Consolidated annual financial statements

for the year ended
31 March 2019

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

Directors' statement of responsibility

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

The consolidated annual financial statements have been audited by the independent accounting firm PricewaterhouseCoopers Inc. which was given unrestricted access to all financial records and related data, including minutes of meetings of shareholders, the Board and committees of the Board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. The report of the auditors is presented on pages 02 to 07.

The consolidated annual financial statements for the year ended 31 March 2019 presented on pages 21 to 98 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the Financial Reporting Guides as issued by the South African Institute of Chartered Accountants (SAICA) Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of 2008, as amended. They are based on appropriate accounting policies which have been consistently applied apart from adoption of new accounting standards 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 31 May 2019 and are signed on its behalf by:

PJ Moleketi
Chairman

MS Aziz Jossub
Chief Executive Officer

T Streichert
Chief Financial Officer

Certificate by the Company Secretary

In terms of section 88(2)(e) of the Companies Act of 2008, as amended, I certify that, to the best of my knowledge and belief, Vodacom Group Limited has lodged with the Registrar of Companies for the financial year ended 31 March 2019, all such returns and notices as are required of a public company in terms of the Companies Act of 2008, as amended, and that all such returns and notices are true, correct and up to date.

SF Linford
Company Secretary

31 May 2019

Independent auditor's report

To the Shareholders of Vodacom Group Limited Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Vodacom Group Limited (the Company) and its subsidiaries (together the Group) as at 31 March 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Vodacom Group Limited's consolidated financial statements set out on pages 21 to 98 comprise:

- the consolidated statement of financial position as at 31 March 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

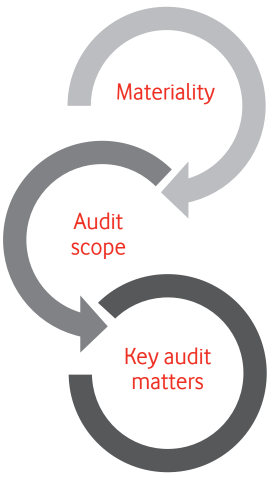
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



Overall group materiality

Overall Group Materiality: R1,175,000,000 which represents 5% of consolidated profit before tax, excluding the one-off share based payment charge of R1,404,000,000 relating to the new broad-based black economic empowerment (BBBEE) scheme implementation.

Group audit scope

We have performed full scope audits on five operations, due to their size and risk characteristics. In addition, another operation has been included in our scope for full scope special purpose financial information reporting, as a result of their contribution to the net profit from associate and joint venture financial statement line item.

Key audit matters

- Revenue recognition – accuracy of recorded revenue given the complexity of products and systems and impact of the application of IFRS 15;
- Provisions and contingent liabilities, relating to legal and taxation matters; and
- One-off transaction relating to the new broad-based black economic empowerment (BBBEE) scheme implemented during the year.

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

Independent auditor's report continued

Materiality

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

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

Overall group materiality	R1,175,000,000
How we determined it	5% of consolidated profit before tax, excluding the one-off share based payment charge relating to the new BBBEE scheme implementation
Rationale for the materiality bench-mark applied	We chose consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and it is a generally accepted benchmark. Profit before tax was adjusted for the one-off IFRS 2 charge of R1,404,000,000 as a result of the new BBBEE scheme in order to calculate materiality on a consistent basis year-on-year as this was unrelated to normal operating activities and not expected to recur. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group's operations vary in size. Five operations were identified as "full-scope" for Group audit reporting purposes (Vodacom Proprietary Limited, Vodacom Tanzania Public Limited Company, Vodacom Congo (RDC) SA, V.M. SA and YeboYethu (RF) Limited). We identified these five operations as those that, in our view, required an audit of their complete financial information, due to their size and risk characteristics. In addition, Safaricom Public Limited Company has been included in our scope for full scope special purpose financial information reporting, given the significant contribution made to the net profit from associate and joint venture financial statement line item.

Additional audit procedures over certain balances and transactions relating to other operations for Group audit reporting were performed to give appropriate coverage of all material balances at both geographical division and Group levels.

Further specified audit procedures over central functions and areas of significant judgement, including taxation, goodwill, treasury, material provisions, consolidation entries and contingent liabilities, were performed at the Group's Head Office in Midrand, South Africa.

