Vodacom Proprietary Limited

Registration number 1993/003367/07

Consolidated annual financial statements
for the year ended 31 March 2017

"The preparation of these consolidated annual financial statements was supervised by the Group's Financial Director, BB Williams CA (SA) and has been audited by the independent auditors PricewaterhouseCoopers Inc."

Contents

Directors' statement of responsibility

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

The consolidated annual financial statements have been audited by the independent auditing 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 6 to 73 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 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 12 May 2017 and are signed on its behalf by:

N Mabunda
Director

BB Williams
Director

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Independent auditor's report

To the Shareholders of Vodacom Proprietary Limited

Our Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Vodacom Proprietary 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 Proprietary Limited's consolidated financial statements set out on pages 10 to 73 comprise:

- the consolidated statement of financial position as at 31 March 2017;
- 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 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).

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Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, as required by the Companies Act of South Africa. 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, 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.

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- 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.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: DB von Hoesslin
Registered Auditor
Menlyn, Pretoria
15 May 2017

Directors' report

Nature of business

The principal nature of business of Vodacom Proprietary Limited and the Group as a whole, is the provision of a wide range of communication products and services including but not limited to voice, messaging, broadband, data connectivity, converged services and value added services in South Africa.

Financial results

Earnings attributable to equity holders of the Group for the year ended 31 March 2017 were R13,288.7 million (2016: R12,226.3 million) representing basic earnings per share of 295.3 cents (2016: 271.7 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 R12,624.3 million (2016: R11,641.4 million) was declared in the year.

	2017 R mil	2016 R mil
Declared and paid 30 September	5,806.1	5,097.1
Declared and paid 31 March (2016: declared 30 March, paid 31 March)	4,714.4	4,863.1
Proposed 2 May and payable 31 May (2016: declared and paid 31 May)	2,103.8	1,681.2
	12,624.3	**11,641.4**

Dividend policy

Vodacom Proprietary Limited intends to pay so much of its after tax profits as will be available after retaining such sums and repaying such debts owing to third parties as shall be necessary to meet the requirements reflected in the budget and business plan, taking into account cash required for expansion and other growth opportunities.

The dividend policy is subject to the Vodacom Proprietary Limited shareholder agreement in terms of which, it shall be the dividend policy of Vodacom Proprietary Limited (subject to applicable laws, operating and capital requirements) that at least 50.0% of the annual after tax profits of Vodacom Proprietary Limited be declared as a dividend to shareholders of Vodacom Proprietary Limited.

Vodacom Proprietary Limited declared a dividend of R12,624.3 million (2016: R11,641.4 million), representing 95.0% (2016: 95.1%) of after tax profits from Vodacom Proprietary Limited.

Net liquidity position

The financial position of the Group, its cash flows, and borrowing facilities are described on pages 12 and 14 as well as in Note 23. In addition Note 34 to the consolidated annual financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposures to credit and liquidity risk.

The Group is in a net current liability position, however, management believes that based on its projected operating cash flows, the Group will be able to meet its obligations as they fall due and that it is in compliance with all covenants contained in material borrowing agreements. The Group uses bank and intergroup borrowing facilities and the normal operating cycle to manage short-term liquidity.

Depending on market conditions, the Group will continue to seek longer-term funding opportunities which will reduce the net current liability position and extend the debt maturity profile of the Group.

Directors' report

Share capital

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

	2017 Number of ordinary shares	2017 number of 'A' shares	2017 %	2016 %
Vodacom Group Limited	4,500,000,000	-	93.75	93.75
YeboYethu (RF) Limited	7,200,000	157,800,000	3.44	3.44
Lisinfo 209 Investments Proprietary Limited	7,560,000	86,940,000	1.97	1.97
Main Street 661 Proprietary Limited	3,240,000	37,260,000	0.84	0.84
	4,518,000,000	**282,000,000**	**100.00**	**100.00**

There were no changes to the authorised and issued share capital of Vodacom Proprietary Limited for the financial year ended 31 March 2017 and 31 March 2016, respectively.

The directors do not have the power to allot or issue shares of Vodacom Proprietary Limited without the prior approval of the shareholders in a general meeting.

Full details of the authorised and issued share capital of Vodacom Proprietary Limited are contained in note 17 of the consolidated annual financial statements.

Borrowings

During the current financial year, the Group obtained an additional loan from Vodafone Investments Luxembourg s.a.r.l. with a nominal value of R4,000.0 million, which was used primarily for capital expenditure purposes. The loan bears interest payable quarterly at the three-month JIBAR plus 1.57% and is unsecured and repayable on 29 July 2021. (Refer Note 23).

A loan from Vodafone Investments Luxembourg s.a.r.l. with a nominal value of R3,000.0 million was part paid on 31 March 2017 in the amount of R1,470.0 million. The balance of the loan is due for repayment on 24 November 2017. The part repayment was funded by excess funds held in the Group's intergroup overnight facilities.

Capital expenditure and commitments

Details of the Group's capital expenditure are set out in Notes 10 and 11 and commitments are set out in Note 28.

Regulatory matters

Broad Based Black Economic Empowerment ('BBBEE') Act

The Information and Communication Technology ('ICT') sector Black Economic Empowerment ('BEE') code, as amended, (the new code) 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 BEE level recognition has changed materially resulting in the Vodacom BEE status deteriorating from level 2 to level 4.

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 the Independent Communications Authority of South Africa (‘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 of the lawfulness of the Icasa ITA.

Directors' report

Regulatory matters (continued)

ICT Policy White Paper (White Paper)

On 3 October 2016, the Ministry published a white paper on ICT policy. The White Paper, inter-alia, proposes the establishment of a wholesale access network which will be the sole beneficiary of any new high demand spectrum that will be allocated, and open access obligations for existing networks. The White Paper is a statement of policy intent and to give effect to it, new laws or amendments to existing laws would have to be passed by Parliament.

Cell C Proprietary Limited ('Cell C') on or off-net complaint against Vodacom Proprietary Limited ('the Company')

During October 2013, Cell C lodged a complaint with the Competition Commission of South Africa. It was alleged that the Group 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 Commission announced its decision to non-refer the matter to the competition tribunal due to insufficient evidence required to successfully prosecute.

Facilities leasing and Roaming Agreements between Vodacom Proprietary Limited ('the Company') and Wireless Business Solutions Proprietary Limited ('WBS')

During the current year the Company concluded facilities leasing, services and roaming agreements between the Company and WBS. MTN and Cell C have raised complaints with both the sector regulator, Icasa and the Competition Commission Act no 89 of 1998. The Competition Commission is trying to determine whether the roaming arrangement between the Company 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.

Directors

Movements in the directorate during the year under review:

	In office 31/03/2016	Resignations	Appointments	In office 31/03/2017
Directors	MS Aziz Joosub			MS Aziz Joosub
	V Jarana			V Jarana
	ADJ Delport			ADJ Delport
	T Streichert			T Streichert
	ZBM Bassa (*)			ZBM Bassa (*)
	MBN Dube (*)			MBN Dube (*)
	JA Mabena (*)			JA Mabena (*)
	BB Williams			BB Williams
	KK Kobue (#)	30/08/2016		
	MM Mbungela	02/11/2016		
	WSM Majola (*)	30/08/2016		
	M Makanjee	09/06/2016		
	YZ Cuba	02/11/2016		
			09/06/2016	NF Bhettay
			02/11/2016	T Netshitenzhe
			02/11/2016	N Mabunda
			30/08/2016	KK Kobue (*)
			30/08/2016	UH Lucht (#)

(*) Non-executive directors.

(#) Alternative non-executive directors.

All other directors listed above are executive directors. (Refer to Appendix A page 72 for further information).

Secretary

The company secretary is Mr A. Dhanasir.

Directors' report

Address

Registered office	Vodacom Corporate 082 Vodacom Boulevard Midrand 1685	**Postal Address**	Private Bag X9904 Sandton 2146

Holding company and ultimate holding company

The Group is controlled by Vodacom Group Limited ('Vodacom Group') (93.75% equity interest), a public company incorporated in the Republic of South Africa ('RSA'). Vodacom Group is ultimately controlled by Vodafone Group Plc which owns 65.0% of the shares through Vodafone Investments (SA) Proprietary Limited incorporated in the RSA.

Auditors

PricewaterhouseCoopers Inc. have been appointed as the auditors for the 2017 financial year and will continue in office in accordance with section 90(1) of the Companies Act of 2008, as amended ('the Companies Act').

Audit committee

The Group, in accordance with section 94 of the Companies Act, is required to have an audit committee. The Group's audit committee functions through the Audit, Risk and Compliance ('ARC') committee of Vodacom Group Limited as well as through a subcommittee of the Group's board of directors, the Finance Review and Risk Committee ('FRRC') which comprises non-executive directors.

This subcommittee meets in terms of formal mandates and deals with all issues arising at the operational or subsidiary level. This subcommittee then escalates any unresolved issues of concern to the Vodacom Group ARC committee.

FRRC:

- All functions were performed as per the charter of the FRRC;
- The committee has satisfied itself that the external auditors of the Group are independent as defined by the Act;
- The committee, in consultation with executive management, agreed to the audit fee for the 2017 financial year;
- All non-audit services performed by the external auditor were considered and approved by the committee; and
- The committee has reviewed the performance of the external auditor.

The subcommittee has evaluated the consolidated annual financial statements for the year ended 31 March 2017 and considers that it complies, in all material respects, with the requirements of the Companies Act and International Financial Reporting Standards. The FRRC has therefore recommended the consolidated annual financial statements for approval to the board. The board has subsequently approved the consolidated annual financial statements.

Other matters

The board is not aware of any matter or circumstance arising since the end of the financial year, 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 financial year end.

Consolidated income statement

	Note(s)	2017 R mil	2016 R mil
Revenue	**2**	**64,821.7**	**62,367.8**
Direct expenses		(25,351.7)	(26,096.2)
Staff expenses		(3,516.7)	(3,372.4)
Publicity expenses		(1,279.3)	(1,256.8)
Other operating expenses		(7,890.4)	(6,695.4)
Depreciation and amortisation	**10&11**	(6,382.3)	(5,738.4)
Broad-based black economic empowerment charge	**19**	(75.2)	(61.9)
Impairment loss	**3**	(83.6)	(14.1)
Profit from joint venture		0.6	0.9
Operating profit	**4**	**20,243.1**	**19,133.5**
Finance income	**5**	691.3	576.4
Finance costs	**6**	(2,613.9)	(2,016.2)
Net gain/(loss) on remeasurement and disposal of financial instruments	**7**	164.7	(395.4)
Profit before tax		**18,485.2**	**17,298.3**
Taxation	**8**	(5,191.4)	(5,060.5)
Net profit		**13,293.8**	**12,237.8**
Attributable to:			
Equity shareholder		13,288.7	12,226.3
Non-controlling interest		5.1	11.5
		13,293.8	**12,237.8**
Earnings per share			
Cents			
Basic earnings per share	**9**	295.3	271.7
Diluted earnings per share	**9**	291.4	265.7

Consolidated statement of comprehensive income

	Note(s)	2017 R mil	2016 R mil
Net profit		**13,293.8**	**12,237.8**
Other comprehensive income items that may subsequently be reclassified to profit or loss:			
Gain on hedging instruments in a cash flow hedge, net of tax	**8**	-	4.4
Total comprehensive income		**13,293.8**	**12,242.2**
Attributable to:			
Equity shareholder		13,288.7	12,230.7
Non-controlling interest		5.1	11.5
		13,293.8	**12,242.2**

Consolidated statement of financial position

	Note(s)	2017 R mil	2016 R mil
Assets			
Non-current assets			
Deferred tax	**8**	117.6	16.1
Property, plant and equipment	**10**	28,551.4	26,404.2
Intangible assets	**11**	6,123.2	6,128.3
Investment in joint venture		5.0	4.4
Financial assets	**12**	127.1	280.0
Trade and other receivables	**14**	268.4	78.8
Finance receivables	**15**	1,161.0	760.7
		36,353.7	**33,672.5**
Current assets			
Financial assets	**12**	516.7	200.0
Inventory	**13**	1,059.5	1,461.4
Trade and other receivables	**14**	10,634.2	10,039.8
Finance receivables	**15**	1,555.6	1,390.1
Tax receivable		154.0	-
Intergroup overnight deposits		748.3	681.1
Cash and cash equivalents	**16**	877.4	950.4
		15,545.7	**14,722.8**
Total assets		**51,899.4**	**48,395.3**
Equity and liabilities			
Share capital and share premium (less than R50 000)	**17, 18**	-	-
Distributable reserves		8,392.9	7,348.7
Broad based black economic empowerment participants	**21**	516.1	516.1
Forfeitable share plan advance distribution	**22**	(156.5)	(164.3)
Equity attributable to owners of the parent		8,752.5	7,700.5
Non-controlling interest	**20**	9.3	29.5
Total equity		**8,761.8**	**7,730.0**
Non-current liabilities			
Borrowings	**23**	22,341.7	21,310.1
Trade and other payables	**24**	610.0	552.5
Provisions	**25**	280.4	104.6
Deferred tax	**8**	1,815.8	1,430.6
		25,047.9	**23,397.8**
Current liabilities			
Bank overdraft	**16**	-	150.2
Borrowings	**23**	2,245.1	638.7
Trade and other payables	**24**	14,842.5	15,239.3
Provisions	**25**	159.9	77.6
Tax payable		7.5	110.0
Dividends payable		3.5	2.5
Intergroup overnight borrowings		831.2	1,049.2
		18,089.7	**17,267.5**
Total liabilities		**43,137.6**	**40,665.3**
Total equity and liabilities		**51,899.4**	**48,395.3**

