**YeboYethu Investment Company (RF) Proprietary Limited**

**Registration number 2018/264887/07**

**Historical financial information for the period ended 31 May 2018**

The preparation of the historical financial information was supervised by a director of the Company, A Dhanasir, CA(SA)

## Introduction to the Historical Financial Information of YeboYethu Investment Company (RF) Proprietary Limited

The Historical Financial Information of YeboYethu Investment Company (RF) Proprietary Limited (or "Company") for the period ended 31 May 2018 is set out below.

The directors of YeboYethu Investment Company (RF) Proprietary Limited are responsible for the preparation, integrity and fair presentation of the Historical Financial Information of YeboYethu Investment Company (RF) Proprietary Limited in accordance with International Financial Reporting Standards.

The historical financial information have been audited by the independent auditing firm PricewaterhouseCoopers Inc. which was given unrestricted access to all financial records and related data. 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 pages 4 to 5.

The historical financial information for the period ended 31 May 2018 are presented on pages 6 to 8 and 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 historical financial information. The directors have no reason to believe that the Company will not be a going concern in the foreseeable future based on forecasts and available cash resources.

The directors are also responsible for the Company's system of internal controls. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the historical financial information and to adequately safeguard, verify and maintain accountability of assets. These controls are monitored 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.

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# *Independent reporting accountant's audit report on the historical financial information*

To the directors of YeboYethu (RF) Limited

## *Our opinion*

YeboYethu (RF) Limited is issuing a Circular to its shareholders ("Circular") regarding its proposed participation in Vodacom Group Limited's broad based black economic empowerment ownership transaction whereby:

- YeboYethu (RF) Limited's existing equity stake in Vodacom Proprietary Limited will be unwound;
- Royal Bafokeng Holdings Proprietary Limited and Thebe Investment Corporation Proprietary Limited will exchange their Vodacom Proprietary Limited shares for shares in YeboYethu (RF) Limited;
- Vodacom Group Limited issues shares to YeboYethu Investment Company (RF) Proprietary Limited in exchange for its Vodacom Proprietary Limited ordinary shares; and
- YeboYethu (RF) Limited raises vendor and third party funding in order to subscribe for additional Vodacom Group Limited shares through YeboYethu Investment Company (RF) Proprietary Limited

(the "Proposed Transaction").

In our opinion, the historical financial information set out on pages 6 to 8 (the "historical financial information") incorporated by reference in the Circular presents fairly, in all material respects, the financial position of YeboYethu Investment Company (RF) Proprietary Limited (the "Company") as at 31 May 2018, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRS") and the JSE Limited's ("JSE") Listings Requirements.

### What we have audited

At your request and solely for the purpose of the Circular to be dated on or about 10 July 2018, we have audited YeboYethu Investment Company (RF) Proprietary Limited's historical financial information set on pages 6 to 8, to be incorporated by reference in the Circular, which comprises:

- the statement of financial position as at 31 May 2018;
- the statements of changes in equity for the period then ended;
- the statements of cash flows for the period then ended; and
- the notes to the historical financial information, 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 *Reporting accountant's responsibilities for the audit of the historical financial information* 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).

## *Purpose of this report*

This report has been prepared for the purpose of the Circular and for no other purpose.

## *Responsibilities of the directors of the Company for the historical financial information*

The directors of YeboYethu (RF) Limited are responsible for the preparation, contents and presentation of the Circular and are responsible for ensuring that YeboYethu (RF) Limited complies with the JSE Listings Requirements.

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The directors of the Company are responsible for the preparation and fair presentation of the historical financial information in accordance with International Financial Reporting Standards and the JSE Listings Requirements, and for such internal control as the directors determine is necessary to enable the preparation of historical financial information that is free from material misstatement, whether due to fraud or error.

In preparing the historical financial information, the directors of the Company are responsible for assessing the Company'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 of the Company either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## *Reporting accountant's responsibilities for the audit of the historical financial information*

Our objectives are to obtain reasonable assurance about whether the historical financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue a reporting accountant'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 this historical financial information.

