Vodacom Tanzania Public Limited Company

Preliminary consolidated financial results

for the year ended 31 March 2021

Together we can

Hisham Hendi, Managing Director, Vodacom Tanzania PLC, commented:

The harsh social consequences of the COVID-19 pandemic reinforced the importance of Vodacom Tanzania's purpose-led approach, as we quickly stepped up to the plate in support of society through a range of initiatives.

In addition to prioritising the resilience of our networks, accelerating support to Government and facilitating cashless payments, we pledged TZS2.3 billion in support of the Government's efforts to source crucial medical equipment and supplies and zero-rated numerous essential service and education websites. Given the significant changes to customer demands and behaviour patterns due to COVID-19 measures, Vodacom responded rapidly to keep families connected and ensure customers could work, be educated and stay entertained through significant investments in our networks.

From a financial perspective, revenue and profitability were adversely impacted by the barring of services to 2.9 million SIM cards late in the previous financial year and an associated step up in competitive intensity. In addition, subdued economic activity due to the health crisis dampened customer spend.

While these factors contributed to a 5.7% decline in service revenue, there was a notable improvement in service revenue growth in second half of the year, largely supported by growth in data and M-Pesa revenue. Importantly, we maintained our leadership position in customer market share at 30.5% and solidified our headline Net Promoter Score lead with a 17-point gap to the next best competitor, despite efforts by certain operators to drive unsustainable short-term customer growth.

M-Pesa remains a key revenue driver. M-Pesa revenue increased 11.3% in the last quarter, and accelerated further in April 2021. M-Pesa customers grew 10.6% to 7.4 million, representing 49.8% of our customer base. M-Pesa continues to be a key enabler of financial inclusion by empowering customers to transact easily and effect contactless payments. In particular, our lending product, Songesha, continued to perform well with healthy growth recorded in the year. Our international money transfer business also continues to play an important role in supporting financial inclusion with growth in receipts more than doubling to over TZS500 billion and remittances exceeding TZS70 billion, an increase of over 35%. Our partnership with more than 900 companies continued to facilitate fast, convenient and secured payment through an expanded M-Pesa ecosystem, with over TZS4.0 trillion transaction values processed between businesses and their customers.

Effective from 1 April 2020, our mobile money business operated as a separate legal entity named M-Pesa Limited, wholly owned by Vodacom Tanzania PLC, in compliance with the National Payment System Act. While M-Pesa Limited as a standalone business is profitable, the GSM business made a loss for the year. This impacted the basis on which taxation was calculated in the current year, resulting in a materially higher tax charge compared with the prior year.

We invested TZS122.5 billion in capital expenditure, which enabled us to expand our 4G network, enhance our IT infrastructure and maintain data availability at a time when customer demand patterns shifted significantly. I am very pleased that our sustained investment programme continued to yield results by delivering a better data experience for customers, evidenced by the 47% increase in data usage per customer reaching 1.4GB per month.

We were pleased to be able to reward our shareholders with a special dividend of TZS178.57 per share, a total of TZS400 billion, that was paid on 13 November 2020. Looking ahead, we are encouraged by early signs of industry reform that could bring back growth to the industry and accelerate investment. As we navigate through this period of reform, we remain focused on delivering great value and an exceptional experience to our customers. Our sustainable cost management programme and proactive measures to drive digital and financial growth are expected to improve the profitability of the Group in the new financial year. While we continue to make good progress on SIM card registration, we remain cautious around the impact of COVID-19 and uncertainty about the pace of economic recovery that may weigh on disposable income as a result of reduced economic activities.

Highlights

Service revenue
declined 5.7% in the year, but returned to growth in the fourth quarter with

6.3%

year on year, and accelerated further into April 2021.

Data revenue up

3.3%,

driven by increased data adoption – with data traffic growth of 47.2%, supported by 4G network expansion.

M-Pesa customers
grew 10.6% to

7.4 million,

representing 49.8% of our customer base, up 6.7pp.

We invested

TZS 122.5 billion

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

We continue to lead the industry with a customer market share of

30.5%[1],

and widened the gap on net promoter score by 17 points from the next competitor.

1 Tanzania Communication Regulatory Authority's quarterly communications statistics as at December 2020.

Summary financial information

For the twelve months ended 31 March

TZS m	2021	2020	% Change
Service revenue	**966 014**	1 024 916	**(5.7)**
Revenue	**974 391**	1 032 667	**(5.6)**
EBITDA	**316 134**	364 763	**(13.3)**
Operating profit	**49 514**	95 999	**(48.4)**
Net (loss)/profit after tax	**(30 106)**	45 762	**(165.8)**
Operating free cash flow	**79 404**	107 383	**(26.1)**
Free cash flow	**22 759**	61 624	**(63.1)**
Capital expenditure	**(122 447)**	(154 586)	**20.8**
(Loss)/earnings per share ('EPS') (shillings)	**(13.44)**	20.43	**(165.8)**
Contribution margin (%)	**68.9**	67.9	**+1.0pp**
EBITDA margin (%)	**32.4**	35.3	**(2.9)pp**
Operating profit margin (%)	**5.1**	9.3	**(4.2)pp**
Net profit margin (%)	**(3.1)**	4.4	**(7.5)pp**
Capital intensity (%)	**12.6**	15.0	**(2.4)pp**

Operating and financial review

For the twelve months ended 31 March

TZS m	2021	2020	% Change
Mobile voice revenue	**311 506**	373 005	**(16.5)**
M-Pesa revenue	**356 801**	358 243	**(0.4)**
Mobile data revenue	**186 865**	180 840	**3.3**
Mobile incoming revenue	**58 141**	53 204	**9.3**
Messaging revenue	**31 877**	42 413	**(24.8)**
Other service revenue	**20 824**	17 211	**21.0**
Service revenue	**966 014**	1 024 916	**(5.7)**
Non-service revenue	**8 377**	7 751	**8.1**
Revenue	**974 391**	1 032 667	**(5.6)**
Direct expenses	**(303 420)**	(331 779)	**8.6**
Staff expenses	**(61 579)**	(57 671)	**(6.8)**
Publicity expenses	**(35 775)**	(30 571)	**(17.0)**
Other operating expenses	**(260 064)**	(247 885)	**(4.9)**
Depreciation and amortisation	**(264 039)**	(268 762)	**1.8**
Operating profit	**49 514**	95 999	**(48.4)**
EBITDA	**316 134**	364 763	**(13.3)**
EBITDA Margin	**32.4%**	35.3%	**(2.9)pp**

Revenue

Service revenue declined 5.7% to TZS966.0 billion impacted by competitive pricing pressure, subdued economic activities due to COVID-19 pandemic and service barring to 2.9 million SIM cards in the last quarter of the previous financial year. Our strong commercial execution led to a clear improvement in service revenue growth in the second half of the year. Service revenue grew 6.3% in the fourth quarter, supported by growth in M-Pesa and data revenues.