Consolidated statement of changes in equity

	Share capital and share premium (*)	Distributable reserves	Cash flow hedge reserve	Forfeitable share plan advance distribution	BBBEE participants (^)	Total	Non-controlling interest	Total equity
	R mil	R mil	R mil	R mil	R mil	R mil	R mil	R mil
Balance at 1 April 2015	**-**	**6,830.4**	**(4.4)**	**(144.9)**	**516.1**	**7,197.2**	**79.1**	**7,276.3**
Net profit	-	12,226.3	-	-	-	12,226.3	11.5	12,237.8
Other comprehensive income	-	-	4.4	-	-	4.4	-	4.4
Total comprehensive income	**-**	**12,226.3**	**4.4**	**-**	**-**	**12,230.7**	**11.5**	**12,242.2**
Dividends	-	(11,709.5)	-	-	-	(11,709.5)	-	(11,709.5)
BBBEE transaction	-	81.5	-	-	-	81.5	-	81.5
Forfeitable share plan	-	-	-	(19.4)	-	(19.4)	-	(19.4)
Movement in interest in subsidiary	-	(80.0)	-	-	-	(80.0)	(44.6)	(124.6)
Dividends paid to minorities	-	-	-	-	-	-	(16.5)	(16.5)
Balance at 31 March 2016	**-**	**7,348.7**	**-**	**(164.3)**	**516.1**	**7,700.5**	**29.5**	**7,730.0**
Net profit	-	13,288.7	-	-	-	13,288.7	5.1	13,293.8
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	**-**	**13,288.7**	**-**	**-**	**-**	**13,288.7**	**5.1**	**13,293.8**
Dividends	-	(12,175.8)	-	-	-	(12,175.8)	-	(12,175.8)
BBBEE transaction	-	(2.7)	-	-	-	(2.7)	(0.4)	(3.1)
Forfeitable share plan	-	-	-	7.8	-	7.8	-	7.8
Movement in interest in subsidiary (#)	-	(66.0)	-	-	-	(66.0)	(18.5)	(84.5)
Dividends paid to minorities	-	-	-	-	-	-	(6.4)	(6.4)
Balance at 31 March 2017	**-**	**8,392.9**	**-**	**(156.5)**	**516.1**	**8,752.5**	**9.3**	**8,761.8**

(*) Less than R50,000.
(^) BBBEE participants - Broad-based Black Economic Empowerment participants. (Refer Note 19).
(#) Refer Note 32.2.

Consolidated statement of cash flows

	Note(s)	2017 R mil	2016 R mil
Cash generated from operations	26	26,223.8	23,988.2
Taxation paid		(5,163.4)	(4,753.5)
Net cash flows generated from operating activities		**21,060.4**	**19,234.7**
Cash flows from investing activities			
Additions to property, plant and equipment and intangible assets	10&11	(8,745.9)	(8,313.7)
Proceeds on disposal of property, plant and equipment and intangible assets		72.6	299.1
Purchase of other investments		(113.1)	(66.5)
Disposal of other investments		-	17.7
Acquisition of business, net of cash acquired	27	(149.6)	(573.5)
Finance income received		608.6	653.0
Net cash flows utilised in investing activities		**(8,327.4)**	**(7,983.9)**
Cash flows from financing activities			
Advanced distribution paid		(100.0)	(121.3)
Movement in subsidiary shareholding		(83.6)	(128.0)
Proceeds from issue of long term borrowings		4,000.0	4,046.8
Repayment of borrowings and leases		(1,568.2)	(4,077.0)
Dividends paid		(12,178.0)	(11,726.0)
Net overnight deposit movement: Vodacom Group Limited		(285.2)	2,902.5
Finance costs paid		(2,440.8)	(2,324.0)
Net cash flows utilised in financing activities		**(12,655.8)**	**(11,427.0)**
Net movement in cash and cash equivalents		**77.2**	**(176.2)**
Cash and cash equivalents in the beginning of the year		800.2	976.4
Cash and cash equivalents at the end of the year	16	**877.4**	**800.2**

Notes to the consolidated annual financial statements

1. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated annual financial statements are set out below.

1.1 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 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 pages 28 to 32. 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 Group's functional and presentation currency.

The significant accounting policies are consistent in all material respects with those applied in the previous year.

1.2 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.

1.3 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of Vodacom Proprietary Limited, its subsidiaries, joint arrangements 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 up, 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.

The difference between the proceeds from disposal 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 joint arrangements (Refer Note 27).

1.3 Consolidation (continued)

Accounting for subsidiairies

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 interest 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 (Refer Note 32).

Transactions with non-controlling parties

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 joint ventures

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 joint ventures are incorporated in the consolidated annual financial statements from the date on which the Group has joint control, up to the date on which Group ceases to have such control, using the equity method of accounting.

Under the equity method, investments in 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 joint ventures, less any impairment in the value of the investment. Losses of a joint venture in excess of the Group's interest in that joint venture 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 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 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 and joint ventures are eliminated upon equity accounting of the entities. (Refer Note 32).

1.4 Foreign currencies

Transactions and balances

The consolidated annual financial statements are presented in South African rand, which is the Group'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.

1.4 Foreign currencies (continued)

Transactions and balances (continued)

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 or liabilities identified as being part of operating activities and which do not form part of an effective or economical hedging relationship 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 in terms of historical cost in a foreign currency are not translated. 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.

1.5 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, 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 when the primary purpose is the service and connection of Vodacom customers are classified as property, plant and equipment.

Assets in the course of construction are carried at cost, less any recognised 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Property, plant and equipment acquired in exchange for a non-monetary asset or 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.

1.6 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.

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 review 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.

1.7 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. The 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.

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.

1.7 Impairment of assets (continued)

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.

1.8 Financial instruments

Financial assets and financial 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 financial 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 timeframe 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.

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.

1.8 Financial instruments (continued)

Financial assets carried at amortised cost (continued)

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 assets.

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 forward exchange 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.

1.8 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 are 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 forward exchange 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 financial 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.

Modifications to financial assets and financial liabilities

The Group accounts for substantial qualitative and quantitative modifications to existing financial assets or liabilities as an extinguishment of the original financial assets or liabilities and the recognition of new financial assets or liabilities. Modifications are deemed to be substantially different from a quantitative perspective, if the discounted present value of the cash flows under the new terms, including any fees paid and net of any fees received, discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial assets or liabilities. Determining whether a modification is substantial from a qualitative perspective, is judgemental and will depend upon specific facts and circumstances available. Modifications to existing financial assets and liabilities that are not considered to be substantial, are accounted for as modifications to the original financial assets or liabilities.

1.9 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.

Notes to the consolidated annual financial statements

1.9 Leases (continued)

Group as lessee

Finance leases

Assets held under finance leases are recognised as assets of the Group 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 a 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.

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.

1.10 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.

1.11 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as 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.

1.12 Cash and cash equivalents

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

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

Deposits held on call are classified as loans and receivables by the Group and carried at amortised cost. Due to the short-term nature of these, the amortised cost normally approximates its fair value.

Notes to the consolidated annual financial statements

1.13 Provisions and contingencies

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 can be made of the amount of the obligation. Provisions are measured at the directors' 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.

1.14 Taxation

Taxation represents the sum of the 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 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.

Current tax

Current tax payable or recoverable 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 interest in joint ventures, 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.

Deferred tax is calculated at the 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.

The carrying amount of deferred tax assets are reviewed at the end of 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.

1.15 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. (Refer to 'Critical accounting judgements including those involving estimations').

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 equipment sales. Products and services may be sold separately or in bundled packages.

1.15 Revenue recognition (continued)

Revenue for access charges, airtime usage and messaging by contract customers is recognised as revenue as services are performed, with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred. To the extent the amount of unused airtime can be reasonably and objectively determined (at least 3 years historical data), revenue attributable to potentially unused prepaid top ups is recognised in proportion to actual usage of the remaining prepaid top up. The estimated values of the prepaid top ups expected to go unused would be recognised over the period of performance, that is, as the remaining prepaid top ups are actually used.

Revenue from interconnect fees is recognised at the time the services are performed.

Revenue from data services and information provision is recognised when the Group has performed the related service and depending on the nature of the service, is recognised either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.

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 is deferred and recognised over the period in which services are expected to be provided to the customer.

Revenue from equipment sales is recognised when the equipment is delivered to the end-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.

1.16 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.

1.17 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.

1.18 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.

1.18 Commissions (continued)

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

1.19 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.

1.20 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 recognised in profit or loss 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.

Termination benefits

The Group recognises termination benefits when it is constructively obliged to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If the benefits are not due to be settled within twelve months of the reporting date, they are discounted to present value. If the amount can be reasonably estimated, the measurement of termination benefits is based on the number of employees expected to accept the offer.

1.21 Share-based payments

The Group has share-based payment compensation plans for certain eligible employees (Refer Notes 19, 22 and 24).

Equity-settled share-based payments

Equity-settled share-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.

Notes to the consolidated annual financial statements

1.22 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.

Other borrowing costs are expensed as they are incurred.

1.23 Comparatives

No comparatives were restated.

1.24 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 had no material impact on the results, financial position or cash flows of the Group.

New accounting pronouncements to be adopted 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 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;

1.24 New accounting pronouncements (continued)

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

- 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.

• 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 in the financial statements, 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 but 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.
• The 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;

1.24 New accounting pronouncements (continued)

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

  - 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 at this stage; 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.
- 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.
- Amendment to IAS 28: Investments in Associates and Joint Ventures (part of Improvements to IFRS 2014-2016 Cycle), applicable for annual periods beginning on or after 1 January 2018;
- IFRIC 22: Foreign Currency Transactions and Advance Consideration, applicable for annual periods beginning on or after 1 January 2018;

1.25 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 15.

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 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 (Refer Note 32).

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 BBBEE 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.

1.25 Critical accounting judgements including those involving estimations (continued)

Intangible assets with finite useful lives

Intangible assets with finite useful lives include licences, customer bases, computer software, trademarks, patents and other intangibles. 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 amounting to R4,994.3 million (2016: R5,006.1 million) which represents 9.6% (2016: 10.4%) of the Group's total assets. (Refer Note 11).

Estimation of useful lives

The useful lives used to amortise intangible assets relates to the future performance of the assets acquired and management's judgment of the period over which economic benefit will be derived from the asset. 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 intangible assets

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 customer churn rates or is 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 their life, such as changes in technology.

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

	2017 years	**2016 years**
Licenses	30	30
Trademarks, patents and other	10 - 12	10 - 12
Computer software	3 - 10	3 - 10
Customer bases	12 - 90 months	8 - 107 months

During the current financial year, the Group reviewed the estimated useful lives of intangible assets. The review resulted in a decrease of R22.5 million (2016: R6.9 million) in the current year's amortisation charge (Refer Note 11).

1.25 Critical accounting judgements including those involving estimations (continued)

Property, plant and equipment

Property, plant and equipment also represents a significant proportion of the Group's asset base, being 55.0% (2016: 55.0%) 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

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 abovementioned assets.

The estimation of useful lives are 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 these 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:

	2017 years	2016 years
Freehold buildings	50	50
Leasehold premises	Lease term	Lease term
Network infrastructure and equipment	3 - 25	3 - 25
Other assets	3 - 15	3 - 15

During the current financial year the Group reviewed the estimated useful lives and residual values of property, plant and equipment. The review resulted in a decrease of R85.2 million (2016: increase of R16.2 million) in the current year's depreciation charge (Refer Note 10).

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.

1.25 Critical accounting judgements including those involving estimations (continued)

Impairment reviews (continued)

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, tax, 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.

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.

Details on the basis for determining values assigned to key assumptions are provided in Note 3.

Fair values

The determination of the fair value of the 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 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 (Refer Note 27).

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 (Refer Note 34).

