# Vodacom

## Consolidated annual financial statements

for the year ended 31 March 2017

# contents

## Consolidated annual financial statements



## Summarised Company financial statements



The preparation of these consolidated annual financial statements was supervised by the Chief Financial Officer, Dr. phil. T. Streichert and they have been audited by the independent auditor, PricewaterhouseCoopers Inc.

# Directors' statement of responsibility

The directors are responsible for the preparation, integrity and fair presentation of the consolidated annual financial statements of Vodacom Group Limited, its subsidiaries, joint venture, associate and special purpose entities (the Group).

The consolidated annual financial statements have been audited by the independent accounting firm PricewaterhouseCoopers Inc. which was given unrestricted access to all financial records and related data, including minutes of meetings of shareholders, the Board and committees of the Board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. The report of the auditors is presented on the next page.

The consolidated annual financial statements for the year ended 31 March 2017 presented on pages 08 to 90 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the Financial Reporting Guides as issued by the South African Institute of Chartered Accountants (SAICA) Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of 2008, as amended. They are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgements, including judgements involving estimations. The going concern basis has been adopted in preparing the consolidated annual financial statements. The directors have no reason to believe that the Group will not be a going concern in the foreseeable future based on forecasts and available cash resources.

The directors are also responsible for the Group's system of internal controls. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the consolidated annual financial statements and to adequately safeguard, verify and maintain accountability of assets. These controls are monitored throughout the Group by management and employees with the necessary segregation of authority and duties. Processes are in place to monitor internal controls, to identify material breakdowns and implement timely corrective action.

The consolidated annual financial statements were approved by the Board on 2 June 2017 and are signed on its behalf by:

**MP Moyo**
Chairman

**MS Aziz Joosub**
Chief Executive Officer

**T Streichert**
Chief Financial Officer

# Certificate by the Company Secretary

In terms of section 88(2)(e) of the Companies Act of 2008, as amended, I certify that, to the best of my knowledge and belief, Vodacom Group Limited has lodged with the Registrar of Companies for the financial year ended 31 March 2017, all such returns and notices as are required of a public company in terms of the Companies Act of 2008, as amended, and that all such returns and notices are true, correct and up to date.

**SF Linford**
Company Secretary

2 June 2017

# Independent auditor's report on the consolidated annual financial statements

## To the shareholders of Vodacom Group Limited

### Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Vodacom Group Limited (the Company) and its subsidiaries (together the Group) as at 31 March 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### What we have audited

Vodacom Group Limited's consolidated financial statements set out on pages 20 to 90 comprise:

- the consolidated statement of financial position as at 31 March 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

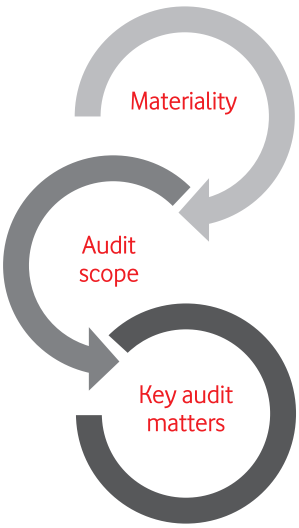
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

### Our audit approach

**Overview**




**Overall Group materiality**

Overall Group materiality: R960 million, which represents 5% of profit before tax.

**Group audit scope**

We identified two local operations, which in our view, required an audit of their complete financial information, due to their size and risk characteristics. We have also identified an additional operation where limited specified procedures were performed by the component auditor owing to the operation's contribution to the International reportable segment.

Further specified audit procedures over central functions and areas of significant judgment, including taxation, goodwill, treasury, material provisions, consolidation entries and contingent liabilities, were performed at a Group level.

**Key Audit Matters**

- Revenue recognition – accuracy of revenue recorded given the complexity of products and systems;
- Provisions and contingent liabilities include taxation related matters; and
- Capitalisation of assets and the assessment of useful lives and residual values for property, plant and equipment, and intangible assets.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

**Materiality**

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

| | |
|---|---|
| Overall Group materiality | R960 000 000 |
| How we determined it | 5% of profit before tax |
| Rationale for the materiality benchmark applied | We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and it is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector. |

## How we tailored our Group audit scope

We tailored the scope of our audit to ensure that we performed enough work to enable us to give an opinion on the consolidated financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls including those performed at the Group's shared service centres, and the industry in which the Group operates.

The Group's main operating subsidiaries are located in five countries across the African continent. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the local operations by us, as the Group engagement team, or component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those local operations to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

The Group's local operations vary in size. Two operations were identified as "in full-scope" for Group audit reporting purposes (Vodacom (Pty) Limited and Vodacom Tanzania Public Limited Company) representing 79.6% and 7.3% of the Group's revenue and 96.1% and 2.4% of the Group's profit before tax. We identified these two local operations as those that, in our view, required an audit of their complete financial information, due to their size and risk characteristics. In addition, Vodacom Congo (RDC) SA has been included "in-scope" for limited specified procedures owing to the operation's contribution to the International reportable segment.

Specified audit procedures over certain balances and transactions relating to operations identified as "out-of-scope" for Group audit reporting were performed to give appropriate coverage of all material balances at both geographical division and Group levels.

Further specified audit procedures over central functions and areas of significant judgement, including taxation, goodwill, treasury, material provisions, consolidation entries and contingent liabilities, were performed at the Group's Head Office in Midrand, South Africa. In addition, audits for local statutory purposes are performed for the subsidiaries "not in-scope" for Group auditing reporting. Where possible, the timing of local statutory audits was accelerated to align to the Group audit timetable, and where relevant significant findings were reported to the Group engagement team.

The Group engagement team visited the two operations "in-scope" for Group audit reporting during the audit cycle and the lead audit partner attended the year-end audit clearance meetings of those operations.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Revenue recognition – accuracy of revenue recorded given the complexity of products and systems** | |
| The accuracy of amounts recorded as revenue is an inherent industry risk due to the complexity of billing systems, accounting for new products and plans – including multiple element arrangements – and the combination of products sold and tariff structure changes during the year.<br><br>Furthermore, the partial migration of post-paid customers in the South African operations to the Customer 3D IT system environment has been a matter of most significance during the current year audit due to the risks relating to data migration between the new and legacy billing platforms and the complexity inherent in the first-year implementation of the new system.<br><br>The application of revenue recognition accounting standards is complex and involves a number of judgements and estimates.<br><br>Refer to page 39 – Critical accounting judgements including those involving estimations. | We have understood and tested management's controls over the transfer of revenue information between the multiple systems involved in recording revenue. Included in these controls we have specifically tested the controls in place over the authorisation of rate changes, the introduction of new products and the input of this information to the billing systems.<br><br>We utilised our Information Technology (IT) specialists to test the IT general and automated controls of the relevant billing environments, as well as to assess the relevant revenue reports utilised for audit purposes.<br><br>Furthermore, our IT specialists tested management's controls over the transfer of post-paid customer data for South African customers from legacy billing systems to the new Customer 3D billing environment.<br><br>We examined and assessed the accounting policies applied in the recognition of revenue for compliance with IFRS and industry guidance. To assess the appropriate application of the agent versus principal accounting treatment for different post-paid revenue transactions, we examined legal documents and business rules between the Group and its business partners and did not identify any contradictions from those applied by management.<br><br>Our substantive procedures included, amongst others, the following:<br>▸ testing the end-to-end reconciliation from billing systems to the manual journals captured in the general ledger to assess the completeness and accuracy of revenue recorded. Our procedures also included testing samples of prepaid and hybrid data tariffs to an authorised price list. No material differences were identified in performing these substantive tests; and<br>▸ testing of the allocation of the revenue to the various elements in the multiple element arrangements in order to assess the accuracy of the deferred revenue and deferred commission calculations. No material differences were noted in performing these substantive tests. |

| Key audit matter | How our audit addressed the key audit matter |
| --- | --- |
| **Provisions and contingent liabilities including taxation related matters** | |
| There are a number of pending and actual legal and regulatory cases against the Group. Accordingly, management exercises a high level of judgement in estimating the level of provisioning required. The evaluation of management's judgements, including those that involve estimations in assessing the likelihood that a pending claim will succeed, or a liability will arise, and the quantification of the ranges of potential financial settlement have been a matter of most significance during the current year audit.<br><br>Furthermore, the Group has operations across a number of jurisdictions and is subject to periodic challenges by local tax authorities. Evaluation of the outcome of the taxation related matters, and whether the risk of loss is remote, possible or probable, requires significant judgement by management given the complexities involved.<br><br>Refer to page 39 – Critical accounting judgements including those involving estimations, Note 20 – Provisions, Note 25 – Contingent liabilities and legal proceedings and Note 7 – Taxation. | Our procedures included, amongst others, the following:<br>- testing management's relevant controls surrounding litigation and regulatory compliance;<br>- obtaining confirmation, where appropriate, from relevant third party legal representatives and conducting direct discussions with them regarding material cases. The results of the circularisation were found to be consistent with the representations made by management relating to legal, taxation and regulatory compliance matters;<br>- reading Group legal reports, discussing open legal matters with the Group general counsel, regulatory, and tax teams – and where relevant – reading external legal opinions obtained by management. The outcomes of these procedures were found to be consistent with the representations obtained from management; and<br>- involving our tax specialists to assess management's application and interpretation of tax legislation affecting the Group, and to consider the quantification of exposures and settlements arising from disputes with tax authorities in the various tax jurisdictions.<br><br>Based on the evidence obtained, while noting the inherent uncertainty with such legal, regulatory and tax matters, we accepted the level of provisioning at 31 March 2017 and noted that it is at a level consistent with previous years. |
| **Capitalisation of assets and the assessment of useful lives and residual values for property, plant and equipment, and intangible assets** | |
| Property, plant and equipment and intangible assets represent a significant proportion of the Group's asset base, being 60.8% of the Group's total assets. The estimates and assumptions made to determine the carrying amounts, including whether and when to capitalise or expense certain costs, and the determination of depreciation and amortisation charges are material to the Group's financial position and performance. The charges in respect of periodic depreciation and amortisation are derived after estimating an asset's expected useful life and the expected residual value. Changes to assets' carrying amounts, expected useful lives or residual value could result in a material impact on the financial statements and have been a matter of most significance during the current year audit.<br><br>Refer to Significant accounting policies for property, plant and equipment (page 28), intangible assets (page 29), critical accounting judgements including those involving estimation of useful lives and residual values (page 39) as well as Note 9 – Property, plant and equipment and Note 10 – Intangible assets. | We obtained an understanding of, and tested the relevant management controls relating to the capitalisation of property, plant and equipment and intangible assets, and the controls relevant to the review of useful lives and residual values.<br><br>We evaluated the capitalisation policies and assessed the timeliness of the transfer of assets under construction. We found no exceptions from the sample of items tested.<br><br>Our detailed substantive testing of the determination of asset useful lives and residual values identified no exceptions. In performing these procedures we considered management's judgments, including the appropriateness of existing and revised asset lives and residual values applied in the calculation of depreciation and amortisation to determine whether these judgments reflected technological developments within the telecoms industry and changes in the anticipated duration of use by management. We further tested whether approved asset life revisions were appropriately applied to the fixed asset register. |

## Other information

The directors are responsible for the other information. The other information comprises the directors' report, the report of the Audit, Risk and Compliance Committee, the Certificate by the Company Secretary as required by the Companies Act of South Africa, the Directors' statement of responsibility and the summarised Company financial statements as set out on pages 92 to 100 of the consolidated annual financial statements for the year ended 31 March 2017, which we obtained prior to the date of this auditor's report and the Vodacom integrated report for the year ended 31 March 2017, which is expected to be made available to us after the date of this auditor's report. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Vodacom Group Limited for three years.

PricewaterhouseCoopers Inc.

**PricewaterhouseCoopers Inc.**
Director: DB von Hoesslin
Registered Auditor
Pretoria

2 June 2017

# Directors' report

For the year ended 31 March

## Nature of business

Vodacom Group Limited (the Company) is an investment holding company. Its principal subsidiaries are engaged in the provision of a wide range of communications products and services including but not limited to voice, messaging, converged services, broadband, data connectivity, mobile financial services and other value added services.

There have been no material changes to the nature of the Group's business from the prior year.

## Financial results

Earnings attributable to equity holders of the Group for the year ended 31 March 2017 were R13 418 million (2016: R12 917 million) representing basic earnings per share of 915 cents (2016: 881 cents).

Full details on the financial position and results of the Group are set out in these consolidated annual financial statements.

## Dividends

### Dividend distribution

An ordinary dividend of R11 829 million (2016: R11 829 million) was declared and paid during the year. Details of the final dividend in respect of the year ended 31 March 2017 are included under Events after the reporting period in this directors' report.

| Rm | 2017 | 2016 |
|---|---|---|
| Declared 14 May 2015 and paid 29 June 2015 | – | 5 952 |
| Declared 6 November 2015 and paid 7 December 2015 | – | 5 877 |
| Declared 13 May 2016 and paid 27 June 2016 | 5 952 | – |
| Declared 11 November 2016 and paid 5 December 2016 | 5 877 | – |
| | 11 829 | 11 829 |

### Dividend policy

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. However, there is no assurance that a dividend will be paid in respect of any financial period and any future dividends will be dependent upon operating results, financial condition, investment strategy, capital requirements and other factors. It is envisaged that interim dividends will be paid in December and final dividends in July of each year. There is no fixed date on which entitlement to dividends arises and the date of payment will be determined by the Board or shareholders at the time of declaration, subject to the JSE Listings Requirements.

The dividend policy for the current year, to pay out at least 90% (2016: at least 90%) of headline earnings per share, remained unchanged. The Company declared dividends of 830 cents (2016: 795 cents) per share for the year ended 31 March 2017.

Going forward, the Company intends to maintain its dividend policy of paying at least 90% of headline earnings, excluding the contribution of the attributable net profit or loss from Safaricom Limited and any associated intangible amortisation. In addition, the Company intends to distribute any dividend it receives from Safaricom Limited, up to a maximum amount of the dividend received, net of withholding tax. The aforementioned change in policy will only be applicable subsequent to the approval of the Safaricom Limited acquisition by shareholders of the Company, other than Vodafone International Holdings B.V. (VIHBV) and its associates. Further details regarding the proposed acquisition of Safaricom Limited may be found in note 27.

## Share capital

The authorised and issued share capital are as follows:

- Authorised – 4 000 000 000 ordinary shares of no par value; and
- Issued – 1 487 954 000 ordinary shares of no par value, with stated capital amounting to R100.

Full details of the authorised and issued share capital of the Company may be found in Note 16. Events after the reporting period that may affect the issued share capital in the future are described in note 27.

## Share capital continued

### Repurchase of shares

Shareholders approved a special resolution granting a general authority for the repurchase of ordinary shares by the Group, to a maximum of 5.0% (2016: 5.0%) of shares in issue, at the annual general meeting held on Tuesday 19 July 2016, subject to the JSE Listings Requirements and the provisions of the Companies Act of 2008, as amended. Any shares that may be repurchased for the time being shall be in connection with awards made in the normal course in respect of the Group's forfeitable share plan. Approval to renew this general authority will be sought at the forthcoming annual general meeting on Tuesday 18 July 2017.

Treasury shares are held by Wheatfields Investments 276 (Pty) Limited (Wheatfields), a wholly-owned subsidiary and do not carry any voting rights.

### Forfeitable share plan (FSP)

During the year the Group allocated 1 384 016 (2016: 1 765 229) shares to eligible employees under its FSP and no restricted shares were allocated during the current and prior years. Further details may be found in the Remuneration report included in the integrated report as well as in Note 17.

### Shareholder analysis

The Group's shareholder analysis as at 31 March 2017 was as follows:

| Shareholder spread | Number of shareholdings | % | Number of shares | % |
|---|---|---|---|---|
| 1 – 100 shares | 12 768 | 23.85 | 553 097 | 0.04 |
| 101 – 1 000 shares | 32 149 | 60.06 | 11 522 446 | 0.77 |
| 1 001 – 10 000 shares | 7 370 | 13.77 | 21 067 464 | 1.41 |
| 10 001 – 50 000 shares | 850 | 1.59 | 18 305 968 | 1.23 |
| 50 001 – 100 000 shares | 149 | 0.28 | 10 513 561 | 0.71 |
| 100 001 – 1 000 000 shares | 195 | 0.36 | 66 650 365 | 4.48 |
| 1 000 001 shares and above | 48 | 0.09 | 1 359 341 099 | 91.36 |
| | 53 529 | 100.00 | 1 487 954 000 | 100.00 |
| **Distribution of shareholders** | | | | |
| Holding companies | 1 | 0.00 | 967 170 100 | 65.00 |
| Organs of state | 12 | 0.02 | 4 534 948 | 0.31 |
| Custodians | 284 | 0.53 | 193 274 997 | 12.99 |
| Retirement benefit funds | 315 | 0.59 | 202 443 331 | 13.61 |
| Collective investment schemes | 308 | 0.58 | 33 103 011 | 2.22 |
| Individuals | 46 808 | 87.45 | 32 644 436 | 2.19 |
| Private companies | 685 | 1.28 | 4 353 975 | 0.29 |
| Trusts | 4 193 | 7.83 | 9 320 633 | 0.63 |
| Insurance companies | 97 | 0.18 | 6 839 193 | 0.46 |
| Wholly owned subsidiary | 2 | 0.00 | 15 421 231 | 1.04 |
| Public companies | 17 | 0.03 | 9 542 299 | 0.64 |
| Stockbrokers and nominees | 19 | 0.04 | 2 425 607 | 0.16 |
| Scrip lending | 22 | 0.04 | 3 697 586 | 0.25 |
| Foundations and charitable funds | 169 | 0.32 | 946 082 | 0.06 |
| Close corporations | 239 | 0.45 | 461 106 | 0.03 |
| Other corporations | 103 | 0.19 | 1 112 980 | 0.07 |
| Medical aid funds | 32 | 0.06 | 373 917 | 0.03 |
| Hedge funds | 8 | 0.01 | 132 301 | 0.01 |
| Investment partnerships | 203 | 0.38 | 141 627 | 0.01 |
| Treasury | 1 | 0.00 | 12 869 | 0.00 |
| Unclaimed assets | 11 | 0.02 | 1 771 | 0.00 |
| | 53 529 | 100.00 | 1 487 954 000 | 100.00 |

## Share capital continued

| Non-public and public shareholders | Number of shareholdings | % | Number of shares | % |
|---|---|---|---|---|
| **Non-public shareholders** | 33 | 0.06 | 1 175 305 573 | 78.99 |
| Directors, prescribed officers and associates | 18 | 0.03 | 1 023 849 | 0.07 |
| Treasury | 1 | 0.00 | 12 869 | 0.00 |
| Wholly-owned subsidiary | 2 | 0.01 | 15 421 231 | 1.04 |
| Strategic holdings (more than 10.0%) | 11 | 0.02 | 191 677 524 | 12.88 |
| Holding company | 1 | 0.00 | 967 170 100 | 65.00 |
| Public shareholders | 53 496 | 99.94 | 312 648 427 | 21.01 |
| | 53 529 | 100.00 | 1 487 954 000 | 100.00 |
| **Geographical holdings by owner** | | | | |
| United Kingdom | 149 | 0.28 | 52 705 921 | 3.54 |
| South Africa[1] | 52 984 | 98.98 | 1 277 716 073 | 85.87 |
| United States | 117 | 0.22 | 100 460 139 | 6.75 |
| Europe | 96 | 0.18 | 47 865 385 | 3.22 |
| Other | 183 | 0.34 | 9 206 482 | 0.62 |
| | 53 529 | 100.00 | 1 487 954 000 | 100.00 |

| Beneficial shareholders holding 5% or more of the issued capital | Total shareholding | % of shares in issue |
|---|---|---|
| Vodafone Investments SA (Pty) Limited | 967 170 100 | 65.00 |
| Government Employees Pension Fund | 191 677 524 | 12.88 |
| | 1 158 847 624 | 77.88 |

| Share price performance | 2017 | 2016 |
|---|---|---|
| Opening price 1 April | **R160.53** | R131.61 |
| Closing price 31 March | **R152.00** | R160.53 |
| Closing high for the year | **R171.10** | R160.53 |
| Closing low for the year | **R140.00** | R127.23 |
| Number of shares in issue | **1 487 954 000** | 1 487 954 000 |
| Volume traded during the year | **458 311 450** | 739 664 289 |
| Ratio of volume traded to shares issued (%) | **30.80** | 49.71 |

**Note:**

1. Direct shareholding held by Vodafone Investments SA (Pty) Limited, a South African entity, with the ultimate shareholder being Vodafone Group Plc, registered in the United Kingdom.

## Borrowings

During the current year the Group drew on a facility from Vodafone Investments Luxembourg s.a.r.l. with a nominal value of R4 000 million, used primarily for capital expenditure. The loan bears interest payable quarterly at three-month JIBAR plus 1.57%, is unsecured and repayable on 29 July 2021. The Group repaid R1 470 million on a 3 year, R3 000 million Vodafone Investments Luxembourg s.a.r.l loan on 31 March 2017, reducing the capital balance to R1 530 million. The loan bears interest at three-month JIBAR plus 1.15% and is repayable on 24 November 2017.

## Non-current assets held for sale

During the prior year, the Board approved a plan to exit its investment in Helios Towers Tanzania LTD (Helios) through a sale of shares which was expected to be completed within the current financial year. Due to circumstances beyond the Group's control, the sale has been delayed beyond the initial expected closing period. The Board as well as the purchaser, HTA Holdings Limited (HTA) remain committed to the transaction and are currently in the process of obtaining the necessary regulatory approvals in order to effect the sale. It is highly probable that the sale will be completed in the 2018 financial year, and the investment therefore continues to be classified as a non-current asset held for sale. US$30 million of the associated shareholder's loan, comprising the nominal value of US$22 million and accrued interest thereon, has been purchased by HTA. The Group has not recognised any impairment losses in respect of its investment, since the proceeds are expected to exceed the carrying value of the investment.

## Capital expenditure and commitments

Details of the Group's capital expenditure are set out in Notes 9 and 10, and commitments are set out in Note 24.

## Holding company and ultimate holding company

The Group is ultimately controlled by Vodafone Group Plc which owns 65.0% of the issued shares through Vodafone Investments SA (Pty) Limited.

Vodafone Group Plc is incorporated and domiciled in the United Kingdom.

## Directorate and secretary

Movements in the directorate during the year under review:

| | |
|---|---|
| **Appointments** | |
| 8 December 2016 | V Badrinath |
| **Resignations** | |
| 8 December 2016 | S Timuray |

Mr MP Moyo, independent chairman of the Company, will retire and step down from the Board at the forthcoming annual general meeting to be held on Tuesday, 18 July 2017. The Board is in the process of identifying a new independent chairman and a further announcement will be made in due course.

In terms of the Company's memorandum of incorporation, Mr V Badrinath, having been appointed since the last annual general meeting of the Company, will retire at the forthcoming annual general meeting to be held on Tuesday 18 July 2017. In terms of the memorandum of incorporation, Ms TM Mokgosi-Mwantembe and Messrs MP Moyo and RAW Schellekens retire by rotation. Ms S TM Mokgosi-Mwantembe and Mr RAW Schelleken are eligible and available for re-election. Mr Moyo has indicated that he is not available for re-election and therefore will retire as chairman and director at the conclusion of the annual general meeting. Their profiles appear in the 'Notice of annual general meeting' included in the integrated report.

As at the date of this report, the directors of the Company were as follows:

### Independent non-executive

MP Moyo (Chairman), DH Brown, BP Mabelane, TM Mokgosi-Mwantembe, PJ Moleketi.

### Non-executive

M Joseph*, JWL Otty^, M Pieters•,RAW Schellekens•, V Badrinath~.

### Executive

MS Aziz Joosub (Chief Executive Officer), T Streichert (Chief Financial Officer)@.

The Company Secretary is SF Linford and her business and postal addresses appear on the Corporate information sheet included in the integrated report.

* American, ^ British, •Dutch, @German, ~ French.

## Interests of directors and prescribed officers

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Direct | Indirect | Direct | Indirect |
| **Executive directors** | | | | |
| MS Aziz Joosub | 875 361 | – | 873 319 | – |
| **Independent non-executive directors** | | | | |
| MP Moyo | 250 | 3 645 | 250 | 3 645 |
| PJ Moleketi | 643 | 15 480 | 643 | 15 480 |
| **Prescribed officers** | | | | |
| V Jarana | 128 470 | – | 122 630 | – |
| | 1 004 724 | 19 125 | 996 842 | 19 125 |

The following change in beneficial interests occurred between the end of the reporting period and the date of this report: Mr V Jarana sold 4 880 shares at a price of R164.32 per share on 25 May 2017.

## Regulatory matters

### Radio frequency spectrum licences

On 30 September 2016 the Pretoria High Court granted an application by the Ministry of Telecommunications and Postal Services (the Ministry) interdicting ICASA from implementing the spectrum licencing process contemplated in the Invitation to Apply (ITA) for the licensing of spectrum in the 700MHz, 800MHz and 2600MHz bands, pending the outcome of a judicial review on the lawfulness of the ICASA ITA.

### Cell C On/Off-Net Complaint against Vodacom (Pty) Limited

During October 2013 Cell C lodged a complaint with the Competition Commission of South Africa. It was alleged that the Group’s South African business had abused its market dominance in contravention of Section 8 of the Competition Act. The Competition Commission investigated this complaint and on 18 April 2017 the Competition Commission announced its decision not to refer the matter to the Competition Tribunal due to insufficient evidence required to successfully prosecute.

### Customer registration

In each country where the Group is subject to customer registration requirements, the Group continues to register customers to achieve compliance, and also continues to participate in government and industry co-ordinated meetings overseeing the implementation and improved efficiency of the registration processes. This includes introducing electronic registration and verification processes common to all operators, working with government to extend national identification document databases for verification, and information and education to both customers and dealers about the importance of complying with registration requirements. Further details may be found in the Group’s regulatory report which is available online at **www.vodacom.com**.

### National integrated information and communication technology (ICT) Policy White Paper (White Paper)

In October 2016 the Minister of Telecommunications and Postal Services published the cabinet-approved White Paper. The White Paper sets out a framework on how the government wants to provide access to modern communications infrastructure and services to facilitate the entry of new players and the meaningful participation of all citizens, including those in rural areas. Its adoption will require various amendments to existing laws and regulations flowing from the Electronic Communications Act.

During May 2017, a high level agreement was reached between the Ministry and industry stakeholders, providing for:

- assigned spectrum not to be returned, at least not before the end of the operator’s licence period, as was originally contemplated in the White Paper;
- licensees committing to buy a set minimum capacity from the wireless open access network (WOAN) to ensure its viability;
- a study to be conducted by the Ministry to determine the appropriate quantity of high demand spectrum that will be necessary for the WOAN to roll out a 4G (LTE) network; and
- the remaining high demand spectrum, after allocation to the WOAN, to be assigned to incumbent licensees through an allocation process yet to be determined, and possible inclusion of rural coverage obligations.

### Broad Based Black Economic Empowerment (BBBEE)

The ICT Sector BEE Code (the new Code), as amended, was gazetted in November 2016, with the effective date being 1 April 2016. One of the most noticeable changes in the new Code is that the scorecard BBBEE level recognition has changed materially and, if applied without remedy, would have resulted in the Vodacom BBBEE status dropping from Level 2 to Level 8. The consolidated South African operations have introduced new initiatives, resulting in the Group achieving an overall level 4 BBBEE status for the 2017 financial year of assessment.

### Audit, Risk and Compliance Committee (ARC Committee)

The ARC Committee discharged all of those functions delegated to it in terms of its mandate, section 94(7) of the Companies Act of 2008, as amended and the JSE Listings Requirements. Further details on the role and function of the ARC Committee may be found in the Risk management report included in the integrated report.

The auditors’ business and postal address appear on the Corporate information sheet included in the integrated report.

### Competence, appropriateness and experience of the Company Secretary

In compliance with JSE Listings Requirements, the Board has considered and is satisfied that Ms Sandi Linford, the company secretary, is competent, has the relevant qualifications and experience and maintains an arm’s length relationship with the Board. In evaluating these qualities, the Board has considered the prescribed duties and responsibilities of a company secretary which includes the Companies Act of 2008, as amended, JSE Listings Requirements and governance requirements as set out in King IV.