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 historical financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the directors of the Company's 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 reporting accountant's report to the related disclosures in the historical financial information 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 reporting accountant'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 historical financial information, including the disclosures, and whether the historical financial information represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the historical financial information of the entities or business activities within the Group to express an opinion on the historical financial information. 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 of the Company 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 I.

PricewaterhouseCoopers Inc.
Director: Berno Niebuhr
Registered Auditor
Johannesburg
10 July 2018

## STATEMENT OF FINANCIAL POSITION
**as at 31 May 2018**

| | Notes | 31 May 2018 |
|---|---|---|
| | | **R** |
| Cash and cash equivalents | 4 | 1 |
| **TOTAL ASSETS** | | **1** |
| | | |
| **EQUITY** | | |
| Share capital | 3 | 1 |
| **TOTAL EQUITY AND LIABILITES** | | **1** |

## STATEMENT OF CHANGES IN EQUITY
**for the period ended 31 May 2018**

| | Note | Share capital | Accumulated earnings | Total equity |
|---|---|---|---|---|
| | | **R** | **R** | **R** |
| Balance at the beginning of the period | | | | |
| Issue of shares | 3 | 1 | | 1 |
| **Balance at the end of the period** | | **1** | | **1** |

## STATEMENT OF CASH FLOWS
**for the period ended 31 May 2018**

| | Notes | 31 May 2018 |
|---|---|---|
| | | **R** |
| ***Cash flows from financing activities:*** | | |
| Issue of shares for cash | | 1 |
| ***Net cash flows from financing activities*** | | 1 |
| ***Net increase in cash and cash equivalents*** | | 1 |
| Cash and cash equivalents at the beginning of the period | | |
| **Cash and cash equivalents at the end of the period** | 4 | 1 |

## 1. ACCOUNTING POLICIES AND PRESENTATION

The principal accounting policies applied in the preparation of this historical financial information are set out below. These policies have been consistently applied during the periods presented, unless otherwise stated.

The statement of comprehensive income has not been presented as the Company is dormant and does not have any transactions other than the authorised share capital.

Items included in the historical financial information of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency") which is South African rand. This is also the presentation currency of the historical financial information.

### 1.1 Basis of preparation

The Company was incorporated in the Republic of South Africa on 24 April 2018 as a private company limited by shares.

The registered office and principal place of business of the Company is 082 Vodacom Boulevard, Midrand, Gauteng, 1685.

The principal activity of the Company is that of an investment holding company whereby it will hold Vodacom Group Limited shares on behalf of YeboYethu (RF) Limited.

The historical financial information has been prepared on the going concern basis and in accordance with International Financial Reporting Standards (IFRS) and the Companies Act 2008, as amended.

This historical financial information has been prepared under the historical cost convention.

The preparation of this historical financial information in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgement in the process of applying the Company accounting policies.

### 1.2 Application of new and revised International Financial Reporting Standards (IFRS)

No standards, amendments and interpretations to existing standards, which became effective for the first time for the period under review, have been adopted.

The following standards, amendments and interpretations to existing standards have been published that are relevant to but are not yet effective and have also not been early adopted:

| Standard, amendments, interpretations | Effective for financial periods beginning on or after |
|---|---|
| Amendments to IFRS 2: Share-based Payment | 1 January 2018 |
| Amendments to IFRS 4: Insurance Contracts | 1 January 2018 |
| Amendment to IAS 28: Investments in Associates and Joint Ventures | 1 January 2018 |
| IFRIC 22: Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| IFRS 15: Revenue from Contracts with Customers | 1 January 2018 |
| IFRS 9: Financial Instruments | 1 January 2018 |
| IFRIC 23: Uncertainty over Income Tax Treatments | 1 January 2019 |
| Improvements to IFRS: 2015 to 2017 cycle | 1 January 2019 |
| Amendments to IAS 19: Employee Benefits | 1 January 2019 |
| IFRS 16: Leases | 1 January 2019 |
| IFRS 17: Insurance Contracts | 1 January 2021 |

The Company does not believe that the adoption of the pronouncements above will have a material impact on its results, financial position or cash flows.