BBBEE transaction

The fair value of the BBBEE transaction was measured by using the Monte Carlo option pricing valuation model (Refer Note 19 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 targets. The probability of these financial performance and customer targets being achieved is estimated using the Monte-Carlo simulation model (Refer Note 22).

1.25 Critical accounting judgements including those involving estimations (continued)

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 (Refer Note 29). 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.

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.

Significant items on which the Group has exercised judgement include various matters disclosed in Note 8. 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 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 cash flows.

Notes to the consolidated annual financial statements

	2017 R mil	2016 R mil

2. Revenue

	2017 R mil	2016 R mil
Mobile service revenue	50,622.1	48,084.6
Mobile customer revenue	45,634.3	43,191.3
Mobile incoming revenue	1,864.1	1,979.3
Other mobile service revenue	2,737.0	2,468.2
Business managed services revenue	386.7	445.8
Fixed line and carrier service revenue	1,448.8	1,235.3
Service revenue	52,070.9	49,319.9
Other revenue	12,750.8	13,047.9
Equipment revenue	11,565.8	12,103.0
Other non service revenue	1,185.0	944.9
	64,821.7	62,367.8

3. Impairment

Impairment losses

Impairment losses recognised are as follows:

	2017 R mil	2016 R mil
Property, plant and equipment and intangible assets (*)	(83.6)	(14.1)

(*) Refer Note 10 and 11.

Goodwill impairment testing

Carrying amount of goodwill is as follows:

	2017 R mil	2016 R mil
Vodacom Proprietary Limited	1,019.4	1,013.1
Storage Technology Services Proprietary Limited	105.1	105.1
Other	4.5	4.5
	1,129.0	1,122.7

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

Key assumptions used in the 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 forecast 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 and includes the ongoing capital expenditure required to roll out the network, to provide voice and data products and services and to meet the population coverage requirements. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and intangible assets.

3. Impairment (continued)

Key assumptions	Basis for determining values assigned to key assumptions
Forecast EBITDA	Forecast EBITDA has been based on past experience adjusted for: • Voice and messaging revenue which is expected to benefit from increased usage from new 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; • Data revenue which is expected to continue to grow strongly as the penetration of third generation ('3G') and long-term evolution ('LTE') enabled device rises and new products and services are introduced; • 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 • Margins which are expected to be impacted by negative factors such as an increase in the cost of connecting 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 cost 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: • The long-term real gross domestic product ('GDP') growth rate; and • The long-term 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.

	Vodacom Proprietary Limited	
	2017	**2016**
	%	**%**
Long-term growth rate	2.7	2.9
Risk adjusted discount rate	12.0	12.4

Notes to the Consolidated Annual Financial Statements

	2017 R mil	2016 R mil

3. Impairment (continued)

Sensitivity to changes in key assumptions

Management believes that no possible change in any of the above key assumptions would cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

4. Operating profit

The operating profit has been arrived at after (charging)/crediting:

	2017 R mil	2016 R mil
Net loss on disposal of property, plant and equipment and intangible assets	(30.4)	(12.7)
Audit remuneration - audit fees	(20.4)	(11.2)
Professional fees for consultancy services	(106.4)	(171.7)
Operating lease rentals	(1,224.5)	(1,128.3)
Network infrastructure	(886.8)	(796.7)
Other	(337.7)	(331.6)
Bad debt	(196.6)	(240.5)
Inventory charge to profit or loss	(11,414.5)	(10,888.8)
Regulatory fees	(390.7)	(361.4)
Net foreign exchange (loss)/gain	(249.7)	531.4

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.

5. Finance income

Interest income

	2017 R mil	2016 R mil
Banks	32.8	47.9
Intercompany overnight deposits	579.4	472.8
Loans receivable	16.5	3.9
Other	62.1	38.2
Tax authorities	0.5	13.6
	691.3	576.4

Interest income on financial assets not at fair value through profit or loss amounted to R651.7 million (2016: R560.6 million).

6. Finance costs

Interest expense

	2017 R mil	2016 R mil
Banks	(0.7)	(2.8)
Borrowings	(2,090.9)	(1,638.2)
Intercompany overnight borrowings	(507.4)	(357.4)
Other	(14.9)	(17.8)
Tax authorities (less than R50 000)	-	-
	(2,613.9)	(2,016.2)

Interest expense on financial liabilities not at fair value through profit or loss amounted to R2,494.6 million (2016: R1,901.2 million).

Notes to the Consolidated Annual Financial Statements

	2017 R mil	2016 R mil

7. Net gain/(loss) on remeasurement and disposal of financial instruments

	2017 R mil	2016 R mil
Gain/(loss) in fair value of financial instruments classified as held for trading	164.6	(370.4)
Gain/(loss) on other financial assets or financial liabilities	0.1	(14.3)
Remeasurement of loans receivable	-	(10.7)
	164.7	(395.4)

The remeasurement of loans receivable includes a loss on impairment of Rnil (2016: R10.7 million) which related to the loans issued to property vehicles and unlisted investments.

8. Taxation

8.1. Income tax expense

	2017 R mil	2016 R mil
South African current tax		
Current year	(5,072.6)	(4,954.3)
Adjustments in respect of prior years	165.6	(13.6)
	(4,907.0)	(4,967.9)
South African deferred tax		
Current year	(114.1)	(95.3)
Adjustments in respect of prior years	(169.6)	4.1
	(283.7)	(91.2)
Withholding tax		
Current year	(0.7)	(1.4)
	(0.7)	(1.4)
Total income tax expense	(5,191.4)	(5,060.5)

Components of deferred tax charged to profit or loss

	2017 R mil	2016 R mil
Capital allowances	(307.3)	(113.4)
Tax losses	100.3	-
Provisions	(18.7)	59.6
Deferred income and expenses	(57.3)	(13.3)
Other	(0.7)	(24.1)
	(283.7)	(91.2)

Notes to the Consolidated Annual Financial Statements

	2017 R mil	2016 R mil

8. Taxation (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:

	2017 R mil	2016 R mil
Expected income tax expense on profit before tax at the South African statutory tax rate	(5,175.9)	(4,843.5)
Disallowed expenses	(78.3)	(159.8)
Unrecognised tax assets	64.9	(68.8)
Adjustments in respect of prior years	(4.0)	(9.5)
Withholding tax	(0.7)	(1.4)
Other adjustments	2.6	22.5
	(5,191.4)	(5,060.5)

The South African statutory tax rate is 28.0% (2016: 28.0%). The Group's effective tax rate is 28.1% (2016: 29.2%). In the prior financial year, the Capital Gains Taxation ('CGT') inclusion rate was amended from 66.6% to 80.0%. This resulted in a R27.3 million adjustment to the deferred tax liability in the prior year.

8.2. Other comprehensive income, net of tax

	2017 R mil	2016 R mil
Gain on hedging instruments in cash flow hedges	-	3.7
Tax	-	0.7
Other comprehensive income, net of tax	-	4.4

8.3. Deferred tax

	2017 R mil	2016 R mil
Deferred tax assets	117.6	16.1
Deferred tax liabilities	(1,815.8)	(1,430.6)
	(1,698.2)	(1,414.5)

Gross deferred tax assets and liabilities, before offset of balances within companies, are as follows:

	2017 R mil	2016 R mil
Deferred tax assets		
Tax losses	100.2	-
Provisions	382.1	397.3
Deferred income	667.4	669.6
Other	-	10.4
	1,149.7	1,077.3
Deferred tax liabilities		
Capital allowances	(2,701.7)	(2,391.7)
Foreign exchange contracts	(2.6)	(5.5)
Provisions	-	(0.7)
Deferred expenses	(155.8)	(89.6)
Other	12.2	(4.3)
	(2,847.9)	(2,491.8)
	(1,698.2)	(1,414.5)

Notes to the Consolidated Annual Financial Statements

8.3 Deferred tax (continued)

Reconciliation of net deferred tax balance

	2017 R mil	2016 R mil
1 April	(1,414.5)	(1,188.3)
Business combinations	-	(135.7)
Charge to profit or loss	(283.7)	(91.2)
Credit to other comprehensive income	-	0.7
31 March	(1,698.2)	(1,414.5)

Factors affecting the tax charge in future years

	2017 R mil	2016 R mil
Opening tax losses	(766.5)	(522.4)
Prior year adjustments	2.3	(4.3)
Current year tax loss created	(61.0)	(246.2)
Utilised to reduce temporary differences	351.7	6.4
Estimated tax losses available to reduce deferred tax	(473.5)	(766.5)

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:

31 March 2017	**1 - 10 years**	**Unlimited**	**Total**
	R mil	**R mil**	**R mil**
Estimated unused tax losses	-	473.5	473.5

31 March 2016	**1 - 10 years**	**Unlimited**	**Total**
	R mil	**R mil**	**R mil**
Deductible temporary differences	-	14.8	14.8
Estimated unused tax losses	-	766.5	766.5

9. Earnings and dividends per share

	2017 Cents	2016 Cents
Basic earnings per share	295.3	271.7
Diluted earnings per share	291.4	265.7
Headline earnings per share	297.1	272.1
Diluted headline earnings per share	293.2	266.1
Dividend per share	280.5	258.7

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

9. Earnings and dividends per share (continued)

Diluted earnings reconciliation

	2017 R mil	2016 R mil
Earnings attributable to equity shareholders for basic earnings per share	13,288.7	12,226.3
Adjusted for:		
Dilutive effect of potential ordinary shares	121.9	76.4
Earnings for Diluted earnings per share	13,410.6	12,302.7

Headline earnings reconciliation

	2017 R mil	2016 R mil
Earnings attributable to equity shareholders, for basic earnings per share	13,288.7	12,226.3
Adjusted for:		
Loss on disposal of property, plant and equipment and intangible assets	30.4	12.7
Impairment losses	83.6	14.1
Tax thereon	(31.9)	(7.4)
Headline earnings for headline earnings per share (#)	13,370.8	12,245.7
Dilutive effect of potential ordinary shares	121.9	76.4
Headline earnings for diluted headline earnings per share (#)	13,492.7	12,322.1

(#) 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

Reconciliation of weighted average number of ordinary shares outstanding	**2017 Number of shares**	**2016 Number of shares**
For basic and headline earnings per share	4,500,000,000	4,500,000,000
Adjusted for:		
Dilutive effect of potential ordinary shares	102,453,248	129,926,263
For diluted earnings and diluted headline earnings per share	4,602,453,248	4,629,926,263

Dividends per share

Dividends per share calculations are based on a total dividend of R12,624.3 million (2016: R11,641.4 million) and shares of 4,500,000,000 for all reporting periods. R12,573.9 million (2016: R11,595.0 million) of the total dividend relates to Vodacom Group Limited.

9. Earnings and dividends per share (continued)

Net asset value per share

	2017 Cents	2016 Cents
Net asset value per share (#)	194.7	171.8
Tangible net asset value per share (#)	58.6	35.6

(#) This disclosure is a requirement of the JSE Limited and is not a recognised measure under IFRS.

10. Property, plant and equipment

Reconciliation of property, plant and equipment - 2017

	Land and buildings	Network infrastructure and equipment	Other assets	Total
	R mil	R mil	R mil	R mil
1 April 2016				
Cost	4,538.6	42,783.9	1,003.0	48,325.5
Accumulated depreciation	(1,768.6)	(19,612.9)	(539.8)	(21,921.3)
	2,770.0	23,171.0	463.2	26,404.2
Additions	160.4	6,883.8	120.5	7,164.7
Disposals	(0.6)	(74.5)	(0.7)	(75.8)
Reclassifications	88.5	(88.3)	(0.2)	-
Depreciation	(135.8)	(4,693.1)	(95.3)	(4,924.2)
Impairment (*)	-	(17.5)	-	(17.5)
31 March 2017	2,882.5	25,181.4	487.5	28,551.4
Cost	4,152.4	42,199.9	1,062.7	47,415.0
Accumulated depreciation	(1,269.9)	(17,018.5)	(575.2)	(18,863.6)

Reconciliation of property, plant and equipment - 2016

	Land and buildings	Network infrastructure and equipment	Other assets	Total
	R mil	R mil	R mil	R mil
1 April 2015				
Cost	4,376.0	40,074.4	869.3	45,319.7
Accumulated depreciation	(1,567.6)	(19,378.8)	(456.9)	(21,403.3)
	2,808.4	20,695.6	412.4	23,916.4
Additions	162.5	6,805.5	139.0	7,107.0
Disposals	-	(77.4)	-	(77.4)
Depreciation	(200.9)	(4,248.4)	(88.2)	(4,537.5)
Impairment (*)	-	(4.3)	-	(4.3)
31 March 2016	2,770.0	23,171.0	463.2	26,404.2
Cost	4,538.6	42,783.9	1,003.0	48,325.5
Accumulated depreciation	(1,768.6)	(19,612.9)	(539.8)	(21,921.3)

10. Property, plant and equipment (continued)

The carrying amount of network infrastructure and equipment includes R1,723.9 million (2016: R1,740.8 million) in relation to assets held under finance leases. Finance lease liabilities are collateralised over access transmission links, the West Africa Cable System ('WACS') and the South Atlantic Telecommunications No. 3 ('SAT-3') cable system. The aggregate fair value of these lease liabilities are R1,869.4 million (2016: R1,787.5 million) (Refer Note 23).