## Other matters

### Facilities leasing and roaming agreements between Vodacom (Pty) Limited and Wireless Business Solutions (Pty) Limited (WBS)

During the current year, Vodacom (Pty) Limited concluded facilities leasing, services and roaming agreements with WBS. MTN and Cell C have raised complaints with both the sector regulator, the Independent Communications Authority of South Africa (ICASA) and the Competition Commission. The Competition Commission is determining whether the roaming arrangement between Vodacom (Pty) Limited and WBS is a notifiable merger under the Competition Act, Act 89 of 1998. ICASA, on the other hand, is conducting an enquiry to determine whether this transaction contravenes the requirements of the Electronic Communications Act 2005, Act 36 of 2005, as amended.

### Vodacom Tanzania Public Limited Company listing requirement

In June 2016, the Parliament of Tanzania passed the Finance Act, 2016 which amends listing requirements under the Electronic and Postal Communication Act, 2010 (EPOCA), to introduce mandatory listing requirements and require licensed telecommunications operators to list 25% of their authorised share capital through an initial public offering (IPO) on the Dar Es Salaam Stock Exchange (DSE).

On 16 November 2016, Vodacom Tanzania Limited was converted from a private company to a public company, Vodacom Tanzania Public Limited Company (Vodacom Tanzania). On 25 November 2016, Vodacom Tanzania submitted its applications for an IPO and listing to the Capital Markets and Securities Authority (CMSA) and DSE, respectively. The DSE and CMSA approved the applications on 17 February 2017 and 28 February 2017, respectively. The IPO opened on 9 March 2017 and closed on 11 May 2017. The listing of shares is expected to take place in June 2017, subject to the approval of the CMSA and DSE.

### Vodacom Congo

Vodacom Congo is not in compliance with the equity requirements of the Organisation for the Harmonisation of Business Law in Africa (OHADA). Vodacom Congo would need to increase its share capital to meet the minimum OHADA requirement. This matter is currently being discussed by the Board and shareholders of Vodacom Congo. No agreement has yet been reached between the parties.

## Events after the reporting period

### Final dividend

A final dividend of R6 473 million (435 cents per ordinary share) for the year ended 31 March 2017, was declared on Friday 12 May 2017, payable on Monday 26 June 2017 to shareholders recorded in the register at the close of business on Friday 23 June 2017. The net dividend after taking into account dividend withholding tax for those shareholders not exempt from dividend withholding tax is 348.00000 cents per share.

### Acquisition of interest in Vodafone Kenya Limited

On 14 May 2017 the Group entered into an agreement with VIHBV to acquire 87.5% of Vodafone Kenya Limited, which in turn holds 39.93% in Safaricom Limited. Further details may be found in Note 27.2.

### Other matters

The Board is not aware of any matter or circumstance arising since the end of the reporting period, not otherwise dealt with in the consolidated annual financial statements, which significantly affects the financial position of the Group as at 31 March 2017 or the results of its operations or cash flows for the year then ended.

## Auditors

During the current year, PricewaterhouseCoopers Inc. (PwC) were appointed as the Group's auditors. At the annual general meeting on Tuesday 18 July 2017, shareholders will be requested to appoint PwC as the Group's auditors for the 2018 financial year and it will be noted that Mr DB von Hoesslin will be the individual registered auditor who will undertake the audit.

# Report of the Audit, Risk and Compliance Committee

For the year ended 31 March

## Mandate and terms of reference

The Group's Audit, Risk and Compliance Committee (ARC Committee) operates within a Board-approved mandate and terms of reference. In line with the Companies Act of 2008 as amended (the Companies Act), the members of the ARC Committee were appointed at the annual general meeting held on Tuesday 19 July 2016.

The ARC Committee's responsibilities include the following:

- Reviewing the Group's consolidated interim results, consolidated preliminary results, integrated report and consolidated annual financial statements;
- Monitoring compliance with statutory requirements and the JSE Listings Requirements;
- Reporting to the Board on the quality and acceptability of the Group's accounting policies and practices, including, without limitation, critical accounting policies and practices;
- Providing oversight of the integrated reporting process;
- Considering the appointment and/or termination of the external auditors, including their audit fee, independence and objectivity and determining the nature and extent of any non-audit services;
- Approving the internal audit plan for the year;
- Receiving and dealing appropriately with any complaints, internally and externally, relating either to the accounting practices and internal audit or to the content or auditing of all entities within the Group's annual financial statements or related matters;
- Reviewing and monitoring the management and reporting of tax-related matters;
- Monitoring the risk management function and processes and assessing the Group's most significant risks;
- Monitoring the internal financial control compliance combined assurance enterprise risk management effectiveness;
- Monitoring the technology governance framework and associated risks; and
- Monitoring the effectiveness of the processes to create awareness and develop an understanding of relevant legislation and regulation to ensure compliance by management.

## Membership

### Members: DH Brown (Chairman), BP Mabelane, PJ Moleketi

The Chief Executive Officer and Chief Financial Officer, the head of internal audit, the Chief Risk Officer and the external auditors, attend ARC Committee meetings by invitation. The primary role of the ARC Committee is to ensure the integrity of the financial reporting and the audit processes and that a sound risk management and internal control system is maintained. In pursuing these objectives the ARC Committee oversees relations with the external auditors and reviews the effectiveness of the internal audit function.

The internal and external auditors have unlimited access to the Chairman of the ARC Committee. The internal audit department reports directly to the ARC Committee and is also responsible to the Chief Financial Officer on day-to-day administrative matters.

Four ARC Committee meetings and one teleconference meeting is scheduled per financial year. Additional ARC Committee meetings may be convened when necessary.

Attendance for the year ended March 2017 was as follows:

| Name of director | 9 May 2016 | 3 June 2016 Telecon | 11 July 2016 | 10 Nov 2016 | 28 Mar 2017 |
|---|---|---|---|---|---|
| DH Brown | ✓ | ✓ | ✓ | ✓ | X* |
| BP Mabelane | ✓ | ✓ | ✓ | ✓ | ✓ |
| PJ Moleketi | ✓ | X | ✓ | ✓ | ✓ |

* Mr Brown was absent due to illness.

## Statutory duties

In terms of Section 94(7) of the Companies Act, the ARC Committee discharged all of those functions delegated to it in terms of the ARC Committee mandate, the Companies Act and the JSE Listings Requirements. In the year the ARC Committee:

- Considered and satisfied itself that the external auditors are independent;
- Nominated the external auditors for appointment for the 2017 financial year;
- Reviewed the nature of non-audit services that were provided by the external auditors during the year;
- Determined the fees paid to the external auditors for the 2017 financial year;
- Confirmed the payment of non-audit services which the external auditors performed during the year under review;
- Approved the internal audit plan for the year;
- Monitored and provided oversight of the internal audit function;
- Held separate meetings with management and the external auditors to discuss any reserved matters;
- Ensured the ARC Committee complied with the membership criteria as set out in the Companies Act;
- Considered the appropriateness and experience of the Chief Financial Officer as required by the JSE Listings Requirements;
- Reviewed the consolidated and Company annual financial statements of Vodacom Group Limited;
- Reviewed the appropriateness of any amendments to accounting policies and internal financial controls; and
- Reviewed the integrated reporting process.

In the year, the Board appointed an external company to perform an independent review of the ARC Committee which concluded that the Board members considered the ARC Committee to be fully effective in meeting its objectives.

## The King IV report on Corporate Governance for South Africa 2016

The King IV report on Corporate Governance for South Africa 2016 was released on 1 November 2016. While the effective date for the disclosure on the application of King IV is only in respect of financial years starting on or after 1 April 2017, the practises underpinning the principles so espoused in King IV are entrenched in many of the Group's internal controls, policies and procedures governing corporate conduct. The adoption of this outcome based approach will result in this report evolving over the short term. In the main, the Group has applied a number of the principles of King IV, the details of which is set out in the Corporate governance statement included in the integrated report.

## Significant matters considered in relation to the consolidated annual financial statements and how these were addressed by the ARC Committee

After discussion with management and the external auditor, being PricewaterhouseCoopers Inc.'s (PwC), the ARC Committee concurred with the key audit matters as set out in PwC's report on the audit of the consolidated annual financial statements for the year ended 31 March 2017.

After reviewing the presentation and reports from management and consulting, where necessary, with PwC, the ARC Committee was satisfied that the consolidated annual financial statements appropriately address the critical judgements and key estimates pertaining to the key audit matters contained in PwC's audit report referred to above, in respect of both amounts and disclosure. The ARC Committee noted that both the consolidated and separate annual financial statements were presented fairly in all material respects.

## Other significant matters identified and considered by the ARC Committee

The significant areas of focus considered and actions taken by the ARC Committee in relation to the 2017 annual report were discussed with the external auditor during the year and, where appropriate, these have been addressed as key audit matters as outlined in the external audit report on pages 02 to 07 of the consolidated annual financial statements for the year ended 31 March 2017.

## External audit

The ARC Committee has primary responsibility for overseeing the relationship with, and performance of, the external auditor. This includes making the recommendation on the appointment, re-appointment and removal of the external auditor, assessing their independence on an ongoing basis and for negotiating the audit fee.

### Auditor appointment and tenure of the audit firm

PwC has been the Group's external auditor since July 2014. At the 2016 annual general meeting, PwC was re-appointed as the Group's independent external auditor, to hold office until the conclusion of the 2017 annual general meeting. It is noted that the individual registered auditor who undertook the audit during the financial year ended 31 March 2017 was Mr DB von Hoesslin. Further information regarding the tenure of Mr DB von Hoesslin is contained in PwC's report on the audit of the consolidated annual financial statements for the year ended 31 March 2017. In addition, PwC will be required to rotate the audit partner responsible for the Group audit every five years and, as a result, the current lead audit partner will be required to change from the 2020 financial year onwards.

For the financial year ending 31 March 2018, the ARC Committee has recommended to the Board that PwC be re-appointed as the Group's independent external auditor, to hold office until the conclusion of the 2018 annual general meeting and the directors will be proposing the re-appointment of PwC at the annual general meeting in July 2017.

### Audit risk

At the start of the audit cycle for each financial year the ARC Committee receives a detailed audit plan from PwC, detailing their audit scope, planning materiality and their assessment of significant and elevated risk areas sensitive to fraud, error or judgement. The audit risk identification process is considered a key factor in the overall effectiveness of the external audit process, and the significant key risks for the 2017 financial year are capsulated in their report on the audit of the consolidated annual financial statements for the year ended 31 March 2017.

The detailed audit plan was reviewed by the ARC Committee to ensure the external auditor's areas of audit focus remain appropriate.

### Working with the auditor

The ARC Committee holds private meetings with the external auditor at each ARC Committee meeting to provide additional opportunity for open dialogue and feedback from the ARC Committee and the auditor without management being present. Matters typically discussed include the external auditor's assessment of business risks, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management, the independence of their audit and how they have exercised professional scepticism. The Chairman of the ARC Committee also meets with the external lead audit partner, Mr DB von Hoesslin, outside the formal ARC Committee process, throughout the year.

### Effectiveness of the external audit process

The ARC Committee reviewed the quality of the external audit process throughout the year and considered the performance of PwC, taking into account the ARC Committee's own assessment, the results of a detailed survey of senior finance personnel across the Group, focusing on a range of factors they considered relevant to audit quality and feedback from PwC on their performance against their own objectives. Based on this review, the ARC Committee concluded that there had been appropriate focus and challenge on the primary areas of audit and that PwC had applied robust challenge and scepticism throughout the audit.

### Independence and objectivity

In its assessment of the independence of the auditor, the ARC Committee receives details of any relationships between the Group and PwC that may have a bearing on their independence and receives confirmation that they are independent of the Group within the meaning of the JSE Listings Requirements. As one of the ways in which it seeks to protect the independence and objectivity of the external auditor, the ARC Committee has a policy governing the engagement of the external auditor to provide non-audit services. This precludes PwC from providing certain services such as valuation work or the provision of accounting services and also sets a presumption that PwC should only be engaged for non-audit services where there is no legal or practical alternative supplier.

## External audit continued

### Non-audit function policy

Per the Group's policy for non-audit services, the external auditors may only be considered as a supplier for such service where:

- There is no other alternative supplier for these services;
- Where there is no other commercially viable alternative; or
- Where the non-audit service is related to and would add value to the external audit.

The nature and extent of such services rendered during the financial year include:

- Fulfilment of obligatory JSE submissions R2 094 760 of which R1 052 615 was capitalised;
- Review of responses to regulators R5 000;
- Taxation symposiums and training events R48 351; and
- Directors' remuneration benchmarking R184 200.

The total fees earned during the year by the external auditors for non-audit services were R2 332 310 of which R1 279 695 was expensed during the current year.

## Internal audit

Internal controls comprise systematic measures, policies, procedures and business rules adopted by management to provide reasonable assurance that: assets are safeguarded; error is prevented and detected and accounting records are accurate and complete. The internal audit function is governed by the internal audit charter, as approved by the ARC Committee. The internal audit function serves management and the Board by performing independent evaluations of the adequacy and effectiveness of the Group's internal controls, financial reporting mechanisms and records, information systems and operations.

Monitoring and review of the scope, extent and effectiveness of the activity of the Group's internal audit department is an agenda item at each ARC Committee meeting. The ARC Committee approves the annual audit plan prior to the start of each financial year and receive updates from the head of internal audit on audit activities, progress against the approved Group audit plan, the results of any unsatisfactory audits and the action plans to address these areas. The ARC Committee plays a major role in setting the internal audit annual objectives and the Chairman of the ARC Committee regularly meets with the head of internal audit to discuss the team's activities and any significant issues arising from their work. The level of skill and experience of the internal auditors are presented to the ARC Committee on annual basis.

### Effectiveness of the Chief Audit Executive and arrangements of the internal audit

In accordance with King IV requirements, the ARC Committee has concluded that Ms J Naidoo, the current Group head of internal audit, possesses the appropriate expertise and experience to meet the responsibilities of this position and that arrangements of the internal audit are adequately resourced with technically competent individuals, and that it is effective.

### Design and implementation of internal financial control

The internal audit department assessed the key internal financial controls by using the internal financial controls framework. Key controls assessed were based on the financial statement account balances and disclosures that are deemed quantitatively and qualitatively significant to the Group. The key controls in place to mitigate the risk of material misstatement of these balances in the financial statements were reviewed. Based on the review performed nothing has come to our attention that would indicate a material breakdown of internal financial controls. The internal financial controls reviewed appeared to be adequately designed and are operating as intended.

### Compliance with section 404 of the US Sarbanes-Oxley Act

Vodafone Group Plc (Vodafone) is required to comply with Section 404 of the Sarbanes-Oxley Act (SOX) due to its listing on the NASDAQ stock exchange. With combined efforts between the Group and Vodafone, specific processes were identified that had to be brought in line with SOX requirements as part of the Group's South African SOX compliance efforts. To be SOX compliant, the processes, systems and controls identified were reviewed for adequacy and tested to prove the effectiveness and ongoing operation thereof. Management has concluded that overall, as at 31 March 2017, these internal controls over financial reporting were effective.

## Risk management

Reviews of the Group's risk management, enterprise risk management programmes, business continuity and forensic services are performed by the Group's Risk Management Committee, which reports to the ARC Committee through the Chief Risk Officer. The top principal risks, those risks that will prevent the Group from achieving its strategic objectives in the short and medium term, are presented to the ARC Committee twice a year and reported to and considered by the Board. Critical and high macro strategic risks, those risks that will affect the strategic objectives in the long term, are also presented to the ARC Committee twice a year and reported to and considered by the Board. All principal risks are currently managed within the risk appetite statements. The key focus areas, risk appetite and further details of the Group's principal risks are reported in the risk management report included in the Group's integrated report and online at www.vodacom.com.

The internal audit department has conducted a review on the effectiveness of the risk management function in accordance with the approved risk management framework. The results of the review indicated that the risk management process was effective as at 31 March 2017. There has been further development on the risk appetite framework that facilitates quantification of principal risks for the organisation.

From 1 April 2016 to 31 March 2017, the Group's corporate security divisions investigated over 8 481 cases of potential fraud, of which 8 185 related to external cases and 296 to internal cases. These cases were reported through various channels, including direct reports received from customers, service providers, online reports, referrals from business and external whistleblowing. Over the same period, 80 reports were received via the formal whistleblowing line.

The ARC Committee has satisfied itself that the risk management function operates effectively.

## Combined assurance

The Group has implemented the methodology of assessing risks based on principal risks. These are high level category of risks, made up of macro and sub risks. The current combined assurance model in place is representative of how the risks are currently being managed between the three lines of defence. Vodafone Group Risk Management and Vodafone Group Internal Audit have implemented a coordinated structure for planning, executing and reporting on internal audit, compliance and risk activities. The aim is to ensure that an operating framework is established that coordinates assurance and reporting to provide management and the Board with a clear view on what our risks are, how we mitigate them and whether the mitigations are effective. This integrative method of working together will assist in mobilising the combined assurance model into practice.

## Effectiveness of the finance function

In accordance with King IV requirements, the ARC Committee has concluded that the finance function is resourced with appropriately skilled and technically competent individuals, and that it is effective.

## Effectiveness of the design and implementation of financial controls

In alignment with King IV, the ARC Committee has satisfied itself that the following areas have been appropriately addressed:

- Financial reporting risk;
- Internal financial controls;
- Fraud risk as it relates to financial reporting; and
- Information technology and legal risk as it relates to financial reporting.

## Compliance activities

The ARC Committee is responsible for the oversight of the Group's compliance programme and held a number of deep dive sessions on compliance related matters in the year. These focused on:

- changes to the control environment, including the creation of two new management controls governance committees and a redefined finance operating model providing greater clarity of roles and responsibilities;
- updates to the Group's Code of Conduct, which is reviewed every three years;
- the establishment and maintenance of an effective Legal Compliance Program to be familiar with laws and regulations that apply to respective local markets including compliance-related monitoring function to help evaluate on-going compliance with our compliance-related applicable laws;
- the results from the annual policy compliance review which tests the extent to which local markets and other entities within the Group are compliant with our high risk policies;
- the results from our Doing What's Right employee awareness and e-learning programmes and other measures designed to assess the culture of the organisation;
- the results of the use of Speak Up channels in place to enable employees to raise concerns about possible irregularities in financial reporting or other issues and the outputs of any resulting investigations; and
- the methodology for fraud reporting and investigations into known or suspected fraudulent activities by both third parties and employees.

## Appropriateness and experience of Chief Financial Officer

The ARC Committee confirms that it is satisfied that Mr T Streichert, the current Chief Financial Officer, possesses the appropriate expertise and experience to meet the responsibilities of this position.

## Integrated report

The ARC Committee has overseen the integrated reporting process, reviewed the report and has recommended the 2017 integrated report and consolidated annual financial statements for approval by the Board on 2 June 2017.

**DH Brown**
Chairman
Audit, Risk and Compliance Committee

# Consolidated income statement

For the year ended 31 March

| Rm | Notes | 2017 | 2016 |
|---|---|---|---|
| **Revenue** | 1 | **81 278** | 80 077 |
| Direct expenses | | **(30 483)** | (31 594) |
| Staff expenses | | **(5 472)** | (5 557) |
| Publicity expenses | | **(1 971)** | (1 986) |
| Other operating expenses | | **(12 193)** | (10 844) |
| Broad-based black economic empowerment charge | | **(75)** | (55) |
| Depreciation and amortisation | 9,10 | **(9 251)** | (8 735) |
| Impairment losses | 2 | **(84)** | (14) |
| Net profit/(loss) from associate and joint venture | | **1** | (233) |
| **Operating profit** | 3 | **21 750** | 21 059 |
| Finance income | 4 | **777** | 716 |
| Finance costs | 5 | **(2 818)** | (2 196) |
| Net loss on remeasurement and disposal of financial instruments | 6 | **(481)** | (735) |
| **Profit before tax** | | **19 228** | 18 844 |
| Taxation | 7 | **(6 102)** | (5 934) |
| **Net profit** | | **13 126** | 12 910 |
| **Attributable to:** | | | |
| Equity shareholders | | **13 418** | 12 917 |
| Non-controlling interests | | **(292)** | (7) |
| | | **13 126** | 12 910 |

| Cents | Notes | 2017 | 2016 |
|---|---|---|---|
| Basic earnings per share | 8 | **915** | 881 |
| Diluted earnings per share | 8 | **886** | 857 |

# Consolidated statement of comprehensive income

For the year ended 31 March

| Rm | Note | 2017 | 2016 |
|---|---|---|---|
| **Net profit** | | **13 126** | 12 910 |
| **Other comprehensive income**[1] | 7 | **(1 633)** | 264 |
| Foreign currency translation differences, net of tax | | **(1 633)** | 260 |
| Gain on hedging instruments in cash flow hedges, net of tax | | **–** | 4 |
| **Total comprehensive income** | | **11 493** | 13 174 |
| **Attributable to:** | | | |
| Equity shareholders | | **11 647** | 13 779 |
| Non-controlling interests | | **(154)** | (605) |
| | | **11 493** | 13 174 |

**Note:**

1. Other comprehensive income can subsequently be recognised in profit or loss on the disposal of foreign operations and/or when the hedged item is recognised in profit or loss.

# Consolidated statement of financial position

As at 31 March

| Rm | Note | 2017 | 2016 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | **52 127** | 51 085 |
| Property, plant and equipment | 9 | **40 181** | 39 744 |
| Intangible assets | 10 | **9 186** | 9 517 |
| Financial assets | 11 | **424** | 280 |
| Investment in joint venture | | **5** | 4 |
| Trade and other receivables | 14 | **971** | 754 |
| Finance receivables | 15 | **1 161** | 761 |
| Deferred tax | 7 | **199** | 25 |
| **Current assets** | | **29 011** | 27 618 |
| Financial assets | 11 | **3 489** | 2 641 |
| Inventory | 13 | **1 268** | 1 675 |
| Trade and other receivables | 14 | **13 489** | 13 275 |
| Non-current assets held for sale | 12 | **114** | 589 |
| Finance receivables | 15 | **1 556** | 1 390 |
| Tax receivable | | **222** | 114 |
| Bank and cash balances | 23 | **8 873** | 7 934 |
| **Total assets** | | **81 138** | 78 703 |
| **Equity and liabilities** | | | |
| Fully paid share capital | 16 | ***** | * |
| Treasury shares | 16 | **(1 670)** | (1 658) |
| Retained earnings | | **26 396** | 24 635 |
| Other reserves | 17 | **(663)** | 1 181 |
| Equity attributable to owners of the parent | | **24 063** | 24 158 |
| Non-controlling interests | | **(1 067)** | (1 134) |
| **Total equity** | | **22 996** | 23 024 |
| **Non-current liabilities** | | **31 423** | 29 909 |
| Borrowings | 18 | **27 613** | 26 658 |
| Trade and other payables | 19 | **815** | 815 |
| Provisions | 20 | **360** | 164 |
| Deferred tax | 7 | **2 635** | 2 272 |
| **Current liabilities** | | **26 719** | 25 770 |
| Borrowings | 18 | **3 762** | 2 284 |
| Trade and other payables | 19 | **22 700** | 22 845 |
| Provisions | 20 | **188** | 92 |
| Tax payable | | **47** | 344 |
| Dividends payable | | **22** | 22 |
| Bank overdrafts | 23 | **–** | 183 |
| **Total equity and liabilities** | | **81 138** | 78 703 |

* Fully paid share capital of R100.

# Consolidated statement of changes in equity

For the year ended 31 March

| Rm | Notes | Fully paid share capital | Treasury shares | Share-based payment reserve[1] | Retained earnings |
|---|---|---|---|---|---|
| **31 March 2015** | | * | (1 606) | 1 735 | 23 378 |
| Total comprehensive income | | – | – | – | 12 917 |
| Net profit | | – | – | – | 12 917 |
| Other comprehensive income | 7 | – | – | – | – |
| Dividends | 8 | – | – | – | (11 660) |
| Repurchase and sale of shares | 16 | – | (181) | – | – |
| Share-based payment vesting | | – | 129 | (129) | – |
| Share-based payment – deferred tax | | – | – | (2) | – |
| Share-based payment expense | 8,17 | – | – | 194 | – |
| Changes in subsidiary holdings | | – | – | – | – |
| **31 March 2016** | | ***** | **(1 658)** | **1 798** | **24 635** |
| Total comprehensive income | | **–** | **–** | **–** | **13 418** |
| Net profit | | **–** | **–** | **–** | **13 418** |
| Other comprehensive income | 7 | **–** | **–** | **–** | **–** |
| Dividends | 8 | **–** | **–** | **–** | **(11 657)** |
| Repurchase and sale of shares | 16 | **–** | **(151)** | **–** | **–** |
| Share-based payment vesting | | **–** | **139** | **(139)** | **–** |
| Share-based payment – deferred tax | | **–** | **–** | **(2)** | **–** |
| Share-based payment expense | 8,17 | **–** | **–** | **125** | **–** |
| Changes in subsidiary holdings | | **–** | **–** | **–** | **–** |
| **31 March 2017** | | ***** | **(1 670)** | **1 782** | **26 396** |

**Notes**:

1. Includes the broad-based black economic empowerment reserve of R1 641 million (2016: R1 644 million) and other employee share-based payment scheme reserves of R141 million (2016: R154 million).
2. Includes foreign exchange gains of R494 million (2016: R427 million), net of tax, relating to foreign-denominated loans to subsidiaries classified as part of the net investments in these foreign operations.

* Fully paid share capital of R100.

| Change of interests in subsidiaries | Profit on sale of treasury shares | Other comprehensive income: Foreign currency translation reserve | Other comprehensive income: Cash flow hedge reserve | Equity attributable to owners of the parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|
| (1 732) | 68 | 223 | (4) | 22 062 | (419) | 21 643 |
| – | – | 858 | 4 | 13 779 | (605) | 13 174 |
| – | – | – | – | 12 917 | (7) | 12 910 |
| – | – | 858[2] | 4 | 862 | (598) | 264 |
| – | – | – | – | (11 660) | (78) | (11 738) |
| – | 14 | – | – | (167) | – | (167) |
| – | – | – | – | – | – | – |
| – | – | – | – | (2) | – | (2) |
| – | – | – | – | 194 | – | 194 |
| (48) | – | – | – | (48) | (32) | (80) |
| **(1 780)** | **82** | **1 081** | **–** | **24 158** | **(1 134)** | **23 024** |
| **–** | **–** | **(1 771)** | **–** | **11 647** | **(154)** | **11 493** |
| **–** | **–** | **–** | **–** | **13 418** | **(292)** | **13 126** |
| **–** | **–** | **(1 771)[2]** | **–** | **(1 771)** | **138** | **(1 633)** |
| **–** | **–** | **–** | **–** | **(11 657)** | **(91)** | **(11 748)** |
| **–** | **17** | **–** | **–** | **(134)** | **–** | **(134)** |
| **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **–** | **–** | **–** | **–** | **(2)** | **–** | **(2)** |
| **–** | **–** | **–** | **–** | **125** | **–** | **125** |
| **(74)** | **–** | **–** | **–** | **(74)** | **312** | **238** |
| **(1 854)** | **99** | **(690)** | **–** | **24 063** | **(1 067)** | **22 996** |

# Consolidated statement of cash flows

For the year ended 31 March

| Rm | Notes | 2017 | 2016 |
|---|---|---|---|
| **Cash generated from operations** | 21 | **31 791** | 29 800 |
| Tax paid | | **(6 051)** | (5 456) |
| **Net cash flows from operating activities** | | **25 740** | 24 344 |
| **Cash flows from investing activities** | | | |
| Additions to property, plant and equipment and intangible assets | | **(11 689)** | (13 565) |
| Proceeds from disposal of property, plant and equipment and intangible assets | | **73** | 336 |
| Business combinations | 22 | **(285)** | (573) |
| Finance income received | | **689** | 683 |
| Repayment of loans granted and equity investments | | **295** | (39) |
| Other investing activities[1] | | **(1 278)** | (522) |
| **Net cash flows utilised in investing activities** | | **(12 195)** | (13 680) |
| **Cash flows from financing activities** | | | |
| Borrowings incurred | | **4 000** | 6 789 |
| Borrowings repaid | | **(1 568)** | (4 004) |
| Finance costs paid | | **(2 699)** | (2 397) |
| Dividends paid – equity shareholders | | **(11 657)** | (11 658) |
| Dividends paid – non-controlling interests | | **(91)** | (78) |
| Repurchase and sale of shares | | **(134)** | (167) |
| Changes in subsidiary holdings | | **240** | (129) |
| **Net cash flows utilised in financing activities** | | **(11 909)** | (11 644) |
| **Net increase/(decrease) in cash and cash equivalents** | | **1 636** | (980) |
| Cash and cash equivalents at the beginning of the year | | **7 751** | 8 870 |
| Effect of foreign exchange rate changes | | **(514)** | (139) |
| **Cash and cash equivalents at the end of the year** | 23 | **8 873** | 7 751 |

**Note:**
1. Consists mainly of the movement in cash restricted deposits as a result of M-Pesa related activities.

# Notes to the consolidated annual financial statements

For the year ended 31 March 2017

## Basis of preparation

The consolidated annual financial statements of the Group have been prepared in accordance with IFRS as issued by the IASB and comply with the SAICA Financial Reporting Guides as issued by the SAICA Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of 2008, as amended.