Voice revenue decreased 16.5% to TZS311.5 billion primarily due to competitive pricing pressure that was fuelled by the decline in mobile termination rate (MTR) – resulting in 21% decline in average price per minute. Voice revenue was also impacted by the subdued economic activities due to the COVID-19 pandemic as well as service barring to 2.9 million SIM cards in the last quarter of the previous financial year. Our focus on providing segmented offers using our CVM platform as well as active days' management initiatives moderated the voice revenue decline in the second half of the year to 13.2% from a decline of 19.4% reported in the first half of the year.

M-Pesa revenue declined 0.4% to TZS356.8 billion mainly contributed by slowdown in customers spend due to the COVID-19 pandemic, barring of 800 000 SIM cards in the last quarter of the previous financial year as well as the suspension of maintenance fee charging on dormant accounts in line with the Tanzania financial consumer protection regulations. Normalised for maintenance fee on dormant accounts, M-Pesa revenue grew 1.3% in the year and 11.3% in the fourth quarter, supported by increased service adoption and platform growth. We added a total of 710 000 customers during the year to reach 7.4 million, representing 49.8% of our customer base. We continue to lead the industry with customer market share of 40.7%[1], up 1.4pp. Our lending product – Songesha continued to be a key differentiator and performed well in facilitating seamless completion of transactions to customers and agents. Songesha recorded pleasing platform and revenue growth in the year, while supporting financial inclusion. Our expanding international money transfer business continued to play an important role in supporting financial inclusion, with receipts increasing significantly to above TZS500 billion and remittances reached above TZS70 billion, an increase of more than 35%. Our partnership with more than 900 companies continued to facilitate fast, convenient and secured payment through M-Pesa platform, with over TZS4.0 trillion transactions value in B2C and C2B.

[1] Tanzania Communication Regulatory Authority's quarterly communications statistics as at December 2020.

Mobile data revenue grew 3.3% to TZS186.9 billion despite the intense competitive pricing pressure that led to a 30% decline in average price per megabyte while usage per customer grew 47.0% to reach 1.4GB per month. Data revenue was also impacted by the service barring to 600 000 customers in the last quarter of the previous financial year. In the fourth quarter data revenue grew 18.7%. Data services remain a key lever of growth and central to our commitment of connecting for a better future. ARPU improvement in the second half of the year reflected our strong commercial execution in driving data adoption. We continue to drive the adoption of affordable smartphone devices by leveraging partnerships with global tech firms and innovative financing options. Our smartphone users increased 7.0% to 3.7 million, representing 24.7% of our customer base, up 2.6pp.

Mobile incoming revenue increased 9.3% to TZS58.1 billion driven by the significant increase in incoming traffic as operators continued to offer more value in their bundles fuelled by the decline in MTR. This was partially offset by the 50% reduction in mobile termination rate in January 2020 and a further 50% in January 2021, in line with the regulated mobile termination rates' glide path.

Messaging revenue declined 24.8% to TZS31.9 billion mainly impacted by the intense competitive pricing pressure coupled with low spend due to subdued economic activities driven by the COVID-19 pandemic as well as service barring to 2.9 million SIM cards in the last quarter of the previous year.

Expenses[2]

Despite realising 8.6% savings in **direct expenses** in line with lower revenue, competitive pressures impacted commissions and interconnect costs. Our cost containment through our 'Fit for growth' programme was offset by the 17.0% increase in **publicity expenses** resulting from more than 100% increase in municipal fees' rate on external signage as per the Local Government Finances Act, 2020; 6.8% increase in **payroll expenses** driven by a once off restructuring cost as well as 4.9% increase in **other operating expenses**, mainly network costs resulting from higher number of network elements and inflationary adjustment applied under service contracts.

Overall, our expenses decreased 1.1% to TZS660.8 billion.

EBITDA

EBITDA decreased 13.3% to TZS316.1 billion as a result of decline in service revenue partially offset by the decline in expenses.

Operating profit

Operating profit declined 48.4% to TZS49.5 billion as a result of the decline in EBITDA and a once off restructuring cost, while the depreciation charge declined modestly following a review of the useful lives of assets.

Capital expenditure

We invested TZS122.5 billion in capital expenditure, representing 12.6% of revenue. The capital expenditure was directed towards expanding our 4G network in order to maintain data availability and enhancing our IT infrastructure. We added 499 new 4G sites with fibre and high capacity microwave backhaul further enhancing customer data experience. Capital intensity has reduced by 2.4pp to 12.6% due to the challenging business environment. Looking ahead, our focus remains on supporting data growth and delivering exceptional experience to our customers. We see scope for capex intensity to revert to pre-COVID 19 levels if industry reforms provide better returns visibility.

[2] Excluding depreciation, amortisation and impairment.

Net finance charges

For the twelve months ended 31 March

TZS m	2021	2020	% Change
Interest income from M-Pesa cash balances	**20 793**	19 347	**7.5**
Interest income from cash and government Treasury bill investments	**17 625**	31 118	**(43.4)**
Finance Income	**38 418**	50 465	**(23.9)**
Interest payable to M-Pesa customers	**(20 767)**	(19 428)	**(6.9)**
Finance charge on lease liability	**(64 040)**	(67 041)	**4.5**
Interest expense on infrastructure assets	**(421)**	–	
Interest on bank overdrafts	**(4)**	(1)	**<(200)**
Finance cost	**(85 232)**	(86 470)	**1.4**
Net gain on foreign currency translation	**3 627**	356	**>200**
Net finance cost	**(43 186)**	(35 649)	**(21.1)**

Our net finance cost increased 21.1% to TZS43.2 billion primarily due to lower interest rates on cash and government treasury bills investment as well as the decreased investment in government treasury bills due to payment of special dividend. This was partially offset by net gain on foreign currency translation resulting from cash held in foreign currency.

