year.

### Spectrum acquisition

In October 2022, through three successful bids in a spectrum auction conducted by the TCRA, we secured low and mid-band spectrum for the one available block of 700MHz, the two available blocks of 2300MHz and one of the four blocks of 2600MHz (TDD), for a total acquisition price of TZS143.1 billion (US\$63.2 million payable in three tranches over an 18 month period). This acquisition is in line with our long-term strategy and is critical in driving mid-to-long term shareholders' value creation.

## Operating and financial review continued

### Net (debt)/cash

TZS m	Twelve months ended 31 March		
	2023	2022	Year-on-year % Change
Cash and cash equivalents	236 590	256 961	(7.9)
Lease liability	(493 340)	(506 516)	2.6
<b>Net (debt)/cash</b>	<b>(256 750)</b>	<b>(249 555)</b>	<b>(2.9)</b>
<b>Net (debt)/cash to EBITDA (times)</b>	<b>(0.8)</b>	<b>(0.8)</b>	<b>0.1</b>

Net debt increased 2.9% to TZS256.8 billion primarily due to the decline in cash and cash equivalents, due to TZS73.6 billion initial 50% payment of the spectrum acquired in an auction. Excluding which cash and cash equivalents would improve 20.7% to TZS310.2 billion.

### Cash flow

TZS m	Twelve months ended 31 March		
	2023	2022	Year-on-year % Change
<b>EBITDA</b>	<b>329 398</b>	<b>300 341</b>	<b>9.7</b>
Working capital	(5 228)	59 846	(108.7)
Capital expenditure	(155 981)	(173 955)	10.3
Lease payments	(105 239)	(130 054)	19.1
Other cash flows	395	6	>200%
<b>Operating free cash flow</b>	<b>63 345</b>	<b>56 184</b>	<b>12.7</b>
Net finance cash inflow	8 592	40	>200
Tax paid	(17 050)	(43 191)	60.5
<b>Free cash flow</b>	<b>54 887</b>	<b>13 033</b>	<b>&gt;200%</b>

**Operating free cash flow** increased 12.7% to TZS63.3 billion and this was primarily a result of higher EBITDA, lower lease payments and capital expenditure. The change in working capital related to a prior year acceleration of capital expenditure.

**Free cash flow** increased by over 200% to TZS54.9 billion due to higher operating free cash flow, and lower tax paid on reduced M-Pesa profits impacted by the levy and increased operational cost in driving products access and adoption of new products. Additionally, net finance cash inflow increased by more than 200% mainly

due to a one-time interest expense in the prior year relating to the settlement of long outstanding tax cases.

### Regulatory matters

#### SIM Card Registration

On 7 February 2020, new SIM Regulations were published, mandating biometric registration only and restricting the number of SIMs held per customer. Subsequently, on 1 July 2020, the Tanzania Communication Regulatory Authority (TCRA) issued a public release that required customers who biometrically registered more than

one SIM card per service provider to verify their SIM cards ownership through their mobile phones. Furthermore, the TCRA and mobile network operators implemented an approval process that allowed customers to request for additional SIM cards by visiting service providers' retail outlets or an automated process through Unstructured Supplementary Service Data (USSD). Customers are allowed to have more than one SIM card if they follow the correct approval process. On 13 February 2023, Vodacom Tanzania barred 238 000 SIM cards which did not complete the multiple-sims declaration process as

per TCRA's directives. Subsequent to barring, TCRA again permitted the usage of \*106# and 100 to allow the barred customers to do verification through this process. As a result, over 30 000 of the barred customers have successfully verified their SIM cards and reactivated. We continue with efforts to recover barred customers.

### **Levies on mobile money transfers and withdrawals and airtime**

On 30 June 2021, the President approved the Finance Act, which included the amendments to the National Payment System Act (NPS Act) and Electronic & Postal and Communication Act (EPOCA) – introducing levies on mobile money transfer transactions and airtime recharges.

For mobile money transfer and withdrawal transactions, a transaction value dependent levy of between TZS10 and TZS10 000 was implemented from 15 July 2021. Following our engagements and due consideration by the government, the following amendments were implemented:

#### **1 3 September 2021**

An initial 30% levy reduction, to a maximum levy of TZS7 000.

#### **2 1 July 2022**

An additional 43% reduction to the maximum levy band was passed through the Finance Act 2022, marking a cumulative 60% reduction since the levy's introduction. This reduction set the maximum levy chargeable at TZS4 000. The Finance Act also re-defined the scope of the levy, to also include withdrawal and transfers through banks which were earlier excluded. The levy, which was previously chargeable on mobile transactions only, also became applicable to transfers between mobile accounts, between bank accounts and across mobile and bank accounts. For withdrawals, the levy was extended to capture withdrawals from automated teller machines (ATM).