The preparation of the consolidated annual financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. For a discussion on the Group's critical accounting judgements, see Critical accounting judgements on page 39 – 43. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The consolidated annual financial statements are presented in South African rand, which is the parent company's functional and presentation currency.

The significant accounting policies are consistent in all material respects with those applied in the previous year. There have been no material changes in judgements or estimates of amounts reported in prior reporting periods.

## Significant accounting policies

### Accounting convention

The consolidated annual financial statements are prepared on a historical cost basis, except for certain financial instruments which are measured at fair value or at amortised cost.

### Consolidation

#### Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of Vodacom Group Limited, its subsidiaries, joint arrangement, associate and structured entities up to 31 March 2017.

#### Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree, if any, over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

Where applicable, the consideration transferred includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Changes in fair value that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Changes in fair value that do not qualify as measurement period adjustments are adjusted prospectively, with the corresponding gain or loss being recognised in profit or loss.

Components of non-controlling interests that are current ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at the acquisition date at either:

- Fair value; or
- The non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The choice of measurement basis is made on an acquisition-by-acquisition basis.

## Consolidation continued

### Business combinations continued

All other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by IFRS.

The difference between the proceeds and the carrying amount of the net assets and liabilities disposed of, adjusted for any related carrying amount of goodwill, is recognised as the profit or loss on disposal of subsidiaries. The same principle applies to a joint arrangement.

### Accounting for subsidiaries

A subsidiary is an entity controlled by the Group. Control is achieved where the Group has existing rights that give it the current ability to direct the activities that affect the Company's returns and exposure or rights to variable returns from the entity.

The results of subsidiaries are included in profit or loss from the effective date of acquisition up to the effective date of disposal. Where necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

### Transactions with non-controlling interests

In transactions with non-controlling interests that do not result in a change in control, the difference between the fair value of the consideration paid or received and the amount by which the non-controlling interest is adjusted is recognised in equity. Where control is lost, any interest retained by the Group is remeasured to fair value. The profit or loss on disposal is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- The previous carrying amounts of the assets, including goodwill, and liabilities of the subsidiary, reduced by any non-controlling interests.

## Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The results, assets and liabilities of associates or joint ventures are incorporated in the consolidated annual financial statements from the date on which the Group has significant influence or joint control, respectively up to the date on which the Group ceases to have such influence, using the equity method of accounting.

Under the equity method, investments in associates or joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of the investment. Losses of an associate or joint venture in excess of the Group's interest in that associate are not recognised. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

The Group's share of intra-group unrealised profits or losses, between Group companies, joint ventures and associate entities are eliminated upon equity accounting of the entities.

## Operating segments

The Group discloses its operating segments according to the entity components regularly reviewed by the Group Executive Committee. The components comprise of operating segments located in South Africa and internationally.

Segment information is prepared in conformity with the measure that is reported to the Group Executive Committee and has been reconciled to the consolidated annual financial statements. The measure reported by the Group is in accordance with the significant accounting policies adopted for preparing and presenting the consolidated annual financial statements.

The segment assets and liabilities comprise all assets and liabilities of the different segments that are employed by the segment and that either are directly attributable to the segment, or can be allocated to the segment on a reasonable basis.

Capital expenditure in property, plant and equipment and intangible assets has been allocated to the segments to which it relates.

## Foreign currencies

### Transactions and balances

The consolidated annual financial statements are presented in South African rand, which is the parent company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the foreign exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency of the entity at the rates prevailing at the reporting date. Exchange differences on the settlement or translation of monetary assets and liabilities identified as being part of operating activities are included in operating profit, while exchange differences on the settlement or translation of monetary assets and liabilities which are not considered as being part of operating activities are included in net loss on remeasurement and disposal of financial instruments in profit or loss in the period in which they arise.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items measured at historical cost in a foreign currency are not retranslated. When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, any exchange component of that gain or loss is recognised directly in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

### Foreign operations

For the purpose of presenting consolidated annual financial statements, the assets and liabilities of entities with a functional currency other than rand are expressed in rand using exchange rates prevailing on the reporting date. Income and expense items and cash flows are translated at the foreign exchange rates on the transaction dates or the average exchange rates for the period and exchange differences arising are recognised directly in other comprehensive income. On disposal of a foreign operation, the cumulative amount previously recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated accordingly.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, being monetary items receivable from or payable to foreign entities for which settlement is neither planned nor likely to occur in the foreseeable future, are recognised in other comprehensive income. Taxation on the foreign currency translation reserve relates only to monetary items that form part of the Group's net investment in foreign operations.

## Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment loss, if any. Land is not depreciated and is stated at cost less accumulated impairment losses, if any.

Land and buildings in which the Group occupies more than 25.0% of the floor space or for which the primary purpose is the service and connection of customers are classified as property, plant and equipment.

Assets in the course of construction are carried at cost, less any impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

The cost of property, plant and equipment includes directly attributable costs incurred in the acquisition and installation of such assets, as well as the present value of the estimated cost of dismantling, removal or site restoration costs if applicable, so as to bring the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

The cost of small parts that do not meet the definition of property, plant and equipment, as well as repairs and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised in profit or loss on a straight-line basis over the shorter of the lease term, if applicable, or the estimated useful life and ceases at the earlier of the date the asset is classified as held for sale or the date it is derecognised. Depreciation is not ceased when assets are idle.

Useful lives, residual values and depreciation methods are reviewed on an annual basis with the effect of any changes in estimate accounted for on a prospective basis.

Property, plant and equipment acquired in exchange for non-monetary assets is measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

The difference between the proceeds and the carrying amount of an item of property, plant and equipment is recognised as the profit or loss on disposal.

## Government grants

The Group may be entitled to receive grants from national or regional government which are primarily for the purpose of purchasing property, plant and equipment (capital grants).

Government grants are recognised when there is reasonable assurance that the Group will comply with any condition on which payment or retention of the grant is dependent and the grant will be paid.

It is the Group's policy to deduct capital grants from the cost of the assets acquired which will result in the depreciation expense for the related assets being reduced during the useful life of the related assets.

In the event that a capital grant becomes repayable, the cost of the related assets is increased by the amount of the repayment, and the cumulative depreciation that would have been recognised in profit or loss had the repaid amount not originally been recorded will be recognised immediately in the profit or loss.

Government grants related to income are recognised in profit or loss on a systematic basis over the periods in which the Group recognises the related costs as expenses, for which the grant is intended to compensate.

## Intangible assets

The following are the main categories of intangible assets:

### Intangible assets with an indefinite useful life

Goodwill is initially recognised at cost and subsequently stated at cost less accumulated impairment losses, if any. Goodwill is not amortised, but is tested for impairment on an annual basis.

Goodwill is denominated in the currency of the acquired entity and revalued to the closing rate at each reporting date.

### Intangible assets with finite useful lives

Intangible assets with finite useful lives are stated at cost, less accumulated amortisation and accumulated impairment losses, if any.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life, and commences when the intangible asset is available for use and ceases at the earlier of the date the asset is classified as held for sale or the date it is derecognised.

Useful lives and amortisation methods are reviewed on an annual basis, with the effect of any changes in estimate accounted for on a prospective basis.

The Group's intangible assets with finite useful lives are as follows:

- Licences;
- Trademarks, patents and other;
- Customer bases; and
- Computer software.

Expenditure incurred to develop, maintain and renew internally generated trademarks and patents is recognised as an expense in the period it is incurred.

Computer software that is not considered to form an integral part of any hardware equipment is recorded as an intangible asset.

The difference between the proceeds and the carrying amount of an intangible asset is recognised as the profit or loss on disposal.

## Impairment of assets

An impairment loss is recognised immediately in profit or loss if the recoverable amount of an asset is less than its carrying amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows from continuing use and ultimate disposal of the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Assets that do not generate cash inflows largely independent of those from other assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit *pro rata* on the basis of the carrying amount of each asset in the unit.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, limited to the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss. Goodwill impairment losses are not reversible in subsequent periods.

## Impairment of assets continued

### Assets with an indefinite useful life and intangible assets not yet available for use

Goodwill and intangible assets not yet available for use are tested annually for impairment and when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

### Property, plant and equipment and intangible assets with finite useful lives

The Group annually reviews the carrying amounts of its property, plant and equipment and intangible assets with finite useful lives in order to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amounts of the assets are estimated in order to determine the extent, if any, of the impairment loss.

## Financial instruments

Financial assets and liabilities, in respect of financial instruments, are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at fair value, including transaction costs except for those classified as at fair value through profit or loss which are initially measured at fair value, excluding transaction costs.

The fair value of a financial instrument on initial recognition is normally the transaction price unless the fair value is evident from observable market data.

### Financial assets, excluding derivative financial instruments

Financial assets are recognised and derecognised on trade date where the purchase or sale of the financial asset is under a contract whose terms require delivery of the instrument within the time frame established by the market concerned.

Subsequent to initial recognition, these instruments are measured as follows:

- Financial assets at fair value through profit or loss and available-for-sale are subsequently stated at fair value. Where securities are held for trading, gains and losses arising from changes in fair value are included in profit or loss. For available-for-sale financial assets, gains and losses arising from changes in fair value are recognised directly in other comprehensive income, until the security is disposed of, it is determined to be impaired or the equity interest is increased, resulting in the asset no longer being accounted for as an available-for-sale financial asset, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss. The net gain or loss recognised in profit or loss incorporates any gains or losses on remeasurement transferred from other comprehensive income to profit or loss, dividends and finance income on the financial asset.
- Loans receivable are subsequently stated at amortised cost using the effective interest rate method, less any impairment losses. The terms of loans granted are renegotiated on a case-by-case basis if circumstances required renegotiation.
- Trade receivables (excluding assets created by statutory requirements, prepayments, deferred cost and operating lease receivables) do not carry any interest and are subsequently reduced by appropriate allowances for estimated irrecoverable amounts.
- Other receivables are subsequently stated at their nominal values.
- Finance lease receivables are subsequently stated at amortised cost using the effective interest rate method, less any impairment losses.

### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date.

Certain categories of financial assets, such as trade receivables, that are assessed not to be impaired individually, are subsequently assessed for impairment on a collective basis.

#### Financial assets carried at amortised cost

For financial assets carried at amortised cost, with the exception of trade and other receivables, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For trade and other receivables, the amount of the impairment loss is the irrecoverable amount estimated by management.

## Financial instruments continued

### Impairment of financial assets continued

**Financial assets carried at amortised cost** continued

The carrying amount is reduced directly by the impairment loss, with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed, either directly or by adjusting the allowance account, through profit or loss. The carrying amount of the financial asset at the date the impairment loss is reversed will not exceed what the amortised cost would have been had the impairment loss not been recognised.

**Available-for-sale financial assets**

Where there is objective evidence that a decline in the fair value of an available-for-sale financial asset that has been recognised directly in other comprehensive income is as a result of impairment, the cumulative loss is removed from other comprehensive income and recognised as an impairment loss in profit or loss. The amount of the cumulative loss removed is the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in profit or loss.

A reversal of previously recognised impairment losses on available-for-sale equity investments is recognised directly in other comprehensive income.

### Financial liabilities, excluding derivative financial instruments, and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the applicable definitions. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities and includes no obligation to deliver cash or other financial asset.

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issuance costs. Own equity instruments that are reacquired (treasury shares) are recognised at cost, including transaction costs, and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in equity.

Subsequent to initial recognition, these instruments are measured as follows:

- Borrowings are subsequently stated at amortised cost, using the effective interest rate method. Any difference between the proceeds net of transaction costs and the settlement or redemption of borrowings is recognised over the term of the borrowings.
- Trade and other payables (excluding liabilities created by statutory requirements, revenue charged in advance, deferred revenue and reduced subscriptions) as well as dividends payable are not interest bearing and are subsequently stated at their nominal values.

### Derivative financial instruments

The Group's activities expose it to the financial risks of changes in foreign exchange rates and interest rates, which it manages using derivative financial instruments. The Group's principal derivative financial instruments are option contracts, interest rate swaps and foreign exchange forward contracts.

The use of derivative financial instruments is governed by the Group's policies approved by the Board, which provide written principles consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on contract date and are subsequently remeasured to fair value at each reporting date. Changes in fair value are recorded in profit or loss as they arise unless the derivative is designated and effective as a hedging instrument, in which event the timing of recognition in profit or loss depends on the nature of the hedge relationship. Changes in values of all derivatives of a financing nature are included within net gain/(loss) on remeasurement and disposal of financial instruments in profit or loss.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives unless the risks and characteristics are closely related to those host contracts and the host contracts are carried at fair value with changes in fair value recognised in profit or loss.

Derivatives are classified as current assets or current liabilities if the remaining maturity of the instruments is less than 12 months and is expected to be realised or settled within 12 months.

## Financial instruments continued

### Hedge accounting

The Group designates certain interest rate swaps as cash flow hedges to hedge its exposure to variability in cash flows that is attributable to changes in interest rates.

The effective portion of changes in the fair value of the designated interest rate swaps is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and included in net gain/(loss) on remeasurement and disposal of financial instruments.

Amounts previously recognised in other comprehensive income are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss.

Similarly, the Group designates certain foreign exchange forward contracts as fair value hedges to hedge its exposure to variability in fair value that is attributable to changes in foreign exchange rates.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are immediately recognised in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. For unrecognised firm commitments, the change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss and included in the line item relating to the hedging instrument. The initial carrying amount of the asset or liability that results from the entity meeting the firm commitment is adjusted to include the cumulative change in the fair value of the firm commitment attributable to the hedged risk that was recognised in the statement of financial position. For recognised hedged assets or liabilities, the change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. If a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

### Offset

Where a legally enforceable right of offset exists for recognised financial assets and liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

## Leases

### Lease classification

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

A lease of land and buildings is classified by considering the land and buildings elements separately. Minimum lease payments are allocated between the land and buildings elements in proportion to the relative fair values of the leasehold interest in the land and buildings elements of the lease at inception of the lease.

### Group as lessee

#### Finance leases

Assets held under finance leases are recognised at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in profit or loss.

In sale and leaseback transactions that result in finance leases any profit or loss is deferred and amortised over the lease term.

## Leases continued

### **Group as lessee** continued

**Operating leases**

Operating lease payments, including benefits received and receivable as an incentive to enter into the lease, are expensed on a straight-line basis over the lease term. Early termination penalties are expensed in the period in which the termination occurs.

In sale and leaseback transactions that result in operating leases and the transaction is priced at fair value, any profit or loss is recognised on the effective date of the sale. If the sale price is below fair value, any profit or loss is recognised on the effective date of the sale except that, if a loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period during which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value is recognised immediately.

### Group as lessor

**Finance leases**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

**Operating leases**

Operating lease income is recognised in profit or loss on a straight-line basis over the lease term. Leased assets are included under property, plant and equipment and depreciated in accordance with its accounting policy.

## Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out method and comprises direct materials and those overheads that have been incurred in bringing the inventories to their present location and condition.

## Non-current assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

## Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, net of bank overdrafts, all of which are available for use by the Group unless otherwise stated.

Cash on hand is initially recognised at fair value and subsequently stated at its face value.

## Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect of the time value of money is material.

## Taxation

Taxation represents the sum of current tax and deferred tax.

Tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or directly to equity, in which case the tax is also recognised directly in other comprehensive income or in equity.

Tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they either relate to income taxes levied by the same tax authority on either the same taxable entity or on different taxable entities which intend to settle the tax assets and liabilities on a net basis.

## Taxation continued

### Current tax

Current tax payable or receivable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because some items of income or expense are taxable or deductible in different years or may never be taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the reporting date.

### Deferred tax

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the deductible temporary difference will reverse in the foreseeable future and taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition, other than in a business combination, of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are not recognised to the extent they arise from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset for the carry forward of unused tax losses and tax credits is only recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and adjusted to reflect changes in the probability that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the reporting date.

Exchange differences arising from the translation of foreign tax assets and liabilities of foreign entities, where the functional currency is different to the local currency, are classified as a deferred tax expense or income.

## Revenue recognition

Revenue is recognised to the extent the Group has delivered goods or rendered services under an agreement, provided the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is measured at the fair value of the consideration received or receivable, exclusive of sales taxes and discounts.

The Group principally obtains revenue from providing the following telecommunication services: access charges, airtime usage, messaging, interconnect fees, data services and information provision, connection fees and the sale of equipment. Products and services may be sold separately or in bundled packages.

Revenue for access charges, airtime usage, and messaging by contract customers is recognised as services are performed. Unbilled revenue resulting from services already provided are accrued at the end of each period and unearned revenue from services to be provided in future periods are deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

Revenue from interconnect fees is recognised on a usage basis at the time the services are performed.

Revenue from data services and information provision is recognised when the Group has performed the related service.

## Revenue recognition continued

Customer connection revenue is recognised together with the related equipment revenue to the extent that the aggregate equipment and connection revenue does not exceed the fair value of the equipment delivered to the customer. Any customer connection revenue not recognised together with any related excess equipment revenue is deferred and recognised over the period in which services are expected to be provided to the customer.

Revenue from the sale of equipment is recognised when the equipment is delivered to the customer and the significant risks and rewards of ownership have transferred. For equipment sales made to intermediaries, revenue is recognised if the significant risks and rewards of ownership are transferred and the intermediary has no general right of return. If the significant risks and rewards of ownership are not transferred, revenue recognition is deferred until sale of the equipment to an end-customer by the intermediary or the expiry of the right of return.

In revenue arrangements including more than one deliverable, the arrangements are divided into separate units of accounting. Deliverables are considered separate units of accounting if the following two conditions are met:

- The deliverable has value to the customer on a stand-alone basis; and
- There is evidence of the fair value of the undelivered item.

The arrangement consideration is allocated to each separate unit of accounting based on its relative fair value on a stand-alone basis as a percentage of the aggregated fair value of the individual deliverables. Revenue allocated to deliverables is restricted to the amount that is receivable without the delivery of additional goods or services. This restriction typically applies to revenue recognised for devices provided to customers, including handsets.

### Other income

Dividends from investments are recognised when the Group's right to receive payment has been established.

Interest is recognised on a time proportion basis with reference to the principal amount receivable and the effective interest rate applicable.

### Presentation: gross versus net

Where the Group's role in a transaction is that of principal, revenue is recognised on a gross basis. This requires revenue to comprise the gross value of the transaction billed to the customer, after trade discounts, with any related administrative fees charged as an operating cost.

Where the Group's role in a transaction is that of an agent, revenue is recognised on a net basis, with revenue representing the margin earned.

## Commissions

Intermediaries are given cash incentives by the Group to connect new customers and upgrade existing customers.

For intermediaries who do not purchase products and services from the Group, such cash incentives are accounted for as an expense. Cash incentives to intermediaries who purchase products and services from the Group are also accounted for as an expense if:

- The Group receives an identifiable benefit in exchange for the cash incentive that is separable from sales transactions to that intermediary; and
- The Group can reliably estimate the fair value of that benefit.

Cash incentives that do not meet these criteria are recognised as a reduction of the related revenue.

Distribution incentives paid to service providers and dealers for exclusivity are deferred and expensed over the contractual relationship period.

## Expenses

Expenses are recognised as they are incurred. Prepaid expenses are deferred and recognised in periods to which they relate.

Restraint of trade payments are made to limit an executive's post-employment activities and are expensed as incurred.

## Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets.

Borrowing costs include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The portion of exchange differences to be capitalised is estimated based on interest rates on similar borrowings in the entity's functional currency. Foreign exchange gains and losses are assessed cumulatively over the construction period.

Other borrowing costs are expensed as they are incurred.

## Employee benefits

### Post-employment benefits

The Group contributes to defined contribution funds for the benefit of employees and these contributions are expensed as they fall due. The Group is not liable for contributions to the medical aid of retired employees.

### Short-term and long-term benefits

The cost of all short-term employee benefits, such as salaries, employee entitlements to leave pay, bonuses, medical aid and other contributions, are expensed in the period in which the employee renders the related service.

Long-term employee benefits payable to eligible employees are expensed in the period in which the employee renders the related service.

### Share-based payments

The Group has share-based payment compensation plans for certain eligible employees.

#### Equity-settled share-based payments

Equity-settled shared-based payments are measured at the grant date fair value of the equity instruments granted, and are expensed on a straight-line basis over the vesting period, with a corresponding increase in equity. The annual expense is based on the Group's estimate of the shares that will eventually vest, adjusted for the effect of non-market vesting conditions.

#### Cash-settled share-based payments

Cash-settled share-based payment liabilities are initially measured at fair value and subsequently remeasured to fair value at each reporting date as well as at the date of settlement, with any changes in fair value recognised in profit or loss. The expense is recognised on a straight-line basis over the vesting period, with a corresponding increase in the liability.

## Broad-based black economic empowerment (BBBEE) transaction

Where equity instruments are issued to a BBBEE partner at less than fair value, these are accounted for as share-based payments.

The difference between the fair value of the equity instruments issued and the consideration received is accounted for as an expense in profit or loss on the transaction date, with a corresponding increase in equity. No service or other conditions exist for BBBEE partners. A restriction on the BBBEE partner to transfer the equity instrument subsequent to its vesting is not treated as a vesting condition, but is factored into the fair value determination of the instrument.

## New accounting pronouncements

### Accounting pronouncements adopted

On 1 April 2016, the Group adopted the following new accounting policies to comply with amendments to IFRS:

- Amendments to IAS 1: Presentation of financial statements;
- Amendments to IAS 16: Property, Plant and Equipment and IAS 38: Intangible Assets, clarification of acceptable methods of depreciation and amortisation;
- Amendments to IAS 27: Separate Financial Statements, equity method in separate financial statements;
- Amendments to IFRS 11: Joint Arrangements, accounting for acquisitions of interests in joint operations; and
- Improvements to IFRS 2012 to 2014 Cycle.

These changes have no material impact on the results, financial position or cash flows of the Group.

### New accounting pronouncements to be adopted on 1 April 2017

The Group has not yet adopted the following pronouncements, which have been issued by the IASB. The Group does not currently believe the adoption of these pronouncements will have a material impact on its results, financial position or cash flows:

- Amendments to IAS 12: Income Taxes, recognition of deferred tax assets for unrealised losses, effective for annual periods beginning on or after 1 January 2017;
- Amendments to IAS 7: Statement of Cash Flows, disclosure initiative, effective for annual periods beginning on or after 1 January 2017; and
- Amendments to IFRS 12: Disclosure of Interests in other entities (part of Improvements to IFRS 2014 to 2016 Cycle).

### New accounting pronouncements to be adopted on or after 1 April 2018

The Group is currently assessing the impact of the following new pronouncements, which have been issued by the IASB. Unless otherwise stated, the Group does not currently believe the adoption of these pronouncements will have a material impact on its results, financial position or cash flows:

- Amendments to IFRS 2: Share-based Payment, classification and measurement of Share-based Payment transactions effective for annual periods beginning on or after 1 January 2018;
- Amendments to IFRS 4: Insurance Contracts, applying IFRS 9: Financial Instruments with IFRS 4: Insurance Contracts effective for annual periods beginning on or after 1 January 2018;
- Amendment to IAS 28: Investments in Associates and Joint Ventures (part of Improvements to IFRS 2014 to 2016 Cycle), effective for annual periods beginning on or after 1 January 2018;
- IFRIC 22: Foreign Currency Transactions and Advance Consideration, effective for annual periods beginning on or after 1 January 2018;
- IFRS 15: Revenue from Contracts with Customers, which is effective for annual periods beginning on or after 1 January 2018. IFRS 15 sets out the requirements for recognising revenue and costs from contracts with customers and includes extensive disclosure requirements; it will have a material impact on the Group's reporting of revenue and costs as follows:
- IFRS 15 will require the Group to identify deliverables in contracts with customers that qualify as separate performance obligations. The performance obligations identified will depend on the nature of individual customer contracts, but might typically be identified for mobile handsets, other equipment provided to customers and for services provided to customers such as mobile and fixed line communications services. The transaction price receivable from customers must be allocated between the Group's performance obligations under the contracts on a relative stand-alone selling price basis. Revenue will then be recognised either at a point in time or over time when the respective performance obligations in a contract are delivered to the customer. Standalone selling prices will be based on observable sales prices; however, where standalone selling prices are not directly observable, estimates of standalone selling prices will be required which will maximise the use of observable inputs.
  - Currently revenue allocated to deliverables is restricted to the amount that is receivable without the delivery of additional goods or services; this restriction will no longer be applied under IFRS 15. The primary impact on revenue reporting will be that when the Group sells subsidised devices together with airtime service agreements to customers, revenue allocated to equipment and recognised at contract inception, when control of the device typically passes to the customer, will increase and revenue subsequently recognised as services are delivered during the contract period will reduce. Where additional up-front unbilled revenue is recorded for the sale of devices, this will be reflected in the consolidated statement of financial position as a contract asset.
  - Under IFRS 15, certain incremental costs incurred in acquiring a contract with a customer will be deferred on the consolidated statement of financial position and amortised as revenue is recognised under the related contract; this will generally lead to the later recognition of charges for some commissions payable to third party dealers and employees; and
  - Certain costs incurred in fulfilling customer contracts will be deferred on the consolidated statement of financial position under IFRS 15 and recognised as related revenue is recognised under the contract. Such deferred costs are likely to relate to the provision of deliverables to customers that do not qualify as performance obligations and for which revenue is not recognised; currently such costs are generally expensed as incurred.

## New accounting pronouncements continued

### New accounting pronouncements to be adopted on or after 1 April 2018 continued

The impact of the changes above on the Group's reportable segments will depend largely on the extent to which customers receive discounted goods or services, such as mobile handsets, when they enter into airtime service agreements with the Group in the relevant markets. The combined impact of the changes above is expected to increase the gross profit, or reduce the gross loss, recorded at inception on many customer contracts; in such cases, this will typically reduce the gross profit reported during the remainder of the contract; however, these timing differences will not impact the total gross profit reported for a customer contract over the contract term.

The transactions impacted by IFRS 15 are high in volume, value and complexity, therefore the Group is continuing to assess the impact of these and other accounting changes that will arise under IFRS 15 and cannot reasonably estimate the impact; however, the changes highlighted above will have a material impact on the consolidated income statement and consolidated statement of financial position after the Group adopts IFRS 15 on 1 April 2018. The Group expects to be in a position to estimate the impact of IFRS 15 early in the first quarter of the year commencing 1 April 2018. When IFRS 15 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented , or with the cumulative retrospective impact of IFRS 15 applied as an adjustment to equity on the date of adoption; when the latter approach is applied it is necessary to disclose the impact of IFRS 15 on each line item in the financial statements in the reporting period. The Group will reflect the cumulative impact of IFRS 15 in equity on the date of adoption.

- IFRS 9: Financial Instruments was issued in July 2014 to replace IAS 39: Financial Instruments: Recognition and Measurement. The standard is effective for accounting periods beginning on or after 1 January 2018 and will be adopted by the Group on 1 April 2018.

  IFRS 9 will impact the classification and measurement of the Group's financial instruments and will require certain additional disclosures. The primary changes relate to the assessment of hedging arrangements and provisioning for potential future credit losses on financial assets; the Group is continuing to analyse the impact of these changes which are not currently considered likely to have any major impact on the Group's current accounting treatment or hedging activities.
- IFRS 16: Leases was issued in January 2016 to replace IAS 17: Leases. The standard is effective for accounting periods beginning on or after 1 January 2019 and will be adopted by the Group on 1 April 2019.

  IFRS 16 will primarily change lease accounting for lessees; lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a loan obligation for future lease payables. Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability. Lessee accounting under IFRS 16 will be similar in many respects to existing IAS 17 accounting for finance leases, but will be substantively different to existing accounting for operating leases where rental charges are currently recognised on a straight-line basis and no lease asset or lease loan obligation is recognised.

  Lessor accounting under IFRS 16 is similar to existing IAS 17 accounting and is not expected to have a material impact for the Group.