Taxation

The tax expense of TZS36.4 billion was 149.7% higher than the prior year (2020: TZS14.6 billion) driven by the tax expense from M-Pesa Limited as a separate legal entity, inflated by the non recognition of a deferred tax asset in relation to the loss in GSM business, considering the medium term outlook in accordance with the accounting standards. From 1 April 2020, M-Pesa business operated as a separate legal entity in compliance with the National Payment System Act.

We also incurred additional tax payable for the 2006 to 2009 years' assessments after the court of appeal ruled on the dispute in respect of the capital allowances relating to these years.

Earnings

(Loss)/Earnings per share declined 165.8% mainly driven by the decline in operating profit, higher net finance cost and additional tax expense.

Statement of financial position

Property and equipment and intangible assets decreased 7.5% to TZS1 111.8 billion. The investments made during the year were offset by the depreciation of network infrastructure assets from previous years' investments.

Net debt

TZS m	2021	2021	% Change
	For the twelve months ended 31 March		
Bank and cash balances	**244 257**	473 828	**(48.5)**
Lease liability	**(534 679)**	(545 223)	**1.9**
Net debt	**(290 422)**	(71 395)	**<(200)**
Net debt to EBITDA (times)	**(0.9)**	(0.2)	

Net debt increased significantly to TZS290.3 billion mainly driven by the decline in bank and cash balances due to payment of special and ordinary dividend amounting to TZS427 billion during the year, partially offset by matured government treasury bills that rolled back from short-term investment to cash as well as cash generated from operations.

Cash flow

TZS m	2021	2020	% Change
	For the twelve months ended 31 March		
EBITDA	**316 134**	364 763	**(13.3)**
Working capital	**11 136**	7 273	**53.1**
Capital expenditure	**(122 447)**	(154 586)	**20.8**
Lease payments	**(125 435)**	(110 489)	**(13.5)**
Other Cash Flow	**16**	422	**(96.2)**
Operating free cash flow	**79 404**	107 383	**(26.1)**
Net finance cash inflow	**10 997**	11 452	**(4.0)**
Tax paid	**(67 640)**	(57 211)	**(18.2)**
Free cash flow	**22 761**	61 624	**(63.1)**

Operating free cash flow decreased 26.1% to TZS79.4 billion primarily driven by the decline in EBITDA partially offset by lower capital expenditure and improvement in working capital.

Free cash flow decreased 63.1% driven by the decline in operating free cash flow as well as increase in tax paid resulting from the additional tax collected by the Tanzania Revenue Authority for the tax disputes that are still in the court resolution process.

Regulatory matters

SIM Card Registration

On 1 May 2019, the Tanzania Communication Regulatory Authority ('TCRA') issued new customer registration guidelines, directing the biometric registration of SIM cards using the National Identification Number ('NIN') issued by the National Identification Authority ('NIDA'), as the only accepted identification.

On 7 February 2020, the new Electronic & Postal Communications (SIM Card Registration) Regulations 2020 were published. The Regulations provide for a biometric registration of SIM cards using the National ID, as the sole means of registering SIM cards in the United Republic of Tanzania. As at 31 March 2021, a total of 1.1 million SIM cards generating TZS2.9 billion revenue per month remain non biometrically registered. We continue to engage with NIDA to ensure these customers are issued with NIN, and also with TCRA with the aim to extend the deadline for registration to accommodate these customers who are yet to receive the NIN.

On 1 July 2020, the TCRA issued a public release that required customers who biometrically registered more than one SIM card per service provider to verify their SIM cards ownership through their mobile phones. Furthermore, TCRA and mobile network operators have implemented an approval process that allows customers to request for additional SIM cards by visiting service providers' retail outlets or an automated process through Unstructured Supplementary Service Data (USSD). Customers are allowed up to 5 SIM cards if they follow the correct approval process. We continue to drive awareness to customers on SIM card verification process.

During the year, NIDA entered into agreements with all mobile network operators to charge TZS500, effective from 1 August 2020, for the use of NIDA database information for subscriber verification, in line with Registration and Identification of Persons Regulations 2014. Vodacom Tanzania PLC together with other operators are engaging the Government through TCRA, Ministry of Communication and Technology with the aim to reduce the charge.

Data price reform

On 4 March 2021, TCRA issued new rules and directive that introduced a retail price floor and ceiling for data services with effect from 2 April 2021. The data price floor was set at a minimum of TZS2.03 per Mb and a maximum of TZS9.35 per Mb, tax inclusive. The bundle rules also required mobile network operators to implement a maximum of 50 local bundles. On 2 April 2021, Vodacom Tanzania PLC together with other mobile network operators implemented the directives from TCRA. Subsequent to the implementation, TCRA directed mobile network operators to revert back to the previous bundle tariffs. We will continue to engage with TCRA, Ministry of Communication and Technology and other relevant Government institutions on the importance of industry reform. We believe that, industry reform will foster capital investment in the country that will accelerate digital and financial inclusion.

Quality of service

Following the quality of service assessment conducted by TCRA for the period of September to December 2020, a total of TZS38 billion was fined to all operators on failure to meet various KPIs. Vodacom Tanzania PLC was fined TZS7.8 billion on failure to meet 3 out of 102 KPIs that were assessed. However, instead of payment of this fine, Vodacom Tanzania PLC entered into a binding commitment with TCRA to invest the equivalent value into its network to improve quality of service.

Outlook and medium-term targets

The COVID-19 pandemic has highlighted the importance of telecommunication and financial services, with our customers having accelerated their adoption of digital services. Our commitment to connect for a better future twinned with our investment into people, networks and platforms should facilitate this shift towards digital enablement. Nevertheless, industry reform remains an important aspect that will support future investments in the country.

Demand for data and M-Pesa services remains strong, underpinning our strategy for financial and digital inclusion. We continue to invest and expand in the eco systems of these platforms and expect this will remain a strong driver for growth in the future. We have also taken significant steps to ensure that we build a diverse revenue stream through our revamped digital services aiming at providing customers with more services through digital platforms.