During the current financial year, directly attributable staff costs of R688.4 million (2016: R599.6 million) were capitalised.

(*) Refer Note 3.

11. Intangible assets

Reconciliation of intangible assets - 2017

	Trademark, patents and other	Licences	Computer software	Goodwill	Customer bases	Total
	R mil	R mil	R mil	R mil	R mil	R mil
1 April 2016						
Cost	205.2	285.7	10,433.0	1,122.7	2,082.5	14,129.1
Accumulated amortisation	(167.3)	(191.1)	(6,759.0)	-	(883.4)	(8,000.8)
	37.9	94.6	3,674.0	1,122.7	1,199.1	6,128.3
Additions	-	-	1,512.9	-	-	1,512.9
Business combination	-	-	-	6.3	-	6.3
Amortisation	(12.8)	(11.9)	(1,255.7)	-	(177.7)	(1,458.1)
Impairment (*)	-	-	(66.2)	-	-	(66.2)
31 March 2017	25.1	82.7	3,865.0	1,129.0	1,021.4	6,123.2
Cost	166.4	285.7	9,642.4	1,129.0	1,971.0	13,194.5
Accumulated amortisation	(141.3)	(202.9)	(5,777.4)	-	(949.6)	(7,071.2)

Reconciliation of intangible assets - 2016

	Trademark, patents and other	Licenses	Computer software	Goodwill	Customer bases	Total
	R mil	R mil	R mil	R mil	R mil	R mil
1 April 2015						
Cost	205.2	285.7	9,061.9	755.0	1,597.8	11,905.6
Accumulated amortisation	(154.0)	(179.3)	(5,994.5)	-	(731.5)	(7,059.3)
	51.2	106.4	3,067.4	755.0	866.3	4,846.3
Additions	-	-	1,640.2	-	-	1,640.2
Business combination	-	-	-	367.7	484.8	852.5
Amortisation	(13.3)	(11.8)	(1,023.8)	-	(152.0)	(1,200.9)
Impairment (*)	-	-	(9.8)	-	-	(9.8)
31 March 2016	37.9	94.6	3,674.0	1,122.7	1,199.1	6,128.3
Cost	205.2	285.7	10,433.0	1,122.7	2,082.5	14,129.1
Accumulated amortisation	(167.3)	(191.1)	(6,759.0)	-	(883.4)	(8,000.8)

(*) Refer Note 3.

Notes to the Consolidated Annual Financial Statements

	2017 R mil	2016 R mil
12. Financial assets		
Non-current assets		
Loans and receivables (Note 12.4)	83.9	67.9
Financial assets at fair value through profit or loss, designated (Note 12.1)	-	172.9
Available-for-sale financial assets (Note 12.3)	43.2	39.2
	127.1	280.0
Current assets		
Financial assets at fair value through profit or loss, designated (Note 12.1)	244.0	186.8
Cash held in restricted deposits (Note 12.2)	272.7	13.2
	516.7	200.0

12.1 Financial assets at fair value through profit or loss, designated

	2017 R mil	2016 R mil
Equity link notes of the Innovator Trust.	-	172.9
Investment regulated under the collective investments schemes act.	244.0	186.8
	244.0	359.7

12.2 Cash held in restricted deposits

	2017 R mil	2016 R mil
Cash held in restricted deposits	272.7	13.2

12.3 Available-for-sale financial assets

	2017 R mil	2016 R mil
Unlisted investments carried at cost	43.2	39.2

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 registered office of the Group. These unlisted investments and related options are not consolidated or fair valued as the Group deems the effect to be immaterial.

12.4 Loans and receivables

	2017 R mil	2016 R mil
Other loans	41.0	25.0
The Group has a loan with Mezzanine Ware Proprietary Limited. A portion of the loan bears interest at prime and a portion of the loan bears interest at prime plus 200 basis points. Repayment date is 18 December 2017 and 24 November 2019, respectively.		
Centriq Insurance Company Limited	42.9	42.9
Investment in Centriq Insurance Company Limited which represents the Group's self-insurance vehicle.		
	83.9	67.9

Notes to the Consolidated Annual Financial Statements

	2017 R mil	2016 R mil

13. Inventory

Handsets	1,040.1	1,435.8
Accessories and other	110.7	143.8
	1,150.8	1,579.6
Less: inventory provision	(91.3)	(118.2)
	1,059.5	1,461.4

The cost of inventories recognised as an expense during the period amounts to R11,414.5 million (2016: R10,888.8 million).

14. Trade and other receivables

Trade receivables	7,260.2	7,118.4
Value-added tax	5.8	14.1
Prepayments	761.9	480.3
Accrued income	1,548.6	1,355.0
Derivative financial assets	98.1	72.5
Intergroup receivables	293.5	240.4
Deferred costs	468.5	406.9
Other	466.0	431.0
	10,902.6	10,118.6

Timing

Non-current	268.4	78.8
Current	10,634.2	10,039.8
	10,902.6	10,118.6

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	(242.4)	(161.5)
(Utilised)/reversed	(30.6)	27.9
Credited/(charged) to profit or loss	67.9	(108.8)
31 March	(205.1)	(242.4)

Analysis of doubtful receivables at year end:

Subscribers	(110.5)	(120.6)
Other operators	(94.6)	(121.8)
	(205.1)	(242.4)

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

	2017 R mil	2016 R mil

14. Trade and other receivables (continued)

Included within derivative financial assets:

	2017 R mil	2016 R mil
Forward exchange contracts	62.2	61.2
Firm commitment asset - fair value hedge	35.9	11.3
	98.1	72.5

The fair value of forward exchange contracts is determined with reference to quoted market prices for similar instruments, being the mid forward rates as at the reporting date (Note 34.3).

15. Finance receivables

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

The fair value of the finance receivables at 31 March 2017 is R2,774.3 million (2016: R2,225.5 million).

31 March 2017	**Within one year R mil**	**Between one and five years onwards R mil**	**Total R mil**
Future payments receivable	1,851.8	1,246.8	3,098.6
Unearned finance income	(296.2)	(85.8)	(382.0)
Present value of payments receivable	1,555.6	1,161.0	2,716.6

31 March 2016	**Within one year R mil**	**Between one and five years onwards R mil**	**Total R mil**
Future payments receivable	1,659.2	819.9	2,479.1
Unearned finance income	(269.1)	(59.2)	(328.3)
Present value of payments receivable	1,390.1	760.7	2,150.8

16. Cash and cash equivalents

	2017 R mil	2016 R mil
Bank and cash balances	877.4	950.4
Bank overdraft	-	(150.2)
	877.4	800.2

Included in the bank and cash balances of R877.4 million (2016: R950.4 million) is an amount of R164.2 million (2016: R149.0 million), which represents the call accounts of Vodacom Insurance Company (RF) Limited and Vodacom Life Assurance Company (RF) Limited. The call desposits are invested based on the asset spread requirement in terms of the Long-Term and Short-Term Insurance Act of 1998.

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

Notes to the Consolidated Annual Financial Statements

	2017 R mil	2016 R mil
17. Share capital		
Authorised		
350,000,000,000 ordinary shares at R0.00001 each.	3.5	3.5
350,000,000 'A' ordinary shares at R0.00001 each (*).	-	-
	3.5	3.5
Issued		
Fully paid up share capital		
4,518,000,000 ordinary shares at R0.00001 each (*)	-	-
282,000,000 'A' ordinary shares at R0.00001 each (*).	-	-
Less: Treasury shares:		
18,000,000 ordinary shares at R0.00001 each (Refer Note 19) (*).	-	-
282,000,000 'A' ordinary shares at R0.00001 each (Refer Note 19) (*).	-	-
	-	-

All un-issued shares are under the control of Vodacom Proprietary Limited.

(*) Less than R50,000.

18. Share premium

	2017 R mil	2016 R mil
Ordinary shares and 'A' ordinary shares		
Share premium 18,000,000 ordinary shares at R24.99 each and 207,000,000 'A' ordinary shares at R2.17 each.	900.0	900.0
Less: Treasury shares	(900.0)	(900.0)
Share premium 18,000,000 ordinary shares at R24.99 each and 207,000,000 'A' ordinary shares at R2.17 each (Refer Note 19).		
	-	-

There were no changes to the share premium of the Group for the financial year ended 31 March 2017 and 31 March 2016, respectively.

19. 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 Proprietary Limited's ('Vodacom SA's') 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.

Components of the transaction	**Percentage allocated %**	**Transaction value R mil**	**Cash received R mil**
Employees: YeboYethu Employee Participation Trust (Note 19.1)	1.56	1,875.0	-
Black Public and Business Partners: YeboYethu (RF) Limited (Note 19.3)	1.88	2,250.0	360.0
Royal Bafokeng Holdings Proprietary Limited (Note 19.4)	1.97	2,366.0	378.0
Thebe Investment Corporation Proprietary Limited (Note 19.4)	0.84	1,009.0	162.0
	6.25	7,500.0	900.0

19. Broad-based Black Economic Empowerment ('BBBEE') transaction (continued)

Summary of financial impact of share based payment arrangements

	2017 R mil	2016 R mil
Share based payment expense		
Cash-settled share based payment liability	(102.3)	(76.4)
Employees: revaluation of liability (Refer Note 19.1)	(27.1)	(46.5)
Innovator Trust: revaluation of liability (Refer Note 19.6)	(75.2)	(29.9)
Equity-settled share based payment reserve	2.8	(106.7)
Employees: forfeiture and allocation (Refer Note 19.1)	2.8	(74.6)
Storage Technologies Services Proprietary Limited (Refer Note 19.8)	-	(32.1)
	(99.5)	(183.1)
Cash-settled share based payment liability		
Employees (Refer Note 19.1)	(117.6)	(103.4)
Innovator Trust (Refer Note 19.6)	(296.0)	(234.3)
	(413.6)	(337.7)
Equity-settled share based payment reserve		
Employees (Refer Note 19.1)	(385.8)	(388.7)
Black Public and Business Partners (Refer Note 19.3)	(300.1)	(300.1)
Strategic Partners (Refer Note 19.4)	(923.1)	(923.1)
Storage Technologies Services Proprietary Limited (Refer Note 19.8)	(32.1)	(32.1)
	(1,641.1)	(1,644.0)

19.1. Employees

An employee ownership trust (*) ('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 (RF) Limited ('YeboYethu'). 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 2016, all units were allocated and 100.0% vested. The total forfeited units available as at 31 August 2015 (18.96%) were allocated effective 14 March 2016 to employees in proportion to the number of units held on this date.

The total charge for employees for the year ended 31 March 2017 was R24.3 million (2016: R121.1 million). The cash-settled share based payment liability as at 31 March 2017 is R117.6 million (2016: R103.4 million) and the equity-settled share based payment reserve as at 31 March 2017 is R385.8 million (2016: R388.7 million).

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

19. Broad-based Black Economic Empowerment ('BBBEE') transaction (continued)

19.2. Share rights

Movements in non-vested share rights:

	2017 Number of rights	2016 Number of rights
1 April	300,000,000	286,012,319
Granted	-	13,987,681
31 March	300,000,000	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.

19.3. Black Public and Business Partners

The Black Public and Business Partners hold ordinary and 'A' ordinary shares in Vodacom SA through YeboYethu (RF) Limited (*). 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 and transferred to the Johannesburg Stock Exchange ('JSE') effective 11 August 2016. The equity-settled share based payment reserve remained unchanged.

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

19.4. Strategic Partners: Royal Bafokeng Holdings Proprietary Limited and Thebe Investment Corporation Proprietary 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 Proprietary Limited (*) and Main Street 661 Proprietary Limited (*).

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.

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

19.5. Funding

The difference between the unadjusted value attributable to the shares 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 an end date of 30 September 2015. In October 2014, the interest rate on the notional loan was amended to 8.0% NACD and the end date was extended to 30 September 2018.

19. Broad-based Black Economic Empowerment ('BBBEE') transaction (continued)

19.5 Funding (continued)

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 R1,559.0 million (2016: R1,620.2 million), for Black Public and Business Partners R1,283.7 million (2016: R1,384.9 million) and for Strategic Partners R1,925.5 million (2016: R2,077.3 million).

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

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

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 from March 2016 with R39.9 million (2016: R27.0 million) paid out in loans to employees.