  The Group is assessing the impact of the accounting changes that will arise under IFRS 16; however, the following changes to lessee accounting will have a material impact as follows:

  - Right-of-use assets will be recorded for assets that are leased by the Group; currently no lease assets are included on the Group's consolidated statement of financial position for operating leases.
  - Liabilities will be recorded for future lease payments in the Group's consolidated statement of financial position for the 'reasonably certain' period of the lease, which may include future lease periods for which the Group has extension options. Currently liabilities are generally not recorded for future operating lease payments, which are disclosed as commitments. The amount of lease liabilities will not equal the lease commitments reported on 31 March 2019, but may not be dissimilar.
  - Lease expenses will be for depreciation of right-of-use assets and interest on lease liabilities. Interest will typically be higher in the early stages of a lease and reduce over the term. Currently operating lease rentals are expensed on a straight-line basis over the lease term within operating expenses.
  - Operating lease cash flows are currently included within operating cash flows in the consolidated statement of cash flows; under IFRS 16 these will be recorded as cash flows from financing activities reflecting the repayment of lease liabilities (borrowings) and related interest.

  A high volume of transactions will be impacted by IFRS 16 and material judgements are required in identifying and accounting for leases. Therefore, the Group is continuing to assess the impact of these and other accounting changes that will arise under IFRS 16 and cannot reasonably estimate the impact; however, the changes highlighted above will have a material impact on the consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows after the Group's adoption on 1 April 2019.

## New accounting pronouncements continued

### New accounting pronouncements to be adopted on or after 1 April 2018 continued

When IFRS 16 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative retrospective impact of IFRS 16 applied as an adjustment to equity on the date of adoption; when the latter approach is applied it is necessary to disclose the impact of IFRS 16 on each line item in the financial statements in the reporting period. Depending on the adoption method that is utilised, certain practical expedients may be applied on adoption. The Group has not yet determined which adoption method will be adopted or which expedients will be applied on adoption.

## Critical accounting judgements including those involving estimations

The Group prepares its consolidated annual financial statements in accordance with IFRS as issued by the IASB, the application of which often requires management to make judgements when formulating the Group's financial position and results. Judgements, including those involving estimations, made in the process of applying the Group's accounting policies are discussed below. Management considers these judgements to have a material effect on the consolidated annual financial statements.

The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience, current and expected economic conditions. Although estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from these estimates. Accounting estimates and the underlying assumptions are reviewed on an ongoing basis.

The discussion below should also be read in conjunction with the Group's disclosure of significant accounting policies, which is provided on page 25.

Management has presented its critical accounting judgements and associated disclosures to the Audit, Risk and Compliance Committee who has recommended it to the Board.

## Investment in subsidiaries, associates and joint ventures

Judgement is required in the assessment of whether the Group has control or significant influence in terms of the variability of returns from the Group's involvement in the investee, the ability to use power to affect those returns and the significance of the Group's investment in the investee. The Group classified its investment considering this assessment of control or significant influence (Notes 18 and 28).

The Group concluded that its cell captive arrangement does not satisfy the criteria to be a deemed separate entity and accordingly is not subject to consolidation. Similarly, the Group assessed its broad-based black economic empowerment transactions, to determine whether the Group has control over the entities it has partnered with in the transactions, resulting in the consolidation of these entities.

## Intangible assets with finite useful lives

Intangible assets with finite useful lives include licences, customer bases, computer software, trademarks, patents and other. These assets arise from both separate purchases and from acquisitions as part of business combinations.

The relative size of the Group's intangible assets with finite useful lives makes the judgements surrounding the estimated useful lives critical to the Group's financial position and performance.

At 31 March 2017, intangible assets with finite useful lives amounted to R6 496 million (2016: R6 842 million) and represented 8.0% (2016: 8.7%) of the Group's total assets.

## Intangible assets with finite useful lives continued

### Estimation of useful lives

The useful lives used to amortise intangible assets relate to the future performance of the assets acquired and management's judgement of the period over which economic benefits will be derived from the assets. The residual values of intangible assets are assumed to be zero.

The basis for determining the useful lives for the various categories of intangible assets is as follows:

**Licences**

The estimated useful life is, generally, the term of the licence, unless there is a presumption of renewal at a negligible cost. The licence term reflects the period over which the Group will receive economic benefits. For technology-specific licences with a presumption of renewal at a negligible cost, the estimated useful life reflects the Group's expectation of the period over which the Group will continue to receive economic benefits from the licence.

**Trademarks, patents and other**

The estimated useful life represents management's view of the expected period over which the Group will receive economic benefits from the trademarks, patents and other intangible assets.

**Customer bases**

The estimated useful life principally reflects management's view of the average economic life of the customer base and is assessed by reference to, *inter alia*, customer churn rates or obtained through an independent actuarial valuation. An increase in churn rates may lead to a reduction in the estimated useful life and an increase in the amortisation charge.

**Computer software**

For computer software licences, the useful life represents management's view of the expected period over which the Group will receive benefits from the software, but not exceeding the licence term. For unique software products controlled by the Group, the life is based on historical experience with similar products as well as anticipation of future events, which may impact the life, such as changes in technology.

The estimated useful lives of intangible assets with finite useful lives are as follows:

| Years | 2017 | 2016 |
|---|---|---|
| Licences | 8 – 30 | 8 – 30 |
| Trademarks, patents and other | 5 – 12 | 5 – 12 |
| Customer bases | 2 – 8 | 2 – 10 |
| Computer software | 3 – 10 | 3 – 10 |

Historically, changes in useful lives have not resulted in material changes to the Group's amortisation charge.

## Property, plant and equipment

Property, plant and equipment also represent a significant proportion of the Group's asset base, being 49.5% (2016: 50.5%) of the Group's total assets. Therefore, the estimates and assumptions made to determine their carrying amounts and related depreciation are critical to the Group's financial position and performance.

### Estimation of useful lives and residual values

The charge in respect of periodic depreciation is derived after estimating an asset's expected useful life and the expected residual value. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the consolidated income statement.

The Group assesses the residual value of every item of property, plant and equipment annually. In determining residual values, the Group uses historical sales and management's best estimate for residual values below 10.0% of cost and third-party confirmation for those above 10.0% of cost. Management has determined that there is no active market for the following assets within the network infrastructure and equipment category: radio, transmission, switching, SIM centres and community services, and therefore these assets have no residual value. At the end of the useful life, the value of the asset is expected to be nil or insignificant in respect of the above-mentioned assets.

The estimation of useful lives is based on certain indicators such as historical experience with similar assets as well as anticipation of future events, which may impact the lives, such as changes in technology. The useful lives will also depend on the future performance of the assets as well as management's judgement of the period over which economic benefits will be derived from the assets.

Network infrastructure is only depreciated over a period that extends beyond the expiry of the associated licence under which the operator provides telecommunications services if there is a reasonable expectation of renewal or an alternative future use for the asset.

The estimated useful lives of depreciable property, plant and equipment are as follows:

| Years | 2017 | 2016 |
|---|---|---|
| Buildings, included in land and buildings | 17 – 50 | 15 – 50 |
| Leasehold improvements, included in land and buildings | Shorter of lease term and 50 | Shorter of lease term and 50 |
| Network infrastructure and equipment | 3 – 25 | 5 – 25 |
| Other assets | 1 – 15 | 1 – 15 |

Historically, changes in useful lives and residual values have not resulted in material changes to the Group's depreciation charge.

## Impairment reviews

Management undertakes an annual impairment test for goodwill and intangible assets not yet available for use. For assets with finite useful lives, impairment testing is performed if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying amounts of assets can be supported by the higher of their fair value less costs of disposal and value in use.

The Group uses parties with the requisite expertise to determine its assets fair value less costs of disposal.

Value in use is calculated as the net present value of future cash flows derived from assets using cash flow projections which have been discounted at appropriate discount rates. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- Growth in EBITDA, calculated as earnings before interest, taxation, depreciation, amortisation, impairment losses, BBBEE charge, profit/(loss) on disposal of property, plant and equipment, intangible assets and investment properties;
- Timing and quantum of future capital expenditure;
- Long-term growth rates; and
- The selection of appropriate discount rates to reflect the risks involved.

Details of the basis for determining values assigned to key assumptions are provided in Note 2.

## Impairment reviews continued

The Group prepares and annually approves formal five-year management plans for its operations, which are used in the value in use calculations.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and consequently its results.

The Group's review includes a sensitivity analysis of the key assumptions related to the cash flow projections as disclosed in Note 2.

## Fair values

The determination of the fair value of assets and liabilities often requires complex estimations and is based, to a considerable extent, on management's judgement.

### Business combinations

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the consideration transferred to the fair value of the identifiable assets acquired and the liabilities assumed.

The Group uses external parties with the requisite expertise to determine the acquisition-date fair values of certain identifiable assets acquired.

The fair value of assets is determined by discounting estimated future net cash flows generated by the assets, where no active market for the assets exists. The use of different discount rates as well as assumptions for the expectation of future cash flows would change the valuation of the asset.

Allocation of the consideration transferred affects the Group's results as property, plant and equipment as well as intangible assets with finite useful lives are respectively depreciated and amortised, whereas land and goodwill are not. This could result in differing depreciation and amortisation charges based on the allocation.

### Financial instruments

The fair value of financial instruments, excluding derivative instruments, not traded in active, liquid and organised financial markets is determined using a variety of valuation methods and assumptions that are based on market conditions and risks existing at the reporting date, including independent appraisals and discounted cash flow methods.

### BBBEE transaction

The fair value of the BBBEE transaction was measured using the Monte-Carlo option pricing valuation model. Refer to Note 17 for assumptions used.

### Forfeitable share plan

The share-based payment expense relating to awards of performance shares to the Group's executive directors and selected employees is based on the achievement of financial performance and customer targets. The probability of these financial performance targets being achieved is estimated using the Monte-Carlo simulation model. Please refer to forfeitable share plan note (Note 17).

## Taxation

The Group's tax charge on ordinary activities is the sum of the current and deferred tax charges. The calculation of the Group's total taxation charge necessarily involves judgements, including those involving estimations, in respect of certain matters where the tax impact is uncertain until a conclusion has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The Group uses in-house tax experts when assessing uncertain tax positions and seeks the advice of external professional advisors where appropriate.

Provisions are recognised for uncertain tax positions when the Group has a present obligation as a result of a past event and it is probable that there will be a future outflow of economic benefits from the Group. Provisions are measured using the most likely outcome. The final resolution of uncertain tax positions may give rise to material profits, losses and/or cash flows.

The complexity of the Group's structure, considering its geographic presence, makes the degree of judgement more challenging. The resolution of issues is not always within the Group's control and it is often dependent on the efficiency of the legal processes in the relevant tax jurisdictions in which the Group operates. Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result, there can be substantial differences between the taxation charge in the consolidated income statement and tax payments.

## Taxation continued

Significant items on which the Group has exercised judgement include various matters disclosed in Note 25. Due to the inherent uncertainty surrounding the outcome of these items, eventual resolution could differ from the accounting estimates and therefore impact the Group's results and cash flows.

### Recognition of deferred tax assets

The recognition of deferred tax assets, particularly in respect of tax losses and tax credits, is based upon whether it is probable that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future. Management therefore exercises judgement in assessing the future financial performance of the particular entity or tax group in which the deferred tax asset is to be recognised.

### Determining whether an arrangement contains a lease and lease classification

The Group applies judgement when determining whether an arrangement contains a lease. Arrangements that are not dependent on the use of one or more specific assets and do not convey a right to use these assets do not contain a lease. The costs in terms of these arrangements are expensed as incurred.

In determining lease classification as either an operating or finance lease, the Group applies judgement, especially in determining whether the lease term is for the major part of the economic life of the asset and whether at inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the asset.

## Revenue recognition and presentation

### Revenue arrangements including more than one deliverable

In revenue arrangements including more than one deliverable, the deliverables are assigned to one or more separate units of accounting and the arrangement consideration is allocated to each unit of accounting based on its relative fair value. The fair values determined for deliverables may impact the timing of the recognition of revenue.

Determining the fair value of each deliverable can require complex estimates due to the nature of the goods and services provided. The Group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a stand-alone basis, after considering volume discounts where appropriate.

### Presentation: gross versus net

Determining whether the Group is acting as a principal or as an agent requires judgement and consideration of all relevant facts and circumstances. When deciding the most appropriate basis for presenting the revenue or related costs, both the legal form and substance of the agreement between the Group and its business partners are reviewed to determine each party's respective role in the transaction. Such judgements impact the amount of reported revenue and operating expenses but do not impact reported assets, liabilities or net cash flows from operating activities.

## Provisions and contingent liabilities

The Group exercises judgements in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities (Note 25). Judgements, including those involving estimations, are necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement.

## Foreign operations

The Group exercises judgements in determining whether monetary items receivable from or payable to foreign entities form part of the Group's net investment in foreign operations. Judgements, including those involving estimations, are necessary in assessing whether settlement of the monetary items receivable or payable is likely to occur in the foreseeable future. Included in other comprehensive income are exchange gains of R494 million (2016: R427 million) net of tax, relating to foreign-denominated loans to subsidiaries classified as net investments in foreign operations.

## 1. Segment analysis

The Group's reportable segments are business units that offer comparable business products and services, which are separately managed since the mobile telecommunication and data communication businesses are located in South Africa and other countries. The segments offer a variety of telecommunication and data communication services and products.

Corporate comprises the holding companies of the Group which do not relate to specific operating segments.

South Africa comprises the segment information relating to the South African-based cellular network, service provider and other business segments.

International comprises the segment information relating to the non-South African-based cellular networks in Tanzania, Mozambique, Lesotho and the Democratic Republic of Congo as well as the operations of Vodacom International Limited and Vodacom Business Africa.

| Rm | 2017 | 2016 |
|---|---|---|
| **Reconciliation of segment results** | | |
| **EBITDA** | 31 238 | 30 345 |
| Depreciation and amortisation excluding acquired brands and customer bases | (9 054) | (8 599) |
| Net loss on disposal of property, plant and equipment and intangible assets | (58) | (50) |
| **EBIT** | 22 126 | 21 696 |
| Acquired brand and customer base amortisation | (197) | (136) |
| Impairment losses | (84) | (14) |
| Broad-based black economic empowerment charge | (75) | (55) |
| Net profit/(loss) from associate and joint venture | 1 | (233) |
| Other | (21) | (199) |
| **Operating profit**[1] | 21 750 | 21 059 |

| Rm | Corporate | South Africa | International | Eliminations | Total |
|---|---|---|---|---|---|
| **2017** | | | | | |
| **Segment revenue (including inter-segment)** | 157 | 64 729 | 17 350 | (958) | 81 278 |
| Total segment revenue | – | 66 366 | 17 874 | – | 84 240 |
| Intra-segment revenue | 157 | (1 637) | (524) | (958) | (2 962) |
| Inter-segment revenue | (157) | (314) | (487) | 958 | – |
| External customer segment revenue | – | 64 415 | 16 863 | – | 81 278 |
| **EBIT** | (125) | 20 593 | 1 648 | 10 | 22 126 |
| **EBITDA** | (122) | 26 815 | 4 545 | – | 31 238 |
| Net finance income/(charges) | 12 322 | (1 758) | (966) | (12 120) | (2 522) |
| Taxation | (37) | (5 190) | (771) | (104) | (6 102) |
| Other material non-cash items included in segment profit or loss: | | | | | |
| Depreciation and amortisation | (4) | (6 377) | (2 870) | – | (9 251) |
| **Total assets** | | | | | |
| Reportable segment assets | 21 177 | 51 930 | 23 104 | (15 073) | 81 138 |
| which includes: | | | | | |
| Additions to property, plant and equipment and intangible assets | 64 | 8 470 | 2 781 | – | 11 315 |
| Non-current assets other than financial instruments and deferred taxation | 31 | 36 134 | 13 477 | 1 409 | 51 051 |
| **Total liabilities** | | | | | |
| Reportable segment liabilities | (6 986) | (43 134) | (16 413) | 8 391 | (58 142) |

**Note:**

1. For a reconciliation of operating profit and net profit for the year, refer to the consolidated income statement on page 20.

| Rm | Corporate | South Africa | International | Eliminations | Total |
|---|---|---|---|---|---|

## 1. Segment analysis continued

| Rm | Corporate | South Africa | International | Eliminations | Total |
|---|---|---|---|---|---|
| **2016** | | | | | |
| **Segment revenue (including inter-segment)** | 190 | 62 278 | 18 357 | (748) | 80 077 |
| Total segment revenue | – | 63 758 | 18 870 | – | 82 628 |
| Intra-segment revenue | 190 | (1 480) | (513) | (748) | (2 551) |
| Inter-segment revenue | (190) | (319) | (239) | 748 | – |
| External customer segment revenue | – | 61 959 | 18 118 | – | 80 077 |
| **EBIT** | (40) | 19 430 | 2 296 | 10 | 21 696 |
| **EBITDA** | (48) | 25 016 | 5 385 | (8) | 30 345 |
| Net finance income/(charges) | 12 093 | (1 835) | (681) | (11 792) | (2 215) |
| Taxation | (313) | (5 071) | (767) | 217 | (5 934) |
| Other material non-cash items included in segment profit or loss: | | | | | |
| Depreciation and amortisation | (3) | (5 691) | (3 041) | – | (8 735) |
| **Total assets** | | | | | |
| Reportable segment assets | 21 388 | 48 430 | 25 014 | (16 129) | 78 703 |
| which includes: | | | | | |
| Additions to property, plant and equipment and intangible assets | 38 | 8 747 | 4 473 | – | 13 258 |
| Non-current assets other than financial instruments and deferred taxation | 45 | 33 408 | 15 482 | 1 400 | 50 335 |
| **Total liabilities** | | | | | |
| Reportable segment liabilities | (7 304) | (40 664) | (16 852) | 9 141 | (55 679) |

## 2. Impairment

### Impairment losses

| Rm | 2017 | 2016 |
|---|---|---|
| Impairment losses recognised are as follows: | | |
| Intangible assets (Note 10) | **(66)** | (10) |
| Property, plant and equipment (Note 9) | **(18)** | (4) |
| | **(84)** | (14) |

The impairment losses relate to the phasing out of the M-Pesa product offering in South Africa.

### Goodwill impairment testing

| Rm | 2017 | 2016 |
|---|---|---|
| Carrying amount of goodwill is as follows: | | |
| Vodacom (Pty) Limited | **2 554** | 2 549 |
| Other[1] | **136** | 126 |
| | **2 690** | 2 675 |

**Note:**

1. This constitutes the aggregate carrying amount of goodwill allocated across multiple cash-generating units of which the amounts so allocated to each cash-generating unit is insignificant compared to the total carrying amount of goodwill.

## 2. Impairment continued

### Goodwill impairment testing continued

The recoverable amounts of all cash-generating units are based on value in use calculations.

### Key assumptions used in value in use calculations

The key assumptions, applicable to all cash-generating units, on which management has based all its cash flow projections for the period covered by the most recent five-year forecasts are:

| Key assumptions | Basis for determining values assigned to key assumptions |
|---|---|
| **Forecast capital expenditure** | The cash flow forecasts for capital expenditure are based on past experience, benchmarks in similar markets and include the ongoing normal capital expenditure required to roll out networks to provide voice and data products and services, and to meet the population coverage requirements in terms of licences. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and computer software. |
| **Forecast EBITDA** | Forecast EBITDA has been based on past experience adjusted for the following:<br>▸ voice and messaging revenue which is expected to benefit from increased usage from new and existing customers, the introduction of new services and traffic moving from fixed networks to mobile networks, though these factors will be partially offset by increased competitor activity, which may result in price declines and the trend of falling termination rates;<br>▸ non-messaging data revenue which is expected to continue to grow strongly as the penetration of third generation (3G) and long term evolution (LTE) enabled devices rises and new products and services are introduced;<br>▸ fixed-line revenue growth expectations as a result of entering the fibre to the Business and Home market as well as continued expansion of fixed services to enterprise businesses; and<br>▸ margins which are expected to be impacted by negative factors such as an increase in the cost of acquiring and retaining customers in increasingly competitive markets and the expectation of further termination rate cuts by regulators and by positive factors such as the efficiencies expected from the implementation of Group initiatives. |
| **Long-term growth rate** | For businesses where the five-year management plans are used for the Group's value in use calculations, a long-term growth rate into perpetuity has been determined as the lower of:<br>▸ the long-term real GDP rate for the country of operation; and<br>▸ the five-year compound annual growth rate in EBITDA estimated by management. |
| **Risk adjusted discount rate used in adjusted present value calculations** | The discount rate applied to the cash flows of each of the Group's operations is based on the capital asset pricing model. Inputs include the risk-free rate for 10-year bonds issued by the government in the respective market, if available, adjusted for a risk premium to reflect the risk associated with investing in equities, as well as an adjustment for the systematic risk of the specific Group operating company. In making this adjustment, inputs required are the equity market risk premium (that is the increased return required over and above a risk-free rate by an investor who is investing in the market as a whole), the beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole and where necessary, a company specific risk premium. In determining the risk adjusted discount rate, management has applied an adjustment for the systematic risk to each of the Group's operations determined using a beta based on comparable listed mobile telecommunications companies and, where available and appropriate, across a specific territory. Management has used a forward-looking equity market risk premium that takes into consideration both studies by independent economists, the observed long-term market average equity market risk premium, and the market risk premiums typically used by investment banks in evaluating acquisition proposals. |

## 2. Impairment continued

### Goodwill impairment testing continued

| % | Vodacom (Pty) Limited |
|---|---|
| **31 March 2017** | |
| Long-term growth rate | 2.7 |
| Risk adjusted discount rate | 12.0 |
| **31 March 2016** | |
| Long-term growth rate | 2.9 |
| Risk adjusted discount rate | 12.4 |

### Sensitivity to changes in key assumptions

Vodacom (Pty) Limited is the only cash-generating unit for which the carrying amount of goodwill allocated to that unit is significant in comparison with the Group's total carrying amount of goodwill.

Management believes that no reasonable possible change in any of the aforementioned key assumptions would cause the carrying amount of any cash-generating unit to which a significant amount of goodwill has been allocated, to exceed its recoverable amount.

## 3. Operating profit

| Rm | 2017 | 2016 |
|---|---|---|
| The operating profit has been arrived at after (charging)/crediting: | | |
| Net loss on disposal of property, plant and equipment and intangible assets | (58) | (50) |
| Auditor's remuneration – audit fees | (44) | (31) |
| Auditor's remuneration – other services | (1) | (1) |
| Professional fees for consultancy services | (237) | (354) |
| Operating lease rentals | (3 085) | (3 226) |
| Network infrastructure | (2 570) | (2 700) |
| Other | (515) | (526) |
| Bad debts | (266) | (479) |
| Inventory written off | – | (38) |
| Net foreign exchange (losses)/gains | (331) | 383 |

Direct expenses include customer acquisition- and retention-related expenses, interconnect expenses, commissions, converged solutions expenses and various other direct expenses. Other operating expenses include network operational expenses and all administrative expenses.

## 4. Finance income

| Rm | 2017 | 2016 |
|---|---|---|
| Interest income | | |
| Banks | 419 | 408 |
| Loans receivable | 110 | 116 |
| Tax authorities | 1 | 14 |
| Other | 247 | 178 |
| | 777 | 716 |

Interest income on financial assets not at fair value through profit or loss amounted to R737 million (2016: R700 million).

| Rm | 2017 | 2016 |
|---|---|---|
| **5. Finance costs** | | |
| Interest expense | | |
| Borrowings | (2 576) | (2 027) |
| Tax authorities | (25) | – |
| Other | (217) | (169) |
| | (2 818) | (2 196) |

Interest expense on financial liabilities not at fair value through profit or loss amounted to R2 696 million (2016: R2 082 million).

| Rm | 2017 | 2016 |
|---|---|---|
| **6. Net loss on remeasurement and disposal of financial instruments** | | |
| Net gain/(loss) on derivatives | 166 | (361) |
| Net loss on translation of foreign denominated assets and liabilities | (657) | (302) |
| Remeasurement of loans receivable | 11 | (70) |
| Financial liabilities held at amortised cost | (1) | (2) |
| | (481) | (735) |

| Rm | 2017 | 2016 |
|---|---|---|
| **7. Taxation** | | |
| **7.1 Income tax expense** | | |
| South African current tax | (5 000) | (5 045) |
| Current year | (5 176) | (5 038) |
| Adjustments in respect of prior years | 176 | (7) |
| Foreign current tax | (827) | (634) |
| Current year | (483) | (716) |
| Adjustments in respect of prior years | (143) | 138 |
| Withholding tax | (201) | (56) |
| Current year | (192) | (61) |
| Adjustments in respect of prior years | (9) | 5 |
| Total current tax | (5 827) | (5 679) |
| Deferred tax on origination and reversal of temporary differences: | | |
| South African deferred tax | (264) | (100) |
| Current year | (93) | (98) |
| Adjustments in respect of prior years | (171) | (2) |
| Foreign deferred tax | (11) | (155) |
| Current year | 113 | (12) |
| Adjustments in respect of prior years | (124) | (143) |
| Total deferred tax | (275) | (255) |
| Total income tax expense | (6 102) | (5 934) |
| **Components of deferred tax charged to profit or loss** | | |
| Capital allowances | (325) | (311) |
| Foreign exchange | 102 | 61 |
| Tax losses | 169 | – |
| Provisions and deferred income | (85) | 106 |
| Other | (136) | (111) |
| | (275) | (255) |

| Rm | 2017 | 2016 |
|---|---|---|
| **7. Taxation** continued | | |
| **7.1 Income tax expense** continued | | |
| **Factors affecting tax expense for the year** | | |
| The table below discloses the differences between the expected income tax expense at the South African statutory tax rate and the Group's total income tax expense: | | |
| Expected income tax expense on profit before tax at the South African statutory tax rate | (5 384) | (5 276) |
| Adjusted for: | | |
| Non-deductible operating expenditure | (119) | (229) |
| Non-deductible finance costs | (33) | (106) |
| Non-deductible depreciation and amortisation | (25) | (46) |
| Unrecognised tax asset | (171) | (187) |
| Irrecoverable foreign taxes | (124) | (13) |
| Effect of taxation of associate and joint venture reported within operating profit | – | (70) |
| Minimum alternative taxes | (58) | (59) |
| Adjustments in respect of prior years | (271) | (9) |
| Effect of different statutory tax rates of jurisdictions other than South Africa | 80 | 49 |
| Non-taxable income | 3 | 12 |
| Total income tax expense | (6 102) | (5 934) |

The South African statutory tax rate is 28.0% for all reporting periods. The Group's effective tax rate is 31.7% (2016: 31.5%).

| Rm | 2017 | 2016 |
|---|---|---|
| **7.2 Other comprehensive income, net of tax** | | |
| Foreign currency translation differences, net of tax | (1 633) | 260 |
| Foreign currency translation differences | (1 737) | 418 |
| Taxation | 104 | (158) |
| Gain on hedging instruments in cash flow hedges, net of tax | – | 4 |
| Gain on hedging instruments in cash flow hedges | – | 3 |
| Taxation | – | 1 |
| Other comprehensive income, net of tax | (1 633) | 264 |
| **7.3 Tax credited charged directly to other comprehensive income** | | |
| Current tax | 8 | – |
| Deferred tax | 96 | (157) |
| | 104 | (157) |

| Rm | 2017 | 2016 |
|---|---|---|
| **7. Taxation continued** | | |
| **7.4 Deferred tax** | | |
| Analysed in the statement of financial position, after offset of balances within companies, as follows: | | |
| Deferred tax assets | 199 | 25 |
| Deferred tax liabilities | (2 635) | (2 272) |
| | (2 436) | (2 247) |
| **Components** | | |
| Gross deferred tax assets and liabilities, before offset of balances within companies, are as follows: | | |
| Capital allowances | (3 447) | (3 071) |
| Deferred tax liabilities | (3 447) | (3 071) |
| Foreign exchange | (293) | (235) |
| Deferred tax assets | 93 | 107 |
| Deferred tax liabilities | (386) | (342) |
| Tax losses | 174 | 2 |
| Deferred tax assets | 174 | 2 |
| Provisions and deferred income | 1 169 | 1 264 |
| Deferred tax assets | 1 169 | 1 266 |
| Deferred tax liabilities | – | (2) |
| Other | (39) | (207) |
| Deferred taxation assets | 12 | 17 |
| Deferred taxation liabilities | (51) | (224) |
| | (2 436) | (2 247) |
| **Reconciliation of net deferred tax balance** | | |
| 1 April | (2 247) | (1 740) |
| Foreign currency translation differences | 91 | 27 |
| Charged to profit or loss | (275) | (255) |
| Credited/(charged) directly to other comprehensive income | 96 | (157) |
| (Charged)/credited directly to equity | (54) | 14 |
| Business combinations and disposal of subsidiaries | (47) | (136) |
| 31 March | (2 436) | (2 247) |

| Rm | 2017 | 2016 |
|---|---|---|

## 7. Taxation continued

### 7.5 Factors affecting the tax charge in future years

| Rm | 2017 | 2016 |
|---|---|---|
| Total estimated tax losses | 4 189 | 3 169 |
| Utilised to reduce net temporary differences | (588) | (6) |
| Estimated unused tax losses | 3 601 | 3 163 |

If the estimated unused tax losses are applied, the available R1 155 million (2016: R1 002 million) would result in the current year's R2 436 million net deferred tax liability reducing to R1 282 million (2016: R2 247 million net deferred tax liability reducing to R1 245 million), if sufficient future taxable profits will be available against which the unused tax losses can be utilised.