Our 'Fit for growth' initiatives are well embedded in our business and to a large extent structural and focused on the digital transformation of our business which leaves us with the opportunity to still employ short-term cost control measures to improve the resilience of our business, where required.

As the effects of COVID-19 pandemic continue to unfold, the economic outlook remains uncertain. We do however expect this outlook to improve in FY22. This view is informed by global research providers and financial institution such as World Bank. This assumption of economic improvement together with the relative demand resilience for our services, provides the basis for our medium term targets as follows:

1. Mid to high-single digit service revenue growth
2. 13.0% -– 14.5% capital expenditure as a % of revenue

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

Declaration of dividend – payable from income reserves

At the Annual General Meeting held on Friday 30 October 2020, the shareholders of Vodacom Tanzania Public Limited Company ('the Company') approved a gross final dividend of TZS27.5 billion (TZS12.26 per share) in line with the policy as well as a special dividend of TZS400 billion (TZS178.57 per share) in respect of the financial year ended 31 March 2020. These dividends were payable from income reserves.

The final dividend which represents 60% of net profit after tax as well the special dividend was paid on Friday 13 November 2020 to the shareholders recorded in the register at the close of trading on Wednesday 19 August 2020 and Friday 16 October 2020 for special dividend. Following the net loss after tax for the year, the board of directors has decided not to recommend dividend in relation to the financial year ended 31 March 2021.

For and on behalf of the Board

Justice (Rtd) Thomas B. Mihayo
Chairman

Hisham Hendi
Managing Director

Jacques Marais
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 2021 of Vodacom Tanzania Public Limited Company (the "Company") and its subsidiaries (the "Group") 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 10.

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 6 May 2021 and signed on its behalf by:

Judge (Rtd) Thomas B. Mihayo
Chairman

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 2021, and the related condensed consolidated statement of profit or loss and other comprehensive income, ccondensed onsolidated statement of changes in equity and condensed consolidated statement of cash flows for the year ended, and selected explanatory notes as set out on pages 11 to 30.

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 2021 and for the year then ended, have not been prepared, in all material respects, in accordance with the basis of preparation described in Notes 1 and 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

14 May 2021

Condensed consolidated statement of profit or loss and other comprehensive income

for the year ended 31 March 2021

	Notes	2021 TZS m Reviewed	2020 TZS m Audited
Revenue	4	**974 391**	1 032 667
Direct expenses		**(301 533)**	(321 693)
Staff expenses		**(61 579)**	(57 671)
Publicity expenses		**(35 775)**	(30 571)
Other operating expenses		**(260 064)**	(247 885)
Depreciation and amortisation	5	**(264 039)**	(268 762)
Impairment charges		**(1 887)**	(10 086)
Operating profit		**49 514**	95 999
Finance income		**38 418**	50 465
Finance costs	6	**(85 232)**	(86 470)
Net gain on foreign currency translation		**3 627**	356
Profit before tax		**6 327**	60 350
Income tax expense	7	**(36 433)**	(14 588)
(Loss)/profit for the year		**(30 106)**	45 762
Other comprehensive income		**–**	–
Total comprehensive (loss)/income for the year, net of tax		**(30 106)**	45 762
		TZS	TZS
Basic and diluted (loss)/earnings per share (TZS)	8	**(13.44)**	20.43

Consolidated statement of financial position

for the year ended 31 March 2021

	Notes	2021 TZS m Reviewed	2020 TZS m Audited
ASSETS			
Non-current assets		**1 219 874**	1 298 663
Property and equipment	9	**1 041 226**	1 123 945
Intangible assets	10	**70 593**	78 510
Capacity prepayments		**46 559**	54 888
Goodwill		**1 639**	1 639
Income tax receivables		**39 772**	23 755
Trade and other receivables		**18 696**	15 926
Deferred tax asset		**1 389**	–
Current assets		**836 067**	1 097 226
Capacity prepayments		**13 188**	13 657
Inventory		**4 179**	2 004
Trade and other receivables		**125 534**	100 815
Income tax receivable		**4 726**	4 723
Financial assets[3]		**444 183**	337 556
Short term investment		**–**	164 643
Cash and cash equivalents		**244 257**	473 828
TOTAL ASSETS		**2 055 941**	2 395 889
EQUITY AND LIABILITIES			
Equity		**797 587**	1 255 152
Share capital	11	**112 000**	112 000
Share premium	11	**442 435**	442 435
Capital contribution		**27 698**	27 698
Retained earnings		**215 454**	673 019
Non-current liabilities		**466 184**	513 575
Lease liabilities		**461 627**	494 354
Government grants		**235**	1 616
Deferred tax liabilities		**–**	13 800
Trade and other payables		**163**	186
Provision	13	**4 159**	3 619
Current liabilities		**792 170**	627 162
Lease liabilities		**73 052**	50 869
Trade and other payables[4]		**688 743**	552 167
Interest due to customers		**8 593**	11 992
Government grants		**1 383**	2 310
Provisions	13	**20 399**	9 824
Total liabilities		**1 225 400**	1 140 737
TOTAL EQUITY AND LIABILITIES		**2 055 941**	2 395 889

The preliminary condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 6 May 2021 and were signed on its behalf by:

Judge (Rtd) Thomas B. Mihayo
Chairman

Hisham Hendi
Managing Director

[3] Financial assets comprise of restricted cash balances relating to M-Pesa customer deposits

[4] Trade and other payables include amounts due to M-Pesa customers of TZS 397 125 million (2020: TZS 329 068 million).