19.6. Innovator trust

During the 2015 financial year, the Innovator Trust, a consolidated structured entity, 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 charge for the current financial year was R75.2 million (2016: R29.9million) and the cash-settled share based payment liability as at 31 March 2017 is R296.0 million (2016: R234.3 million).

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

19. Broad-based Black Economic Empowerment ('BBBEE') transaction (continued)

19.7. 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 (%) (*)	6.8 - 7.9
Expected volatility (%) (^)	22.7
Contractual life (years)	2.5
Original grant valuation (R mil)	101.7
Final grant fair value (R mil)	69.0

(*) Determined from the South African swap curve.

(^) Determined using historical share prices of Vodacom Group Limited.

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 (%) (*)	7.2 - 7.4	6.8 - 7.9
Expected volatility (%) (^)	17.4	22.7
Contractual life (years)	1.5	2.5
Weighted average fair value of instruments granted (R mil)	481.7	382.6

(*) Determined from the South African swap curve.

(^) Determined using historical share prices of Vodacom Group Limited.

19.8. Storage Technologies Services Proprietary Limited ('Stortech')

During the prior financial year, a Special Purpose Vehicle (*) ('SPV'), Kutana Technology Proprietary Limited 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 Proprietary Limited. The purchase price amounting to R71.5 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 amounted to R32.1 million and was recognised as an expense immediately on grant date. The equity-settled share based payment reserve recognised on grant date was R32.1 million. An option pricing model was used to value the option on grant date.

19. Broad-based Black Economic Empowerment ('BBBEE') transaction (continued)

19.8 Storage Technologies Services Proprietary Limited ('Stortech') (continued)

There are no subsequent measurement considerations as this is an equity-settled scheme. The option pricing model used the following assumptions:.

	2016
Valuation date	15 September 2015
Maturity date	15 September 2020
Weighted average fair value of instruments granted (R mil)	63.6
Strike price (R mil) (^)	40.0
Risk-free rate (%) (#)	6.2 - 8.7
Expected volatility (%) (!)	36.9
Dividend yield (%) (@)	3.2 - 9.4
Market value of underlying equity (R mil)	107.2
Share-based payment expense (R mil)	32.1

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

(^) The starting value for the strike price input into the option pricing model is the loan carrying value on grant date.

(#) Determined from the South African swap curve.

(!) Determined using the weighted average volatility of 3 peer companies as a proxy for Stortech’s volatility.

(@) Determined using the dividend per share forecasts for Stortech in conjunction with projected future share prices as at the dividend payment dates.

20. Non-controlling interest

	2017 R mil	2016 R mil
Opening balance at the beginning of the year	29.5	79.1
Profits attributable to minority shareholders	5.1	11.5
BBBEE transaction	(0.4)	-
Dividends paid to minorities	(6.4)	(16.5)
XLink Communications Proprietary Limited	(18.5)	(44.6)
	9.3	29.5

21. Broad based black economic empowerment participants

	2017 R mil	2016 R mil
Opening balance at the beginning of the year	516.1	516.1
Movement in interest in subsidiary	-	-
Closing balance at the end of the year	516.1	516.1

22. Forfeitable share plan advance distribution

Under the forfeitable share plan ('FSP'), shares in Vodacom Group are granted to executive directors, key management and certain selected employees of the Group. The vesting of these shares is subject to continued employment and is, for directors and senior management, conditional upon achievement of performance targets measured over a three year period. Vodacom Group has the obligation to settle the FSP awards with participants. The up-front reimbursement to Vodacom Group is deferred in equity as an advanced distribution and reduced to Rnil over the vesting period.

22. Forfeitable share plan advance distribution (continued)

Share awards

Movements in non-vested shares	**Number of shares 2017 Million**	**Weighted average fair value at grant date 2017 R**	**Number of shares 2016 Million**	**Weighted average fair value at grant date 2016 R**
Opening balance at the beginning of the year	2.7	128.1	2.5	116.2
Granted	0.9	165.9	1.2	136.4
Vested	(0.8)	110.2	(0.7)	103.9
Forfeited	(0.4)	135.2	(0.3)	118.8
	2.4	147.1	2.7	128.1

During the 2017 financial year 784,292 (2016: 734,299) share awards vested. The number of FSP shares vesting within one year is 695,697 (2016: 776,747) and within one to five years is 1,699,756 (2016: 1,904,856).

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.

23. Borrowings

	2017 R mil	**2016 R mil**
Non-current		
Interest bearing borrowings	22,341.7	21,310.1
Current		
Non-interest bearing borrowings	435.9	435.9
Interest bearing borrowings	1,809.2	202.8
	2,245.1	638.7
	24,586.8	21,948.8

Interest bearing borrowings

Vodafone Investments Luxembourg S.A.R.L.

The Group entered into various facility agreements and obtained rand term loan facilities. The interest is determined as being the aggregate of the margin per annum and three month JIBAR, payable quarterly. Funds were utilised to refinance existing loans as well as for capital expenditure and working capital requirements. The loans are unsecured. The duration of the loans vary from 3 to 7 years and the repayment date range between 24 November 2017 and 29 July 2021. The margin ranges from 1.15% to 1.57% with the effective rate being between 8.475% to 8.928%. R1,000.0 million and R3,000.0 million is at fixed interest of 8.76% and 9.39%, respectively. During the current financial year, the Group repaid an amount of R1,470.0 million on this facility.	22,209.6	19,613.9

	2017 R mil	2016 R mil
23. Borrowings (continued)		
The Group leases access transmission links and cable systems under finance leases		
Access transmission links	1,594.7	1,526.6
The leases bear interest at a fixed interest rate of 6.71% per annum with a lease term of 15 years per access transmission link. The lease payments are made monthly. The total number of access transmission links leased as at 31 March 2017 was 4,007 (2016: 3,593).		
The access transmission link leases are with Dark Fibre Africa Proprietary Limited, Link Africa Proprietary Limited and Metro Fibre Networx Proprietary Limited and denominated in Rands.		
Cable systems	309.6	329.6
The leases bear interest at a fixed rate of 11.0% per annum with a lease term of 15 years each. The lease payments are made quarterly.		
The West Africa Cable System ('WACS') and South Atlantic Telecommunications No. 3 ('SAT-3') leases are with Vodacom Group and denominated in Rands.		
	1,904.3	1,856.2
Other loans	37.0	42.8

Fair value

The aggregate fair value of the Group's finance lease liabilities for access transmission links, the WACS and SAT-3 cable systems is R1,869.4 million (2016: R1,787.5 million) and are collateralised by access transmission links, WACS and SAT-3 cable systems with a combined net book value of R1,723.9 million (2016: R1,740.8 million). (Refer Note 10).

The aggregate fair value, if determinable, of interest bearing borrowings (with the exception of the Group's finance lease liabilities) with a carrying amount of R22,209.6 million (2016: R19,613.9 million) amounts to R22,408.5 million (2016: R19,615.5 million) and was determined using the discounted cash flow method, with discount rates varying based on market related interest rates. The discount rates used on all interest bearing borrowings, inclusive of the Group's finance lease liabilities, varied between 6.71% and 11.00% (2016: 8.65% and 8.82%)

The loan between FNB and Kutana represents a prime linked loan and is thus not fair valued.

Maturity of finance lease liabilities	**2018 R mil**	**2019 R mil**	**2020 R mil**	**2021 onwards R mil**	**Total Rmil**
2017					
Future minimum lease payment payable	258.3	258.3	258.3	2,088.8	2,863.7
Finance costs	(142.8)	(133.9)	(124.1)	(558.6)	(959.4)
Present value of minimum lease payment payable	115.5	124.4	134.2	1,530.2	1,904.3

	2017 R mil	2016 R mil

23. Borrowings (continued)

	2017 R mil	2018 R mil	2019 R mil	2020 onwards R mil	Total R mil
2016					
Future minimum lease payment payable	241.1	241.0	241.0	2,089.7	2,812.8
Finance costs	(136.6)	(128.6)	(120.0)	(571.4)	(956.6)
Present value of minimum lease payment payable	104.5	112.4	121.0	1,518.3	1,856.2

Non-interest bearing borrowings

Shareholder loan

	2017 R mil	2016 R mil
The shareholder loan was granted by Royal Bafokeng Holding Proprietary Limited ('RBH') to Lisinfo 209 Investments Proprietary Limited, a special purpose entity consolidated into the Group's financial statements on 8 October 2008 for an amount of R378.0 million. Lisinfo 209 Investments Proprietary Limited is the special purpose entity that holds the Royal Bafokeng Holding Proprietary Limited interest in Vodacom Proprietary Limited. The loan does not have any fixed terms for repayment and is unsecured. (Refer Note 19).	435.9	435.9

24. Trade and other payables

	2017 R mil	2016 R mil
Trade payables	4,441.2	3,325.0
Revenue charged in advance	211.4	2.1
Deferred revenue	2,191.6	2,434.3
Accruals and other	4,844.0	6,766.8
License obligation	40.9	95.4
Capital expenditure creditors	2,348.4	1,875.0
Value added tax	235.3	171.9
Derivative financial liabilities	109.2	186.7
IFRS 2 liability (Refer note below)	413.6	337.7
Operating lease	420.3	412.3
Intercompany payables	196.6	184.6
	15,452.5	15,791.8

Timing

	2017 R mil	2016 R mil
Non-current	610.0	552.5
Current	14,842.5	15,239.3
	15,452.5	15,791.8

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

Included within derivative financial liabilities:

	2017 R mil	2016 R mil
Foreign currency derivative liabilities	43.3	127.5
Fair value hedge accounting firm commitment liability	43.4	36.7
Financial guarantee liability	22.5	22.5
	109.2	186.7

The fair value of forward exchange contracts, categorised as level two of the fair value hierarchy (Refer Note 34.3), is determined with reference to quoted market prices for similar instruments, being the mid forward rates as at the reporting date.

Notes to the Consolidated Annual Financial Statements

24. Trade and other payables (continued)

IFRS 2 liability

	2017 R mil	2016 R mil
1 April	337.7	291.2
Revaluation of liability	102.3	76.4
Transfer from the IFRS 2 equity reserve	-	25.2
Payments	(26.4)	(55.1)
31 March	413.6	337.7

Full details of the IFRS 2 liability are contained in Note 19 of these consolidated annual financial statements.

25. Provisions

Reconciliation of provisions - 2017

	1 April 2016 R mil	Provision created R mil	Provision utilised R mil	31 March 2017 R mil
Employee benefits	49.0	-	(12.1)	36.9
Other	133.2	295.3	(25.1)	403.4
	182.2	295.3	(37.2)	440.3

Reconciliation of provisions - 2016

	1 April 2015 R mil	Provision created R mil	Provision utilised R mil	31 March 2016 R mil
Employee benefits	47.6	1.4	-	49.0
Other	186.8	59.4	(113.0)	133.2
	234.4	60.8	(113.0)	182.2

Timing

	2017 R mil	2016 R mil
Non-current	280.4	104.6
Current	159.9	77.6
	440.3	182.2

Employee benefits provision

The provision is measured based on contractually agreed terms, which was revised in 2010, 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.

	2017 R mil	2016 R mil
1 April	49.0	47.2
Current service cost	11.9	16.3
Total benefit payments	(24.0)	(14.5)
31 March	36.9	49.0

	2017 R mil	2016 R mil

25. Provisions (continued)

Other provisions

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

26. Cash generated from operations

	2017 R mil	2016 R mil
Profit before tax	18,485.2	17,298.3
Adjusted for:		
Depreciation and amortisation	6,382.3	5,738.4
Impairment loss	83.6	14.1
Profit from joint venture	(0.6)	(0.9)
Loss on disposal of property, plant and equipment and intangible assets	30.4	12.7
Finance income	(691.3)	(576.4)
Finance costs	2,613.9	2,016.2
Net (gain)/loss on remeasurement and disposal of financial instruments	(164.7)	395.4
Share based payment expense	24.3	121.1
Broad-based black economic empowerment expense	75.2	61.9
Non cash flow item	-	17.1
Forfeitable share plan	106.2	101.8
Changes in working capital:		
Decrease/(increase) in inventory	401.9	(443.1)
Increase in trade and other receivables	(1,359.8)	(1,844.0)
Increase in trade and other payables and provisions	237.2	1,075.6
Cash generated from operations	**26,223.8**	**23,988.2**

27. Business combinations

	2017 R mil	2016 R mil
Customer base acquisitions (Note 27.1)	(149.6)	(716.8)

27.1 Customer base acquisitions

In the current financial year, the Autopage subscriber base purchase price was subject to finalisation due to certain conditions being met which resulted in deferred consideration of R149.6 million being paid.