The gross amounts and expiry dates of deductible temporary differences, estimated unused tax losses and unused tax credits, for which no deferred tax asset is recognised, are as follows:

| Rm | 2 – 5 years | Unlimited | Total |
|---|---|---|---|
| **2017** | | | |
| Deductible temporary differences | – | 5 396 | 5 396 |
| Estimated unused tax losses | – | 3 601 | 3 601 |
| **2016** | | | |
| Deductible temporary differences | 2 | 3 650 | 3 652 |
| Estimated unused tax losses | 211 | 2 952 | 3 163 |

## 8. Earnings and dividends per share

| Cents | 2017 | 2016 |
|---|---|---|
| Basic earnings per share | 915 | 881 |
| Diluted earnings per share | 886 | 857 |
| Headline earnings per share | 923 | 883 |
| Diluted headline earnings per share | 894 | 860 |
| Dividends per share[1] | 795 | 795 |

**Note:**

1. The 31 March 2017 dividend per share includes dividends of 400 cents per share and 395 cents per share, declared on 13 May 2016 and 11 November 2016, respectively. The 31 March 2016 dividend per share includes dividends of 400 cents per share and 395 cents per share, declared on 14 May 2015 and 6 November 2015, respectively. The Group declared a final dividend of 435 cents per share in respect of the year ended 31 March 2017 after the reporting period (Note 27).

## 8. Earnings and dividends per share continued

### 8.1 Earnings per share

Earnings per share calculations are based on earnings and the weighted average number of ordinary shares outstanding as set out below:

| | Rm | 2017 | 2016 |
|---|---|---|---|
| 8.1.1 | **Diluted earnings reconciliation** | | |
| | Earnings attributable to equity shareholders for basic earnings per share | **13 418** | 12 917 |
| | Adjusted for: | | |
| | Dilutive effect of potential ordinary shares in subsidiary | **(408)** | (333) |
| | Earnings for diluted earnings per share | **13 010** | 12 584 |
| 8.1.2 | **Headline earnings reconciliation** | | |
| | Earnings, attributable to equity shareholders, for basic earnings per share | **13 418** | 12 917 |
| | Adjusted for: | | |
| | Net loss on disposal of property, plant and equipment and intangible assets (Note 3) | **38** | 26 |
| | Net loss on disposal of property, plant and equipment and intangible assets (Note 3) | **58** | 50 |
| | Tax and non-controlling interest impact | **(20)** | (24) |
| | Impairment losses (Note 2) | **84** | 14 |
| | Impairment losses (Note 2) | **84** | 14 |
| | Tax and non-controlling interest impact | **–** | – |
| | Headline earnings for headline earnings per share[1] | **13 540** | 12 957 |
| | Dilutive effect of potential ordinary shares in subsidiary | **(408)** | (333) |
| | Headline earnings for diluted headline earnings per share | **13 132** | 12 624 |

**Note:**

1. This disclosure is a requirement of the JSE Limited and is not a recognised measure under IFRS. It has been calculated in accordance with Circular 2/2015 as issued by SAICA.

| | Shares | 2017 | 2016 |
|---|---|---|---|
| 8.1.3 | **Reconciliation of weighted average number of ordinary shares outstanding** | | |
| | For basic and headline earnings per share | **1 466 738 842** | 1 466 641 659 |
| | Diluted earnings and diluted headline earnings per share | **1 910 513** | 2 041 696 |
| | For diluted earnings and diluted headline earnings per share[1] | **1 468 649 355** | 1 468 683 355 |

**Note:**

1. Includes shares held under the forfeitable share plan (Note 17.1.1)

### 8.2 Dividends per share

Vodacom Group Limited acquired 1 386 131 shares in the market during the year at an average price of R167.23 per share. Dividends per share calculations are based on a declared dividend of R11 829 million (2016: R11 829 million) and shares of 1 487 954 000 for all reporting periods. R44 million (2016: R41 million) of the dividend declared was offset against the forfeitable share plan reserve, R5 million (2016: R5 million) expensed as staff expenses and R123 million (2016: R123 million) paid to Wheatfields, a wholly-owned subsidiary holding treasury shares on behalf of the Group.

| Rm | Land and buildings | Network infrastructure & equipment | Other assets | Total |
|---|---|---|---|---|
| **9. Property, plant and equipment** | | | | |
| **31 March 2015** | 3 165 | 32 137 | 657 | 35 959 |
| Cost | 5 078 | 62 955 | 1 592 | 69 625 |
| Accumulated depreciation and impairment losses | (1 913) | (30 818) | (935) | (33 666) |
| Additions | 352 | 10 174 | 318 | 10 844 |
| Disposals | – | (94) | (7) | (101) |
| Foreign currency translation differences | 17 | 423 | 6 | 446 |
| Depreciation | (249) | (6 796) | (166) | (7 211) |
| Impairment losses (Note 2) | – | (4) | – | (4) |
| Net transfer to intangible assets (Note 10) | (2) | (20) | (2) | (24) |
| Transfer to non-current assets held for sale (Note 12) | – | (165) | – | (165) |
| Category transfers and other | 44 | (5) | (39) | – |
| **31 March 2016** | 3 327 | 35 650 | 767 | 39 744 |
| Cost | 5 554 | 69 398 | 1 823 | 76 775 |
| Accumulated depreciation and impairment losses | (2 227) | (33 748) | (1 056) | (37 031) |
| Additions | 299 | 8 937 | 175 | 9 411 |
| Disposals | (9) | (97) | (2) | (108) |
| Foreign currency translation differences | (80) | (2 002) | (43) | (2 125) |
| Depreciation | (190) | (7 124) | (143) | (7 457) |
| Impairment losses (Note 2) | – | (18) | – | (18) |
| Net transfer from intangible assets (Note 10) | (22) | 401 | 3 | 382 |
| Business combination | – | 115 | – | 115 |
| Transfer to non-current assets held for sale (Note 12) | – | (6) | – | (6) |
| Category transfers and other | 89 | 154 | – | 243 |
| **31 March 2017** | 3 414 | 36 010 | 757 | 40 181 |
| Cost | 5 126 | 66 272 | 1 787 | 73 185 |
| Accumulated depreciation and impairment losses | (1 712) | (30 262) | (1 030) | (33 004) |

The carrying amount of network infrastructure and equipment includes R1 453 million (2016: R1 446 million) in relation to assets held under finance leases (Note 18).

The Group's South African operations pledged certain of its property, plant and equipment with a carrying amount of R1 453 million (2016: R1 446 million) as security against borrowings with a fair value of R1 523 million (2016: R1 423 million) (Note 18). The respective pledges are limited to the carrying amount of the borrowings.

Included in the carrying amount of network infrastructure and equipment and other assets are, assets in the course of construction, which are not depreciated, with a cost of R55 million (2016: R573 million) and R1 million (2016: R79 million) respectively.

Certain of the Group's operations received government grants to advance universal access to communications by constructing telecommunication infrastructure. Unfulfilled conditions relate to the completion of the asset.

In the current year, directly attributable staff expenses of R742 million (2016: R687 million) were capitalised.

## 10. Intangible assets

| | Goodwill | Licences | Trademark, patents and other | Customer bases | Computer software | Total |
|---|---|---|---|---|---|---|
| **31 March 2015** | 2 304 | 416 | 90 | 816 | 3 977 | 7 603 |
| Cost | 8 613 | 970 | 465 | 2 293 | 10 585 | 22 926 |
| Accumulated amortisation and impairment losses | (6 309) | (554) | (375) | (1 477) | (6 608) | (15 323) |
| Additions | – | 383 | – | – | 2 031 | 2 414 |
| Foreign currency translation differences | 3 | 27 | (3) | – | 130 | 157 |
| Amortisation | – | (93) | (25) | (116) | (1 290) | (1 524) |
| Impairment losses (Note 2) | – | – | – | – | (10) | (10) |
| Business combination (Note 22) | 368 | – | – | 485 | – | 853 |
| Net transfer from property, plant and equipment (Note 9) | – | – | – | – | 24 | 24 |
| **31 March 2016** | 2 675 | 733 | 62 | 1 185 | 4 862 | 9 517 |
| Cost | 10 213 | 1 423 | 460 | 2 832 | 12 584 | 27 512 |
| Accumulated amortisation and impairment losses | (7 538) | (690) | (398) | (1 647) | (7 722) | (17 995) |
| Additions | – | 26 | – | – | 1 878 | 1 904 |
| Foreign currency translation differences | (3) | (83) | (7) | – | (81) | (174) |
| Amortisation | – | (110) | (17) | (183) | (1 484) | (1 794) |
| Impairment losses (Note 2) | – | – | – | – | (66) | (66) |
| Business combination (Note 22) | 18 | 159 | – | – | – | 177 |
| Net transfer to property, plant and equipment (Note 9) | – | – | – | – | (382) | (382) |
| Category and other transfers | – | – | – | – | 4 | 4 |
| **31 March 2017** | **2 690** | **725** | **38** | **1 002** | **4 731** | **9 186** |
| Cost | **9 608** | **1 420** | **405** | **2 686** | **11 382** | **25 501** |
| Accumulated amortisation and impairment losses | **(6 918)** | **(695)** | **(367)** | **(1 684)** | **(6 651)** | **(16 315)** |

Included in the carrying amount of computer software are assets in the course of development, which are not amortised, with a cost of R51 million (2016: R8 million).

| | 2017 | 2016 |
|---|---|---|
| **11. Financial assets** | | |
| **Non-current** | | |
| Loans receivable (Note 11.1.1) | 381 | 68 |
| Financial assets at fair value through profit or loss (Note 11.2) | – | 173 |
| Available-for-sale financial assets (Note 11.3) | 43 | 39 |
| | 424 | 280 |
| **Current** | | |
| Financial assets at fair value through profit or loss (Note 11.2) | 244 | 187 |
| Cash held in restricted deposits (Note 11.1.2) | 3 245 | 2 454 |
| | 3 489 | 2 641 |
| **11.1 Financial assets measured at amortised cost** | | |
| **11.1.1 Loans receivable** | | |
| Loans to VM, SA non-controlling interests | 297 | – |
| During the current year loans with a combined nominal value of US$24.9 million, bearing interest at LIBOR plus 5%, secured by shares in VM, SA held by the borrowers and repayable on 30 June 2026, were advanced to non-controlling interests in VM, SA. | | |
| Other loans receivable | 84 | 68 |
| | 381 | 68 |
| **11.1.2 Cash held in restricted deposits** | 3 245 | 2 454 |
| The carrying amount approximates fair value and is mainly represented by cash from M-Pesa activities which is held in accounts with reputable financial institutions | | |
| **11.2 Financial assets at fair value through profit or loss** | | |
| Unit trust investments | 244 | 187 |
| Equity linked notes | – | 173 |
| | 244 | 360 |
| Fair value of unit trust investments are determined with reference to quoted market prices while the fair value of the equity linked notes were determined using valuation models. | | |
| **11.3 Available-for-sale financial assets** | | |
| Unlisted equity investments | 43 | 39 |

The carrying amount of available-for-sale financial assets carried at cost, approximates its fair value. A register with details of the entities and the percentages of share capital and voting power, if different, held in each unlisted investment is available for inspection at the Group's registered office.

## 12. Non-current assets held for sale

As at 31 March 2017, the Group held an 24.06% (2016: 23.78%) equity accounted interest in Helios Towers Tanzania Limited (Helios), an independent telecommunications tower operator. This holding was acquired as part of a sale and leaseback transaction of Vodacom Tanzania Limited's telecommunications towers to HTT Infraco Limited (HTT), a subsidiary of Helios.

During the prior year, the Board approved a plan to exit its investment in Helios through a sale of shares which was expected to be completed within the current financial year. Due to circumstances beyond the Group's control, the sale has been delayed beyond the initial expected closing period. The Board as well as the purchaser, HTA Holdings Limited (HTA) remain committed to the transaction and are currently in the process of obtaining the necessary regulatory approvals in order to affect the sale. It is highly probable that the sale will be completed in the next financial year, and the investment therefore continues to be classified as a non-current asset held for sale. During the current year, US$30 million of the associated shareholder's loan, comprising the nominal value of US$22 million and accrued interest thereon, has been purchased by HTA.

The Group has not recognised any impairment losses in respect of its investment, since the proceeds are expected to exceed the carrying value of the investment. The investment, which was equity accounted, was classified as a non-current asset held for sale during the prior year and is presented in the International reportable segment (Note 1).

| | 2017 | 2016 |
|---|---|---|
| **13. Inventory** | | |
| Goods held for resale | 1 268 | 1 675 |
| Inventory valuation allowance included above | (154) | (155) |

The cost of inventories recognised as an expense during the period amounts to R11 671 million (2016: R11 948 million).

| | 2017 | 2016 |
|---|---|---|
| **14. Trade and other receivables** | | |
| Trade receivables | 9 397 | 9 644 |
| Prepayments | 2 054 | 1 463 |
| Accrued income | 2 079 | 1 937 |
| Value-added tax | 51 | 39 |
| Derivative financial assets | 108 | 73 |
| Other | 771 | 873 |
| | 14 460 | 14 029 |
| **Timing** | | |
| Non-current | 971 | 754 |
| Current | 13 489 | 13 275 |
| | 14 460 | 14 029 |
| **Doubtful receivable allowance included above:** | | |
| The Group's trade receivables are stated after allowances for doubtful receivables based on management's assessment of creditworthiness, an analysis of which is as follows: | | |
| 1 April | (1 103) | (828) |
| Foreign currency translation differences | 306 | 3 |
| Reversed from/(charged to) profit or loss | 48 | (312) |
| Utilised | 24 | 34 |
| 31 March | (725) | (1 103) |

Trade receivables are carried at cost which normally approximates fair value due to short-term maturity. Generally no interest is charged on trade receivables.

**Included within derivative financial assets:**

At fair value through profit or loss, classified as held for trading:

| | 2017 | 2016 |
|---|---|---|
| Fair value hedges: | | |
| Foreign exchange forward contracts | 72 | 62 |
| Firm commitment asset – fair value hedge | 36 | 11 |
| | 108 | 73 |

The fair value of foreign exchange forward contracts is determined with reference to quoted market prices for similar instruments, being the mid forward rates as at the reporting date. The Group designates certain forward exchange contracts as fair value hedges to hedge its exposure to variability in the fair value that is attributable to changes in foreign exchange rates.

## 15. Finance receivables

The Group provides financing to customers to acquire equipment at an additional contractual charge.

| Rm | Within one year | Between one and five years | Total |
|---|---|---|---|
| **2017** | | | |
| Future minimum payments receivable | 1 852 | 1 247 | 3 099 |
| Unearned finance income | (296) | (86) | (382) |
| Present value of minimum payments receivable | 1 556 | 1 161 | 2 717 |
| **2016** | | | |
| Future minimum payments receivable | 1 659 | 820 | 2 479 |
| Unearned finance income | (269) | (59) | (328) |
| Present value of minimum payments receivable | 1 390 | 761 | 2 151 |

## 16. Share capital

| | 2017 | 2016 |
|---|---|---|
| **Authorised** | | |
| 4 000 000 000 ordinary shares with no par value | | |
| **Issued** | | |
| Fully paid share capital | | |
| 1 487 954 000 ordinary shares with no par value Treasury shares | * | * |
| Treasury shares | | |
| 20 864 428 (2016: 21 306 094) ordinary shares with no par value | 1 670 | 1 658 |
| | 1 670 | 1 658 |

| Shares | 2017 | 2016 |
|---|---|---|
| **Movements in the number of ordinary shares outstanding:** | | |
| 1 April | 1 466 647 906 | 1 466 632 274 |
| Statutory shares in issue | 1 487 954 000 | 1 487 954 000 |
| Treasury shares | (21 306 094) | (21 321 726) |
| Repurchase of shares[1] | (1 386 131) | (1 767 453) |
| Forfeited shares sold | 615 914 | 522 693 |
| Vesting of shares | 1 211 883 | 1 260 392 |
| 31 March | 1 467 089 572 | 1 466 647 906 |
| Statutory shares in issue | 1 487 954 000 | 1 487 954 000 |
| Treasury shares | (20 864 428) | (21 306 094) |
| **Treasury shares held by:** | | |
| Vodacom Group Limited | 5 443 197 | 5 884 863 |
| Subsidiaries | 15 421 231 | 15 421 231 |
| | 20 864 428 | 21 306 094 |

The unissued share capital is under the control of the current shareholders and the directors do not have the authority to issue any unissued shares.

**Notes**

* Fully paid share capital of R100.

1. Forfeitable and restricted shares held by employees are treated as treasury shares for accounting in terms of IAS 32: Financial Instruments: Presentation, since shares awarded under the forfeitable share plan have not fully vested for the purposes of IFRS 2: Share-based Payment until the potential forfeiture period has expired (Note 17).

## 17. Other reserves

### 17.1 Share-based payment reserve

The following equity-settled share-based payment expense is recognised in profit or loss in terms of IFRS 2: Share-based Payment:

| Rm | 2017 | 2016 |
|---|---|---|
| Share plans (Notes 17.1.1 to 17.1.3) | (168) | (144) |
| BBBEE staff expense (Note 17.1.4) | 3 | (100) |
| BBBEE charge (Note 17.1.4) | (75) | (55) |
| | (240) | (299) |

### 17.1.1 Forfeitable share plan (FSP) reserve

This share-based payment arrangement is accounted for as an equity-settled share-based payment transaction.

Under the FSP, awards of performance shares are granted to executive directors and selected employees of the Group. The vesting of these shares is subject to continued employment, and is conditional upon achievement of performance targets, measured over a three-year period, for directors, senior management and other selected employees.

| | Weighted average fair value at grant date R 2017 | Number of shares 2017 | Weighted average fair value at grant date R 2016 | Number of shares 2016 |
|---|---|---|---|---|
| **Share awards** | | | | |
| Movements in non-vested shares: | | | | |
| 1 April | 128.67 | 4 422 718 | 117.06 | 4 283 818 |
| Granted | 167.23 | 1 384 016 | 136.88 | 1 765 229 |
| Forfeited | 129.86 | (613 799) | 117.60 | (485 269) |
| Vested | 115.06 | (1 164 952) | 102.38 | (1 141 060) |
| 31 March | 145.68 | 4 027 983 | 128.67 | 4 422 718 |
| Ordinary shares available for utilisation: | | | | |
| 1 April | | 69 577 285 | | 69 716 185 |
| Granted | | (1 384 016) | | (1 765 229) |
| Forfeited | | 613 799 | | 485 269 |
| Vested | | 1 164 952 | | 1 141 060 |
| 31 March | | 69 972 020 | | 69 577 285 |

The fair value of the share awards on grant date were measured using the quoted market price of a Vodacom Group Limited share without adjusting for expected dividends and non-market performance conditions. Market conditions are adjusted for.

## 17. Other reserves continued

### 17.1 Share-based payment reserve continued

#### 17.1.2 Restricted share plan reserve

This share-based payment arrangement is accounted for as an equity-settled share-based payment transaction.

Executives who have a conditional benefit in terms of their previous service contract have the option to convert a portion or all of their benefit to restricted shares for the purpose of meeting the shareholding guidelines. These shares are subject to the same conditions as those of the underlying conditional benefit.

| | Weighted average fair value at grant date R 2017 | Number of shares 2017 | Weighted average fair value at grant date R 2016 | Number of shares 2016 |
|---|---|---|---|---|
| **Share awards** | | | | |
| Movements in non-vested shares: | | | | |
| 1 April | 112.19 | 1 462 145 | 112.93 | 1 581 477 |
| Vested | 112.30 | (46 931) | 121.92 | (119 332) |
| 31 March | 112.19 | 1 415 214 | 112.19 | 1 462 145 |

The fair value of the share awards on grant date were measured using the quoted market price of a Vodacom Group Limited share without adjusting for expected dividends and performance conditions.

#### 17.1.3 Vodafone performance share plan reserve

This share-based payment arrangement is accounted for as an equity-settled share-based payment transaction.

Under this plan, awards of shares are granted to executive directors and prescribed officers and certain executive management of the Group. During the current year 1 000 411 (2016: 669 842) shares were granted to Group employees, assignees and co-investment participants and 339 889 of the shares issued in prior years, vested. The vesting of these shares is subject to continued employment, and, for some awards, is conditional upon achievement of performance targets, measured over a three-year period. A charge is recognised based on the fair value of the award on the grant date.

#### 17.1.4 Broad-based Black Economic Empowerment (BBBEE) transaction

In October 2008 the Group's shareholders approved a BBBEE transaction which entailed the issue and allotment of ordinary shares and 'A' ordinary shares representing, in aggregate, 6.25% of Vodacom (Pty) Limited's (Vodacom SA) issued share capital to eligible employees, Broad-based Black South African Public (Black Public), Vodacom Black Business Partners (Business Partners) and Broad-based Strategic partners (Strategic partners). The transaction was introduced to assist the Group in meeting its empowerment objectives for its South African operations.

| Components of the transaction | Notes | Percentage allocated % | Transaction value Rm | Cash received Rm |
|---|---|---|---|---|
| Employees: YeboYethu Employee Participation Trust (the Trust) | 17.1.4.1 | 1.56 | 1 875 | – |
| Black Public and Business Partners: YeboYethu (RF) Limited | 17.1.4.3 | 1.88 | 2 250 | 360 |
| Strategic Partner: Royal Bafokeng Holdings (Pty) Limited | 17.1.4.4 | 1.97 | 2 366 | 378 |
| Strategic Partner: Thebe Investment Corporation (Pty) Limited | 17.1.4.4 | 0.84 | 1 009 | 162 |
| | | 6.25 | 7 500 | 900 |

# 17. Other reserves continued

## 17.1 Share-based payment reserve continued

### 17.1.4 Broad-based Black Economic Empowerment (BBBEE) transaction continued

| Rm | 2017 | 2016 |
|---|---|---|
| Summary of the financial impact of share based payment arrangements | | |
| **Cash-settled share based payment liability** | | |
| Employees (Refer Note 17.1.4.1) | (118) | (103) |
| Innovator Trust (Refer Note 17.1.4.6) | (296) | (234) |
| | (414) | (337) |
| **Equity-settled share based payment reserve** | | |
| Employees (Refer Note 17.1.4.1) | (386) | (389) |
| Black Public and Business Partners (Refer Note 17.1.4.3) | (300) | (300) |
| Strategic Partners (Refer Note 17.1.4.4) | (923) | (923) |
| Storage Technologies Services (Pty) Limited (Refer Note 17.1.4.8) | (32) | (32) |
| | (1 641) | (1 644) |

#### 17.1.4.1 Employees

An employee ownership trust[1] (the Trust), was established for the benefit of all eligible employees. The Trust holds 'A' ordinary shares in Vodacom SA through its interest in YeboYethu Limited. The 'A' ordinary shares are a separate class of shares in Vodacom SA, ranking *pari passu* with the ordinary shares except that they do not entitle the holder to dividends in cash until a notional loan is repaid.

Employees participated in the transaction by being allocated units in the Trust based on a varying percentage of their guaranteed total cost of employment per annum taking into account their employment level and racial and gender classification.

As at 31 March 2017, all units were allocated and are 100.0% vested. The total forfeited units available as at 31 August 2015 (18.96%) were allocated effective 14 March 2016 with a grant date of 14 March 2016 to employees in proportion to the number of units held on this date.

The cash-settled share based payment liability as at 31 March 2017 is R118 million (2016: R103 million) and the equity-settled share based payment reserve as at 31 March 2017 is R386 million (2016: R389 million).

**Note:**
1. Consolidated by the Group as a structured entity in terms of IFRS 10: Consolidated Financial Statements, as issued by the IASB.

#### 17.1.4.2 Share rights

| | 2016 |
|---|---|
| Movements in non-vested share rights: | |
| 1 April | 286 012 319 |
| Granted | 13 987 681 |
| 31 March | 300 000 000 |

All share rights vested in the prior financial year.

No share rights are currently exercisable through the notional funding mechanism. Since the funded portion of the fair value is repaid through notional dividends on the 'A' ordinary shares issued, the exercise price at the date the share rights become exercisable can vary depending to what extent the notional amounts outstanding have been recouped.

# 17. Other reserves continued

## 17.1 Share-based payment reserve continued

### 17.1.4 Broad-based Black Economic Empowerment (BBBEE) transaction continued

#### 17.1.4.3 Black Public and Business Partners

The Black Public and Business Partners hold ordinary and 'A' ordinary shares in Vodacom SA through YeboYethu Limited[1]. For the first five years the Black Public and Business Partners will not be entitled to sell their ordinary and 'A' ordinary shares in Vodacom SA. After the fifth anniversary until the expiry of the 10 year lock-in period they will be entitled to sell or transfer these shares to approved BBBEE parties. After the expiry of the 10 year lock-in period the Black Public and Business Partners will be entitled to freely trade the ordinary and 'A' ordinary shares. The over-the-counter (OTC) trading commenced on 3 February 2014. The equity-settled share based payment reserve remained unchanged.

**Note:**
1. Consolidated by the Group as a structured entity in terms of IFRS 10: Consolidated Financial Statements, as issued by the IASB.

#### 17.1.4.4 Strategic Partners: Royal Bafokeng Holdings (Pty) Limited and Thebe Investment Corporation (Pty) Limited

The two Strategic Partners respectively hold ordinary and 'A' ordinary shares in Vodacom SA through two wholly-owned ring-fenced private companies named Lisinfo 209 Investments (Pty) Limited[1] and Main Street 661 (Pty) Limited[1].

The Strategic Partners will not be able to trade their shares during the first seven years of the 10 year lock-in period. After the seventh anniversary and until the expiry of the lock-in period, the Strategic Partners will be entitled to trade their shares subject to Vodacom SA having a first pre-emptive right to repurchase, and other Strategic Partners, if introduced with Vodacom SA's approval, having a second ranking pre-emptive right to purchase the shares. If none of the parties exercise their right, the Strategic Partners will be entitled to sell their shares to any other party with a similar or higher BBBEE rating than themselves, subject to Vodacom SA approval. After the expiry of the 10 year lock-in period the Strategic Partners will be entitled to freely trade their shares. The equity-settled share based payment reserve remained unchanged.

**Note:**
1. Consolidated by the Group as a structured entity in terms of IFRS 10: Consolidated Financial Statements, as issued by the IASB.

#### 17.1.4.5 Funding

The difference between the value of the shares allocated and the proceeds received was funded by Vodacom SA on a notional funding basis. Initially the loan carried a notional interest rate of 9.8%, representing a nominal annual rate compounded daily (NACD) with a maturity date of 30 September 2015. In October 2014, the interest rate on the loan was amended to 8.0% NACD and the maturity date was extended to 30 September 2018.

The BBBEE participants receive a notional dividend on the 'A' ordinary shares, which is used as a notional payment against the notional loan. If the notional loan has not been fully repaid by the notional dividends, Vodacom SA has the right to repurchase a variable number of shares from the BBBEE participants at par value. The variable number of shares will be calculated based on a specified formula which takes into account the outstanding balance of the notional loan and the underlying value of the shares held in Vodacom SA. This repurchase feature is a mechanism to redeem any outstanding notional loan balances and therefore results in an in-substance option in terms of IFRS 2, to issue a variable number of shares to the BBBEE participants in the future. Since there is no obligation on Vodacom SA to repurchase any shares, it does not render the share-based payment to be cash-settled, nor does it impact the vesting rights.

The notional funding closing balance for employees amounted to R1 559 million (2016: R1 620 million), for Black Public and Business Partners R1 284 million (2016: R1 385 million) and for Strategic Partners R1 926 million (2016: R2 077 million).

To compensate current employees and employees previously employed (collectively employees) for the reduced liquidity as a result of the extension of the notional loan maturity date to 30 September 2018, the Group provided employees with the option to subscribe for an interest free loan, repayable 1 March 2019.