For each of the identified "in-scope" operations above, component audit teams were responsible for performing the required audit work and reporting the results of procedures performed to the Group engagement team. We had various interactions with our component teams in which we discussed and evaluated recent developments, the scope of audits, audit risks, materiality and our audit approaches and also reviewed selected component working papers. We discussed the reports of the component teams, the findings of their procedures and other matters which could be of relevance for the consolidated financial statements. In the current year, the Group engagement team visited one of the operations "in-scope" for group reporting during the audit cycle and the lead audit partner or senior members of the team also attended the year-end audit clearance meetings with the "in- scope" component audit teams.

Key audit matters

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

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Revenue recognition – accuracy of recorded revenue given the complexity of products and systems and impact of the application of IFRS15</td></tr>
<tr><td>The accuracy of amounts recorded as revenue is an inherent industry risk due to the complexity of billing systems, accounting for new products and plans, including multiple element arrangements, and the combination of products sold and tariff structure changes during the year.

The application of revenue recognition accounting standards in the telecommunications industry is complex and involves a number of judgements and estimates. Refer to page 43 – Critical accounting judgements including those involving estimations, page 35 – Revenue recognition and Note 1 – Segment analysis.

We considered revenue recognition to be a matter of most significance to our current year audit due to the following:
• the complexity of the revenue billing systems; and
• The new standard, IFRS 15, which prescribes the accounting treatment of revenue, was adopted on 1 April 2018. The new standard has a material impact on the Group. On adoption, the Group has applied the modified retrospective transition method which recognises the cumulative effect of applying the new revenue standard upon transition directly in equity on 1 April 2018. The application of IFRS 15 introduced significant judgements and estimates in the recognition and measurement of revenue.</td><td>We obtained an understanding of, and tested management's controls over the transfer of revenue information between the multiple systems involved in recording revenue. We specifically tested the controls in place over the authorisation of rates, the introduction of new products and the input of this information to the billing systems.

We utilised our Information Technology ("IT") specialists to test the IT environment and other relevant support systems in which rating, billing and revenue recognition adjustments are recorded, including the change control procedures in place around systems relating to material revenue streams. This included systems relevant to the implementation of IFRS 15.

We examined and assessed the accounting policies applied by management in the recognition of revenue against the requirements of IFRS 15 and the relevant industry guidance. We concurred with management's application of these accounting policies.

Our procedures included, amongst others, and on a sample basis, the following:
• we agreed the end-to-end reconciliation from billing systems to the manual journals captured in the general ledger to assess the completeness, occurrence and accuracy of revenue recorded;
• we agreed prepaid, contract and hybrid data tariffs to authorised price lists;
• we compared contract revenue from the billing system to the customer contracts and cash receipts; and
• we agreed vouchers generated to cash receipts.

No material differences were identified in performing these substantive tests.

Regarding the impact of the initial adoption of IFRS 15, our procedures included, amongst others, and on a sample basis, the following:
• We obtained the approved prices and recalculated the standalone selling prices per performance obligation. We compared our recalculated prices to management's allocated standalone selling prices per performance obligation and noted no material differences;
• we tested the accuracy of the identified performance obligations used in the allocation of revenue based on supporting contractual evidence;
• we recalculated the amount recognised as a contract asset by management and the contract cost asset pertaining to the indirect channel post paid revenue stream; and
• we tested the accuracy of revenue manual adjustments arising from the adoption of IFRS 15 by agreeing the journals to the supporting documentation.
• To assess the appropriate application of the agent versus principal accounting treatment for different post-paid revenue transactions, we examined legal documents and business rules between the Group and its business partners. Wedid not identify any contradictions from those applied by management.

Based on our work, we concurred with the accuracy of the revenue recognised by management in the current year.</td></tr>
</table>