28. Commitments

Capital commitments and other

	2017 R mil	2016 R mil
Capital expenditure contracted for but not yet incurred	2,130.6	3,356.9
Capital expenditure approved by the board of directors but not yet contracted for	8,657.2	6,636.9
Other	9,216.0	7,977.4
	20,003.8	17,971.2

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

The Group entered into facilities leasing, services and roaming agreements with Wireless Business Solutions Proprietary Limited which will result in R1,740.0 million future capital expenditure for the Group. The majority of this expenditure is non-current. Capital commitments do not include the aforementioned.

	2017 R mil	2016 R mil

28. Commitments (continued)

Other

Transmission and data lines	1,598.6	1,116.9
Other commitments	7,617.4	6,860.5
	9,216.0	7,977.4

The Group's transmission and data line commitments are not classified as operating leases. The commitments are for the duration of the initial period which varies between one and five years depending on the option chosen.

Other commitments include commitments for sport sponsorships, marketing functions and events contracts, the Service Extension Incentive Discount commitment, activation commissions, other accommodation, handset purchases and other purchase commitments.

Operating lease commitments

Future minimum lease payments under non-cancellable operating leases comprise:

- Within one year	1,139.8	1,054.9
- Between one and five years	3,539.2	3,185.6
- After five years	1,147.0	1,783.2
	5,826.0	6,023.7

Operating leases include leases of certain offices, distribution outlets, sites, buildings and office equipment. The remaining lease terms vary between 1 and 10 years (2016: 1 and 10 years) with escalation clauses that vary from an annual fixed escalation rate between 7.0% to 10.0% (2016: 8.0% to 10.0%) per annum or an annual variable consumer price index rate. Various options to renew exist. The total future minimum sublease payments expected to be received under non-cancellable subleases is R1,528.8 million (2016: R1,362.6 million).

29. Contingencies

29.1 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.

29.2 Kenneth Makate ('Mr. Makate') vs Vodacom Proprietary 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 have since resumed.

30. Guarantees

The Group issued various guarantees, relating to property owners for base station leases, electricity guarantees and to the SA Insurance Association for the benefit of insurers of R118.7 million (2016: R112.9 million).

31. Retirement 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. 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 R216.6 million (2016: R190.7 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.

32. Interests in subsidiaries

The information discloses interests in subsidiaries material to the financial position of the Group. All subsidiaries are incorporated in the Republic of South Africa.

	2017 Effective interest %	2016 Effective interest %	2017 Issued share capital R	2016 Issued share capital R
Vodacom Properties No. 2 Proprietary Limited	100.00	100.00	1,000	1,000
Vodacom Properties No. 1 Proprietary Limited	100.00	100.00	100	100
Vodacom Financial Services Proprietary Limited (1)	100.00	100.00	1,000	1,000
Vodacom Payment Services Proprietary Limited	100.00	100.00	670	670
Jupicol Proprietary Limited	70.00	70.00	100	100
Vodacom Insurance Company (RF) Limited	100.00	100.00	200	200
Vodacom Life Assurance Company (RF) Limited (1)	100.00	100.00	850	600
Vodacom Insurance Administration Company Proprietary Limited	100.00	100.00	100	100
Storage Technology Services Proprietary Limited (2)	95.00	95.00	136	136
XLink Communications Proprietary Limited (3)	100.00	73.20	1,539	1,539
YeboYethu Participation Trust (4)	-	-	-	-
YeboYethu Limited (4)	3.44	3.44	144	144
Lisinfo 209 Investments Proprietary Limited (4)	1.97	1.97	-	-
Main Street 661 Proprietary Limited (4)	0.84	0.84	-	-
The Innovator Trust (4)	-	-	-	-

(1) Vodacom Financial Services Proprietary Limited subscribed for 250 (2016: 360) additional ordinary shares in Vodacom Life Assurance Company (RF) Limited to the value of R50.0 million (2016: R72.0 million). The purpose of the additional investment was to ensure proper capitalisation of the entity.

(2) In the prior financial year, a 51.0% subsidiary of Vodacom Proprietary Limited, Stortech approved a BBBEE transaction which entailed the purchase of its ordinary shares representing 44.0% from existing shareholders. Kutana Technology Proprietary Limited acquired a 44.0% shareholding in Stortech, from Arbez Storage Technologies Proprietary Limited and AIS Holdings Proprietary Limited for R71.5 million. As part of the sales proceeds a R40.0 million loan was guaranteed by Stortech against the shares in Stortech (Refer Note 23 and 34).

(3) Refer Note 32.2.

(4) Refer Note 19.

The registered address of the above is the same as that of the Group except for XLink Communications Proprietary Limited and Storage Technology Services Proprietary Limited. Annual financial statements on the above are available at the Group's registered office for inspection.

32.1 Storage Technology Services Proprietary Limited ('Stortech')

The registered address of Stortech is Morningside Manor, corner of third road and Rivonia.

The proportion of Stortech's ownership interest held by non-controlling interest is:

	2017 %	2016 %
Pyramid Trading (Fourteen) Property Limited	5.0	5.0
Kutana Technology Proprietary Limited (*)	44.0	44.0
Vodacom Proprietary Limited	51.0	51.0
	100.0	100.0

(*) Refer Note 19.8.

32. Interests in subsidiaries (continued)

32.2 XLink Communications Proprietary Limited ('XLink')

The registered address of XLink is Unit 4, 15 Burnside island, 410 Jan Smuts avenue, Craighall.

Effective 17 June 2016, Vodacom Proprietary Limited purchased the remaining 26.77% interest in XLink for an amount of R74.7 million. The additional interest purchased in XLink has increased Vodacom Proprietary Limited's shareholding to 100.0%.

In the prior financial year, XLink re-purchased shares from their existing shareholders to the amount of R2.5 million which resulted in an amendment to Vodacom Proprietary Limited's shareholding of 0.75%. Further in the prior financial year, Vodacom Proprietary Limited purchased an additional 22.33% interest in XLink for an amount of R54.0 million. The additional interest purchased in XLink increased Vodacom Proprietary Limited's shareholding to 73.23%.

The proportion of XLink's ownership interest held by non-controlling interest is:

	2017 Number of shares	2016 Number of shares	2017 %	2016 %
Vodacom Proprietary Limited	1,539.0	1,127.0	100.0	73.2
Pan African Private Equity Fund 1 Proprietary Limited	-	412.0	-	26.8
	1,539.0	1,539.0	100.0	100.0

33. Related parties

The Group's related parties are its ultimate parent, all subsidiaries and fellow subsidiaries, key management including directors and other.

33.1 Balances with related parties

	2017 R mil	2016 R mil
Accounts receivable		
Vodafone Group Plc and subsidiaries	87.2	45.2
Vodacom Group Limited and subsidiaries	246.2	195.4
Accounts payable		
Vodafone Group Plc and subsidiaries	(842.1)	(622.8)
Vodacom Group Limited and subsidiaries	(196.6)	(207.1)
Finance lease payable		
Vodacom Group Limited and subsidiaries	(309.6)	(329.6)
Borrowings		
Vodafone Investments Luxembourg S.A.R.L.	(22,209.6)	(19,613.9)

These outstanding balances are unsecured and will be settled in the ordinary course of business. No guarantees or provision for doubtful debts have been recognised. Loan accounts with related parties are disclosed in Note 12, 23 and 24. Refer Note 19.8 for the details regarding the related party relationship with a non-executive director of Vodacom Group.

Notes to the Consolidated Annual Financial Statements

	2017 R mil	2016 R mil
33. Related parties (continued)		
33.2 Transactions with related parties		
Revenue		
Vodafone Group Plc and subsidiaries	82.1	271.9
Vodacom Group Limited and subsidiaries	299.9	284.2
Direct expenses		
Vodafone Group Plc and subsidiaries	(78.9)	(172.2)
Vodacom Group Limited and subsidiaries	(381.4)	(354.9)
Other operating expenses		
Vodafone Group Plc and subsidiaries	(744.2)	(662.2)
Vodacom Group Limited and subsidiaries	(60.7)	(165.7)
Other expenses		
Vodafone Group Plc and subsidiaries	(183.0)	(166.8)
Vodacom Group Limited and subsidiaries	(571.6)	(577.8)
Finance costs		
Vodafone Group Plc and subsidiaries	(1,946.1)	(1,464.0)
Vodacom Group Limited and subsidiaries	(542.7)	(392.2)
Finance income		
Vodacom Group Limited and subsidiaries	731.5	497.5
Dividends paid		
Vodacom Group Limited and subsidiaries	(12,153.0)	(11,688.1)

Transactions with entities in which related parties have an interest.

33.3 Directors' and key management remuneration

	2017 R mil	2016 R mil
Executive directors		
Short-term employee benefits (*)	74.9	81.7
Post-employment benefits (*)	2.9	3.3
Share-based payments (*)	22.8	28.3
Other long-term employee benefits (*)	0.6	0.5
	101.2	113.8
Non-executive directors		
Directors' fees (*)	1.3	1.2
Directors' remuneration paid and accrued by:		
Vodacom Proprietary Limited	31.4	38.5
Vodacom Business Africa Proprietary Limited	0.5	1.3
Vodacom Group Limited	70.6	75.2
Vodafone Group Plc	12.1	-
Recovered from subsidiary	(2.1)	-
Bonus overprovision	5.8	-
	118.3	115.0

(*) Refer to Appendix A for details.

Notes to the Consolidated Annual Financial Statements

	2017 R mil	2016 R mil

34. Financial instruments and risk management

34.1. Net losses on financial instruments

	2017 R mil	2016 R mil
Net losses on financial instruments analysed by category, are as follows:		
Financial assets and liabilities at fair value through profit or loss, classified as held for trading	204.3	(350.7)
Available-for-sale financial assets	-	4.1
Loans and receivables	651.2	513.8
Financial liabilities measured at amortised cost	(2,459.8)	(1,866.3)
Net losses attributable to financial instruments	(1,604.3)	(1,699.1)
Net losses attributable to non-financial instruments	(12.5)	(2.0)
	(1,616.8)	(1,701.1)

34.2. Carrying amounts of financial instruments

Carrying amounts of financial instruments analysed by category, are as follows:

	2017 R mil	2016 R mil
Assets		
Financial assets at fair value through profit or loss, classified as designated	244.0	359.6
Financial assets at fair value through profit or loss, classified as held for trading	62.2	61.2
Fair value hedge instrument	35.9	11.4
Available-for-sale financial assets	43.2	39.2
Loans and receivables	14,023.4	12,780.7
Liabilities		
Financial liabilities at fair value through profit or loss, classified as held for trading	43.3	127.5
Fair value hedge instrument	43.5	36.7
Financial liabilities measured at amortised cost	34,552.5	32,714.4

34.3. Fair value hierarchy

The table below sets out the valuation basis of financial instruments measured at fair value:

Level one

Financial assets and liabilities at fair value through profit or loss, classified as held for trading and designated:

	2017 R mil	2016 R mil
Collective investment (Refer note 12.1)	244.0	186.8
	244.0	186.8

Level two

Financial assets and liabilities at fair value through profit or loss, classified as held for trading and designated:

	2017 R mil	2016 R mil
Derivative financial assets - hedging (Refer Note 14)	98.1	72.5
Derivative financial liabilities - hedging (Refer Note 24)	(86.7)	(164.2)
	11.4	(91.7)

Notes to the Consolidated Annual Financial Statements

	2017 R mil	2016 R mil
34. Financial instruments and risk management (continued)		
34.3. Fair value hierarchy (continued)		
Level three		
Financial assets and liabilities at fair value through profit or loss, classified as held for trading and designated:		
The Innovator Trust (Refer Note 12.1 and Note 19.6)	-	172.9
	-	172.9

Level one is unadjusted quoted prices in active markets for identical assets used to determine fair value. 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. Level three uses data inputs for the valuation of the asset that are not based on observable market data.

34.4. Financial risk management

The Group purchases or issues financial instruments in order to finance its operations and to manage market risks that arise from its operations and sources of finances. Various financial assets and liabilities for example trade and other receivables and trade and other payables, arise directly from the Group's operations. Changing market conditions exposes the Group to various financial risks and have highlighted the importance of financial risk management as an element of control for the Group. Principal financial risk faced in the normal course of the Group's business are market risks (foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

A treasury function within Vodacom Group provides centralised treasury and related services to the Group, including co-ordinating access to domestic and international financial markets, and the managing of various risks relating to the Group's operations.

Treasury operations are conducted within a framework of approved policies and guidelines that are continuously monitored by management and the board of directors, through the audit committee, the objective being to minimise exposure to market risks (foreign currency risk, interest rate risk and price risk) and liquidity risk. These risks are managed, subject to the South African Reserve Bank Regulations.

The Group uses a number of derivative instruments that are transacted, for risk management purposes only. The Group does not trade in financial instruments for speculative purposes.