Consolidated statement of changes in equity

for the year ended 31 March 2021

	Share capital TZS m	Share premium TZS m	Capital contribution TZS m	Retained earnings TZS m	Total TZS m
Year ended 31 March 2021 (Reviewed)					
At 1 April 2020	**112 000**	**442 435**	**27 698**	**673 019**	**1 255 152**
Loss and total comprehensive loss for the period	**–**	**–**	**–**	**(30 106)**	**(30 106)**
Transactions with owners:					
Dividends declared (Note 8)	**–**	**–**	**–**	**(427 459)**	**(427 459)**
At 31 March 2021	**112 000**	**442 435**	**27 698**	**215 454**	**797 587**
At 1 April 2019	**112 000**	**442 435**	**27 698**	**681 711**	**1 263 844**
Profit and total comprehensive income for the period	–	**–**	**–**	**45 762**	**45 762**
Transactions with owners:					
Dividends declared (Note 8)	–	–	–	(54 454)	(54 454)
At 31 March 2020	**112 000**	**442 435**	**27 698**	**673 019**	**1 255 152**

Consolidated statement of cash flows

for the year ended 31 March 2021

	Notes	TZS m Reviewed	TZS m Audited
Cash flows from operating activities			
Cash generated from operations	16	**427 134**	344 244
Income tax paid		**(67 641)**	(53 181)
Net cash flows generated from operating activities		**359 493**	291 063
Cash flows used in investing activities			
Additions to property and equipment, and intangible assets		**(112 850)**	(159 350)
Proceeds from sale of property and equipment		**17**	719
Government grant received		**400**	2 838
Short term investments retired		**164 643**	54 933
Finance income received		**17 625**	31 118
(Increase)/decrease in cash held in restricted deposits		**(106 627)**	40 463
Interest received from M-Pesa deposits		**20 793**	19 347
Net cash flows used in investing activities		**(15 999)**	(9 932)
Cash flows used in financing activities			
Dividends paid		**(427 093)**	(54 459)
Interest paid to M-Pesa customers		**(24 165)**	(39 013)
Lease liabilities interest paid		**(64 040)**	(67 034)
Payment of lease liabilities – principal		**(61 395)**	(43 455)
Net cash flows used in financing activities		**(576 693)**	(203 961)
Net (decrease)/increase in cash and cash equivalents		**(233 199)**	77 170
Cash and cash equivalents at the beginning of the year		**473 828**	396 622
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies		**3 628**	36
Cash and cash equivalents at the end of the year		**244 257**	473 828

Notes to the preliminary condensed consolidated financial statements

for the year ended 31 March 2021

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 or at amortised cost, and are presented in Tanzania Shillings (TZS), 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 financial statements of the Group. The explanatory notes in these preliminary condensed consolidated financial statements disclose the events and transactions that update the relevant information presented in the latest audited annual consolidated financial statements.

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

3. Changes in accounting policies

The new, revised or amended accounting pronouncements adopted by the Group from 1 April 2020 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. The group adopted new accounting pronouncements effective for the current year. The Group's financial reporting was not materially impacted by these pronouncements.

Notes to the Preliminary condensed consolidated financial statements continued

for the year ended 31 March 2021

4. Revenue

	2021 TZS m Reviewed	2020 TZS m Audited
Major products/service lines		
Customer service revenue[5]	**883 798**	951 314
Mobile interconnect	**58 141**	53 204
Fixed service revenue	**14 318**	13 202
Other service revenue	**9 757**	7 196
Equipment revenue	**7 177**	6 412
Other non-service revenue	**686**	816
Revenue from contracts with customers	**973 877**	1 032 144
Interest income recognised as revenue	**514**	523
Revenue	**974 391**	1 032 667
Revenue is further disaggregated per revenue stream as follows:		
Mobile voice revenue	**311 506**	373 005
M-Pesa revenue	**356 801**	358 243
Mobile data revenue	**186 865**	180 840
Mobile incoming revenue	**58 141**	53 204
Messaging revenue	**31 877**	42 413
Fixed, customer and other service revenue	**20 824**	17 211
Service revenue	**966 014**	1 024 916
Non-service revenue	**8 377**	7 751
Revenue	**974 391**	1 032 667

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

[5] Comprises of mobile contract revenue and mobile prepaid revenue.

Notes to the Preliminary condensed consolidated financial statements continued

for the year ended 31 March 2021

5. Depreciation and amortisation

	Note	2021 TZS m Reviewed	2020 TZS m Audited
Depreciation charge	9	**(245 695)**	(253 715)
Amortisation charge	10	**(18 344)**	(15 047)
		(264 039)	(268 762)

6. 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:

	2021 Reviewed	2020 Audited
Interest on bank overdrafts	**(4)**	(1)
Finance charge on lease liabilities	**(64 040)**	(67 041)
Interest expense on infrastructure assets (Note 13)	**(421)**	–
	(64 465)	(67 042)
Interest expense to M-Pesa customers	**(20 767)**	(19 428)
	(85 232)	(86 470)

7. Income tax expense

	2021 Reviewed	2020 Audited
Expected income tax expense at the Tanzania statutory tax rate of 30%	**1 898**	18 105
Adjusted for:		
Non-deductible expenditure[6]	**7 446**	4 186
Non-taxable gaming income	**(2 368)**	(2 526)
Deferred tax credit on items not included in consolidated profit	**–**	(7 220)
Deferred tax asset not recognised for tax losses and net deductible timing differences	**20 979**	–
Deferred tax credit not recognised – subsidiary	**961**	1 468
Prior year tax, prior year tax adjustments and penalty[7]	**7 517**	575
Income tax expense	**(36 433)**	(14 588)
Effective tax rate	**575.83%**	24.20%

[6] Non deductible expenditure includes charitable donations, dispute losses, fines and penalties.
[7] The prior year tax amount includes Alternative Minimum Tax charged in a subsidiary.

Notes to the Preliminary condensed consolidated financial statements continued

for the year ended 31 March 2021

8. 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.

	2021 Reviewed	2020 Audited
Basic and diluted (loss)/earnings per share (TZS)	**(13.44)**	20.43
(Loss)/earnings attributable to the shareholders (TZS m)	**(30 106)**	45 762
Weighted average number of ordinary shares outstanding (million)	**2 240**	2 240
Dividend declared during the year (TZS m)	**427 459**	54 454
Dividend per share (TZS) – declared during the year	**190.83**	24.31
Normal dividend declared during the year (TZS m)	**274 624**	54 454
Normal dividend per share (TZS) – declared during the year	**12.26**	24.31
Special dividend declared during the year (TZS m)	**399 997**	–
Special dividend per share (TZS) – declared during the year	**178.57**	–

9. Property and equipment

	2021 TZS m Reviewed	2020 TZS m Audited
Net carrying value as at 1 April	**1 123 945**	1 179 408
Additions	**162 892**	193 486
Disposals – cost	**(698)**	(142 512)
Disposals – accumulated depreciation	**682**	142 505
Depreciation	**(245 695)**	(253 715)
Cost reclassified from non-current assets held for sale	**–**	1 307
Write-off	**–**	(153)
Transfer to intangible assets – costs	**(62)**	–
Transfer to intangible assets – accumulated amortisation	**43**	–
Increase in provision for site restoration obligation (Note 13)	**119**	3 619
Net carrying value as at year end	**1 041 226**	1 123 945

During the year, the reassessment of useful life of network assets was undertaken in accordance with Group's accounting policies with the net impact of a decrease in depreciation charge for the current year of TZS8.0 billion. The future periods are expected to be impacted in similar manner until when the useful lives are otherwise re-assessed and revised.