Independent auditor's report continued

Key audit matter	How our audit addressed the key audit matter
Provisions and contingent liabilities, relating to legal and taxation matters	
There are a number of pending and actual legal and regulatory cases against the Group. Accordingly, management exercises a high level of judgement in estimating the level of provisioning required. We considered the provisions and contingent liabilities related to legal and taxation matters to be a matter of most significance to our current year audit due to the following: • judgement and estimates applied by management in assessing the likelihood that a pending claim will succeed, or a liability will arise, and the quantification of the ranges of potential financial settlement; and • the Group has operations across a number of jurisdictions and is subject to periodic challenges by local tax authorities in those jurisdictions. Evaluation of the outcome of the taxation related matters, and whether the risk of loss is remote, possible or probable, requires significant judgement by management given the complexities involved. Refer to page 44 – Critical accounting judgements including those involving estimations, note 20 – Provisions, note 25 – Contingent liabilities and legal proceedings and note 7 – Taxation.	Our procedures included, amongst others, the following: • we evaluated management's relevant controls surrounding litigation and regulatory compliance; • we obtained confirmations, where appropriate, from relevant third party legal representatives. The results of the confirmations were found to be consistent with the representations made by management relating to legal and regulatory compliance matters; • we inspected Group legal reports, discussing open legal matters with the Group's legal counsel and regulatory teams, and where relevant, we inspected external legal opinions obtained by management. The outcomes of these procedures were found to be consistent with the representations obtained from management; and • we made use of our tax expertise to assess management's application and interpretation of tax legislation affecting the Group, and to consider the quantification of exposures and settlements arising from disputes with tax authorities in the various tax jurisdictions. Based on the evidence obtained, while noting the inherent uncertainty with such legal, regulatory and tax matters, we concurred with management's level of provisioning and contingent liability disclosure at 31 March 2019.

Key audit matter	How our audit addressed the key audit matter
One-off transaction relating the new broad-based black economic empowerment (BBBEE) Scheme implemented during the year	
In August 2018, the existing Vodacom Proprietary Limited BBBEE scheme was replaced with a new BBBEE scheme. This involved YeboYethu (RF) Limited exchanging its current Vodacom Proprietary Limited shares, for newly issued Vodacom Group Limited shares (which are held by YeboYethu (RF) Limited through its wholly owned subsidiary, YeboYethu Investment Company (RF) Proprietary Limited), following the settlement of the notional vendor funding of the previous BBBEE scheme. The new BBBEE scheme resulted in a significant non-recurring share based payment charge on grant date within the income statement, including a recurring share based payment charge in relation to the staff component which will be expensed over the vesting period. Management applied the Monte-Carlo option pricing model, with the assistance of external experts, which involved the use of estimates and assumptions in order to determine the value of the IFRS 2 charges. The consolidation of the structured entity, YeboYethu (RF) Limited, also significantly increased borrowings as a result of the newly issued preference shares by YeboYethu (RF) Limited to third parties which were used to partially fund the transaction. We considered the one-off transaction relating to the new BBBEE scheme to be a matter of most significance to our current year audit due to the following: • the complexity involved in applying the Monte-Carlo option pricing model; • the subjectivity of the assumptions applied in determining the IFRS 2 share based payment charge. These assumptions include the risk-free rate, expected volatility and dividend yield; • the judgement applied in the classification of this new BBBEE scheme as predominantly equity-settled, with the charge related to the Innovator Trust and a portion of the Siyanda employee trust being classified as cash-settled. Refer to page 38 – the Significant accounting policies for Broad-based black economic empowerment (BBBEE) transaction, page 42 – Critical accounting judgements including those involving estimations, note 17 – Other reserves and note 18 – Borrowings.	In order to assess the accounting treatment applied by management we made use of our accounting technical specialists to obtain an understanding of, and assess various internal accounting memoranda prepared by management, supported by contractual arrangements. This included an assessment of the judgements that management applied in reaching the classification of the BBBEE scheme as predominantly equity-settled and a portion cash-settled. We concurred with management's accounting treatment, including the judgements applied in the classification of the BBBEE scheme. We assessed the competency, experience and objectivity of management's external experts through inspection of their curricula vitae and no aspects that required further consideration were noted. We made use of our valuation and actuarial expertise to independently assess the work performed by management's expert, including the valuation methodologies applied. We corroborated the risk-free rate, expected volatility and dividend yield estimates against independent sources and industry data to determine whether the valuations performed by management's expert fall within a reasonable range. We found the estimates applied by management's expert reasonable and concurred with the determined valuation range. In relation to the preference shares newly issued to third parties by YeboYethu (RF) Limited, we read the preference share agreements and obtained a confirmation from the external parties in support of the outstanding balances at 31 March 2019. We found no material differences.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Vodacom Group Limited Consolidated annual financial statements for the year ended 31 March 2019, the Vodacom Group Limited Annual financial statements for the year ended 31 March 2019, and the Vodacom Integrated report for the year ended 31 March 2019, which includes the Directors' report, the Report of the Audit, Risk and Compliance Committee and the Certificate by the Company Secretary as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do 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.