#### **3 1 October 2022**

Through a special supplement to the National Payment System (Electronic Money Transactions levy) (Amendment Regulations) the maximum levy chargeable was set at TZS2 000, equivalent to 20% of the levy charged at introduction. This decision further reduced end-user charges, and has meaningfully revived and accelerated our contribution to the financial inclusion agenda, through the use of M-Pesa services.

### **Spectrum auction**

On 15 August 2022, the TCRA published a public notice inviting bids for licensing spectrum blocks intended for international mobile telecommunication services through auction, which was held on 11 October 2022. The following spectrum frequencies were auctioned and assigned: one block of 2 x 10 MHz in

the 700 MHz band; two blocks of 1 x 35 MHz in the 2300 MHz band; three blocks of 2 x 15 MHz in the 2600 MHz band and one block of 1 x 20 MHz in the 2600 MHz band (TDD), and four blocks of 1 x 40 MHz in the 3500 MHz band (TDD). We participated and secured winning bids for the one block of 700MHz, the two blocks of 2300MHz and the one block of 2600MHz (TDD) for a total bid price of US\$63.2 million. The spectrum acquired is a critical strategic resource for delivering value to shareholders and fulfilling our purpose through our network expansion and widened product portfolio objectives.

### **Outlook and medium-term targets**

We aspire to grow our business over the medium-term by executing on our purpose-led model and connecting Tanzanians for a better future, by providing access to modern technologies, as well as offering technological solutions that will make us relevant to customers and society. We will invest in our network and supporting infrastructures to support our growth ambitions and leverage on our segmented multi-products approach, the system of advantage. This approach combines our unique strength in connectivity, digital and financial services to deliver diversified and differentiated offerings to our customers. As we execute our strategy, we remain committed to engaging with the government on all relevant matters relating to our business objectives.

We believe that financial and digital inclusion can drive positive societal change and support our growth ambitions. With our focus on customer proposition, we will continue to expand our reach and

## Operating and financial review continued

deliver the best experience, including access to high speed data services. We will roll out our fixed access services to both business and consumer segments and drive smartphone penetration to enable access to digital services, including our M-Pesa super-app. Leveraging on our strategic M-Pesa Africa hub, we are committed to continue developing and rolling out innovative and transformative M-Pesa services to make our customers' lives better.

Mindful of the weaker global macro outlook, we will also focus on cost control to deliver strong profitability and generate value for our shareholders, as we target the following over the medium-term:

1

Mid-to-high-single digit service revenue growth

2

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

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

### Declaration of dividends

For the financial year ended 31 March 2023, the company made an after tax profit of TZS44.6 billion or TZS5.6 billion on an underlying basis (FY22: loss of TZS20.3 billion).

The Board will recommend a final dividend, in relation to the financial year ended 31 March 2023, 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 Dar es salaam Stock Exchange market listing requirements.

For and on behalf of the Board



**Justice (Rtd) Thomas B. Mihayo**  
Chairman  
4 May 2023



**Philip Besiimire**  
Managing Director



**Hilda Bujiku**  
Finance Director

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# Statement of directors' responsibilities

The directors are responsible for the preparation, integrity and fair presentation of the preliminary condensed consolidated financial statements for the year ended 31 March 2023 of Vodacom Tanzania Public Limited Company (the "Company") and its subsidiaries (the "Group") in accordance with, and containing the information required by the International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"), the requirements of the Tanzanian Companies Act No. 12 of 2002, and the requirements of the Dar es Salaam Stock Exchange PLC Rules, 2016 (Amended). The directors are also responsible for safeguarding the assets of the Group and taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

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 13.

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.

Nothing has come to the attention of the directors to indicate that the Group and the Company will not remain a going concern for at least twelve months from the date of this statement. 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 4 May 2023 and signed on its behalf by:



**Justice (Rtd) Thomas B Mihayo**  
Chairman



**Philip Besiimire**  
Managing Director



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VRN: 10-007372-Z

# 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 2023, 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 14 to 28.

## Directors' responsibility for the preliminary condensed consolidated financial statements

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

## Auditor's responsibility and scope of review

Our responsibility is to express a conclusion on the 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 2023 and for the year ended, have not been prepared, in all material respects, in accordance with the basis of preparation described in Notes 2 to the preliminary condensed consolidated financial statements.