The Group finances its operations through a mixture of retained profits, bank borrowings and long-term loans.

There has been no significant change during the financial year, or since the end of the current financial year, to the types of financial risks faced by the Group, the approach to the measurement of these financial risks or the objectives, policies and processes for managing these financial risks.

34.4.1. Market risk management

The Group's activities exposes it primarily to the risks of fluctuations in foreign currency exchange rates, interest rates and price risk.

Market risk exposures are measured using sensitivity analysis which shows how profit after tax or equity after tax would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date. Sensitivity analysis are for illustrative purposes only as, in practice, market rates rarely change in isolation.

	2017 R mil	2016 R mil

34. Financial instruments and risk management (continued)

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence the Group has a policy to hedge foreign exchange risks on transactions denominated in other currencies above certain de minimis levels.

It is the Group's policy to enter into forward exchange contracts to buy and / or sell specified amounts of various foreign currencies in the future at predetermined exchange rates. The contracts are entered into in order to manage the Group's exposure to fluctuations in foreign currency exchange rates associated with recognised creditors as well as firm commitments to procure capital equipment, inventory in the form of handsets and operating expenses. The contracts are matched with anticipated future cash flows in foreign currencies. The Group designates certain of these forward exchange contracts as fair value hedges to hedge exposure to variability in fair value that is attributable to spot movements in foreign currency exchange rates.

Various monetary items exist in currencies other than the functional currencies of the entities within the Group. The table below discloses the net currency exposure. (Net carrying amount of foreign denominated monetary assets / (liabilities)). The Group is mainly exposed to the Euro, Pound Sterling and United States Dollar and to a lesser extent to the Swiss Franc and Australian Dollar combined as 'Other'.

2017 Net foreign currency monetary liabilities	**Euro R mil**	**Pound Sterling R mil**	**United States Dollar R mil**	**Other R mil**
Trade and other receivables	191.4	-	31.6	-
Trade and other payables	(242.1)	(11.5)	(730.2)	(14.8)
Provision for doubtful debt	(12.8)	-	-	-
	(63.5)	(11.5)	(698.6)	(14.8)

2016 Net foreign currency monetary liabilities	**Euro R mil**	**Pound Sterling R mil**	**United States Dollar R mil**	**Other R mil**
Trade and other receivables	359.0	0.6	97.1	-
Trade and other payables	(363.8)	(2.7)	(408.7)	(0.5)
Provision for doubtful debt	(16.9)	(0.1)	(4.8)	-
	(21.7)	(2.2)	(316.4)	(0.5)

The Group has entered into numerous forward exchange contracts to cover foreign commitments in respect of future imports of capital expenditure and once ownership of mobile equipment has passed.

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

Forward contracts to buy foreign currency

	2017	2016
Euro	13.3	3.3
Pound Sterling	0.4	(1.9)
United States Dollar	7.5	(97.4)
Net derivative financial asset/(liability)	21.2	(96.0)

Foreign contract values amounted to:

	2017	2016
Euro	70.2	24.2
Pound Sterling	0.7	3.6
United States Dollar	121.7	141.4

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34. Financial instruments and risk management (continued)

Foreign currency risk management (continued)

	2017 R mil	2016 R mil
Forward contracts to sell foreign currency		
Euro	(2.5)	(1.3)
Pound Sterling	-	0.2
United States Dollar	0.2	30.9
Net derivative financial (liability)/asset	(2.3)	29.8
Foreign contract values amounted to:		
Euro	6.0	2.4
Pound Sterling	-	0.4
United States Dollar	8.2	34.7

Of the R18.9 million net foreign exchange contract asset (2016: R66.2 million net liability), R62.2 million (2016:R61.2 million) is accounted for in trade and other receivables and R43.3 million (2016:R127.5 million) in trade and other payables. (Refer Note 14 and 24).

Foreign currency sensitivity analysis

The tables below disclose the Group's sensitivity to a specific percentage change in the functional currency within the Group against the relevant foreign currency exposed to. This percentage is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. A reasonable possible change in the prevailing foreign currency exchange rates are based on 12 month forward mid rates as published by a reputable financial institution.

The sensitivity analysis includes outstanding foreign denominated monetary items only and adjusts their translations at the reporting date to the relevant functional currencies within the Group with the specified percentage change in foreign currency exchange rates.

A positive number indicates an increase in profit after tax where the functional currency within the Group is expected to strengthen against the relevant foreign currency exposed to in a net financial liability position for non-derivative monetary items and for forward exchange contracts to sell foreign currency.

A negative number indicates a decrease in profit after tax where the functional currency within the Group is expected to strengthen against the relevant foreign currency exposed to in a net financial asset position for non-derivative monetary items and for forward exchange contracts to buy foreign currency.

For the same percentage weakening of the functional currency against the relevant foreign currency exposed to there would be an equal and opposite impact on the profit after tax.

There were no changes in the methods and assumptions used in preparing the foreign currency sensitivity analysis and all other variables remain constant.

2017	Euro R mil	Pound Sterling R mil	United States Dollar R mil	Other R mil
% Strengthening	15.9	13.6	13.8	10.6
(Loss)/profit after tax	(98.1)	(*)	(81.5)	1.1

(*) Less than R50 000.

	2017 R mil	2016 R mil

34. Financial instruments and risk management (continued)

Foreign currency sensitivity analysis (continued)

2016	Euro R mil	Pound Sterling R mil	United States Dollar R mil	Other R mil
% Strengthening	3.1	5.8	0.5	2.7
Loss after tax	(7.5)	(2.7)	(4.0)	(*)

(*) Less than R50 000.

The closing exchange rates against the South African rand in the current and prior years are as follows:

	2017	2016
Euro	14.34	16.72
Pound Sterling	16.81	21.15
United States Dollar	13.40	14.69

Fair value hedge accounting

The Group commenced fair value hedge accounting effective 1 April 2013.

The Group undertakes certain transactions denominated in foreign currencies. Hence the Group has a policy to hedge all foreign exchange risks on transactions denominated in other currencies.

It is the Group's policy to enter into forward exchange contracts to buy and / or sell specified amounts of various foreign currencies in the future at predetermined exchange rates. The contracts are entered into in order to manage the Group's exposure to fluctuations in foreign currency exchange rates associated with recognised creditors as well as firm commitments to procure capital equipment, inventory in the form of handsets and operating expenses. The contracts are matched with anticipated future cash flows in foreign currencies. The Group designates certain of these forward exchange contracts as fair value hedges to hedge exposure to variability in fair value that is attributable to spot movements in foreign currency exchange rates.

The below provides the fair values of financial instruments designated as hedging instruments as at 31 March:

	2017	2016
Forward exchange contracts to buy foreign currency - designated as fair value hedges	16.1	(46.6)
Forward exchange contracts to buy foreign currency - classified as held for trading	-	(13.3)
Designated		
Forward exchange contract asset	56.4	60.9
Forward exchange contract liability	(40.2)	(107.6)
Held for trading		
Forward exchange contract asset	3.0	0.2
Forward exchange contract liability	(3.0)	(13.5)
Loss on hedge item for the year	38.0	259.4
Gain on hedge instrument for the year	(26.1)	(285.7)

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	2017 R mil	2016 R mil

34. Financial instruments and risk management (continued)

Interest rate risk management

The Group's interest rate profile consists of fixed and floating rate loans, finance leases and bank balances which exposes the Group to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:

	2017 R mil	2016 R mil
Financial assets		
Loans granted, bank deposits and interest rate swaps at floating rates of interest	1,626.6	1,430.4
Loans granted, bank deposits and finance leases at fixed rates of interest	3,016.9	2,376.5
	4,643.5	3,806.9
Financial liabilities		
Loans received, bank borrowings and interest rate swaps at floating rates of interest	(19,067.7)	(16,846.1)
Loans received, bank borrowings and finance leases at fixed rates of interest	(5,914.5)	(5,866.3)
	(24,982.2)	(22,712.4)

The Group is exposed to the following floating rates of interest: South African prime rates, South African money market rates, South African BA rates and JIBAR.

The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis points increase or decrease, as detailed in the table below, 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 a reputable financial institution.

A positive number below indicates an increase in profit after tax if interest rates were higher by the basis points indicated below in a net financial asset position.

A negative number below indicates a decrease in profit after tax if interest rates were higher by the basis points indicated below in a net financial liability position.

If interest rates were lower by the basis points indicated above,there would be an equal and opposite impact on the profit after tax.

The sensitivity analysis is representative of the Group's exposure to interest rate risk, with the exception of dividends and tax that are payable at the end of the financial year, but including other interest bearing debt acquired. There were no changes in the methods and assumptions used in preparing the sensitivity analysis.

RSA prime rates, JIBAR rates, Money market rates and RSA BA rates

	2017 R mil	2016 R mil
Basis point increase (%)	25.0	25.0
Loss after tax	(31.5)	(27.0)

	2017 R mil	2016 R mil

34. Financial instruments and risk management (continued)

Price risk

The Group is exposed to price risks arising from the insurance business in the 2017 financial year. Certain of the Group's investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risks at the end of the reporting period.

If prices had been 0.25% higher or lower, the profit after tax for the year ended 31 March 2017 would increase or decrease by R0.4 million (2016: R0.4 million) as a result of a change in the fair value of the investment.

The Group's sensitivity to prices has not changed significantly from the prior year.

34.4.2. Credit risk management

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

The Group's exposure to credit risk with regards to loans receivable are limited due to the loans being intergroup loans.

With regards to the forward exchange contracts, the Group's exposure is on the full amount of the foreign currency payable on settlement. The Group minimises credit risk relating to forward exchange contracts and interest rate swaps by limiting the counter-parties to major local and international banks, and does not expect to incur any losses as a result of non-performance by these counter parties. The positions in respect of these counter parties are closely monitored.

The Group's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions.

The maximum credit exposure of financial guarantee contracts granted is the maximum amount the Group could be required to pay, or fund, without consideration of the probability of the actual outcome.

The carrying amounts of financial assets, which are net of impairment losses, represents the Group's maximum exposure to credit risk. The Group considers its maximum exposure according to subscribers, distribution channels and other operators, without taking into account any collateral, to be as follows:

	2017 R mil	2016 R mil
Subscribers	3,396.5	3,952.7
Distribution channels	5,847.2	4,165.6
Other operators	2,981.5	3,108.3
	12,225.2	11,226.6

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

The Group generally transacts with counterparties rated the equivalent of investment grade 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. 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.

Before accepting any new network operator customer, the Group enters into a contractual arrangement which is determined by regulatory requirements and industry norms. The Group's largest customer represents 30.7% (2016: 26.5%) of the total trade receivable balance. Other than for the above mentioned customer the concentration of credit risk is limited due to the customer base being large and unrelated.

34. Financial instruments and risk management (continued)

Credit risk management (continued)

Included in the Group's trade receivable balance are debtors with a carrying amount of R847.8 million (2016: R826.7 million) which are past due at the reporting date for which the Group has not provided, as there has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables are 55 days (2016: 78 days).

The overdraft facility of R20.0 million (2016: R,20.0 million) from Storage Technology Services Proprietary Limited was collateralised over trade receivables of R98.9 million (2016: R,98.9 million).

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

The average credit period on the sale of goods and services is between 0 to 60 days (2016: 0 to 60 days) from date of invoice. Generally no interest is charged on trade receivables.

The Group holds collateral over certain trade and other receivables. The collateral is obtained to safeguard the Group against the risk of non-collectability. The collateral is made up of demand guarantees from financial institutions. The guarantees can be exercised on overdue amounts. The collateral on trade and other receivables amount to R3,509.5 million (2016: R3,392.6 million).

The Group has renegotiated the terms of some its financial assets which resulted in them not being past due nor impaired.

The table below discloses the credit quality of the credit exposure which are neither past due nor impaired:

	2017 %	2016 %
High	-	1.0
Medium	-	0.6
Low	8.1	24.1
Subscribers	8.1	25.7
High	-	-
Medium	-	-
Low	57.1	49.3
Distribution channels	57.1	49.3
High	0.2	1.0
Medium	2.0	2.2
Low	32.6	21.8
Other operators	34.8	25.0
Total	100.0	100.0

Definitions:

High: the probability exists that the debtor has defaulted in payments and entered into a delinquency scenario.

Medium: the probability exists that the debtor is experiencing financial difficulties and is in arrears. The debtor is being managed closely to collect all overdue accounts.

Low: no default in payment has occurred or is anticipated by the debtor.