Independent auditor's report continued

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers Inc.

Pricewaterhousecoopers Inc.
Director: D.B. von Hoesslin
Registered Auditor
Johannesburg

31 May 2019

Directors' report
for the year ended 31 March

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

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

Financial results
Earnings attributable to equity holders of the Group for the year ended 31 March 2019 were R14 822 million (2018: R15 344 million) representing basic earnings per share of 872 cents (2018: 947 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 R14 568 million (2018: R13 186 million) was declared and paid during the year. Details of the final dividend in respect of the year ended 31 March 2019 are included under Events after the reporting period in this directors' report.

Rm	2019	2018
Declared 12 May 2017 and paid 26 June 2017	–	6 473
Declared 10 November 2017 and paid 4 December 2017	–	6 713
Declared 11 May 2018 and paid 25 June 2018	7 316	–
Declared 9 November 2018 and paid 3 December 2018	7 252	–
	14 568	13 186

Dividend policy
The Company intends to pay as much of its after tax profits as will be available after retaining such sums and repaying such borrowings owing to third parties as shall be necessary to meet the requirements reflected in the budget and business plan, taking into account monies required for investment opportunities. However, there is no assurance that a dividend will be paid in respect of any financial period and any future dividends will be dependent upon operating results, financial condition, investment strategy, capital requirements and other factors. It is envisaged that interim dividends will be paid in December and final dividends in July of each year. There is no fixed date on which entitlement to dividends arises and the date of payment will be determined by the Board or shareholders at the time of declaration, subject to the JSE Listings Requirements.

The Company's dividend policy is to pay at least 90% of headline earnings, excluding the contribution of the attributable net profit or loss from Safaricom Public Limited Company and any associated intangible amortisation. In addition, the Company's policy is to distribute any dividend it receives from Safaricom Limited, up to a maximum amount of the dividend received, net of withholding tax.
Further details regarding the Safaricom Limited investment may be found in Note 12.

The Company declared dividends of 795 cents (2018: 815 cents) per share for the year ended 31 March 2019.

Share capital
The authorised and issued share capital are as follows:

Stated capital
- Authorised – 4 000 000 000 ordinary shares of no par value; and
- Issued – 1 835 864 961 (2018: 1 721 413 781) ordinary shares of no par value, with stated capital amounting to R57 073 million (2018: R42 618 million).

Full details of the authorised and issued share capital of the Company may be found in Note 16. Shares were issued for the Broad-based black economic empowerment transaction entered into during the year. Further details may be found in Note 17.1.4.

Directors' report continued

Share capital continued

Repurchase of shares

Shareholders approved a special resolution granting a general authority for the repurchase of ordinary shares by the Group, to a maximum of 5.0% (2018: 5.0%) of shares in issue, at the annual general meeting held on Tuesday 17 July 2018, subject to the JSE Listings Requirements and the provisions of the Companies Act of 2008, as amended. Any shares that may be repurchased for the time being shall be in connection with awards made in the normal course in respect of the Group's forfeitable share plan. Approval to renew this general authority will be sought at the forthcoming annual general meeting on Tuesday 23 July 2019.

Treasury shares that are held by Wheatfields Investments 276 (Pty) Limited (Wheatfields), a wholly-owned subsidiary, do not carry any voting rights. Treasury shares are also held by YeboYethu Investment Company (RF) Limited and the Innovator Trust.

Forfeitable share plan (FSP)

During the year the Group allocated 2 314 379 (2018: 2 186 094) shares to eligible employees under its FSP and no restricted shares were allocated during the current and prior years. Further details may be found in the Remuneration report included in the integrated report as well as in Note 17.