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

.....12 May.....2023

# Condensed consolidated statement of profit or loss and other comprehensive income

## for the year ended 31 March 2023

	Notes	March 2023 TZS m Reviewed	March 2022 TZS m Audited
Revenue	4	1 073 018	971 025
Direct expenses		(349 470)	(299 185)
Staff expenses		(65 230)	(63 823)
Publicity expenses		(27 255)	(30 184)
Other operating expenses		(298 306)	(279 473)
Depreciation and amortisation		(248 306)	(236 201)
Net (charge)/release of credit losses on financial assets <sup>1</sup>		(2 974)	2 275
<b>Operating profit</b>		<b>81 477</b>	64 434
Finance income		24 463	25 837
Finance costs		(76 650)	(85 544)
Net loss on foreign currency translations		(2 939)	(1 548)
<b>Profit before tax</b>		<b>26 351</b>	3 179
Income tax credit/(expense)	5	18 205	(23 442)
<b>Profit/(loss) for the year</b>		<b>44 556</b>	(20 263)
Other comprehensive income		–	–
<b>Total comprehensive income/(loss) for the year, net of tax</b>		<b>44 556</b>	(20 263)
<b>Basic and diluted earnings/(loss) per share (TZS)</b>	6	<b>TZS 19.89</b>	TZS <b>(9.05)</b>

<sup>1</sup> The amount relates to the impairment charges. The overall prior year decrease was mainly driven by collection of previously impaired financial assets.

# Condensed consolidated statement of financial position

as at 31 March 2023

	Notes	March 2023 TZS m Reviewed	March 2022 TZS m Audited
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>1 314 691</b>	<b>1 191 715</b>
Property and equipment		965 176	1 014 626
Intangible assets <sup>2</sup>		210 233	76 681
Capacity prepayments		40 339	44 582
Goodwill		1 639	1 639
Income tax receivables		33 098	41 011
Trade and other receivables <sup>4</sup>		11 853	11 388
Deferred tax assets <sup>3</sup>		52 353	1 788
<b>Current assets</b>		<b>897 149</b>	<b>846 914</b>
Capacity prepayments		16 916	15 864
Inventories		3 075	2 597
Trade and other receivables <sup>4</sup>		115 771	112 570
Income tax receivables <sup>5</sup>		15 439	22 836
Mobile financial deposit <sup>6</sup>		509 358	436 086
Cash and cash equivalents		236 590	256 961
<b>TOTAL ASSETS</b>		<b>2 211 840</b>	<b>2 038 629</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		<b>821 723</b>	<b>777 324</b>
Share capital		112 000	112 000
Share premium		442 435	442 435
Capital contribution		27 698	27 698
Retained earnings		239 590	195 191
<b>Non-current liabilities</b>		<b>400 225</b>	<b>451 764</b>
Lease liabilities		394 137	446 044
Government grant <sup>7</sup>		20	143
Trade and other payables		–	378
Provisions	7	6 068	5 199
<b>Current liabilities</b>		<b>989 892</b>	<b>809 541</b>
Lease liabilities <sup>8</sup>		99 203	60 472
Licence payable <sup>9</sup>		72 168	–
Trade and other payables		301 026	300 006
Mobile financial payables <sup>6</sup>		509 358	436 086
Government grant		513	1 218
Provisions	7	7 624	11 759
<b>Total liabilities</b>		<b>1 390 117</b>	<b>1 261 305</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2 211 840</b>	<b>2 038 629</b>

The preliminary condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 4 May 2023 and were signed on its behalf by:

Justice (Rtd) Thomas B Mihayo  
Chairman



Philip Besiimire  
Managing Director



- The increase is the result of a TZS143 140 million acquisition of Spectrum frequency during the year. Refer to Note 12.
- During the year, the company recognized deferred tax assets of TZS50 871 million. Refer to Note 12.
- Trade and other receivables as at 31 March 2023 include contract assets amounting to TZS5 712 million of which TZS3 662 million is non-current and TZS2 050 million is current (March 2022: non-current TZS938 million and current TZS2 208 million).
- These are deposits with TRA in respect to objected assessments for corporate tax as well as tax refundable from revised assessments.
- Mobile financial deposits relate to restricted bank balances for M-Pesa customer deposits, while Mobile financial payables are amounts owed to M-Pesa customers.
- The decrease is related to the amortization of the deferred government grant.
- Lease liability additions during the year was TZS32 993 million (31 March 2022: TZS41 077 million).
- This relates to the 50% deferred payment on the acquisition Spectrum transaction. Refer to Note 12.

# Condensed consolidated statement of changes in equity

for the year ended 31 March 2023

	Share capital TZS m	Share premium TZS m	Capital contribution TZS m	Retained earnings TZS m	Total TZS m
<b>Year ended 31 March 2023 (Reviewed)</b>					
At 1 April 2022	112 000	442 435	27 698	195 191	777 324
Total comprehensive income for the period	–	–	–	44 556	44 556
Dividends declared (Note 6)				(157)	
<b>At 31 March 2023</b>	<b>112 000</b>	<b>442 435</b>	<b>27 698</b>	<b>239 590</b>	<b>821 723</b>
<b>Year ended 31 March 2022 (Audited)</b>					
At 1 April 2021	112 000	442 435	27 698	215 454	797 587
Total comprehensive loss for the period	–	–	–	(20 263)	(20 263)
<b>At 31 March 2022</b>	<b>112 000</b>	<b>442 435</b>	<b>27 698</b>	<b>195 191</b>	<b>777 324</b>