# 17. Other reserves continued

## 17.1 Share-based payment reserve continued

### 17.1.4 Broad-based Black Economic Empowerment (BBBEE) transaction continued

#### 17.1.4.5 Funding continued

The funding does not give rise to a legal obligation but only facilitates a share repurchase mechanism.

The employees pledge the interest held in units as security for the interest free loan. The value of the interest free loan available to the employees is 50.0% of the amount which the Group determined as a bona fide estimate of what the after tax value of the borrower's participation rights are in relation to the underlying value of the units in the Trust, adjusted on an annual basis. If an employee elects to receive the funding, the Group will pay the employee the fringe benefit tax that is levied on the employee arising from the interest free loans. The same will apply if the Group decides to waive the loan. The provision of interest free loans resulted in a change in classification of a portion of the awards to employees from an equity settled to a cash settled share based payment (i.e. a compound instrument with a liability for the loan component and a residual equity element). The employees could elect funding in the month of March 2016 with R39.9 million (2016: R27 million) paid out in loans to employees.

#### 17.1.4.6 Innovator trust[1]

During the 2015 financial year, the Innovator Trust, a consolidated structured entity[1], acquired shares from the existing BBBEE shareholders. The objectives of the Innovator Trust include facilitating enterprise development.

The ability of the Innovator Trust to purchase YeboYethu shares provides the Group with a choice of settlement to the BBBEE shareholders, for up to 34.0% of the YeboYethu shares. The Group can either settle the award in YeboYethu shares or repurchase the equity instruments and thereby settle the transaction in cash. With the first purchase of YeboYethu shares by the Innovator Trust in the prior year, the Group created a past practice of settling the awards in cash and recognised its present obligation to settle in cash as a deduction from equity.

The cash-settled share based payment liability as at 31 March 2017 is R296 million (2016: R234 million).

**Note:**
1. Consolidated by the Group as a structured entity in terms of IFRS 10: Consolidated Financial Statements, as issued by the IASB.

#### 17.1.4.7 BBBEE valuation

**Equity-settled share based payment transaction**
BBBEE credentials are not separable and cannot be valued other than by reference to the fair value of the equity instruments granted. The share-based payment expense was calculated using the Monte-Carlo option pricing model, which is reflective of the underlying characteristics of the BBBEE transaction. The final grant took place in the 2016 financial year, and the following assumptions were used at the time to determine the fair value of the final grant.

| | |
|---|---|
| Risk-free rate (%)[1] | 6.8 – 7.9 |
| Expected volatility (%)[2] | 22.7 |
| Contractual life (years) | 2.5 |
| Original grant valuation (Rm) | 102 |
| Final grant fair value (Rm) | 69 |

**Notes:**
1. Determined from the South African swap curve.
2. Determined using historical share prices of Vodacom Group Limited.

# 17. Other reserves continued

## 17.1 Share-based payment reserve continued

### 17.1.4 Broad-based Black Economic Empowerment (BBBEE) transaction continued

#### 17.1.4.7 BBBEE valuation continued

**Cash-settled share based payment transaction**

The cash-settled liabilities relating to employees (compound instruments) and the Innovator Trust (ability to purchase up to 34.0% of YeboYethu shares) are measured at fair value through profit and loss at each reporting date and on settlement. These share-based payment liabilities are calculated using the Monte-Carlo option pricing model, which is reflective of the underlying characteristics of the BBBEE transaction, using the following assumptions:

| | 2017 | 2016 |
|---|---|---|
| Risk-free rate (%)[1] | 7.2 – 7.4 | 6.8 – 7.9 |
| Expected volatility (%)[2] | 17.4 | 22.7 |
| Contractual life (years) | 1.5 | 2.5 |
| Weighted average fair value of instruments granted (Rm) | 482 | 383 |

**Notes:**

1. Determined from the South African swap curve.
2. Determined using historical share prices of Vodacom Group Limited.

#### 17.1.4.8 Storage Technologies Services (Pty) Limited (Stortech)

During the prior financial year, a Special Purpose Vehicle (SPV)[1] was created pursuant to a BBBEE deal to acquire a 44.0% shareholding in a subsidiary of the Group, Stortech. The SPV is held by two BBBEE shareholders with a respective shareholding of 70.0% held by a non-executive director of Vodacom Group and 30.0% held by In2salad (Pty) Limited. The purchase price amounting to R72 million was partially funded by loans guaranteed by Vodacom SA with the shares in the SPV acting as the only security. The transaction was finalised on 15 September 2015 and the new structure provided Stortech with the necessary black female and black shareholding that it requires for qualifying BBBEE credentials in terms of the BBBEE codes.

The transaction represents an in-substance option for the BBBEE shareholders to acquire a variable number of shares in the future. The option falls into the scope of IFRS 2 as the BBBEE shareholders receive shares in Stortech at a discount to fair value in exchange for BEE credentials. The scheme is an equity-settled share-based payment arrangement. The IFRS 2 charge and related equity settled share based payment reserve recognised at grant date amounted to R32 million and was recognised as an expense immediately on grant date. An option pricing model has been used to value the option on grant date. There are no subsequent measurement considerations as this is an equity-settled scheme. The option pricing model used the following assumptions:

| | |
|---|---|
| Valuation date | 15 September 2015 |
| Maturity date | 15 September 2020 |
| Weighted average fair value of instruments granted (Rm) | 64 |
| Strike price (Rm)[2] | 40 |
| Risk-free rate (%)[3] | 6.2 – 8.7 |
| Expected volatility (%)[4] | 36.9 |
| Dividend yield (%)[5] | 3.2 – 9.4 |
| Market value of underlying equity (Rm) | 107 |
| Share-based payment expense (Rm) | 32 |

**Notes:**

1. Consolidated by the Group as a structured entity in terms of IFRS 10: Consolidated Financial Statements, as issued by the IASB.
2. The starting value for the strike price input into the option pricing model is the loan carrying value on grant date.
3. Determined from the South African swap curve.
4. Determined using the weighted average volatility of 3 peer companies as a proxy for Stortech's volatility.
5. Determined using the dividend per share forecasts for Stortech in conjunction with projected future share prices as at the dividend payment dates.

## 18. Borrowings

In terms of the memorandum of incorporation of Vodacom Group Limited, the borrowing powers of the Company are unlimited.

| Rm | 2017 | 2016 |
|---|---|---|
| **Non-current** | | |
| Interest bearing borrowings (Note 18.1) | **27 613** | 26 658 |
| **Current** | | |
| Interest bearing borrowings (Note 18.1) | **3 326** | 1 848 |
| Non-interest bearing borrowings (Note 18.2) | **436** | 436 |
| | **3 762** | 2 284 |

### 18.1 Interest bearing borrowings

| | 2017 | 2016 |
|---|---|---|
| **Vodafone Investments Luxembourg s.a.r.l.**<br>During the current year the Group utilised funds from a Vodafone Investments Luxembourg s.a.r.l. facility with a nominal value of R4 000 million, which will be utilised primarily for capital expenditure. The loan bears interest payable quarterly at three-month JIBAR plus 1.57%, is unsecured and repayable on 29 July 2021. The Group repaid R1 470 million on a 3 year, R3 000 million Vodafone Investments Luxembourg s.a.r.l loan on 31 March 2017, reducing the capital balance to R1 530 million. The loan bears interest at three-month JIBAR plus 1.15% and is repayable on 24 November 2017.<br><br>The loans with a combined nominal value of R26 630 million are unsecured, bear interest payable quarterly between JIBAR plus 1.15% and 1.57% and a fixed interest rate of 8.64% and 9.39%, have repayment terms between three and seven years and are ultimately repayable between 24 November 2017 and 29 July 2021. | **26 856** | 24 256 |
| **Dark Fibre Africa (Pty) Limited, Link Africa (Pty) Limited And Metrofibre Networx (Pty) Limited**<br>The Group leases access transmission links under finance leases. These leases bear interest at a fixed interest rate of 6.71% and lease payments are made monthly over a lease term of 15 years per link. The finance lease liability is secured by the lessor's title to the leased assets (Note 9). | **1 595** | 1 527 |
| **The Standard Bank of South Africa Limited**<br>These loans with nominal values of US$35 million and US$40 million were raised in favour of Vodacom Congo (RDC) SA to finance capital expenditure and working capital requirements and to repay short-term borrowings. The loans bear interest payable quarterly at three-month LIBOR plus 2.45% and LIBOR plus approximately 3.31% respectively, have a five-year term and are ultimately repayable on 2 October 2019 and 12 December 2019 respectively. The Group has issued guarantees for these borrowings (Note 25.6). | **1 005** | 1 102 |
| **Mirambo Limited**<br>The unsecured loan with a nominal value of US$18 million was provided to Vodacom Tanzania Public Limited Company. In the prior years the nominal value of the loan was converted to equity. The remaining portion of the loan bears interest, payable quarterly, at LIBOR plus 5.0%. The total outstanding amount of loan and accrued interest shall be repaid on approval by shareholders holding at least 60% of voting rights of the Group. | **3** | 9 |
| **Congolese Wireless Network s.a.r.l.**<br>The loan with a nominal value of US$37 million, forms part of the capital structure of Vodacom Congo (RDC) SA, bears interest at 4.0% per annum and is repayable at the discretion of the shareholders and simultaneously in proportion to their shareholding. | **837** | 886 |
| Bank borrowings classified as financing activities | **606** | 685 |
| Other loans | **37** | 41 |
| | **30 939** | 28 506 |

## 18. Borrowings continued

### 18.1 Interest bearing borrowings continued

The aggregate fair value, if determinable, of interest bearing borrowings with a carrying amount of R30 102 million (2016: R27 620 million) amounts to R30 283 million (2016: R27 507 million). Where the fair value could be determined by using the discounted cash flow method, with a discount rate based on market-related interest rates, the discount rate varied between 8.4% and 9.1% (2016: 8.6% and 9.5%) for rand-denominated borrowings and between 4.2% and 4.6% (2016: 3.5% and 4.3%) for foreign-denominated borrowings.

**Maturity of finance lease liabilities:**

| Rm | 0 – 1 year | 2 – 5 years | 5+ years |
|---|---|---|---|
| **2017** | | | |
| Future minimum lease payments payable | 207 | 828 | 1 322 |
| Future finance costs | (110) | (366) | (286) |
| Present value of minimum lease payments payable | 97 | 462 | 1 036 |
| **2016** | | | |
| Future minimum lease payments payable | 189 | 757 | 1 305 |
| Future finance costs | (102) | (341) | (281) |
| Present value of minimum lease payments payable | 87 | 416 | 1 024 |

**Interest rate and currency of interest bearing borrowings:**

| Rm | Total | Floating rate | Fixed rate |
|---|---|---|---|
| **2017** | | | |
| **Currency** | | | |
| South African rand | 28 488 | 22 883 | 5 605 |
| United States dollar | 2 451 | 1 137 | 1 314 |
| | 30 939 | 24 020 | 6 919 |
| **2016** | | | |
| **Currency** | | | |
| South African rand | 25 825 | 20 288 | 5 537 |
| United States dollar | 2 681 | 1 269 | 1 412 |
| | 28 506 | 21 557 | 6 949 |

| Rm | 2017 | 2016 |
|---|---|---|
| **18.2 Non-interest bearing borrowings** | | |
| Royal Bafokeng Holdings (Pty) Limited | 436 | 436 |
| | 436 | 436 |

Due to the absence of repayment dates, fair value is not determinable.

| Rm | 2017 | 2016 |
|---|---|---|
| **19. Trade and other payables** | | |
| Trade payables | 10 671 | 9 335 |
| Capital expenditure creditors | 3 276 | 3 963 |
| Indirect taxes | 1 482 | 1 436 |
| Accruals | 4 131 | 4 715 |
| Deferred revenue | 3 118 | 3 306 |
| Derivative financial liabilities | 89 | 169 |
| Other | 748 | 736 |
| | 23 515 | 23 660 |
| **Timing** | | |
| Non-current | 815 | 815 |
| Current | 22 700 | 22 845 |
| | 23 515 | 23 660 |

Trade payables are carried at cost which normally approximates fair value due to short-term maturity.

| Rm | 2017 | 2016 |
|---|---|---|
| **Included within derivative financial liabilities:** | | |
| Fair value hedges: | | |
| Foreign exchange forward contracts | 46 | 132 |
| Firm commitment liability – fair value hedge | 43 | 37 |
| | 89 | 169 |

The fair value of foreign exchange forward contracts is determined with reference to quoted market prices for similar instruments, being the mid forward rates as at the reporting dates.

| Rm | Employee benefits provisions | Other provisions | Total |
|---|---|---|---|
| **20. Provisions** | | | |
| **31 March 2015** | 59 | 257 | 316 |
| Provision created | 8 | 242 | 250 |
| Provision utilised | (7) | (312) | (319) |
| Unwinding of interest | – | 9 | 9 |
| **31 March 2016** | 60 | 196 | 256 |
| Provision created | 36 | 364 | 400 |
| Provision utilised | (52) | (62) | (114) |
| Unwinding of interest | – | 6 | 6 |
| **31 March 2017** | 44 | 504 | 548 |

| Rm | 2017 | 2016 |
|---|---|---|
| **Timing** | | |
| Non-current | 360 | 164 |
| Current | 188 | 92 |
| | 548 | 256 |

## 20. Provisions continued

### 20.1 Employee benefits provisions

**Other employee benefits provision**

The provision is measured based on contractually agreed terms and increases as the employee renders the related service. The provision is utilised when eligible employees terminate their service as set out in the agreement.

| Rm | 2017 | 2016 |
|---|---|---|
| 1 April | 37 | 35 |
| Current service cost | 2 | 2 |
| Total benefit payments | (3) | – |
| 31 March | 36 | 37 |

### 20.2 Other provisions

Other provisions include provisions for asset retirement obligations. In the course of the Group's activities, a number of sites and other assets are utilised which are expected to have costs associated with exiting and ceasing their use. The associated cash outflows are generally expected to occur at the dates of exit of the assets to which they relate, which are long-term and short-term in nature.

## 21. Cash generated from operations

| Rm | 2017 | 2016 |
|---|---|---|
| Profit before tax | 19 228 | 18 844 |
| Adjusted for: | | |
| Finance income | (777) | (716) |
| Finance costs | 2 818 | 2 196 |
| Net loss on remeasurement and disposal of financial instruments | 481 | 735 |
| Operating profit | 21 750 | 21 059 |
| Adjusted for: | | |
| Depreciation and amortisation (Notes 9 and 10) | 9 251 | 8 735 |
| Net loss on disposal of property, plant and equipment and intangible assets | 58 | 50 |
| Impairment losses (Note 2) | 84 | 14 |
| Bad debt | 266 | 479 |
| Share-based payment | 240 | 299 |
| Other non-cash flow items | (1) | 233 |
| Cash flows from operations before working capital changes | 31 648 | 30 869 |
| Decrease/(increase) in inventory | 378 | (478) |
| Increase in trade and other receivables | (1 793) | (2 429) |
| Increase in trade and other payables and provisions | 1 558 | 1 838 |
| Cash generated from operations | 31 791 | 29 800 |

| Rm | 2017 | 2016 |
|---|---|---|
| **22. Business combinations** | | |
| **Aggregate net cash consideration paid** | | |
| Shared Networks Tanzania Limited (Note 22.1) | 136 | – |
| Altron TMT (Pty) Limited (Note 22.2) | 149 | 573 |
| | 285 | 573 |

### 22.1 Shared Networks Tanzania Limited

During July 2016, the Group acquired 100% of the issued share capital of Shared Networks Tanzania Limited from its shareholders for a consideration of R160 million. 15% of the purchase price is reserved for future claims, warranty and indemnity. The fair value of the net identifiable assets acquired amounted to R147 million. The goodwill represents future synergies, and is allocated to the Group's Tanzania cash-generating unit.

| Rm | 2017 |
|---|---|
| Final fair value of net identifiable asset acquired | 147 |
| Intangible assets | 158 |
| Property, plant and equipment | 113 |
| Current assets | 13 |
| Current liabilities | (90) |
| Deferred tax | (47) |
| Goodwill | 13 |
| Deferred consideration | (24) |
| Consideration transferred | 136 |

The amounts of revenue and profit or loss of the acquiree included in the consolidated income statement for the year ended 31 March 2017, as well as the impact on consolidated revenue for the Group if the acquisition date occurred at the beginning of the annual reporting period, is immaterial.

### 22.2 Altron TMT (Pty) Limited

Effective 16 March 2016 the Group acquired its Altech Autopage customer base from Altron TMT (Pty) Limited. During the current financial year, deferred consideration of R149 million was paid after certain conditions relating to the purchase price were met.

| Rm | 2017 | 2016 |
|---|---|---|
| **23. Cash and cash equivalents** | | |
| Bank and cash balances[1] | 8 873 | 7 934 |
| Bank overdrafts[2] | – | (183) |
| | 8 873 | 7 751 |

The carrying amount of cash and cash equivalents normally approximates its fair value due to short-term maturity.

**Notes:**

1. Included in the bank and cash balances is an amount of R164 million (2016: R149 million) which represents the call deposits of Vodacom Insurance Company (RF) Limited and Vodacom Life Assurance Company (RF) Limited. The call deposits are invested based on the asset spread requirement in terms of the Long-Term and Short-Term Insurance Act of 1998.
2. Bank overdrafts, excluding those classified as financing activities in the statement of cash flows, are regarded as part of the Group's integral cash management system.

| Rm | 2017 | 2016 |
|---|---|---|

## 24. Commitments

### 24.1 Capital commitments[1]

| | | |
|---|---|---|
| Capital expenditure contracted for but not yet incurred | 2 361 | 3 987 |

Capital commitments for property, plant and equipment and computer software will be financed through internal cash generation and bank funding.

**Notes:**
1. The Group entered into a facilities leasing, services and roaming agreements with Wireless Business Solutions (Pty) Limited which will result in R1 740 million future capital expenditure for the Group. The majority of this expenditure is non-current. Capital commitments do not include the aforementioned.

### 24.2 Operating lease commitments

| Rm | 2017 | 2016 |
|---|---|---|
| Future minimum lease payments under non-cancellable operating leases comprise: | | |
| Within one year | 1 992 | 1 712 |
| Between one and five years | 7 031 | 4 697 |
| After five years | 3 975 | 3 282 |
| | 12 998 | 9 691 |

Operating leases include leases of certain transmission and data lines, offices, distribution outlets, sites, buildings, office equipment and motor vehicles. The remaining lease terms vary between three months and 15 years (2016: one and 10 years) with escalation clauses that vary from an annual fixed escalation rate between 7.0% and 10.0% (2016: 2.0% and 10.0%) per annum or an annual variable consumer price index rate. Various options to renew exist.

The total of future minimum sublease payments expected to be received under non-cancellable subleases is R1 533 million (2016: R1 403 million).

### 24.3 Other commitments

Other commitments include commitments for purchases of handsets and other goods and services. In the prior year, retention incentives, activation bonuses and activation commissions were also included.

As at 31 March 2017, purchase commitments amount to R11 089 million (2016: R10 247 million) of which R6 704 million (2016: R6 368 million) relate to payments due within 12 months.

## 25. Contingent liabilities and legal proceedings

### 25.1 Unresolved tax matters

The Group is regularly subject to an evaluation by tax authorities of its direct and indirect tax filings. The consequence of such reviews is that disputes can arise with tax authorities over the interpretation or application of certain tax rules applicable to the Group's business. These disputes may not necessarily be resolved in a manner that is favourable to the Group. Additionally, the resolution of the disputes could result in an obligation to the Group. The Group has made sufficient provision for any losses arising from tax exposures that are more likely to occur than not.

The Group has discussions with relevant tax authorities on specific matters regarding the application and interpretation of tax legislation affecting the Group and the industry in which it operates. All reliable assessments of tax exposure identified have been quantified and accounted for as appropriate.

The Group has considered all matters in dispute with tax authorities and has accounted for any exposure identified, if required.

### 25.2 Various legal 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, after assessing recoverability, that adequate provision has been made in respect of these legal proceedings as at 31 March 2017.

### 25.3 G.H. Investments (GHI) and Vodacom Congo (RDC) SA (Vodacom Congo)

Vodacom Congo contracted GHI to install ultra-low cost base stations on a revenue share basis. Shortly after rolling out the first sites GHI sought to renegotiate the contractual terms, which Vodacom Congo declined. GHI then accused Vodacom Congo of infringing its intellectual property rights and demanded payment of compensation in the sum of US$1.16 billion. In July 2016, Vodacom Congo filed a request for arbitration with the International Chamber of Commerce's International Court of Arbitration (ICC). In its replying papers to the arbitration process, GHI has revised its claim to US$256 million. Each party has appointed an arbitrator and the arbitrators have appointed a third arbitrator to act as chairman of the tribunal.

## 25. Contingent liabilities and legal proceedings continued

### 25.4 Mr Puati vs Vodacom Congo

A patent infringement claim was filed in July 2016 against Vodacom Congo. The plaintiff is asking the Commercial Court of Kinshasa/Gombe, inter alia, to prohibit Vodacom Congo from providing the M-Pesa service and to order Vodacom Congo to pay damages of US$200 million for losses resulting from the alleged patent infringement. A hearing was held in December 2016, and the matter has been referred to the Public Prosecutor (in accordance with procedural rules of the Democratic Republic of the Congo) for an opinion, before a judgement is delivered.

### 25.5 Kenneth Makate vs Vodacom (Pty) Limited

Negotiations with Mr Makate in terms of the Constitutional Court order to determine a reasonable compensation for a business idea that led to a product known as Please Call Me commenced but were interrupted by Mr Makate's application to the Constitutional Court for the variation of its original order. The Constitutional Court dismissed Mr Makate's application and negotiations continue in accordance with the first order of the Constitutional Court.

### 25.6 Guarantees

The Group issued various guarantees, relating to external financial obligations of its subsidiaries, which amounted to R119 million (2016: R113 million).

Foreign denominated guarantees amounting to R1 005 million (2016: R1 102 million) were issued in 2015 in support of Vodacom Congo (RDC) SA relating to liabilities included in the consolidated statement of financial position.

Vodacom (Pty) Limited provides a guarantee for borrowings entered into by Vodacom Group Limited. At 31 March 2017, and in prior years, none of the borrowings under guarantee were utilised.

## 26. Post-employment benefits

The Group operates a number of pension plans for the benefit of all its employees throughout the Group, which vary depending on the conditions and practices in the countries concerned. The Group's pension plans are provided through defined contribution schemes. Defined contribution schemes offer employees individual funds that are converted into benefits at the time of retirement. Current contributions to the defined contribution schemes amounted to R280 million (2016: R258 million). South African funds are governed in terms of the Pension Funds Act of 1956. The assets in the funds are held in separate accounts and funds are raised through payments from employees and the Group.

## 27. Events after the reporting period

### 27.1 Dividend declared after the reporting period and not recognised as a liability

A final dividend of R6 473 million (435 cents per ordinary share) was declared for the year ended 31 March 2017, payable on Monday 26 June 2017 to shareholders recorded in the register at the close of business on Friday 23 June 2017. The net dividend after taking into account dividend withholding tax for those shareholders not exempt from dividend withholding tax is 348.00000 cents per share.

### 27.2 Acquisition of interest in Vodafone Kenya Limited (Vodafone Kenya)

On 14 May 2017 the Group entered into an agreement with Vodafone International Holdings B.V. (VIHBV) to acquire 87.5% of Vodafone Kenya, which in turn holds 39.94% in Safaricom Limited (Safaricom). The investment in Vodafone Kenya will be accounted for as the acquisition of a subsidiary that does not constitute a business, with the 39.94% equity interest that Vodafone Kenya holds in Safaricom treated as an investment in an associate. The acquisition is subject to various conditions precedent, one of which is the approval by the shareholders of Vodacom Group Limited other than VIHBV and its associates (as defined in the JSE Listing requirements).

The purchase consideration will be settled on the effective date of the transaction by the issuance of 226 800 0000 Vodacom Group Limited shares and, for the equity interest in Vodafone Kenya, a fixed cash consideration not exceeding KSh394 million (approximately R51 million). The value of the consideration shares will depend on the Vodacom Group Limited share price on the effective date. If the record date of the final dividend declared by the Group for the year ended 31 March 2017 is before the effective date, additional Vodacom Group Limited shares will be issued as per the agreement. This will result in a total of 233 459 781 Vodacom Group Limited shares being issued for a subscription price of R34.6 billion.

## 28. Interest in subsidiaries

Information disclosed below are for subsidiaries of the Group that have material non-controlling interests.

### 28.1 Vodacom Tanzania Public Limited Company (VTPLC)

The Group holds a 82.2% interest in VTPLC (of which 65% is held directly by Vodacom Group Limited) which operates and is incorporated in Tanzania. There are no restrictions on VTPLC's ability to access or use assets, and settle liabilities of the Group.

| Rm | 2017 | 2016 |
|---|---|---|
| **Statement of financial position** | | |
| Non-current assets | 4 887 | 5 080 |
| Current assets | 3 786 | 4 291 |
| Total assets | 8 673 | 9 371 |
| Equity attributable to owners of the parent | (2 884) | (3 279) |
| Non-controlling interests[1] | (627) | (718) |
| Non-current liabilities | (534) | (367) |
| Current liabilities | (4 628) | (5 007) |
| Total equity and liabilities | (8 673) | (9 371) |
| **Income statement** | | |
| Revenue | 5 969 | 5 962 |
| Net profit attributable to equity shareholders | 34 | 98 |
| Net profit attributable to non-controlling interests | 7 | 21 |
| Net profit | 41 | 119 |
| **Statement of cash flows** | | |
| Net cash flows from operating activities | 1 747 | 2 096 |
| Net cash flows utilised in investing activities | (966) | (1 577) |
| Net cash flows utilised in financing activities | (763) | (355) |
| Net increase in cash and cash equivalents | 18 | 164 |

VTPLC is currently in the process of a mandatory listing of 25% of their authorised share capital through an initial public offering on the Dar es Salaam Stock Exchange. The listing of shares is expected to take place in June 2017. Further details may be found in the directors' report on page 08.