Shareholder analysis

The Group's shareholder analysis as at 31 March 2019 was as follows:

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 100 shares	13 969	26.36	575 455	0.03
101 – 1000 shares	31 028	58.54	10 917 657	0.59
1 001 – 10 000 shares	6 620	12.49	18 890 168	1.03
10 001 – 50 000 shares	884	1.67	19 602 174	1.07
50 001 – 100 000 shares	175	0.33	12 400 064	0.68
10 0001 – 1 000 000 shares	262	0.49	77 439 894	4.22
1 000 001 shares and above	65	0.12	1 696 039 549	92.38
	53 003	100.00	1 835 864 961	100.00
Distribution of shareholders				
Holding Companies	3	0.01	1 225 081 061	66.73
Retirement Benefit Funds	274	0.52	258 391 499	14.06
Custodians	342	0.65	221 706 276	12.08
Individuals	46 641	88.00	32 711 929	1.78
Collective Investment Schemes	366	0.69	34 490 158	1.88
Wholly owned subsidiary	2	0.00	15 421 231	0.84
Insurance Companies	64	0.12	7 827 137	0.43
Public Companies	11	0.02	6 914 543	0.38
Trusts	3 815	7.20	10 117 330	0.55
Private Companies	750	1.41	7 459 804	0.41
Scrip Lending	21	0.04	2 666 577	0.15
Stockbrokers & Nominees	19	0.04	3 334 539	0.18
Organs of State	10	0.02	6 506 112	0.35
Foundations & Charitable Funds	155	0.29	1 170 984	0.06
Hedge Funds	4	0.01	107 400	0.01
Other Corporations	81	0.15	810 537	0.04
Close Corporations	232	0.44	471 123	0.03
Medical Aid Funds	23	0.04	501 031	0.03
Investment Partnerships	177	0.33	119 903	0.01
Treasury	2	0.00	54 016	0.00
Unclaimed Assets	11	0.02	1 771	0.00
	53 003	100.00	1 835 864 961	100.00

Share capital continued

Shareholder analysis continued

Non-public and public shareholders	Number of shareholdings	%	Number of shares	%
Non-public shareholders	48	0.08	1 373 317 361	74.80
Directors, prescribed officers and associates	27	0.05	2 136 105	0.12
Treasury	2	0.00	54 016	0.00
Wholly-owned subsidiary	2	0.00	15 421 231	0.84
Strategic holdings (more than 10.0%)	16	0.03	388 535 909	21.16
Holding company	1	0.00	967 170 100	52.68
Public shareholders	52 955	99.92	462 547 600	25.20
	53 003	100.00	1 835 864 961	100.00
Geographical holdings by owner				
South Africa[1]	52 344	98.76	1 466 351 624	79.87
United Kingdom	173	0.32	68 627 373	3.74
United States	122	0.23	102 198 492	5.57
Europe	132	0.25	183 664 095	10.00
Other	232	0.44	15 023 377	0.82
	53 003	100.00	1 835 864 961	100.00

Beneficial shareholders holding 5% or more of the issued capital	Total shareholding	% of shares in issue
Vodafone Investments SA (Pty) Limited	967 170 100	52.68
Vodafone International Holdings B.V	143 459 781	7.81
YeboYethu Investment Company (RF) Pty Limited	114 451 180	6.23
Government Employees Pension Fund	245 076 128	13.35
	1 470 157 189	80.07

Share price performance	2019	2018
Opening price 1 April	R151.43	R152.00
Closing price 31 March	R111.43	R153.07
Closing high for the year	R158.00	R186.99
Closing low for the year	R110.36	R134.96
Number of shares in issue	1 835 864 961	1 721 413 781
Volume traded during the year	479 699 782	728 949 298
Ratio of volume traded to shares issued (%)	26.13%	42.35%

Note:
1. Direct shareholding held by Vodafone Investments SA (Pty) Limited, a South African entity, and Vodafone International Holdings B.V, a European entity. The ultimate shareholder, being Vodafone Group Plc, is registered in the United Kingdom.

Directors' report continued

Borrowings

YeboYethu issued preference shares to the value of R4 654 million to ABSA Bank Limited, Depfin Investments (Pty) Limited and FirstRand Bank Limited in order to finance the Group's new BBBEE transaction (Note 17). These preference shares have a dividend rate of 68% of First National Bank Limited's prime overdraft lending rate, and have a maturity date of 14 September 2023. The borrowing is secured by the shares that YeboYethu Investment Company (RF) (Pty) Limited, a wholly owned subsidiary of YeboYethu, holds in Vodacom Group Limited, with a target share cover ratio of above three times the debt with a breach occurring at two times share cover. The share cover ratio at 31 March 2019, based on a five day volume-weighted average price of R112.18, was 2.84.