34. Financial instruments and risk management (continued)

Credit risk management (continued)

The table below discloses an analysis of the age of financial assets that are past due but not impaired and are presented net of doubtful receivable allowance:

2017 Trade and other receivables:	1 - 30 days past due R mil	31 - 60 days past due R mil	61 - 90 days past due R mil	91 - 120 days past due R mil	121 days to 12 months past due R mil	More than 12 months past due R mil	Total R mil
Subscribers	15.5	29.7	13.4	13.1	7.9	0.4	80.0
Distribution channels	30.8	10.1	1.7	-	9.8	-	52.4
Other operators	306.4	96.7	52.2	23.9	118.8	117.4	715.4
	352.7	136.5	67.3	37.0	136.5	117.8	847.8

2016 Trade and other receivables:	1 - 30 days past due R mil	31 - 60 days past due R mil	61 - 90 days past due R mil	91 - 120 days past due R mil	121 days to 12 months past due R mil	More than 12 months past due R mil	Total R mil
Subscribers	106.2	47.9	31.8	34.6	55.9	32.6	309.0
Distribution channels	11.4	28.9	1.2	2.4	9.0	-	52.9
Other operators	133.9	84.8	40.8	56.9	92.5	55.9	464.8
	251.5	161.6	73.8	93.9	157.4	88.5	826.7

	2017 R mil	2016 R mil
Analysis of the allowance for doubtful receivables which are individually impaired trade receivables:		
Distribution	0.2	-
Subscribers	9.6	6.6
Other operators	82.2	119.8
	92.0	126.4

34.4.3. Liquidity risk management

In terms of its borrowing requirements, the Group ensures that adequate funds are available to meet its expected and unexpected financial commitments through Vodacom Group funding. In terms of its long-term liquidity risk, a reasonable balance is maintained between the period over which assets generate funds and the period over which the respective assets are funded.

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 differs 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 cashflows. Estimated interest for floating interest rate financial liabilities is calculated with reference to the applicable zero coupon yield curves at the reporting date.

34. Financial instruments and risk management (continued)

Liquidity risk management (continued)

2017	0-1 year R mil	2 years R mil	3 years R mil	4 years R mil	5 years R mil	5+ years R mil	Total R mil
Financial liabilities							
Borrowings	4,191.8	16,766.3	762.9	2,226.4	4,441.5	1,572.3	29,961.2
Trade and other payables	11,094.5	-	-	-	-	-	11,094.5
Financial guarantee contract liabilities	22.5	-	-	-	-	-	22.5
Intercompany overnight borrowings	831.3	-	-	-	-	-	831.3
	16,140.1	16,766.3	762.9	2,226.4	4,441.5	1,572.3	41,909.5
Financial assets							
Trade and other receivables	9,447.4	-	-	-	-	-	9,447.4
Cash and cash equivalents	877.4	-	-	-	-	-	877.4
Intergroup overnight deposits	748.3	-	-	-	-	-	748.3
	11,073.1	-	-	-	-	-	11,073.1

2016	0-1 year R mil	2 years R mil	3 years R mil	4 years R mil	5 years R mil	5+ years R mil	Total R mil
Financial liabilities							
Borrowings	2,375.2	4,936.8	8,593.3	8,956.3	1,861.1	1,607.5	28,330.2
Trade and other payables	11,468.6	-	-	-	-	-	11,468.6
Bank overdraft	150.2	-	-	-	-	-	150.2
Financial guarantee contract liabilities	22.5	-	-	-	-	-	22.5
Intercompany overnight borrowings	1,049.3	-	-	-	-	-	1,049.3
	15,065.8	4,936.8	8,593.3	8,956.3	1,861.1	1,607.5	41,020.8
Financial assets							
Trade and other receivables	9,032.0	-	-	-	-	-	9,032.0
Cash and cash equivalents	950.4	-	-	-	-	-	950.4
Intergroup overnight deposits	681.1	-	-	-	-	-	681.1
	10,663.5	-	-	-	-	-	10,663.5

The tables below disclose the maturity profile of the Group's derivative financial assets and liabilities which includes forward exchange contracts. 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.

2017	0-1 year R mil	2 years R mil	3 years R mil	4 years R mil	5 years R mil	Total R mil
Net settled:						
Forward exchange contracts	129.4	0.2	-	-	-	129.6
Gross settled:						
Forward exchange contracts - payable	2,158.7	24.4	-	-	-	2,183.1

2016	0-1 year R mil	2 years R mil	3 years R mil	4 years R mil	5 years R mil	Total R mil
Net settled:						
Forward exchange contracts	34.0	-	-	-	-	34.0
Gross settled:						
Forward exchange contracts - payable	1,942.8	-	-	-	-	1,942.8

34. Financial instruments and risk management (continued)

Liquidity risk management (continued)

The Group provided a guarantee for borrowings entered into by Vodacom Group totalling R4,500.0 million (2016: R4,500.0 million) with R353.0 million utilised (2016: R261.0 million). Vodacom Group had rand denominated credit facilities including Vodacom SA totalling R22,104.8 million (2016: R19,698.2 million) and R22,064.3 million (2016: R19,691.8 million) was utilised.

The guarantee issued by the Group was recognised in terms of IAS39: Financial Instruments: Recognition and Measurement. A fair value of 0.5% (2016: 0.5%) was considered market related and the exposure of R22.5 million (2016: R22.5 million) was recognised and amortised over 12 months as the premium percentage is an annual percentage. The guarantee is assessed on an annual basis.

The Group is in a net current liability position, however, management believes that based on its operating cashflows, the Group will be able to meet its obligations as they fall due and that it is in compliance with all covenants contained in material borrowing agreements. The Group uses bank and intergroup borrowing facilities and the normal operating cycle to manage short-term liquidity. Depending on market conditions, the Group will continue to seek longer-term funding opportunities which will reduce the net current liability position and extend the debt maturity profile of the Group.

The Group has access to facilities of Vodacom Group Limited.

34.4.4. Capital risk management

The Group manages its capital to ensure that the Group, as well as entities in the Group will be able to continue as a going concern while maximising return to shareholders.

The capital structure of the Group consists of debt, cash and cash equivalents and adjusted equity.

The Group monitors capital on the basis of debt to EBITDA.

Net debt comprises interest bearing borrowings, non-interest bearing borrowings, derivative financial instruments, any other long-term liabilities, shareholders for dividends, money market balances and cash and cash equivalents.

EBITDA comprises earnings before interest, tax, depreciation, amortisation, impairment, profit/loss on disposal of property, plant and equipment, investment properties, intangible assets and investments.

The Group's strategy is to maintain a net debt to EBITDA multiple of less than 1.5.

The Group reviews its objectives on a semi-annual basis to ensure that the objectives are being met.

	2017 R mil	2016 R mil
The net debt to EBITDA multiple at year end was as follows:		
Bank and cash balances	(877.4)	(950.4)
Bank borrowings	-	150.2
Borrowings and derivative financial instruments	24,680.0	22,430.3
Net debt	23,802.6	21,630.1
EBITDA	26,814.9	24,978.5
Net debt to EBITDA	0.9	0.9

There were no other changes in the Group's objective, policies or processes for managing capital from the previous financial year. The Group is not subject to externally imposed capital requirements.

34.4.5. Insurance risk management

The Group is exposed to insurance risk as a result of the value added services rendered. In terms of its insurance risk profile, the Group ensures that there is adequate insurance cover. Details on the value added services and insurance risk are available for inspection per the annual financial statements of Vodacom Insurance Company (RF) Limited and Vodacom Life Assurance Company (RF) Limited, the registered office being the same of that of the Group.

35. Events after the reporting period

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

Dividends declared after the reporting period and not recognised as a liability

A final dividend of R2,103.8 million (2016: R1,681.2 million) (47 cents per ordinary share (2016: 37 cents per ordinary share)) is proposed for the year ended 31 March 2017, payable on 31 May 2017 to shareholders recorded in the register at the close of business on 31 May 2017. The net dividend after taking into account dividend withholding tax for those shareholders not exempt from dividend withholding tax is 38 cents per share (2016: 32 cents per share).

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Appendix A
Directors' emoluments

2017

	Salary	Retirement contributions (*)	Short-term incentive (STI)	Other (^)	Directors' fees	Long-term incentives (LTI)	Total
	R	R	R	R	R	R	R
Fellow subsidiaries and holding company							
MS Aziz Joosub	9,200,500	799,500	10,860,000	498,667	-	14,290,569	35,649,236
T Streichert (')	5,506,821	186,044	3,672,756	3,267,485	-	-	12,633,106
MM Mbungela (")	1,679,946	263,387	1,423,471	2,827	-	1,045,955	4,415,586
M Makanjee (")	529,107	26,727	-	3,725,151	-	28,258	4,309,243
YZ Cuba (") (!)	2,669,743	241,368	-	2,348,611	-	623,941	5,883,663
NF Bhettay (>)	2,594,465	244,424	1,691,249	3,093	-	1,260,624	5,793,855
T Netshitenzhe (>)	1,040,320	118,569	738,895	-	-	-	1,897,784
V Jarana	206,339	18,661	179,624	240	-	130,841	535,705
	23,427,241	1,898,680	18,565,995	9,846,074	-	17,380,188	71,118,178
Vodacom Proprietary Limited							
ADJ Delport	4,149,353	375,647	3,257,186	-	-	2,058,713	9,840,899
V Jarana	3,920,446	354,554	3,412,861	4,560	-	2,485,976	10,178,397
BB Williams	2,984,355	150,646	2,207,556	-	-	1,508,078	6,850,635
N Mabunda (>)	1,417,819	154,959	1,084,093	550,685	-	-	3,207,556
ZBM Bassa (#)	-	-	-	-	690,831	-	690,831
MBN Dube (#)	-	-	-	-	599,165	-	599,165
	12,471,973	1,035,806	9,961,696	555,245	1,289,996	6,052,767	31,367,483

(#) Non-executive director whose salary consists only of directors' fees.
(*) Retirement contributions consist of pension fund and provident fund.
(^) Other consists of expense allowance, leave encashment, notice pay, cell phone benefit, settling in allowance, sign-on payments and assignment costs.
(>) Appointments: NF Bhettay: 9 June 2016; N Mabunda: 2 November 2016; T Netshitenzhe: 2 November 2016.
(") Resignations: M Makanjee: 9 June 2016; MM Mbungela: 2 November 2016; YZ Cuba: 2 November 2016.
(') The average exchange rate applied above was R18.42.
(!) STI ultimately payable by Vodafone Group Plc.

Notes to the consolidated annual financial statements

Appendix A
Directors' emoluments (continued)

2016

	Salary R	Retirement contributions (*) R	Short-term incentive actual (STI) R	STI actual versus provision R	Other (^) R	Directors' fees R	Long-term incentives (LTI) R	Total R
Fellow subsidiaries and holding company								
MS Aziz Joosub	7,196,781	628,219	13,968,000	(1,488,000)	365,792	-	13,365,390	34,036,182
IP Dittrich (")	1,521,891	73,317	-	-	6,254,591	-	1,001,616	8,851,415
MM Mbungela (>)	212,504	33,329	282,337	(7,004)	400	-	207,020	728,586
M Makanjee	2,736,749	138,251	2,246,848	1,001,153	4,126	-	1,406,824	7,533,951
YZ Cuba	4,184,118	378,382	4,192,900	959,100	1,483,333	-	3,303,575	14,501,408
T Streichert (>)	3,640,835	596,666	4,098,908	(1,707,542)	2,337,741	-	-	8,966,608
	19,492,878	1,848,164	24,788,993	(1,242,293)	10,445,983	-	19,284,425	74,618,150
Vodacom Proprietary Limited								
ADJ Delport	3,896,818	353,183	5,408,841	(902,441)	-	-	2,945,755	11,702,156
V Jarana	3,587,854	324,646	5,031,480	(839,480)	6,180	-	3,496,806	11,607,486
G Motsa (")	2,637,928	399,572	2,998,379	381,421	4,290	-	2,344,566	8,766,156
T Streichert	1,213,843	259,695	1,538,520	(688,612)	948,572	-	-	3,272,018
BB Williams (>)	1,425,085	72,105	1,722,735	(150,735)	-	-	769,489	3,838,679
ZBM Bassa (#)	-	-	-	-	-	624,167	-	624,167
MBN Dube (#)	-	-	-	-	-	552,502	-	552,502
	12,761,528	1,409,201	16,699,955	(2,199,847)	959,042	1,176,669	9,556,616	40,363,164

(#) Non-executive director whose salary consists only of directors' fees.
(*) Retirement contributions consist of pension fund and provident fund.
(^) Other consists of expense allowance, leave encashment, notice pay, cell phone benefit, settling in allowance, sign-on payments and assignment costs.
(>) Appointments: T Streichert (Vodacom Group Limited): 1 August 2015; BB Williams: 1 October 2015; MM Mbungela: 1 March 2016.
(") Resignations: IP Dittrich: 31 July 2015; G Motsa: 1 January 2016.