# Condensed consolidated statement of cash flows

for the year ended 31 March 2023

	Notes	31 March 2023 TZS m Reviewed	31 March 2022 TZS m Audited
<b>Cash flows from operating activities</b>			
Cash generated from operations	10	391 390	316 747
Income tax paid <sup>10</sup>		(17 050)	(43 191)
Interest paid on tax liabilities		(277)	(5 753)
<b>Net cash flows generated from operating activities</b>		<b>374 063</b>	<b>267 803</b>
<b>Cash flows utilised in investing activities</b>			
Additions to property and equipment and intangible assets		(228 263)	(142 153)
Proceeds from disposals of property and equipment		500	6
Government grants received		4 143	4 991
Finance income received		7 792	7 219
(Decrease)/increase in cash held in restricted deposit <sup>11</sup>		(73 272)	8 097
Interest received from M-Pesa deposits		16 671	18 618
<b>Net cash flow utilised in investing activities</b>		<b>(272 429)</b>	<b>(103 222)</b>
<b>Cash flow utilised in financing activities</b>			
Dividend paid		(203)	(209)
Interest paid to M-Pesa customers		(15 556)	(20 043)
Interest paid on bank overdraft		(39)	–
Interest paid on lease liabilities		(57 097)	(60 871)
Payment on lease liabilities – principal		(48 141)	(69 183)
<b>Net cash flow utilised in financing activities</b>		<b>(121 036)</b>	<b>(150 306)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		256 961	244 257
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies		(969)	(1 571)
<b>Cash and cash equivalents at the end of the year</b>		<b>236 590</b>	<b>256 961</b>

10 The decline is mainly driven by a decrease in the taxable profit of the subsidiary company.

11 The decrease is mainly due to increase in M-Pesa customers and agents deposit which was partially supported by reduction in government levies on mobile money transfer and withdrawal transactions as well as good uptake in M-Pesa new revenue growth areas.

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# Notes to the preliminary condensed consolidated financial statements

## for the period ended 31 March 2023

### 1. General information

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

The address of the Company's registered office is disclosed under the Corporate Information issued with the latest audited consolidated and separate financial statements

### 2. Basis of preparation

These preliminary condensed consolidated financial statements have been prepared in accordance with, and containing the information required by the International Accounting Standard 34 Interim Financial Reporting ("IAS 34") and the framework concepts and the measurement and recognition requirements of IFRS.

The interim condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Amounts in the financial statements are stated in Tanzanian Shillings (TZS), rounded to the nearest million (TZS m), except when otherwise indicated.

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

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

### 3. Changes in accounting policies

The new, revised or amended accounting pronouncements adopted by the Group from 1 April 2022 had no material impact on the consolidated results, financial position or cash flows of the Group.

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

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

#### 4. Revenue

	March 2023 TZS m Reviewed	March 2022 TZS m Audited
<b>Major products/service lines</b>		
Customer service revenue <sup>12</sup>	975 057	882 384
Mobile interconnect	46 340	48 105
Fixed service revenue	19 509	15 328
Other service revenue	12 856	10 698
Equipment revenue	16 030	13 060
Other non-service revenue	2 486	922
<b>Revenue from contracts with customers</b>	<b>1 072 278</b>	970 497
Interest income recognised as revenue	740	528
<b>Revenue</b>	<b>1 073 018</b>	971 025
Revenue is further disaggregated per revenue stream as follows:		
Mobile voice revenue	283 547	286 985
M-Pesa revenue	357 136	329 557
Mobile data revenue	273 702	203 985
Digital & VAS revenue	35 797	36 294
Mobile incoming revenue	46 340	48 105
Messaging revenue	29 038	28 861
Fixed revenue	19 509	15 328
Other service revenue	8 693	7 400
<b>Service revenue</b>	<b>1 053 762</b>	956 515
Non-service revenue	19 256	14 510
<b>Revenue</b>	<b>1 073 018</b>	971 025

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

12. Comprises of mobile contract revenue and mobile prepaid revenue.

## Notes to the preliminary condensed consolidated financial statements continued

### 5. Income tax expense

	March 2023 TZS m Reviewed	March 2022 TZS m Audited
Expected income tax expense at the Tanzania statutory tax rate 30%	7 905	954
Adjusted for:		
– Non-deductible expenditure <sup>13</sup>	3 919	6 823
– Non-taxable gaming (income)/cost	(333)	398
Net Tax Credit recognised from prior period – Holding Company <sup>14</sup>	(42 108)	–
– Deferred tax asset not recognised for tax losses and net deductible timing differences	–	25 585
– Deferred tax credit not recognised – Subsidiary	–	421
Alternative minimum tax – Holding company	4 046	–
Withholding tax from – Subsidiary company	8 358	–
Prior year adjustment – Subsidiary company	8	(10 740)
<b>Income tax expense</b>	<b>(18 205)</b>	<b>23 441</b>
<b>Effective tax rate<sup>15</sup></b>	<b>(69.09)%</b>	<b>737.40%</b>