### 1.3 Cash and cash equivalents

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

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

## 2. CRITICAL ACCOUNTING JUDGEMENTS

### Going concern

The going concern assumption, which is the basis on which this historical financial information has been prepared, is dependent on the successful implementation of the transaction as described in the circular issued on or about 16 July 2018 by YeboYethu (RF) Limited regarding the R16.41 billion broad-based black Economic Empowerment transaction ("Circular") . .

| | 31 May 2018 |
|---|---:|
| | R |
| **3. SHARE CAPITAL** | |
| Authorised: 100 ordinary shares | |
| Issued ordinary shares of no par value | 1 |
| | |
| **4. CASH AND CASH EQUIVALENTS** | |
| Cash on hand | 1 |
| **Total cash and cash equivalents** | **1** |

**5. EVENTS AFTER THE REPORTING PERIOD**

There have been no other material events after the reporting date which would require disclosure or adjustment to the historical financial information for the period ended 31 May 2018 other than the implementation of the proposed BEE transaction as described below and detailed in the Circular.

***Vodacom Group Limited's proposed new BBBEE ownership transaction***

In 2008, Vodacom Group Limited (‘Vodacom Group’) and Vodacom Proprietary Limited (‘Vodacom SA’) facilitated a Broad-based Black Economic Empowerment ('BEE') ownership transaction (the BEE transaction) through the sale of an effective 6.25% in the issued share capital of Vodacom SA to Royal Bafokeng Holdings (‘RBH’), Thebe Investment Corporation (‘Thebe’) and YeboYethu (RF) Limited (‘YeboYethu’) (collectively ’the Vodacom SA BEE shareholders’) through notional vendor finance ('NVF') (‘the BEE transaction‘).

The NVF maturity date for the BEE transaction is 8 October 2018. This would entail an exercise of Vodacom SA's right to repurchase a variable number of Vodacom SA ordinary and 'A' ordinary shares held by YeboYethu to redeem any outstanding notional loan balances, the conversion of YeboYethu's 'N' ordinary shares to ordinary shares and an allocation of these converted shares to participants of the Vodacom Employee Share Trust. After the settlement of the notional vendor funding YeboYethu's shares would have no BEE restrictions and would continue to be listed on the JSE for trading.

Shareholders are referred to the Circular detailing the BEE transaction between Vodacom Group and YeboYethu. In demonstrating its ongoing and continued commitment to transformation and broad-based BEE ownership in South Africa, Vodacom Group, together with Vodacom SA and the Vodacom SA BEE shareholders have entered into a number of agreements in terms of which the current shareholders of YeboYethu, together with the Vodacom SA BEE shareholders and the Vodacom ESOP will, through YeboYethu and YeboYethu Investment Company (RF) Proprietary Limited, acquire 6.23% of the issued shares in Vodacom Group (post issuance) in terms of a new BEE transaction. The key features of the BEE transaction, include, inter alia:

Transaction size of R16.4 billion;
Equity swap ratio of Vodacom SA to Vodacom Group of 73%;
Subscription price discount from Vodacom Group
R3.9 billion equity reinvested by the Vodacom SA BEE shareholders;
R3.3 billion paid out to YeboYethu shareholders as a special dividend;
Continued listing of YeboYethu on the BEE Segment of the JSE;
R750 million Vodacom ESOP subscription for new YeboYethu ordinary shares; and
60% gearing of YeboYethu (third party financing as well as vendor funding from Vodacom Group).

**6. COMPARATIVE INFORMATION**

No comparative financial information has been presented as the Company was only incorporated on 24 April 2018.