Notes to the Preliminary condensed consolidated financial statements continued

for the year ended 31 March 2021

9. Property and equipment continued

Property and equipment include the following right of use assets:

	Network infrastructure & equipment TZS m	Leasehold land & buildings TZS m	Other assets TZS m	Total TZS m
At 1 April 2019	514 098	16 865	5 751	536 714
Additions for the year	53 283	540	–	53 823
Depreciation charge for the year	(81 894)	(3 027)	–	(84 921)
At 31 March 2020 (Audited)	485 487	14 378	5 751	505 616
At 1 April 2020	**485 487**	**14 378**	**5 751**	**505 616**
Reclassifications between categories – cost	**(2 149)**	**2 961**	**(812)**	**–**
Reclassifications between categories – depreciation	**3 991**	**(2 042)**	**(1 949)**	**–**
Additions for the year	**50 072**	**–**	**779**	**50 851**
Depreciation charge for the year	**(79 473)**	**(4 716)**	**(2 123)**	**(86 312)**
At 31 March 2021 (Reviewed)	**457 928**	**10 581**	**1 646**	**470 155**

10. Intangible assets

	2021 TZS m Reviewed	2020 TZS m Audited
Net book value as at 1 April	**78 510**	74 740
Additions	**10 408**	19 730
Amortisation charge	**(18 344)**	(15 047)
Disposals – costs	**–**	(1 041)
Disposals – accumulated amortisation	**–**	128
Transfer from PPE – costs	**62**	–
Transfer from PPE – accumulated amortisation	**(43)**	–
Net book value as at year end	**70 593**	78 510

Intangible assets comprise of licences and computer software.

for the year ended 31 March 2021

11. Share capital and share premium

The Group is controlled by its parent, Vodacom Group Limited, which owns 75% of the shares directly with the remaining 25% of the shares held by the public.

	2021 Reviewed	2020 Audited
Authorized ordinary shares	**4 000 000 000**	4 000 000 000
Par value (TZS)	**50**	50
Authorised share capital (TZS m)	**200 000**	200 000
Issued shares	**2 240 000 300**	2 240 000 300
Share capital (TZS m)	**112 000**	112 000
Share premium		
25% of the shares issued through IPO	**560 000 075**	560 000 075
Share premium per share (TZS)	**800**	800
Share premium proceeds (TZS m)	**448 000**	448 000
IPO costs (TZS m)	**(5 565)**	(5 565)
Share premium (TZS m)	**442 435**	442 435

12. Lease liabilities

The Group has the following lease arrangements:

- Leases of office furniture and fittings with Paloma Park Limited. This lease arrangement bears interest at a fixed rate of 2.62% per annum over the lease term of 8 years. The lease payments are made monthly and started from August 2020.
- 3 286 (31 March 2020: 3 262) lease contracts for telecommunication towers with various vendors. These leases generally have terms of 5 to 12 years.
- 35 (31 March 2020: 35) lease contracts for properties with lease terms of 2 to 8 years.
- 91 (31 March 2020: 85) lease contracts for motor vehicles with lease terms of 2 to 8 years.

Notes to the Preliminary condensed consolidated financial statements continued

for the year ended 31 March 2021

13. 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.

	2021 TZS m Reviewed	2020 TZS m Audited
Opening balance	**13 443**	7 911
(Decrease)/increase in provision – legal cases	**(1 446)**	1 087
Increase in provision – marketing fees	**5 149**	826
Increase in provision – tax assessments and disputes	**4 290**	–
Increase in provision – site restoration obligation (Note 9)	**119**	3 619
Increase in provision – interest expense on infrastructure (Note 6)	**421**	–
Increase in provision – restructuring	**2 582**	–
Closing balance	**24 558**	13 443
Comprising of:		
Non-current		
Site restoration obligation	**4 159**	3 619
Current		
Legal and tax assessments provision	**2 353**	3 799
Marketing fees	**11 174**	6 025
Restructuring costs	**2 582**	–
Tax assessments and disputes	**4 290**	–
	20 399	9 824

14. Commitments

	2021 Reviewed	2020 Audited
Capital expenditure contracted for but not yet incurred (Property and Equipment and Intangible assets)	**25 303**	11 945
Other (including sports and marketing commitments)	**124 754**	67 627
	150 057	79 572

for the year ended 31 March 2021

15. 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.

	2021 TZS m Reviewed	2020 TZS m Audited
Balances with related parties		
Trade and other receivables		
Vodafone Group Plc (Ultimate Parent)	**3 241**	1 391
Vodacom Group Limited (Parent)	**2 038**	2 160
	5 279	3 551
Trade payables		
Vodafone Group Plc (Ultimate parent)	**(3 059)**	(16 455)
Vodacom Group Limited (Immediate parent)	**(2 322)**	(2 791)
	(5 381)	(19 246)

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

	2021 TZS m Reviewed	2020 TZS m Audited
Vodafone Group Plc and its subsidiaries		
Revenue	**2 811**	1 783
Direct costs	**(996)**	(2 481)
Other operating expenses	**(7 615)**	(21 227)
Donation to Vodacom Tanzania Foundation	**(315)**	(315)
	(6 115)	(22 240)
Vodacom Group Limited subsidiaries – Mozambique, DRC, Mauritius and Lesotho		
Revenue	**1 189**	597
Direct costs	**(199)**	(24)
Other operating expenses	**(2 450)**	(3 654)
	(1 460)	(3 081)