### 6. Earnings/(loss) and dividends per share

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

	March 2023 Reviewed	March 2022 Audited
<b>Basic and diluted profit/(loss) per share (TZS)</b>	<b>19.89</b>	<b>(9.05)</b>
Profit/(loss) attributable to the shareholders (TZS m)	44 556	(20 263)
Weighted average number of ordinary shares outstanding	2 240 000 300	2 240 000 300

During the year M-Pesa limited Board of Directors declared and paid dividends amounting to TZS157 167 million, of which TZS157 010 million was paid to the parent company (Vodacom Tanzania PLC) and TZS157 million to a minority shareholder (Vodacom Group Limited).

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

14 The amount is primarily made up of the prior period deferred tax asset recognised for the company during the year. Refer to Note 12 for additional information.

15 The effective tax rate of ((69.09)%) in the current period is significantly lower than the statutory rate of 30.0% mainly due to Net tax credit recognised from prior period – Holding Company.

## 7. Provisions

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

	March 2023 TZS m Reviewed	March 2022 TZS m Audited
<b>Opening balance</b>	<b>16 958</b>	24 558
Decrease in provisions – legal disputes	(592)	(747)
Decrease in provisions – marketing fees	–	(6 187)
Increase in provision – interest expense on site restoration obligation	566	327
Decrease in provision – restructuring	–	(2 582)
Increase in provisions – site restoration obligation	304	713
(Decrease)/Increase in provision – tax assessments and disputes	(3 544)	876
<b>Closing balance</b>	<b>13 692</b>	16 958
Comprising of:		
<b>Non-current</b>		
Site restoration obligation	6 069	5 199
<b>Current</b>		
Legal dispute	1 014	1 606
Marketing fees	–	4 987
Tax assessments and disputes	6 609	5 166
	<b>7 623</b>	11 759

## 8. Capital expenditure and commitments

During the period the Group invested TZS299 121 million (March 2022: TZS173 955 million) in property and equipment and intangible assets. The year's additions include TZS143 140 million spent on spectrum acquisition. The capital expenditure was funded using internally generated funds. As at year end, TZS42 629 million of the total investment made was payable to capex creditors (2022: TZS31 803 million).

The Group's capital commitments is as presented below:

	March 2023 TZS m Reviewed	March 2022 TZS m Audited
Capital expenditure contracted for but not yet incurred (Including property and equipment and intangible assets)	30 046	35 580

## Notes to the preliminary condensed consolidated financial statements continued

### 9. Related parties

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

	March 2023 TZS m Reviewed	March 2022 TZS m Audited
<b>Balances with related parties</b>		
<b>Trade and other receivables</b>		
Vodafone Group Plc (Ultimate Parent)	2 148	5 249
Vodacom Group Limited (Immediate Parent)	2 185	2 068
	<b>4 333</b>	<b>7 317</b>
<b>Trade and other payables</b>		
Vodafone Group Plc (Ultimate Parent)	(5 316)	(5 616)
Vodacom Group Limited (Immediate Parent)	(2 561)	(8 330)
M-Pesa Africa	(4 942)	(1 351)
	<b>(12 819)</b>	<b>(15 297)</b>

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

### Transactions with related parties

	March 2023 TZS m Reviewed	March 2022 TZS m Audited
<b>Vodafone Group Plc and its subsidiaries</b>		
Revenue	6 832	5 221
Direct expenses	(1 216)	(1 234)
Other operating expenses	(2 775)	(4 541)
	<b>2 841</b>	<b>(554)</b>
<b>Vodacom Group Limited subsidiaries – Mozambique, DRC, Mauritius and Lesotho</b>		
Revenue	15	568
Direct expenses	(107)	(189)
Other operating expenses	(512)	(2 239)
	<b>(604)</b>	<b>(1 860)</b>

	March 2023 TZS m Reviewed	March 2022 TZS m Audited
<b>Vodacom Group Limited – South Africa</b>		
Revenue	4 969	4 924
Direct expenses	(2 150)	(2 108)
Other operating expenses	(13 224)	(13 112)
	<b>(10 405)</b>	(10 296)
<b>Compensation for key management personnel</b>		
Short-term employee benefits	(6 552)	(8 958)
Share based compensation	(150)	(437)
Long-term employee benefits	(1 788)	(654)
	<b>(8 490)</b>	(10 049)
<b>Non-executive directors</b>		
Non-executive directors fees	(1 212)	(1 193)
<b>Executive directors</b>		
Short-term employee benefits	(2 733)	(5 156)
Long-term employee benefits	(252)	(753)
	<b>(2 985)</b>	(5 909)