During the current year, the Group refinanced three of its loan facilities received from Vodafone Investments Luxembourg s.a.r.l. as listed below:

- On 16 July 2018, a R2 000 million loan facility was renewed for a further 3 years at a rate of 3 months Jibar + 1.35%. The loan is repayable on 16 July 2021.
- The Group also refinanced a R3 000 million facility on 27 September 2018. The loan facility bears interest at 3 month JIBAR + 1.30% and is repayable on 27 September 2021.
- An existing fixed rate facility of R1 000 million was refinanced with a floating rate facility of R1 000 million at a rate of 3 month Jibar + 1.30% with a repayment date of 28 September 2021.

On 25 July 2018, the Group made an early capital repayment of R757 million against the R2 576 million loan facility to Vodafone Investments Luxembourg s.a.r.l. This loan was then fully repaid with a further early capital repayment of R1 819 million on 25 January 2019. The loan was due for repayment on 25 April 2019.

Vodacom Mozambique obtained a US$100 million loan facility on 30 November 2018 from Standard Bank South Africa, with US$30 million drawn as at 31 March 2019. The loan facility bears interest at 6 month LIBOR + 3.30% and is repayable bi-annually with the final repayment on 30 November 2022.

Broad-based black economic empowerment (BBBEE) transaction

The existing Vodacom (Pty) Limited (Vodacom SA) BBBEE transaction (the previous BBBEE transaction) was replaced with a new BBBEE transaction designed to provide liquidity to participants through YeboYethu (RF) Limited (YeboYethu) declaring a special dividend, and the opportunity for Vodacom SA BBBEE shareholders, and the Vodacom Employee Share Ownership Trust (ESOP) to participate in a growth opportunity by holding their listed YeboYethu shares. The notional vendor funding of the previous BBBEE transaction was settled, after which YeboYethu exchanged its remaining shares in Vodacom SA for newly issued shares in Vodacom Group Limited, which are treated as treasury shares on a consolidated level, and are encumbered (Note 17).

The key features of the BBBEE transaction include, inter alia:

- transaction size of R16.4 billion;
- equity swap ratio of Vodacom SA to Vodacom Group Limited of 73.0%;
- subscription price discount from Vodacom Group Limited;
- R3.9 billion equity reinvested by the Vodacom SA BBBEE shareholders;
- R3.3 billion paid out to YeboYethu shareholders as a special dividend;
- continued listing of YeboYethu on the BBBEE Segment of the JSE;
- R1.05 billion contribution for YeboYethu ordinary shares by the Group's new employee empowerment trust (Siyanda); and
- 60% gearing of YeboYethu (third party financing and vendor funding from Vodacom Group Limited).

Non-current assets held for sale

The Group entered into agreements to dispose of certain subsidiaries within the Vodacom Business Africa group. The disposals are subject to regulatory approvals, but are expected to occur within twelve months from 31 March 2019. Further details regarding the transaction may be found in Note 22.

Capital expenditure and commitments

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

Holding company and ultimate holding company

The Group is ultimately controlled by Vodafone Group Plc which owns 60.5% of the issued shares through Vodafone Investments SA (Pty) Limited and Vodafone International Holdings B.V.

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

Directorate and secretary

Movements in the directorate during the year under review:

Appointments

18 July 2018	S Sood
1 January 2019	T Reisten
1 January 2019	P Mahanyele-Dabengwa
1 January 2019	F Bianco (alternate to M Joseph)

Resignations

18 July 2018	M Pieters
31 December 2018	TM Mokgosi-Mwantembe
31 December 2018	RAW Schellekens

In terms of the Company's memorandum of incorporation, Ms P Mahanyele-Dabengwa , Messrs S Sood and T Reisten as directors, having been appointed since the last annual general meeting of the Company, retire at the forthcoming annual general meeting to be held on Tuesday 23 July 2019. In terms of the memorandum of incorporation, Messrs PJ Moleketi and JWL Otty retire by rotation. All retiring directors are eligible and available for re-election. Their profiles appear in the 'Notice of annual general meeting' included in the integrated report.

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

Independent non-executive

PJ Moleketi (Chairman), DH Brown, BP Mabelane, SJ Macozoma, P Mahanyele-Dabengwa.

Non-executive

M Joseph * (alternate F Bianco#), JWL Otty ^, T Reisten @, S Sood , V Badrinath ~.

Executive

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

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

* American, # Italian, ^ British, Indian, @German, ~ French.