15. Related parties continued

	2021 TZS m Reviewed	2020 TZS m Audited
Vodacom Group Limited – South Africa		
Revenue	**4 522**	8 213
Direct costs	**(1 708)**	(2 682)
Other operating expenses	**(11 504)**	(12 224)
	(8 690)	(6 693)
Compensation for key management personnel		
Short-term employee benefits	**(7 139)**	(7 324)
Long-term employee benefits	**(117)**	(786)
	(7 256)	(8 110)
Non-executive directors		
Non-executive directors' fees	**(1 236)**	(1 097)
Executive directors		
Short-term employee benefits	**(3 115)**	(3 166)
Long-term employee benefits	**(607)**	(379)
	(3 722)	(3 545)

16. Cash generated from operations

	2021 TZS Mil Reviewed	2020 TZS Mil Audited
Profit before tax	**6 327**	60 350
Adjusted for:		
Financing income	**(38 418)**	(50 465)
Financing costs	**85 232**	86 470
Net gain on foreign currency translation	**(3 627)**	(356)
Impairment charges	**1 887**	10 086
Operating profit	**51 401**	106 085
Adjusted for:		
Depreciation and amortisation	**264 039**	268 762
Amortisation of capacity prepayments	**8 060**	13 447
(Gain)/loss on disposal of property, equipment and intangible assets	**(1)**	202
(Decrease)/increase in provision for inventories	**(777)**	1 463
Amortisation of government grant	**(2 003)**	(2 229)
Government grants applied against funded assets	**(705)**	(1 984)
Increase in tax, legal, restructuring and marketing provisions	**10 575**	1 913
Cash flows from operations before working capital changes	**330 589**	387 659
Payment of capacity contracts	**(4 728)**	(12 080)
Increase in inventory – gross	**(1 398)**	(1 322)
(Increase)/decrease in trade and other receivables	**(24 311)**	2 068
Increase/(decrease) in trade and other payables	**126 982**	(32 081)
Cash generated from operations	**427 134**	344 244

17. Contingent liabilities

Tax matters

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

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

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

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

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

The following open tax disputes are material contingent liabilities not recognised in the statement of financial position and may have a significant impact on the profit or loss 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, which will also result in additional penalties levied by the TRA in this regard.

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

- **Transfer pricing**
  The Group, as part of a multinational enterprise, makes extensive use of services provided by associated entities in a value adding manner and applies the arm's length principle, in the taxation context, in such undertakings. These intercompany transactions are documented in the Group's transfer pricing documentation which is done in accordance with the requirements of local Transfer Pricing Regulations and OECD guidelines. The TRA conducted a transfer pricing audit for the 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 taxation arm's length principle.

17. Contingent liabilities continued

Litigation and other claims contingencies

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

18. Other matters

Tanzania Revenue Authority Agency Notices

In July 2020 and August 2020, TRA issued two agency notices against the Company's bank accounts for TZS 2.9 billion and TZS 17.5 billion. The agency notices required the banks to pay the amounts with immediate effect. The agency notices were enforced in full despite the Company's response to TRA demonstrating the incorrectness of the amounts in the agency notices as well as the fact that there are pending court cases relating to the matters.

The Company is following relevant legal processes as well as engaging TRA and other government authorities to resolve the matters.

Biometrics customer re-registration

On 1 May 2019, Tanzania Communications Regulatory Authority (TCRA) issued new customer registration guidelines, directing that biometric registration of customers using the National Identification Number (NIN) issued by the National Identification Authority (NIDA), is the only accepted identification. The Group, in alignment with the industry, continuously engaged with TCRA to ensure compliance. The industry in association with TCRA and NIDA launched country-wide awareness campaigns to drive biometric registrations.

The biometric registration process commenced in May 2019, with base migration required to be completed by December 2019. The deadline was later extended to 20 January 2020. The low penetration of NINs across the country largely impacted the biometric registration process. As disclosed in the Group's consolidated financial statements for the year ended 31 March 2020, the Group had not yet biometrically re-registered all SIM cards by 20 January 2020. Subsequent to the extension that ended on 20 January 2020, the TCRA directed that SIM cards not registered using biometrics and NINs should be barred from service in phases, which led to the Group barring 2.9 million of the unregistered SIM cards by 31 March 2020. It is estimated that about 793 000 of these SIM cards have since been biometrically registered and reconnected for service provisioning.

The barring of SIM cards negatively impacted the Group's revenue during the period. This together with the incremental costs incurred on the biometrics registration process negatively impacted the Group's financial results. The Group continues with the process to biometrically register the SIM cards not yet registered while following the TCRA guidelines and engaging with TCRA and industry peers to ensure that all SIM cards are re-registered.

18. Other matters continued

SIM card registration regulations

On 1 May 2019, the Tanzania Communication Regulatory Authority ('TCRA') issued new customer registration guidelines, directing the biometric registration of SIM cards using the National Identification Number ('NIN') issued by the National Identification Authority ('NIDA'), as the only accepted identification.

On 7 February 2020, the new Electronic & Postal Communications (SIM Card Registration) Regulations 2020 were published. The Regulations provide for a biometric registration of SIM cards using the National ID, as the sole means of registering SIM cards in the United Republic of Tanzania. As at 31 March 2021, a total of 1.1 million SIM cards generating TZS2.9 billion revenue per month remain non biometrically registered. We continue to engage with NIDA to ensure these customers are issued with NIN, and also with TCRA with the aim to extend the deadline for registration to accommodate these customers who are yet to receive the NIN.

On 1 July 2020, the TCRA issued a public release that required customers who biometrically registered more than one SIM card per service provider to verify their SIM cards ownership through their mobile phones. Furthermore, TCRA and mobile network operators have implemented an approval process that allows customers to request for additional SIM cards by visiting service providers' retail outlets or an automated process through Unstructured Supplementary Service Data (USSD). Customers are allowed up to 5 SIM cards if they follow the correct approval process. We continue to drive awareness to customers on SIM card verification process.

During the year, NIDA entered into agreements with all mobile network operators to charge TZS500, effective from 1 August 2020, for the use of NIDA database information for subscriber verification, in line with Registration and Identification of Persons Regulations 2014. Vodacom Tanzania PLC together with other operators are engaging the Government through TCRA, Ministry of Communication and Technology with the aim to reduce the charge.