## Notes to the preliminary condensed consolidated financial statements continued

### 10. Cash generated from operations

	March 2023 TZS m Reviewed	March 2022 TZS m Audited
<b>Profit before tax</b>	<b>26 351</b>	3 179
<b>Adjusted for:</b>		
Financing income	<b>(24 463)</b>	(25 837)
Financing costs	<b>76 650</b>	85 544
Net loss on foreign currency translation	<b>2 939</b>	1 548
<b>Operating profit</b>	<b>81 477</b>	64 434
<b>Adjusted for:</b>		
Depreciation and amortisation	<b>248 306</b>	236 201
Net charge/(release) on financial assets	<b>2 974</b>	(2 275)
Amortisation of capacity prepayments	<b>16 353</b>	14 345
(Gain)/loss on disposal of property, plant and equipment, and right of use assets	<b>(386)</b>	18
Increase/(decrease) in provision for inventory	<b>1 222</b>	(2 555)
Amortisation of government grant	<b>(345)</b>	(1 716)
Government grant applied against funded assets	<b>(4 626)</b>	(3 532)
Decrease in legal and marketing provisions	<b>(3 832)</b>	(5 657)
<b>Cash flow from operations before working capital changes</b>	<b>341 143</b>	299 263
Payment of capacity contracts	<b>(13 162)</b>	(15 044)
(Increase)/decrease in inventory	<b>(1 700)</b>	4 137
(Increase)/decrease in trade and other receivables	<b>(10 783)</b>	17 556
Increase in trade, mobile financial and other payables	<b>75 892</b>	10 835
<b>Cash generated from operations</b>	<b>391 390</b>	316 747

## 11. Contingent liabilities

### Tax matters

The Group's future tax charge, effective tax rate and profit before tax could be affected by several factors including tax reforms conducted in Tanzania and the resolution of open tax disputes with the Tanzania Revenue Authority ("TRA" or the "tax authority") and/or tax courts. The Group is committed to acting with integrity and transparency in all tax matters including a policy of full transparency to the tax authority and the payment of all taxes properly due under the relevant tax laws in Tanzania. The Group is regularly subject to audits and examination by the tax authority of its direct and indirect tax filings. The consequence of such reviews is that in some instances, disputes can arise with the tax authority over the interpretation or application of certain tax rules where these tax laws are ambiguous and subject to a broad range of interpretations. To address and manage this tax uncertainty, good governance is fundamental to the Group's business sustainability.

The major tax positions taken are thus subject to review by executive management and reported to the Board. The Group has support from external advisors supporting the positions taken in respect of the significant tax matters which support the application and interpretation of the tax legislation. The Group has considered all matters in dispute with the tax authority and has accounted for any exposure identified if required.

During the year the Group has managed to resolve long outstanding tax disputes which were disclosed as contingent items in relation to the following issues:

- **Capital allowances of telecommunication equipment**

Through the practice notice issued in December 2022, the tax authority (TRA) clarified the proper classification of telecommunication equipment with the active equipment classified under class 1 and passive equipment being classified under class 6. This clarification aided in the resolution of long-standing disagreements on the subject. The previously reported dispute on this matter has been resolved.

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

During the year, the Group managed to resolve all the pending disputes in relation to the chargeability of withholding tax on payments in relation to the roaming and foreign services received. The previously reported dispute on this matter has been resolved.

However, the Group shall maintain part of the Transfer pricing exposure as a contingent matter as detailed below:

- **Transfer pricing**

The Group, as part of a multinational enterprise, makes extensive use of services provided by associated entities in a value adding manner and applies the arm's length principle, in the taxation context, in such undertakings. These intercompany transactions are documented in the Group's transfer pricing documentation which is done in accordance with the requirements of local Transfer Pricing Regulations and Organization for Economic Cooperation and Development ("OECD") guidelines. The TRA conducted a transfer pricing audit for the 2018 to 2020 tax years for Vodacom Tanzania Public Limited Company and 2021 for M-Pesa Limited, the audit has resulted in certain disputed items in terms of the methodology and other Transfer Pricing aspects used to support the taxation 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 possible/probable outcome of these proceedings. Following this assessment, the Group's management has determined that adequate provision has been made in respect of these legal proceedings as at year end.

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

# Notes to the preliminary condensed consolidated financial statements continued

## 12. Other matters

### Regulatory matters

#### SIM Card Registration

On 7 February 2020, new SIM Regulations were published, mandating biometric registration only and restricting the number of SIMs held per customer. Subsequently, on 1 July 2020, the Tanzania Communication Regulatory Authority (TCRA) issued a public release that required customers who biometrically registered more than one SIM card per service provider to verify their SIM cards ownership through their mobile phones. Furthermore, the TCRA and mobile network operators implemented an approval process that allowed customers to request for additional SIM cards by visiting service providers' retail outlets or an automated process through Unstructured Supplementary Service Data (USSD). Customers are allowed to have more than one SIM card if they follow the correct approval process.