**Note:**
1. Dividend paid to non-controlling interests amounted to R19 million (2016: RNil).

## 28. Interest in subsidiaries continued

### 28.2 Vodacom Congo (RDC) SA (Vodacom Congo)

The Group holds a 51% interest in Vodacom Congo which operates and is incorporated in The Democratic Republic of Congo. There are no restrictions on Vodacom Congo's ability to access or use assets, and settle liabilities of the Group.

| Rm | 2017 | 2016 |
|---|---|---|
| **Statement of financial position** | | |
| Non-current assets | 5 300 | 5 873 |
| Current assets | 2 310 | 1 797 |
| Total assets | 7 610 | 7 670 |
| Equity attributable to owners of the parent | 4 542 | 4 451 |
| Non-controlling interests | 2 311 | 2 228 |
| Non-current liabilities | (1 062) | (1 151) |
| Current liabilities | (13 401) | (13 198) |
| Total equity and liabilities | (7 610) | (7 670) |
| **Income statement** | | |
| Revenue | 5 726 | 5 919 |
| Net loss attributable to equity shareholders | (403) | (121) |
| Net loss attributable to non-controlling interests | (388) | (116) |
| Net loss | (791) | (237) |
| **Statement of cash flows** | | |
| Net cash flows from operating activities | 1 894 | 1 486 |
| Net cash flows utilised in investing activities | (1 359) | (2 208) |
| Net cash flows from financing activities | (110) | 640 |
| Net increase/(decrease) in cash and cash equivalents | 425 | (82) |

## 28. Interest in subsidiaries continued

### 28.3 VM, SA

The Group holds a 85% interest in VM, SA which operates and is incorporated in Mozambique. There are no restrictions on VM, SA's ability to access or use assets, and settle liabilities of the Group.

| Rm | 2017 | 2016 |
|---|---|---|
| **Statement of financial position** | | |
| Non-current assets | 2 553 | 3 578 |
| Current assets | 1 064 | 1 530 |
| Total assets | 3 617 | 5 108 |
| Equity attributable to owners of the parent | (1 753) | (2 606) |
| Non-controlling interests | (173) | 90 |
| Non-current liabilities | (125) | (151) |
| Current liabilities | (1 566) | (2 441) |
| Total equity and liabilities | (3 617) | (5 108) |
| **Income statement** | | |
| Revenue | 3 059 | 3 809 |
| Net profit attributable to equity shareholders | 108 | 104 |
| Net profit attributable to non-controlling interests | 19 | 18 |
| Net profit | 127 | 122 |
| **Statement of cash flows** | | |
| Net cash flows from operating activities | 968 | 1 260 |
| Net cash flows utilised in investing activities | (765) | (1 242) |
| Net cash flows from financing activities | (446) | 570 |
| Net (decrease)/increase in cash and cash equivalents | (243) | 588 |

## 28. Interest in subsidiaries continued

### 28.4 Vodacom Lesotho (Pty) Limited (Vodacom Lesotho)

The Group holds a 80% interest in Vodacom Lesotho which operates and is incorporated in Lesotho. There are no restrictions on Vodacom Lesotho's ability to access or use assets, and settle liabilities of the Group.

| Rm | 2017 | 2016 |
|---|---|---|
| **Statement of financial position** | | |
| Non-current assets | 809 | 694 |
| Current assets | 284 | 192 |
| Total assets | 1 093 | 886 |
| Equity attributable to owners of the parent | (827) | (527) |
| Non-controlling interests[1] | 82 | (132) |
| Non-current liabilities | (28) | (17) |
| Current liabilities | (320) | (210) |
| Total equity and liabilities | (1 093) | (886) |
| **Income statement** | | |
| Revenue | 1 116 | 1 027 |
| Net profit attributable to equity shareholders | 257 | 232 |
| Net profit attributable to non-controlling interests | 64 | 58 |
| Net profit | 321 | 290 |
| **Statement of cash flows** | | |
| Net cash flows from operating activities | 503 | 391 |
| Net cash flows utilised in investing activities | (201) | (234) |
| Net cash flows utilised in financing activities | (235) | (199) |
| Net increase/(decrease) in cash and cash equivalents | 67 | (42) |

**Note:**
1. Dividend paid to non-controlling interest amounted to R47 million (2016: R40 million).

## 29. Related parties

The Group's related parties are its parent, joint venture, associate, pension schemes (Note 26) and key management including directors (Note 29.3). Further details regarding the related party relationship with a non-executive director of the Group may be found in Note 17.1.4.8.

| Rm | 2017 | 2016 |
|---|---|---|
| **29.1 Balances with related parties** | | |
| Accounts receivable | | |
| Vodafone Group Plc and subsidiaries | 78 | 72 |
| Other | 42 | 17 |
| Accounts payable | | |
| Vodafone Group Plc and subsidiaries | (1 031) | (833) |
| Other | (15) | (2) |
| The outstanding balances listed above are unsecured and will be settled in cash in the ordinary course of business. No guarantees or provision for doubtful debts have been recognised. | | |
| Borrowings | | |
| Vodafone Investments Luxembourg s.a.r.l (Note 18) | 26 856 | 24 256 |

# 29. Related parties continued

| Rm | 2017 | 2016 |
|---|---|---|
| **29.2 Transactions with related parties** | | |
| Vodafone Group Plc and subsidiaries[1] | (11 222) | (10 560) |
| Revenue | 142 | 202 |
| Direct expenses | (99) | (173) |
| Secondment fees | (20) | (26) |
| Other operating expenses | (1 222) | (1 109) |
| Finance costs | (2 334) | (1 765) |
| Dividends declared | (7 689) | (7 689) |
| Other | (38) | (23) |
| Revenue | 13 | 11 |
| Direct expenses | (1) | (5) |
| Other operating expenses | (50) | (29) |
| Transactions with entities in which related parties have an interest | (24) | (23) |

**Note:**
1. An amount of R195 million (2016: R189 million) relating to procurement costs was capitalised during the current year.

| Rm | 2017 | 2016 |
|---|---|---|
| **29.3 Key management personnel and directors' remuneration** | | |
| **Key management** | | |
| Short-term employee benefits | (21) | (21) |
| Post-employment benefits | (1) | (1) |
| Other long-term employee benefits | (1) | (1) |
| Share-based payments | (2) | (5) |
| Key management's remuneration incurred by the Group[2] | (25) | (28) |
| Short-term incentives over provided by the Group | (1) | (1) |
| Key management's remuneration incurred by Vodafone Group Plc[3] | (3) | (1) |
| | (29) | (30) |
| **Directors** | | |
| Executive directors | (48) | (55) |
| Short-term employee benefits | (33) | (38) |
| Post-employment benefits[1] | (1) | (2) |
| Share-based payments | (14) | (15) |
| Non-executive directors | (8) | (7) |
| Directors' fees | (8) | (7) |
| Directors' remuneration incurred by the Group | (56) | (62) |
| Short-term incentives (over)/under provided by the Group | (3) | 3 |
| Directors' remuneration incurred by Vodafone Group Plc[3] | (9) | (6) |
| | (69) | (65) |

**Notes**:
1. Included in post-employment benefits is an amount of R0.7 million (2016: R0.6 million) relating to contributions to provident funds made annually from bonus allocations.
2. Includes key management personnel paid by subsidiaries.
3. Includes long-term employee benefits for MS Aziz Joosub: R6 million (2016: R4 million); T Streichert: R3 million (2016: R2 million) and V Mathur: R2 million (2016: R1 million).

## 29. Related parties continued

### 29.3 Key management personnel and directors' remuneration continued

Included in the aggregate remuneration above are the following individual remuneration payable by the Group (further details can be found in the remuneration report):

| R | Directors' fees | Salary | Retirement contributions | Other[1] |
|---|---|---|---|---|
| **2017** | | | | |
| **Executive directors** | | | | |
| MS Aziz Joosub | – | 9 200 500 | 799 500# | 493 867 |
| T Streichert[6] | – | 5 506 821 | 186 044 | 3 262 685 |
| **Non-executive directors** | | | | |
| MP Moyo | 2 233 334 | – | – | – |
| DH Brown | 929 668 | – | – | – |
| V Badrinath*[5] | 161 250 | – | – | – |
| M Joseph* | 405 000 | – | – | – |
| BP Mabelane | 625 000 | – | – | – |
| TM Mokgosi-Mwantembe | 811 667 | – | – | – |
| PJ Moleketi | 833 334 | – | – | – |
| JWL Otty* | 405 000 | – | – | – |
| M Pieters* | 380 000 | – | – | – |
| RAW Schellekens* | 751 668 | – | – | – |
| S Timuray*[4] | 497 084 | – | – | – |
| | 8 033 005 | 14 707 321 | 985 544 | 3 756 552 |
| **2017** | | | | |
| **Key management personnel (Prescribed officers)** | | | | |
| V Jarana | – | 4 126 785 | 373 215 | – |
| NC Mabunda[5] | – | 1 998 268 | 218 399 | 2 190 000 |
| V Mathur[6] | – | 4 359 778 | 254 066 | 3 655 247 |
| | – | 10 484 831 | 845 680 | 5 845 247 |

**Notes:**

* Fees due to these directors were paid to Vodafone Group Plc, the company by which the director is employed. No other payments were made to third parties in lieu of directors' fees.

\# MS Aziz Joosub contributed an additional R721 875 to retirement funds from his short-term incentives.

1. Includes relocation allowance, assignment allowance, acting allowance, employee gifts and exit benefits.
2. Includes mobile phone benefit and subsistence allowance.
3. STI payable in June 2017, for the year ended 31 March 2017.
4. Resignations: S Timuray: 8 December 2016.
5. Appointments: NC Mabunda: 1 September 2016; V Badrinath: 8 December 2016.
6. Remuneration paid/payable to Vodafone Group Plc.

| Expense allowances[2] | Short-term incentives (STI)[3] | Remuneration report | Expensed over term | Long-term incentives and other | Total |
|---|---|---|---|---|---|
| | | | | | |
| 4 800 | 10 860 000 | 21 358 667 | – | 14 290 569 | 35 649 236 |
| 4 800 | 3 672 756 | 12 633 106 | – | – | 12 633 106 |
| | | | | | |
| – | – | 2 233 334 | – | – | 2 233 334 |
| – | – | 929 668 | – | – | 929 668 |
| – | – | 161 250 | – | – | 161 250 |
| – | – | 405 000 | – | – | 405 000 |
| – | – | 625 000 | – | – | 625 000 |
| – | – | 811 667 | – | – | 811 667 |
| – | – | 833 334 | – | – | 833 334 |
| – | – | 405 000 | – | – | 405 000 |
| – | – | 380 000 | – | – | 380 000 |
| – | – | 751 668 | – | – | 751 668 |
| – | – | 497 084 | – | – | 497 084 |
| 9 600 | 14 532 756 | 42 024 778 | – | 14 290 569 | 56 315 347 |
| | | | | | |
| 4 800 | 3 592 485 | 8 097 285 | – | 2 616 817 | 10 714 102 |
| 2 400 | 1 538 810 | 5 947 877 | (1 416 667) | – | 4 531 210 |
| – | 1 875 795 | 10 144 886 | – | – | 10 144 886 |
| 7 200 | 7 007 090 | 24 190 048 | (1 416 667) | 2 616 817 | 25 390 198 |

# 29. Related parties continued

## 29.3 Key management personnel and directors' remuneration continued

Included in the aggregate remuneration above are the following individual remuneration payable by the Group (further details can be found in the remuneration report):

| R | Directors' fees | Salary | Retirement contributions | Other[1] |
|---|---|---|---|---|
| **2016** | | | | |
| **Executive directors** | | | | |
| MS Aziz Joosub | – | 7 196 781 | 628 219[#] | – |
| IP Dittrich[4] | – | 1 521 891 | 73 317 | 6 115 625 |
| T Streichert[5,6] | – | 3 640 835 | 596 666 | 2 332 316 |
| **Non-executive** | | | | |
| MP Moyo | 2 066 667 | – | – | – |
| DH Brown | 840 002 | – | – | – |
| HMG Dowidar*[,4] | 173 334 | – | – | – |
| M Joseph* | 378 334 | – | – | – |
| BP Mabelane | 510 001 | – | – | – |
| TM Mokgosi-Mwantembe | 698 335 | – | – | – |
| PJ Moleketi | 730 001 | – | – | – |
| JWL Otty* | 378 334 | – | – | – |
| M Pieters*[,5] | 180 000 | – | – | – |
| RAW Schellekens* | 713 336 | – | – | – |
| S Timuray* | 625 002 | – | – | – |
| | 7 293 346 | 12 359 507 | 1 298 202 | 8 447 941 |
| **2016** | | | | |
| **Key management personnel (Prescribed officers)** | | | | |
| V Jarana | – | 3 587 854 | 324 646 | – |
| R Kumalo[4] | – | 557 842 | 50 491 | 3 650 000 |
| V Mathur[5,6] | – | 1 868 011 | 102 487 | 1 596 528 |
| G Motsa[7] | – | 2 637 928 | 399 572 | – |
| | – | 8 651 635 | 877 196 | 5 246 528 |

**Notes:**

* Fees due to these directors were paid to Vodafone Group Plc, the company by which the director is employed. No other payments were made to third parties in lieu of directors' fees.

[#] MS Aziz Joosub contributed an additional R624 000 to retirement funds from his short-term incentives.

1. Includes relocation allowance, assignment allowance, acting allowance, employee gifts and exit benefits.
2. Includes mobile phone benefit and subsistence allowance.
3. STI payable in June 2016, for the year ended 31 March 2016.
4. Resignations: R Kumalo: 31 May 2015; IP Dittrich: 31 July 2015; HMG Dowidar: 30 September 2015.
5. Appointments: T Streichert: 1 August 2015; M Pieters: 1 October 2015; V Mathur: 16 November 2015.
6. Remuneration paid/payable to Vodafone Group Plc.
7. Does not meet the definition of key management personnel from 1 January 2016.

| Expense allowances[2] | Short–term incentives (STI)[3] | Remuneration report | Actuals vs provisions | Long–term incentives and other | Total |
|---|---|---|---|---|---|
| 3 600 | 13 968 000 | 21 796 600 | (1 488 000) | 13 727 582 | 34 036 182 |
| 1 600 | – | 7 712 433 | – | 1 138 982 | 8 851 415 |
| 5 424 | 4 098 908 | 10 674 149 | (1 707 542) | – | 8 966 607 |
| – | – | 2 066 667 | – | – | 2 066 667 |
| – | – | 840 002 | – | – | 840 002 |
| – | – | 173 334 | – | – | 173 334 |
| – | – | 378 334 | – | – | 378 334 |
| – | – | 510 001 | – | – | 510 001 |
| – | – | 698 335 | – | – | 698 335 |
| – | – | 730 001 | – | – | 730 001 |
| – | – | 378 334 | – | – | 378 334 |
| – | – | 180 000 | – | – | 180 000 |
| – | – | 713 336 | – | – | 713 336 |
| – | – | 625 002 | – | – | 625 002 |
| 10 624 | 18 066 908 | 47 476 528 | (3 195 542) | 14 866 564 | 59 147 550 |

| Expense allowances[2] | Short–term incentives (STI)[3] | Remuneration report | Actuals vs provisions | Long–term incentives and other | Total |
|---|---|---|---|---|---|
| 6 180 | 5 031 480 | 8 950 160 | (839 480) | 3 496 805 | 11 607 485 |
| 800 | – | 4 259 133 | – | 724 619 | 4 983 752 |
| – | 1 143 844 | 4 710 870 | (1 143 844) | – | 3 567 026 |
| 4 290 | – | 3 041 790 | 3 379 800 | 2 344 565 | 8 766 155 |
| 11 270 | 6 175 324 | 20 961 953 | 1 396 476 | 6 565 989 | 28 924 418 |

| Rm | 2017 | 2016 |
|---|---|---|
| **30. Financial instruments and risk management** | | |
| **30.1 Net losses on financial instruments** | | |
| Net losses on financial instruments analysed by category are as follows: | | |
| Financial assets and liabilities at fair value through profit or loss | 206 | (349) |
| Loans and receivables | 91 | 306 |
| Available-for-sale financial assets | – | 12 |
| Financial liabilities measured at amortised cost | (2 671) | (2 085) |
| Net losses attributable to financial instruments | (2 374) | (2 116) |
| **30.2 Carrying amounts of financial instruments** | | |
| Carrying amounts of financial instruments analysed by category, are as follows: | | |
| Financial assets measured at amortised cost[1] | 26 833 | 24 630 |
| Financial assets at fair value through profit or loss (Note 11.2) | 244 | 360 |
| Available-for-sale financial assets (Note 11.3) | 43 | 39 |
| Derivatives designated as fair value hedging instruments (Note 14 and 19) | 19 | (96) |
| Financial liabilities measured at amortised cost | (46 446) | (44 280) |
| | (19 307) | (19 347) |

**Note:**
1. Included in the current and prior years' amounts are cash held in restricted deposits.

| Rm | 2017 | 2016 |
|---|---|---|
| **30.3 Fair value hierarchy** | | |
| The table below sets out the valuation basis of financial instruments measured at fair value: | | |
| Level one[1] | | |
| Financial assets and liabilities at fair value through profit or loss, classified as held for trading | | |
| Unit trust investments (Note 11) | 244 | 187 |
| Level two[2] | | |
| Derivatives designated as fair value hedging instruments | | |
| Derivative financial assets (Note 14) | 108 | 73 |
| Derivative financial liabilities (Note 19) | (89) | (169) |
| Level three[3] | | |
| Financial assets and liabilities at fair value through profit or loss, classified as held for trading | | |
| Equity linked notes (Note 11) | – | 173 |
| | 263 | 264 |

**Notes:**
1. Level one classification is used when the valuation is determined using quoted prices in an active market.
2. Level two classification is used when valuation inputs used to determine fair value are observable for the asset/(liability), either directly as prices or indirectly when derived from prices.
3. Level three classification is used when unobservable valuation inputs are used to determine the fair value for the asset/(liability).

## 30. Financial instruments and risk management continued

### 30.4 Financial risk management

The Group's normal operations, its sources of finance and changing market conditions expose it to various financial risks, which highlights the importance of financial risk management as an element of control. Principal financial risks faced by the Group are foreign currency, interest rate, equity price, credit, liquidity and insurance risk.

The Group's treasury function provides a centralised service to the Group for co-ordinating access to domestic and international financial markets and the managing of foreign currency, interest rate and liquidity risk. The aforementioned risks are managed, subject to the limitations of the local markets and the Regulations of the central bank of the country in which the various Group companies operate. Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed annually by the Board.

The Group uses a number of derivative instruments that are transacted for foreign currency and interest rate risk management purposes only. There has been no significant change during the reporting period to the types of financial risks faced by the Group, the measures used to measure them or the objectives, policies and processes for managing them.

Since the end of the reporting period, two of the three international rating agencies, Standard and Poor's and Fitch, downgraded South Africa's sovereign credit rating due to increased perception of political risk and the risk of policy shifts that could undermine fiscal and economic growth in South Africa. Fitch downgraded the local and foreign currency rating to sub-investment grade whereas Standard and Poor's only downgraded the foreign currency rating to sub-investment grade and downgraded the local currency rating by one notch which is still investment grade. Moody's is still reflecting the sovereign credit risk of South Africa as investment grade and has not downgraded South Africa's sovereign credit rating. This has led to the downgrade of various financial and parastatal institutions and companies in South Africa. The Group has identified three main areas of risk as a result of this downgrade, which are:

- Reduced consumer spending and increased credit risk;
- Exchange rate volatility; and
- Increased cost of capital.

The Group has implemented strategies in order to manage the impact of ratings downgrades through segmented propositions and micro bundles, more relevant data offerings to evolve with customer behaviour, using hedging instruments such as forward contracts, and continuously extending our debt maturity profile to alleviate refinancing and reallocation risk. The Group is also targeting to balance the debt structure between fixed and floating interest rates to protect against upward movement in rates but allowing for participation in downward movements.

#### 30.4.1 Market risk management

The Group's activities expose it to the risks of fluctuations in foreign currency exchange rates (Note 30.4.1.1), interest rates (Note 30.4.1.2) and equity prices (Note 30.4.1.3).

Market risk exposures are measured using sensitivity analyses, which show how profit post tax or equity post tax would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date. Sensitivity analyses are for illustrative purposes only as, in practice, market rates rarely change in isolation. Details of changes in the methods and assumptions used in preparing the sensitivity analyses are disclosed in the respective sensitivity analyses.

## 30. Financial instruments and risk management continued

### 30.4 Financial risk management continued

### 30.4.1 Market risk management continued

#### 30.4.1.1 Foreign currency risk management

Various monetary items exist in currencies other than the functional currencies of the entities within the Group. The tables below disclose the net currency exposure (net carrying amount of foreign-denominated monetary assets/(liabilities) expressed in the presentation currency of the Group) per functional currency. The Group is mainly exposed to the euro and United States dollar and to a lesser extent to the Congolese franc, pound sterling, Swiss franc, Australian dollar, Tanzanian shilling, Mozambican metical, Mauritian rupee, Lesotho maloti, Nigerian naira, Zambian kwacha, West African franc, Central African franc, Ghanaian cedi, Kenyan shilling and South African rand which are combined as Other.

| Rm | Euro | United States dollar | Other |
|---|---|---|---|
| **2017** | | | |
| **Functional currency** | | | |
| South African rand | **(63)** | **(699)** | **(26)** |
| United States dollar | **(5)** | **–** | **(141)** |
| Tanzanian shilling | **(65)** | **494** | **(13)** |
| Mozambican metical | **3** | **(463)** | **(36)** |
| Nigerian naira | **(5)** | **61** | **–** |
| | **(135)** | **(607)** | **(216)** |
| **2016** | | | |
| **Functional currency** | | | |
| South African rand | (22) | (316) | (3) |
| United States dollar | 1 | – | (5) |
| Tanzanian shilling | (25) | 112 | – |
| Mozambican metical | 12 | 46 | (8) |
| Nigerian naira | (1) | 38 | (3) |
| | (35) | (120) | (19) |

The Group's South African operations manages its exposure to fluctuations in foreign currency exchange rates by entering into foreign exchange forward contracts for foreign-denominated transactions. The contracts are entered into for specific transactions and are matched with anticipated future cash flows, in foreign currencies, primarily for the purchase of capital equipment and to a lesser extent operating expenditure. The Group's policy is generally that entities within the Group borrow funds denominated in their respective functional currencies, however, in those instances where funds are borrowed in foreign-denominated currencies and a forward market exists, exposure to fluctuations in foreign currency exchange rates is managed by entering into foreign exchange forward contracts.

# 30. Financial instruments and risk management continued

## 30.4 Financial risk management continued

### 30.4.1 Market risk management continued

30.4.1.1 Foreign currency risk management continued

The tables below provide a currency split of the Group's net derivative financial assets and liabilities relating to material open foreign exchange forward contracts at the reporting date:

| Rm | 2017 | 2016 |
|---|---|---|
| **Forward contracts to buy foreign currency** | | |
| Euro[1] | 19 | 3 |
| Pound sterling[2] | – | (2) |
| United States dollar[3] | 10 | (101) |
| Net derivative financial asset/(liability) | 29 | (100) |

**Notes:**
Foreign contract values amount to:
1. €85 million (2016: 27 million).
2. £1 million (2016: £4 million).
3. US$124 million (2016: US$146 million).

| Rm | 2017 | 2016 |
|---|---|---|
| **Forward contracts to sell foreign currency** | | |
| Euro[1] | (3) | (1) |
| United States dollar[2] | – | 31 |
| Net derivative financial (liability)/asset | (3) | 30 |

**Notes:**
Foreign contract values amount to:
1. €7 million (2016: €2 million).
2. US$9 million (2016: US$35 million).

Of the R26 million net asset (2016: R70 million net liability), R72 million (2016: R62 million) is reported in trade and other receivables and R46 million (2016: R132 million) in trade and other payables.

**Foreign currency sensitivity analysis**

The analysis below, expressed in the Group's presentation currency, discloses the Group's sensitivity to the specified percentage change in the material functional currencies against the relevant foreign currencies exposed to. Management's assessment of a reasonable possible change in prevailing non-African and African foreign currency exchange rates is based on estimated interest rate differentials.

The analysis includes outstanding foreign-denominated monetary items only and adjusts their translations, at the reporting date, to the relevant functional currencies with the specified percentage change.

# 30. Financial instruments and risk management continued

## 30.4 Financial risk management continued

### 30.4.1 Market risk management continued

30.4.1.1 Foreign currency risk management continued

**Foreign currency sensitivity analysis** continued

A positive number indicates an increase and a negative number a decrease in profit post tax, where the functional currencies are expected to strengthen against the relevant foreign currencies. For the same percentage weakening the impact would be equal and opposite.

| | Euro | United States dollar | Other |
|---|---|---|---|
| **2017** | | | |
| **Functional currency** | | | |
| South African rand (%) | 15.9 | 13.8 | 1.4 – 20.4 |
| United States dollar (%) | 1.9 | – | 0.7 – 37.0 |
| Tanzanian shilling (%) | 8.5 | 6.5 | 4.2 – 22.3 |
| Mozambican metical (%) | 36.9 | 34.4 | 1.9 – 36.9 |
| Profit post tax (Rm) | (114) | (128) | (1) |
| **2016** | | | |
| **Functional currency** | | | |
| South African rand (%) | 3.1 | 0.5 | 2.7 – 27.1 |
| United States dollar (%) | 2.6 | – | 0.5 – 26.5 |
| Tanzanian shilling (%) | 2.5 | 5.2 | 0.9 – 12.0 |
| Mozambican metical (%) | 23.2 | 26.5 | 5.8 – 27.1 |
| Profit post tax (Rm) | (8) | (25) | 1 |

Closing exchange rates used at the reporting date are as follows:

| | Euro | United States dollar | Pound Sterling |
|---|---|---|---|
| **2017** | | | |
| **Functional currency** | | | |
| South African rand | 14.3 | 13.4 | 16.8 |
| United States dollar | 1.1 | – | 1.3 |
| Tanzanian shilling | 2 389.6 | 2 233.8 | 2 801.6 |
| Mozambican metical | 72.1 | 67.4 | 84.6 |
| **2016** | | | |
| **Functional currency** | | | |
| South African rand | 16.7 | 14.7 | 21.1 |
| United States dollar | 1.1 | – | 1.4 |
| Tanzanian shilling | 2 488.1 | 2 186.1 | 3 146.7 |
| Mozambican metical | 58.5 | 51.4 | 74.0 |

# 30. Financial instruments and risk management continued

## 30.4 Financial risk management continued

### 30.4.1 Market risk management continued

30.4.1.2 Interest rate risk management

The Group is exposed to fair value and cash flow interest rate risk as a result of its fixed and floating rate loans receivable, borrowings, finance receivables, interest rate swaps and bank balances. The Group's interest rate profile can be summarised as follows:

| Rm | 2017 | 2016 |
|---|---|---|
| **Financial assets** | | |
| Fixed rate financial assets | **6 086** | 6 190 |
| Floating rate financial assets | **8 939** | 6 750 |
| | **15 025** | 12 940 |
| **Financial liabilities** | | |
| Fixed rate financial liabilities | **(6 919)** | (6 981) |
| Floating rate financial liabilities | **(24 020)** | (21 708) |
| | **(30 939)** | (28 689) |

Included in the fixed rate financial assets above is cash held in restricted deposits relating to M-Pesa customers in Tanzania, for which the Group has an obligation to pay the interest earned to the customer after deducting expenses.

The floating rates which the Group is exposed to, is the South African prime, JIBAR, South African money market, LIBOR, Lesotho prime, Democratic Republic of Congo Central Bank lending rate and Tanzanian reference treasury bill rates.

The Group's policy is to maintain an appropriate mix between fixed and floating rate instruments. The Group specifically manages its exposure to interest rate risk relating to interest bearing borrowings through a target ratio of fixed and variable rate borrowings. The Group is targeting to balance the debt structure between fixed and floating interest rates to protect against upward movements in rates but allowing for participation in downward movements. To achieve this ratio the Group may borrow at fixed rates or enter into approved derivative financial instruments.

**Interest rate sensitivity analysis**

The analysis below, expressed in the Group's presentation currency, discloses the Group's sensitivity to the specified basis point change in the market interest rates exposed to. Management's assessment of a reasonable possible change in market interest rates are based on economic forecasts as published by Bloomberg.

The analysis includes both derivative and non-derivative instruments at the reporting date and in the case of floating rate instruments, the analysis is prepared assuming the amount outstanding at the reporting date was outstanding for the whole year.

A negative number indicates a decrease in profit post tax if interest rates were higher by the specified basis points. If interest rates were lower by the specified basis points, the impact would be equal and opposite. There would be no material impact on equity.

| | 2017 | 2016 |
|---|---|---|
| South African prime, JIBAR and South African money market rates | | |
| Basis point increase | **25** | 25 |
| Profit post tax (Rm) | **(29)** | (26) |

A reasonable possible change in the remaining interest rates exposed to, being LIBOR, Lesotho prime, Democratic Republic of Congo Central Bank lending rate and Tanzanian reference treasury bill rates, would have no material impact on profit.

30.4.1.3 Equity price risk

The Group is only exposed to equity price risk to a small extent and therefore a reasonable possible change in equity prices will not have a material impact on profit post tax.

# 30. Financial instruments and risk management continued

## 30.4 Financial risk management continued

### 30.4.2 Credit risk management

Loans receivable, investments, trade and other receivables, derivatives, finance lease receivables, cash and cash equivalents, and financial guarantees granted potentially expose the Group to credit risk.

The carrying amounts of financial assets, which are net of impairment losses, represent the Group's maximum exposure to credit risk, with the exception of financial guarantees granted where the amount the Group could be required to pay or fund, if called on, represents the Group's maximum exposure. The Group considers its maximum exposure per geographical class, without taking into account any collateral and financial guarantees, to be as follows:

| Rm | 2017 | 2016 |
|---|---|---|
| South Africa | 18 781 | 17 645 |
| Non-South African | 4 956 | 5 005 |
| | 23 737 | 22 650 |

In addition, the Group holds cash in restricted deposits of R3 245 million (2016: R2 454 million) mainly as a result of its M-Pesa activities, which cash is held in accounts with reputable financial institutions.

The Group's policy is to deal with creditworthy counterparties only and to obtain sufficient collateral, where appropriate, to mitigate the risk of financial loss from counterparty defaults.

The Group generally transacts with counterparties rated the equivalent of investment grade[1] and above. This information is supplied by independent rating agencies or credit bureaus, where available. If not available, other publicly available financial information, the financial standing of counterparties, the Group's own trading records or the Group's internal grading system is used for rating the credit quality of counterparties. Contractual arrangements are entered into with network operator customers as determined by regulatory requirements and industry norms. Credit exposure is further controlled by defining credit limits per counterparty which are reviewed and approved by the credit risk department. The Group's exposure and credit ratings of counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. In determining the recoverability of trade receivables, the Group considers changes in credit quality.