Data price reform

On 4 March 2021, TCRA issued new rules and directive that introduced a retail price floor and ceiling for data services with effect from 2 April 2021. The data price floor was set at a minimum of TZS2.03 per Mb and a maximum of TZS9.35 per Mb, tax inclusive. The bundle rules also required mobile network operators to implement a maximum of 50 local bundles. On 2 April 2021, Vodacom Tanzania PLC together with other mobile network operators implemented the directives from TCRA. Subsequent to the implementation, TCRA directed mobile network operators to revert back to the previous bundle tariffs. We will continue to engage with TCRA, Ministry of Communication and Technology and other relevant Government institutions on the importance of industry reform. We believe that, industry reform will foster capital investment in the country that will accelerate digital and financial inclusion.

18. Other matters continued

Compliance orders and fines

On 5 May 2020, TCRA issued a compliance order against the Company and other operators. Following the Company's defence on 12 June 2020, TCRA issued a fine of TZS400 million against the Company on the basis that the Company failed to provide sufficiently clear terms and conditions and implement rollover options for unused bundle units before expiry. The Company paid the fine and will ensure compliance as directed by TCRA.

In August 2020, TCRA issued a non-compliance letter to the Company stating that during May 2020 and June 2020, the Company charged international voice termination rates below the minimum regulatory rate of US$ 0.25 contrary to Electronic and Postal Communications (Tele – Traffic) Regulations of 2018. The Company submitted clarifications to TCRA outlining its compliance with the regulations.

Following the quality of service assessment conducted by TCRA for the period of September to December 2020, a total of TZS38 billion was fined to all operators on failure to meet various KPIs. Vodacom Tanzania PLC was fined TZS7.8 billion on failure to meet 3 out of 102 KPIs that were assessed. However, instead of payment of this fine, Vodacom Tanzania entered into a binding commitment with TCRA to invest the equivalent value into its network to improve quality of service.

Interest in other entities

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 the BRELA. The change of name was necessary to enable compliance with the National Payment System Act, 2015. During the period, the deposits held in trust by Vodacom Trust Limited were transferred to The Registered Trustees of M-Pesa in accordance with the National Payment Systems regulations. The entity's directors resolved to wind up the entity and the liquidator was appointed by the directors on 19 May 2020.

M-PESA Limited

The entity started operating independent of the Company on 1 April 2020 with its own organisation structure, staff and accounting records. The entity is consolidated in the Company's consolidated financial statements. M-PESA Limited represents a new entity that 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 is operating mobile financial services under the Electronic Money Issuance regulations issued by the Bank of Tanzania.

The Registered Trustees of M-Pesa Trust Funds (the "Trust")

The entity started operating independent of the Company on 1 April 2020 with its own governance and organisation structure, staff and accounting records. The entity is consolidated in the Company's consolidated financial statements. 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 during the period.

18. Other matters continued

Covid-19 pandemic

The COVID-19 pandemic has highlighted the importance of telecommunication and financial services, with our customers having accelerated their adoption of digital services. Our commitment to connect for a better future twinned with our investment into people, networks and platforms should facilitate this shift towards digital enablement. Nevertheless, industry reform remains an important aspect that will support future investments in the country.

Demand for data and M-Pesa services remains strong, underpinning our strategy for financial and digital inclusion. We continue to invest and expand in the eco systems of these platforms and expect this will remain a strong driver for growth in the future. We have also taken significant steps to ensure that we build a diverse revenue stream through our revamped digital services aiming at providing customers with more services through digital platforms.

Our 'Fit for growth' initiatives are well embedded in our business and to a large extent structural and focused on the digital transformation of our business which leaves us with the opportunity to still employ short-term cost control measures to improve the resilience of our business, where required.

As the effects of COVID-19 pandemic continue to unfold, the economic outlook remains uncertain. We do however expect this outlook to improve in FY22. This view is informed by global research providers and financial institution such as World Bank. This assumption of economic improvement together with the relative demand resilience for our services, provides the basis for our medium term targets as follows:

1. Mid to high-single digit service revenue growth

2. 13.0% – 14.5% 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.

19. 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 amounts to 10% or more of the Group's revenue.

20. Fair value

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

21. Events after the reporting period

Covid-19 pandemic

The COVID-19 pandemic continued to affect countries and businesses at the time of issuing these preliminary condensed consolidated financial statements. The continuing impact of the pandemic is expected to be as disclosed in Note 18.

Biometric registration of customers

The Group continues to biometrically re-register customers not re-registered by the end of the period as disclosed in note 18

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

	For the twelve months ended 31 March		
	2021	2020	**% Change**
Active customers[7] (thousand)	**14 861**	15 513	**(4.2)**
ARPU[8] (shillings per month)	**5 259**	5 616	**(6.4)**
Data customers[9] (thousand)	**7 695**	7 687	**0.1**
M-Pesa customers[10] (thousand)	**7 395**	6 685	**10.6**
Traffic[11] (millions of minutes)	**34 788**	27 787	**25.2**
Outgoing	**24 786**	23 482	**5.6**
Incoming	**10 002**	4 305	**132.3**
MoU per month[12]	**194**	155	**25.2**
Messaging (million)	**30 161**	32 946	**(8.5)**
Number of employees	**569**	551	**3.3**
Number of sites			
4G	**1 820**	1 321	**37.8**
3G	**2 825**	2 682	**5.3**
2G	**3 356**	3 225	**4.1**

7 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

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

9 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

10 M-Pesa customers are the number of unique customers who have generated billable transactions during the month. In the past 3 months, 12.6 million unique customers generated revenue related to M-Pesa.

11 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.

12 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 2021. 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 2021, 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[1] (Chairman)
H Hendi (Managing Director)[2]
JJ Marais (Finance Director)[3]
D Gutierrez[4]
D Kastelic[5]
K Gomado[6]
M Mbungela[3]
M Ikongo[1]
N Nyoka[3]
R Morathi[3]
T Semane[3]
W Ouko[7]

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

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

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Kambarage House,
2nd Floor, 6 Ufukoni Street
P.O. Box 70081, Dar es Salaam, Tanzania

Sponsoring licenced dealing member

Orbit Securities Company Limited

External communications

Rosalynn Mworia

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