On 13 February 2023, Vodacom Tanzania barred 238 000 SIM cards which did not complete the multiple-SIM declaration process as per TCRA's directives. Subsequent to barring, TCRA again permitted the usage of \*106# and 100 to allow the barred customers to do verification through this process. As a result, over 30 000 of the barred customers have successfully verified their SIM cards and re-activated. We continue with efforts to recover barred customers.

#### Levies on mobile money transfers and withdrawals and airtime

On 30 June 2021, the President approved the Finance Act, which included the amendments to the National Payment System Act (NPS Act) and Electronic & Postal and Communication Act (EPOCA) – introducing levies on mobile money transfer transactions and airtime recharges.

For mobile money transfer and withdrawal transactions, a transaction value dependent levy of between TZS10 and TZS10 000 was implemented from 15 July 2021. Following our engagements and due consideration by the government, the following amendments were implemented:

- **3 September 2021:**

An initial 30% levy reduction, to a maximum levy of TZS7 000.

- **1 July 2022:**

An additional 43% reduction to the maximum levy band was passed through the Finance Act 2022, marking a cumulative 60% reduction since the levy's introduction. This reduction set the maximum levy chargeable at TZS4 000. The Finance Act also re-defined the scope of the levy, to also include withdrawal and transfers through banks which were earlier excluded. The levy, which was previously chargeable on mobile transactions only, also became applicable to transfers between mobile accounts, between bank accounts and across mobile and bank accounts. For withdrawals, the levy was extended to capture withdrawals from automated teller machines (ATM).

- **1 October 2022:**

Through a special supplement to the National Payment System (Electronic Money Transactions levy) (Amendment Regulations) the maximum levy chargeable was set at TZS2 000, equivalent to 20% of the levy charged at introduction. This decision further reduced end-user charges, and has meaningfully revived and accelerated our contribution to the financial inclusion agenda, through the use of M-Pesa services.

### Spectrum auction

On 15 August 2022, the TCRA published a public notice inviting bids for licensing spectrum blocks intended for international mobile telecommunication services through auction, which was held on 11 October 2022. The following spectrum frequencies were auctioned and assigned: one block of 2 x 10 MHz in the 700 MHz band; two blocks of 1 x 35 MHz in the 2300 MHz band; three blocks of 2 x 15 MHz in the 2600MHz band and one block of 1 x 20 MHz in the 2600 MHz band (TDD), and four blocks of 1 x 40 MHz in the 3500 MHz band (TDD). We participated and secured winning bids for the one block of 700MHz, the two blocks of 2300MHz and the one block of 2600MHz (TDD) for a total bid price of US\$63.2 million, equivalent to TZS143.1 billion. The spectrum acquired is a critical strategic resource for delivering value to shareholders and fulfilling our purpose through our network expansion and widened product portfolio objectives.

The spectrum allocation is payable in instalments; 50% on spectrum assignment, 25% in April 2023, and 25% in October 2023. The deferred payment has been discounted to its present value as it contains a significant financing component.

The total cost of the licence was capitalised under Intangible assets and a licence payable recognised in respect of deferred payment obligations. The capital amount recorded was discounted to reflect a present value of the asset and the interest expense will be recognised over the credit period. The interest expense is the difference between the cash price equivalent and the total instalment payments for the transaction.

### Deferred tax recognition

During the year, the company made a decision to recognize deferred tax assets to the extent of what could be utilized by the profit forecasted within the next five years. The company recognized a total of TZS50 871 million, made up of deferred tax asset on unused tax losses amounting TZS10 954 million, and other deductible timing differences TZS39 917 million.

# Notes to the preliminary condensed consolidated financial statements continued

## 13. Segments

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

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

## 14. Fair value

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

## 15. Events after the reporting period

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

# Supplementary information

	2023	2022	Year-on-year % Change
Active customers <sup>1</sup> (thousands)	16 735	15 368	8.9
ARPU <sup>2</sup> (shillings per month)	5 328	5 132	3.8
Data <sup>3</sup> customers – (thousand)	8 748	7 603	15.1
M-Pesa <sup>4</sup> customers – (thousand)	8 197	6 833	20.0
<b>Traffic<sup>5</sup> (millions of minutes)</b>	<b>52 676</b>	<b>41 983</b>	<b>25.5</b>
Outgoing	35 115	27 736	26.6
Incoming	17 561	14 247	23.3
<b>MoU per month<sup>6</sup></b>	<b>275</b>	<b>232</b>	<b>18.5</b>
<b>Messaging (million)</b>	<b>33 164</b>	<b>28 851</b>	<b>14.9</b>
<b>Number of employees</b>	<b>581</b>	<b>560</b>	<b>3.8</b>
<b>Number of sites</b>			
5G	231	–	n/a
4G	2 353	1 963	19.9
3G	3 096	2 868	7.9
2G	3 447	3 388	1.7

- Active customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.
- ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period.
- Data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate Access Point Names (APNs), and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.
- M-Pesa customers are the number of unique customers who have generated billable transactions during the month. In the past 3 months, 11.5 million unique customers generated revenue related to M-Pesa.
- 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.
- Minutes of use ('MoU') per month is calculated by dividing the average monthly minutes (both incoming and outgoing traffic) during the period by the average monthly active customers during the period. Outgoing MoU was 217 (2022: 187).