The Group's largest customer represents 29.7% (2016: 21.2%) of the total trade receivable balance. With the exception of the aforementioned, the credit risk for trade, finance and other receivables is generally limited due to the customer base being large and unrelated in conjunction with stringent credit approval processes. Due to this, management believes there is no further provision required in excess of the normal provision for doubtful receivables. Credit risk is limited for loans receivable due to collateral held and for cash and cash equivalents as they are placed with high credit quality financial institutions. Credit risk relating to investments and derivatives is minimised by limiting the counterparties to major local and international banks, which are closely monitored, and the Group does not expect to incur any losses as a result of non-performance by these counterparties.

The average legally agreed credit period on trade receivables is between 0 and 60 days, for all reporting periods, for the South African operations and between 30 and 89 days, for all reporting periods, for the non-South African operations.

The Group holds collateral to the value of R3 518 million (2016: R3 401 million) over certain trade and other receivables, which is made up of demand guarantees from financial institutions, exercisable on overdue invoices. Collateral held over loans receivable is disclosed in Note 11.

The table below discloses the credit quality of the trade receivables of the Group's South African-based operations which are neither past due nor impaired:

| % | 2017 | 2016 |
|---|---|---|
| High[2] | 0.2 | 2.0 |
| Medium[3] | 2.0 | 2.8 |
| Low[4] | 97.8 | 95.2 |
| | 100.0 | 100.0 |

**Notes**:
1. Further details regarding the downgrading of South Africa's sovereign credit rating may be found in Note 30.4 on page 81.
2. High: probability of default in payments exists and possible delinquency scenario.
3. Medium: probability of financial difficulties exists resulting in arrears.
4. Low: no default in payment occurred or anticipated.

# 30. Financial instruments and risk management continued

## 30.4 Financial risk management continued

### 30.4.2 Credit risk management continued

The tables below disclose an analysis of the age of financial assets that are past due but not impaired:

| | 2017 | 2016 |
|---|---|---|
| **South Africa** | | |
| 1 – 30 days past due | 308 | 217 |
| 31 – 60 days past due | 117 | 128 |
| 61 – 120 days past due | 53 | 120 |
| 121 days to 12 months past due | 47 | 94 |
| More than 12 months past due | 16 | 57 |
| | 541 | 616 |
| **Non-South African** | | |
| 1 – 30 days past due | 162 | 526 |
| 31 – 60 days past due | 40 | 116 |
| 61 – 120 days past due | 203 | 127 |
| 121 days to 12 months past due | 21 | 11 |
| More than 12 months past due | 54 | 5 |
| | 480 | 785 |

## 30. Financial instruments and risk management continued

### 30.4 Financial risk management continued

### 30.4.3 Liquidity risk management

The tables below disclose the maturity profile of the Group's non-derivative financial liabilities and those financial assets used for managing liquidity risk. The amounts disclosed are the future undiscounted contractual cash (outflows)/inflows which therefore differ from both the carrying amount and the fair value. The tables have been drawn up based on the earliest date on which the Group can be required to settle or can require settlement and include both estimated interest and principal cash flows. Estimated interest for floating interest rate financial liabilities is calculated with reference to the applicable zero coupon yield curves, at the reporting date, as published by Bloomberg.

| Rm | 0 – 1 year | 2 years | 3 years | 4 years | 5 years | 5+ years | Total |
|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | |
| **Financial liabilities** | | | | | | | |
| Interest bearing borrowings | (4 758) | (11 256) | (12 930) | (2 150) | (4 390) | (1 323) | (36 807) |
| Non-interest bearing borrowings | (436) | – | – | – | – | – | (436) |
| Trade and other payables[1] | (16 666) | – | – | – | – | – | (16 666) |
| | (21 860) | (11 256) | (12 930) | (2 150) | (4 390) | (1 323) | (53 909) |
| **Financial assets** | | | | | | | |
| Trade and other receivables | 11 661 | – | – | – | – | – | 11 661 |
| Cash and cash equivalents | 8 873 | – | – | – | – | – | 8 873 |
| | 20 534 | – | – | – | – | – | 20 534 |
| **2016** | | | | | | | |
| **Financial liabilities** | | | | | | | |
| Interest bearing borrowings | (3 006) | (5 324) | (10 899) | (12 667) | (1 809) | (1 305) | (35 010) |
| Non-interest bearing borrowings | (436) | – | – | – | – | – | (436) |
| Trade and other payables[1] | (16 546) | (135) | – | – | – | – | (16 681) |
| Bank overdrafts | (183) | – | – | – | – | – | (183) |
| | (20 171) | (5 459) | (10 899) | (12 667) | (1 809) | (1 305) | (52 310) |
| **Financial assets** | | | | | | | |
| Trade and other receivables | 11 645 | – | – | – | – | – | 11 645 |
| Cash and cash equivalents | 7 934 | – | – | – | – | – | 7 934 |
| | 19 579 | – | – | – | – | – | 19 579 |

**Note:**

1. In addition, the Group holds cash in restricted deposits of R3 245 million (2016: R2 454 million) relating to mainly M-Pesa creditors, for which cash is held in accounts with reputable financial institutions.

# 30. Financial instruments and risk management continued

## 30.4 Financial risk management continued

### 30.4.3 Liquidity risk management continued

The tables below disclose the maturity profile of the Group's derivative financial assets and liabilities which include foreign exchange forward contracts and interest rate swaps. The amounts disclosed are the future undiscounted contractual cash (outflows)/inflows, however, for those derivative financial instruments for which gross settlement has been agreed, the cash outflows are matched in part by cash inflows, which are not reported in the tables below and if reported, the cash flows presented would be substantially lower. In the case of the interest rate swaps, where the amounts payable or receivable are not fixed, the amounts are calculated with reference to the applicable zero coupon yield curves at the reporting date.

| Rm | 0 – 1 year | 2 years | 3 years | 4 years | 5 years | 5+ years | Not determinable | Total |
|---|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | | |
| Net settled | (137) | – | – | – | – | – | – | (137) |
| Gross settled | | | | | | | | |
| Payable | (2 378) | (24) | – | – | – | – | – | (2 402) |
| | (2 515) | (24) | – | – | – | – | – | (2 539) |
| **2016** | | | | | | | | |
| Net settled | (34) | – | – | – | – | – | – | (34) |
| Gross settled | | | | | | | | |
| Payable | (2 065) | – | – | – | – | – | – | (2 065) |
| | (2 099) | – | – | – | – | – | – | (2 099) |

The Group ensures that adequate funds are available to meet its expected and unexpected financial commitments through undrawn borrowing facilities. At the reporting date the Group had undrawn rand-denominated borrowing facilities of R3 331 million (2016: R3 776 million) and undrawn foreign-denominated borrowing facilities of US$27 million (2016: US$20 million), MZN888 million (2016: MZN888 million) and LSL45 million (2016: LSL25 million) available to manage its liquidity. The Group uses bank facilities and the normal operating cycle to manage short-term liquidity. The Group raises funds in bank markets and via loan funding from Vodafone Investments Luxembourg s.a.r.l and ensures a reasonable balance is maintained between the period over which assets generate funds and the period over which the respective assets are funded to manage long-term liquidity. Liquidity on long-term borrowings is managed by maintaining a varied maturity profile thereby minimising refinancing risk.

### 30.4.4 Insurance risk management

The Group is exposed to insurance risk as a result of its asset base as well as its customer commitments and value added services rendered. The Group is adequately covered in terms of its insurance risk profile. The annual financial statements of Vodacom Insurance Company (RF) Limited and Vodacom Life Assurance Company (RF) Limited are available at the registered office of the Group and contain further details of the value-added services and insurance risk.

# 30. Financial instruments and risk management continued

## 30.5 Capital risk management

The Group finances its operations through a mixture of cash generated from operations, retained earnings, bank and other long-term borrowings. These borrowings together with surplus cash may be loaned internally or contributed as equity to certain subsidiaries.

The capital structure of the Group consists of net debt and equity. The Group manages its capital to ensure that entities within the Group will be able to continue as going concerns while maximising return to shareholders. Capital is monitored on the basis of net debt to EBITDA.

Net debt comprises interest bearing borrowings, non-interest bearing borrowings, derivative financial instruments, bank and cash balances, bank overdrafts and financial guarantees.

EBITDA comprises earnings before interest, taxation, depreciation, amortisation, impairment losses, BBBEE charge, profit/loss on disposal of property, plant and equipment, intangible assets, subsidiaries and investment properties.

The Group's strategy is to maintain a net debt to EBITDA multiple of less than two. The Group's overall strategy remains unchanged from prior reporting periods. This internal ratio establishes levels of debt that the Group should not exceed other than for relatively short periods of time and it is reviewed on a semi-annual basis to ensure it is being met. The Group complied with this ratio throughout the year.

The Group is not subject to externally imposed capital requirements.

The following table summarises the capital of the Group:

| Rm | 2017 | 2016 |
|---|---|---|
| Bank and cash balances | **8 873** | 7 934 |
| Bank overdrafts | **–** | (183) |
| Borrowings and derivative financial instruments | **(31 357)** | (29 038) |
| Net debt | **(22 484)** | (21 287) |
| Equity | **(22 996)** | (23 024) |
| Capital | **(45 480)** | (44 311) |
| EBITDA and the net debt to EBITDA multiple at the reporting date is as follows: | | |
| EBITDA | **31 238** | 30 345 |
| Net debt/EBITDA (times) | **0.7** | 0.7 |

## 30.6 Option agreements and similar arrangements

### 30.6.1 VM, SA

Empresa Moçambicana de Telecommunicaçòes SA, Intelec Holdings Limitada and Whatana Investments Limitada each held a call option to acquire shares equivalent to their respective equity interests in VM, SA. The options were exercised on 28 June 2016. Subsequent to this exercise the Group subscribed for additional shares in VM, SA resulting in no dilution of Group's shareholding in VM, SA.

# Independent auditor's report on the summarised Company financial statements

## To the shareholders of Vodacom Group Limited

### Opinion

The summarised financial statements of Vodacom Group Limited (the 'Company'), set out on pages 92 to 99 of the Consolidated Annual Financial Statements, which comprise the summarised statement of financial position of the Company standing alone as at 31 March 2017, the summarised Company income statement, summarised Company statement of comprehensive income, summarised Company statement of changes in equity and summarised Company statement of cash flows for the year then ended, and related notes, are derived from the audited financial statements of the Company standing alone for the year ended 31 March 2017.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the JSE Limited's (JSE) requirements for summarised financial statements, as set out in the basis of preparation paragraph on page 96 of the summarised financial statements, and the requirements of the Companies Act of South as applicable to summarised financial statements.

### Summarised financial statements

The summarised financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

### The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 2 June 2017. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

### Directors' responsibility for the summarised financial statements

The directors are responsible for the preparation of the summarised financial statements in accordance with the JSE's requirements for summarised financial statements, set out in the 'Basis of preparation' paragraph on page 96 of the summarised financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

### Auditor's responsibility

Our responsibility is to express an opinion on whether the summarised financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

PricewaterhouseCoopers Inc.

**PricewaterhouseCoopers Inc.**
Director: DB von Hoesslin
Registered Auditor
Pretoria

2 June 2017

# Summarised Company income statement

For the year ended 31 March

| Rm | Notes | 2017 | 2016 |
|---|---|---|---|
| **Revenue** | | 659 | 718 |
| Staff expenses | | (439) | (384) |
| Other operating expenses | | (341) | (381) |
| Depreciation and amortisation | | (3) | (3) |
| Impairment losses | 1 | (377) | (77) |
| **Operating loss** | | (501) | (127) |
| Finance income | | 13 632 | 12 862 |
| Finance costs | | (1 000) | (800) |
| Net loss on remeasurement and disposal of financial instruments | 2 | (247) | (175) |
| **Profit before tax** | | 11 884 | 11 760 |
| Taxation | | (14) | (288) |
| **Net profit** | | 11 870 | 11 472 |

# Summarised Company statement of comprehensive income

For the year ended 31 March

| Rm | 2017 | 2016 |
|---|---|---|
| Net profit | 11 870 | 11 472 |
| Total comprehensive income | 11 870 | 11 472 |

# Summarised Company statement of financial position

as at 31 March

| Rm | Notes | 2017 | 2016 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | 10 107 | 12 771 |
| Property, plant and equipment | | 6 | 6 |
| Intangible assets | | 25 | 39 |
| Investments in subsidiaries | 4 | 9 616 | 10 667 |
| Financial assets | 5 | 169 | 1 745 |
| Finance lease receivables | | 291 | 314 |
| **Current assets** | | 8 705 | 6 119 |
| Investments in subsidiaries | | 633 | – |
| Trade and other receivables | 6 | 1 112 | 1 368 |
| Finance lease receivables | | 19 | 16 |
| Tax receivable | | – | 11 |
| Cash and cash equivalents | | 5 735 | 4 724 |
| Financial assets | | 1 206 | – |
| **Total assets** | | 18 812 | 18 890 |
| **Equity and liabilities** | | | |
| Fully paid share capital | 7 | * | * |
| Treasury shares | 7 | (747) | (735) |
| Retained earnings | | 12 770 | 12 680 |
| Other reserves | 8 | 301 | 298 |
| **Total equity** | | 12 324 | 12 243 |
| **Non-current liabilities** | | 5 040 | 5 171 |
| Borrowings | 9 | 4 576 | 4 576 |
| Trade and other payables | 10 | 112 | 128 |
| Provisions | | 1 | 4 |
| Deferred tax | | 351 | 463 |
| **Current liabilities** | | 1 448 | 1 476 |
| Borrowings | 9 | 71 | 66 |
| Trade and other payables | 10 | 1 334 | 1 392 |
| Provisions | | 4 | – |
| Tax payable | | 21 | – |
| Dividends payable | | 18 | 18 |
| **Total equity and liabilities** | | 18 812 | 18 890 |

**Note:**

* Fully paid share capital of R100.

# Summarised Company statement of changes in equity

For the year ended 31 March

| Rm | Notes | Fully paid share capital | Treasury shares | Share-based payment reserve | Retained earnings | Profit on sale of treasury shares | Total Equity |
|---|---|---|---|---|---|---|---|
| **1 April 2015** | | * | (683) | 260 | 12 990 | 50 | 12 617 |
| Total comprehensive income | | – | – | – | 11 472 | – | 11 472 |
| Dividends | 3 | – | – | – | (11 782) | – | (11 782) |
| Share-based payment vesting | | – | 129 | (115) | – | – | 14 |
| Advanced distribution received | | – | – | 104 | – | – | 104 |
| Restricted share plan | | – | – | (14) | – | – | (14) |
| Share-based payment – deferred tax | | – | – | (2) | – | – | (2) |
| Repurchase and sale of shares | 7 | – | (181) | – | – | 15 | (166) |
| **31 March 2016** | | ***** | **(735)** | **233** | **12 680** | **65** | **12 243** |
| Total comprehensive income | | **–** | **–** | **–** | **11 870** | **–** | **11 870** |
| Dividends | 3 | **–** | **–** | **–** | **(11 780)** | **–** | **(11 780)** |
| Share-based payment vesting | | **–** | **139** | **(139)** | **–** | **–** | **–** |
| Advanced distribution received | | **–** | **–** | **119** | **–** | **–** | **119** |
| Share-based payment expense | | **–** | **–** | **8** | **–** | **–** | **8** |
| Share-based payment – deferred tax | | **–** | **–** | **(2)** | **–** | **–** | **(2)** |
| Repurchase and sale of shares | 7 | **–** | **(151)** | **–** | **–** | **17** | **(134)** |
| **31 March 2017** | | ***** | **(747)** | **219** | **12 770** | **82** | **12 324** |

# Summarised Company statement of cash flows

For the year ended 31 March

| Rm | 2017 | 2016 |
|---|---|---|
| **Cash utilised in operations** | (92) | (47) |
| Tax paid | (94) | (151) |
| **Net cash utilised in operating activities** | (186) | (198) |
| **Cash flows from investing activities** | | |
| Additions to property, plant and equipment and intangible assets | (74) | (26) |
| Proceeds from disposal of property, plant and equipment and intangible assets | 76 | 11 |
| Finance income received | 301 | 275 |
| Dividends received | 12 396 | 11 825 |
| Repayment of loans granted and equity investments | 972 | 1 206 |
| **Net cash flows from investing activities** | 13 671 | 13 291 |
| **Cash flows from financing activities** | | |
| Borrowings incurred | – | 2 000 |
| Finance costs paid | (414) | (292) |
| Dividends paid – equity shareholders | (11 780) | (11 782) |
| Repurchase and sale of shares | (43) | (68) |
| Intercompany money market movement | (237) | (4 403) |
| **Net cash flows utilised in financing activities** | (12 474) | (14 545) |
| **Net increase/(decrease) in cash and cash equivalents** | 1 011 | (1 452) |
| Cash and cash equivalents at the beginning of the year | 4 724 | 6 176 |
| **Cash and cash equivalents at the end of the year** | 5 735 | 4 724 |

# Notes to the Summarised Company financial statements

For the year ended 31 March

## Basis of preparation

These summarised financial statements of the Company have been prepared in accordance with the recognition and measurement criteria of IFRS and the information required by International Accounting Standard 34: Interim Financial Reporting as issued by the IASB, the Financial Reporting Guides as issued by the SAICA Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act of 2008, as amended. They 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 South African rand, the Company's functional and presentation currency.

The significant accounting policies and methods of computation are consistent in all material respects with those applied in the previous period. The Company's critical accounting judgements, including those involving estimations are included in the Group's critical accounting judgements, including those involving estimations, as disclosed on pages 39 to 43 of the consolidated annual financial statements.

| Rm | 2017 | 2016 |
|---|---|---|
| **1. Impairment losses** | | |
| Investments in subsidiaries | **(377)** | (77) |

Net impairment losses for the current year were recognised against the VM, SA preference share investment of R377 million (2016:RNil), the investment in Vodacom Business Africa Group Services Limited and Vodacom Business Africa Group (Pty) Limited of RNil million (2016: R70 million) and RNil million (2016: R22 million) respectively. During the prior year there was a reversal of an impairment on the Vodacom Congo (RDC) SA guarantee fee of R15 million.

## 2. Net loss on remeasurement and disposal of financial instruments

Included in the net loss on remeasurement and disposal of financial instruments are remeasurement gains of R163 million (2016: loss of R868 million) relating to loans and other receivables from subsidiaries as well as net loss on remeasurement of foreign-denominated assets and liabilities of R435 million (2016: net gain of R730 million).

## 3. Dividends

Refer to the directors' report in the consolidated annual financial statements for details regarding dividends.

| Rm | 2017 | 2016 |
|---|---|---|
| **4. Investments in subsidiaries** | | |
| Vodacom (Pty) Limited | **2 265** | 2 262 |
| Vodacom UK Limited | **489** | 489 |
| Vodacom International Limited | **3 841** | 3 571 |
| VM, SA[1] | **633** | 1 324 |
| Vodacom Tanzania Public Limited Company | **3 021** | 3 021 |
| | **10 249** | 10 667 |
| **5. Financial assets** | | |
| **Loans receivable from subsidiaries** | | |
| **Non-current** | | |
| Vodacom Tanzania Public Limited Company | **–** | 1 452 |
| Wheatfields Investments 276 (Pty) Limited | **169** | 293 |
| | **169** | 1 745 |
| **Current** | | |
| Vodacom Tanzania Public Limited Company | **1 206** | – |
| | **1 206** | – |

**Note:**

1. During the current year, preference shares with a cost of R314 million were redeemed. The remaining preference shares, are redeemable by 28 June 2017 but are currently being renegotiated to be redeemable over the next three financial years. These preference shares were impaired by R377 million during the current financial (Note 2).

| Rm | 2017 | 2016 |
|---|---|---|

## 6. Trade and other receivables

| | | |
|---|---|---|
| Money market lendings to subsidiaries | 831 | 1 049 |
| Amounts owed by subsidiaries | 178 | 197 |
| Prepayments | 43 | 80 |
| Other | 60 | 42 |
| | 1 112 | 1 368 |
| **Timing** | | |
| Non-current | – | – |
| Current | 1 112 | 1 368 |
| | 1 112 | 1 368 |

## 7. Share capital

| | | |
|---|---|---|
| **Authorised** | | |
| 4 000 000 000 ordinary shares with no par value | | |
| **Issued** | | |
| Fully paid share capital | | |
| 1 487 954 000 ordinary shares with no par value | * | * |
| Treasury shares | | |
| 5 443 197 (2016: 5 884 863) ordinary shares with no par value | (747)[1] | (735)[1] |
| | (747) | (735) |

| Shares | 2017 | 2016 |
|---|---|---|
| **Movements in the number of ordinary shares outstanding:** | | |
| 1 April | 1 482 069 137 | 1 482 053 505 |
| Statutory shares in issue | 1 487 954 000 | 1 487 954 000 |
| Treasury shares (held by the Company) | (5 884 863) | (5 900 495) |
| Share movements | 441 666 | 15 632 |
| 31 March | 1 482 510 803 | 1 482 069 137 |
| Statutory shares in issue | 1 487 954 000 | 1 487 954 000 |
| Treasury shares (held by the Company) | (5 443 197) | (5 884 863) |

The unissued share capital is under the control of the current shareholders and the directors do not have the authority to issue any unissued shares.

**Notes:**
1. The Group acquired 1 384 016 (2016:1 765 229) shares as part of the current year forfeitable share plan allocation. Refer to Note 16, 17.1.1 and Note 17.1.2 of the consolidated annual financial statements for further details.
* Fully paid share capital of R100.

## 8. Other reserves

### Forfeitable share plan (FSP) reserve

The Company granted 417 765 (2016: 490 215) forfeitable shares at a weighted average grant date fair value of R161.56 (2016: R128.34), of which 230 913 (2016: 172 462) shares were forfeited and 286 036 (2016: 308 790) vested during the year. The expense recognised amounted to R45 million (2016: R29 million). R44 million (2016: R41 million) of the dividend declared was offset against the FSP reserve. Refer to Note 17.1.1 of the consolidated annual financial statements for further details with regards to the scheme.

The Company is responsible to procure the settlement of the benefits in terms of the FSP to the participants employed by its subsidiaries participating in the scheme (Employer Companies) on award date. The Employer Companies have the obligation to reimburse the Company for such settlement upon the award being made. The up-front reimbursement received from the Employer Companies is treated as an advance distribution received and deferred as a liability (Note 10), which is amortised to zero over the vesting period as the IFRS 2 reserve is recognised. The staff costs relating to the Employer Companies' employees are expensed by each of the individual Employer Companies.

| Rm | Note | 2017 | 2016 |
|---|---|---|---|
| **9. Borrowings** | | | |
| **Non-current** | | | |
| Interest bearing borrowings | | **4 576** | 4 576 |
| **Current** | | | |
| Interest bearing borrowings | | **71** | 66 |
| | | **4 647** | 4 642 |
| Borrowings consists of loans obtained from Vodafone Investments Luxembourg s.a.r.l. Further details may be found in Note 18 of the consolidated annual financial statements. | | | |
| **10. Trade and other payables** | | | |
| Money market deposits from subsidiaries | | **773** | 704 |
| Amounts owed to subsidiaries | | **28** | 85 |
| Trade and other payables | | **261** | 277 |
| Advance distribution received from subsidiaries | 8 | **257** | 262 |
| Financial guarantee fee | | **127** | 192 |
| | | **1 446** | 1 520 |
| **Timing** | | | |
| Non-current | | **112** | 128 |
| Current | | **1 334** | 1 392 |
| | | **1 446** | 1 520 |

| Rm | 2017 | 2016 |
|---|---|---|
| **11. Commitments** | | |
| Funding | 495 | 418 |
| Other | 45 | 51 |
| | 540 | 469 |

Funding commitments relate to the funding of subsidiaries. Other consists of capital commitments for property, plant and equipment and computer software and will be financed through internal cash generation and bank credit.

## 12. Contingencies

The Company 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 Company's management has determined that no provision is required in respect of these legal proceedings as at 31 March 2017. Litigations, current or pending, are not likely to have a material adverse effect on the Company.

## 13. Events after the reporting period

No material events occurred after the reporting period, other than those included in Note 27 of the consolidated annual financial statements.

## 14. Related parties

The Company's related parties are its parent, subsidiaries, joint venture, associate, pension schemes and key management including directors.

### 14.1 Balances with related parties

Refer to Notes 4, 5, 6, 9 and 10 for details of balances with related parties. These outstanding balances are unsecured and will be settled in cash in the ordinary course of business.

| Rm | 2017 | 2016 |
|---|---|---|
| **14.2 Transactions with related parties** | | |
| Vodafone Group Plc and subsidiaries | (8 046) | (8 005) |
| Staff recoveries/(expenses) | 36 | (8) |
| Other operating expenses | (5) | (7) |
| Finance costs | (388) | (301) |
| Dividends declared | (7 689) | (7 689) |
| Subsidiaries | 13 164 | 12 556 |
| Revenue[1] | 659 | 681 |
| Other operating expenses | (80) | (81) |
| Finance income | 918 | 752 |
| Finance costs | (606) | (498) |
| Dividends declared | (123) | (123) |
| Dividends received | 12 396 | 11 825 |

**Note:**
1. Revenue consists of mainly administration fees charged to subsidiaries.

# Addendum A:

As at 31 March

## Interest in material subsidiaries

The information discloses interests in subsidiaries material to the financial position of Vodacom Group Limited. The interest in ordinary share capital is representative of the voting power except for 'B' ordinary shares where each share entitles the holder to two votes.

RSA – The Republic of South Africa; UK – The United Kingdom of Great Britain; LES – The Kingdom of Lesotho; TZN – The United Republic of Tanzania; MZ – The Republic of Mozambique; DRC – The Democratic Republic of Congo; MAU – The Republic of Mauritius and NGR – Federal Republic of Nigeria.

| | Country of incorporation | Issued share capital | | % Interest in issued share capital | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| **Subsidiaries** | | | | | |
| **Cellular network operators** | | | | | |
| **Direct** | | | | | |
| Vodacom (Pty) Limited | RSA | | | | |
| Ordinary share capital[1] | | R45 180 | R45 180 | 100 | 100 |
| 'A' ordinary share capital[1] | | R2 820 | R2 820 | 100 | 100 |
| Vodacom Tanzania Public Limited Company[2] | TZN | | | | |
| Ordinary share capital[2] | | TZS84 000 010 000 | TZS84 000 010 000 | 82.2 | 82.2 |
| **Indirect** | | | | | |
| Vodacom Lesotho (Pty) Limited | LES | | | | |
| Ordinary share capital | | LSL4 180 | LSL4 180 | 80.0 | 80.0 |
| VM, SA | MZ | | | | |
| Ordinary share capital | | MZN1 380 000 000 | MZN1 380 000 000 | 85.0 | 85.0 |
| Preference share capital[3] | | MZN3 562 334 806 | MZN12 612 064 858 | 100 | 100 |
| Vodacom Congo (RDC) SA | DRC | | | | |
| Ordinary share capital | | US$1 000 000 | US$1 000 000 | 51.0 | 51.0 |
| **Service providers** | | | | | |
| **Interconnect service providers via satellite** | | | | | |
| **Direct** | | | | | |
| Vodacom UK Limited | UK | | | | |
| 'B' ordinary share capital | | US$1 | US$1 | 100 | 100 |
| Preference share capital | | US$710 999 999 | US$710 999 999 | 100 | 100 |
| Vodacom Business Africa Group Services Limited | UK | | | | |
| Ordinary share capital | | £49 567 569 | £49 567 569 | 100 | 100 |
| Preference share capital | | US$20 790 572 | US$20 790 565 | 100 | 100 |
| **Indirect** | | | | | |
| Vodacom UK Limited | UK | | | | |
| 'A' ordinary share capital | | US$100 | US$100 | 100 | 100 |
| Vodacom Business Africa (Nigeria) Limited | NGR | | | | |
| Ordinary share capital | | NGN5 000 000 | NGN5 000 000 | 100 | 100 |
| Preference share capital | | NGN9 999 028 727 | NGN7 266 155 822 | 100 | 100 |
| **Other** | | | | | |
| **Direct** | | | | | |
| Vodacom International Limited | MAU | | | | |
| Ordinary share capital | | US$100 | US$100 | 100 | 100 |
| Preference share capital | | US$773 403 577 | US$755 649 159 | 100 | 100 |

**Notes:**

1. 6.25% held indirectly through special purpose entities which are consolidated in terms of IFRS 10: Consolidated Financial Statements as part of the broad-based black economic empowerment transaction (Note 17.1).
2. 65% (2016: 65%) held directly by Vodacom Group Limited. On 16 November 2016, Vodacom Tanzania Limited was converted from a private company to a public company, Vodacom Tanzania Public Limited Company. Refer to page 13 in the directors' report for more details.
3. 100% (2016: 37.03%) held directly through Vodacom Group Limited.

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