## Supplementary information continued

### 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 2023. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work they should obtain a copy of that report together with the accompanying financial information from the registered office of the Company. This announcement contains certain non-IFRS financial measures which have not been reviewed or reported on by the Group's auditors. The Group's management believes these measures provide valuable additional information in understanding the performance of the Group or the Group's businesses because they provide measures used by the Group to assess performance. However, this additional information presented is not uniformly defined by all companies, including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, although these measures are important in the management of the business, they should not be viewed in isolation or as replacements for or alternatives to, but rather as complementary to, the comparable IFRS measures. Refer to the 'Operating and financial review' section of this announcement for details relating to service revenue, EBITDA and earnings per share.

### Trademarks

Vodafone, the Vodafone logo, M-Pesa, Vodacom, Connected Farmer and Vodafone Supernet are trademarks of Vodafone Group PLC (or have applications pending). M-Fundi, M-Shamba, M-Pawa and Vodacom Faraja are trademarks of Vodacom Tanzania Public Limited Company (or have applications pending). Other product

and company names mentioned herein may be the trademarks of their respective owners.

### Forward-looking statements

This announcement, which sets out the consolidated preliminary results of the Group for the twelve months ended 31 March 2023, contains 'forward-looking statements', which have not been reviewed or reported on by the Group's auditors, with respect to the Group's financial condition, results of operations and businesses and certain information relating to the Group's plans and objectives. In particular, such forward-looking statements include statements relating to: The Group's future performance; future capital expenditures, acquisitions, divestitures, expenses, revenues, financial conditions, dividend policy, and future prospects; business and management strategies relating to the expansion and growth of the Group; the effects of regulation of the Group's business by the government in the country in which it operates; the Group's expectations as to the launch and roll out dates for products, services or technologies; expectations regarding the operating environment and market conditions; growth in customers and usage; and the rate of dividend growth by the Group.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "will", "anticipates", "aims", "could", "may", "should", "expects", "believes", "intends", "plans" or "targets" (including in their negative form).

By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these

forward-looking statements. These factors include, but are not limited to, the following: changes in economic or political conditions in markets served by operations of the Group; greater than anticipated competitive activity; higher than expected costs or capital expenditures; slower than expected customer growth and reduced customer retention; changes in the spending patterns of new and existing customers; the Group's ability to expand its spectrum position or renew or obtain necessary licences; the Group's ability to achieve cost savings; the Group's ability to execute its strategy in fibre deployment, network expansion, new product and service roll-outs, mobile data, Enterprise and 4G network expansion; changes in foreign exchange rates, as well as changes in interest rates; the Group's ability to realise benefits from entering into partnerships or joint ventures and entering into service franchising and brand licensing; unfavourable consequences to the Group of making and integrating acquisitions or disposals; changes to the regulatory framework in which the Group operates; the impact of legal or other proceedings; loss of suppliers or disruption of supply chains; developments in the Group's financial condition, earnings and distributable funds and other factors that the Board takes into account when determining levels of dividends; the Group's ability to satisfy working capital and other requirements; changes in statutory tax rates or profit mix; and/or changes in tax legislation or final resolution of open tax issues. All subsequent written or oral forward-looking statements attributable to the Company, to any member of the Group or to any persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Subject to compliance with applicable law and regulations, the Company does not intend to update these forward-looking statements and does not undertake any obligation to do so.

# Corporate information

## Vodacom Tanzania Public Limited Company

(Incorporated in the United Republic of Tanzania)

Registration number: 38501

(ISIN: TZ1996102715 Share Code: VODA)

### Directors

TB Mihayo<sup>1</sup> (Chairman), P Besimire(MD)<sup>2</sup>, H Bujiku(FD)<sup>1</sup>, D Gutierrez<sup>3</sup>,  
K Mutooni<sup>4</sup>, M Ikongo<sup>1</sup>, M Mbungela<sup>5</sup>, N Nyoka<sup>5</sup>, R Morathi<sup>5</sup>,  
S Ramasamy<sup>6</sup>, S Mdlalose<sup>7</sup>, T Semane<sup>5</sup>

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

### Company secretary

Caroline Mduma

### Registered office

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

### Transfer secretary

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

### Sponsoring licenced dealing member

Orbit Securities Company Limited

### External communications

Zuweina Farah

### Investor Relations

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