Directors' report continued

Number of shares held by directors and prescribed officers

	2019		2018	
	Direct	Indirect	Direct	Indirect
Executive director				
MS Aziz Joosub	**1 192 351**	**–**	1 037 063	–
Independent non-executive directors				
PJ Moleketi	**643**	**15 480**	643	15 480
	1 192 994	**15 480**	1 037 706	15 480

There have been no changes in beneficial interests that occurred between the end of the reporting period and the date of this report.

Regulatory matters

Spectrum licences

In the DRC, Vodacom Congo (RDC) SA was granted its 4G license and additional spectrum, pending Digital Terrestrial Television migration. In both Tanzania and Mozambique, additional spectrum was acquired via a spectrum auction. In Lesotho, the Communications Regulator approved and granted an application for additional spectrum, thereby enabling the launch of 5G services.

Electronic Communications Amendment Bill (ECA bill)

On 12 February 2019, the Minister of Communications informed the Parliamentary Portfolio Committee of her decision to withdraw the ECA Amendment Bill from the parliamentary process. The ECA Amendment Bill is unlikely to be re-submitted to the new parliament in its current form given the new emphasis on the fourth industrial revolution – which is likely to require further policy, legislative and regulatory changes. The effect of the withdrawal of the ECA Amendment Bill is that the licensing of high demand spectrum can be managed under the existing legislation and in this regard the Ministry is contemplating issuing new policy directions to ICASA.

ICASA priority market review

In June 2017, ICASA published a notice of intention to conduct an inquiry to identify priority markets in terms of section 4B of the ICASA Act. The purpose of the study is to identify markets to be prioritised for potential review and regulation. On 16 November 2018, ICASA commenced a market inquiry into mobile broadband services. The purpose of the inquiry is to assess the state of competition and determine whether or not there are markets or market segments within the mobile broadband services value chain which may require regulatory intervention. ICASA aims to finalise the inquiry during the 2020 financial year.

Amendment to End-user and Subscriber Service Charter Regulations

On 7 May 2018, ICASA published the End-user and Subscriber Service Charter Amendment Regulations (the amendments), which came into effect on 1 March 2019. The main objective is to address consumer concerns with regard to out-of-bundle charges and expiry of data. The amendments followed a consultation process between ICASA and industry stakeholders. Further amendments were published on 12 February 2019, which came into effect on 12 April 2019.

Vodacom Congo (RDC) SA (Vodacom Congo)

Organisation for the Harmonisation of Business Law in Africa (OHADA)

Vodacom Congo is not in compliance with the minimum capital requirements as set out under the OHADA. Vodacom Congo has to increase its share capital to meet the minimum OHADA requirements. In a bid to remedy this non- compliance, the shareholders of Vodacom Congo agreed on 28 December 2018 to convert the initial shareholder loans into equity. This recapitalisation resulted in a 32% improvement in the negative equity position. A non-compliance gap remains, but this matter is continuously being discussed by the Board and shareholders of Vodacom Congo.

Investigation on unpaid taxes for devices

The Democratic Republic of Congo (DRC) Customs Authority (DGDA) has instituted a criminal claim against Vodacom Congo for unpaid custom duties on alleged smuggled devices bought by Vodacom Congo from a local supplier, who subsequently closed its business in the DRC. The Group has objected to the claim, and is cooperating with the relevant authorities.

Vodacom Congo 2G licence dispute

Vodacom Congo is in ongoing discussions with the Ministry of Communications and other relevant authorities over an alleged irregular renewal of its 2G license in 2015.

Regulatory matters continued

Vodacom Tanzania Public Company Limited (Vodacom Tanzania)

The Group has entered into an agreement with its local Tanzanian partner, Mirambo Limited (Mirambo), and certain of Mirambo's shareholders, under the terms of which the Group will acquire all of Mirambo's 588 million shares in Vodacom Tanzania. This will result in the Group increasing its total interest in Vodacom Tanzania from 61.6% (direct and indirect) to 75% (direct). The transaction close is subject to conditions precedent.

10T Holdings (Pty) Limited and IoT.nxt B.V. acquisition

The Group entered into an agreement to purchase a 51% equity interest in 10T Holdings (Pty) Limited and IoT.nxt B.V. (together "IoT.nxt"). IoT.nxt creates data-connectivity between new data sources and legacy systems which allows for real-time data availability across a wide business segment. The transaction is subject to the approval of the Competition Commission.

Audit, Risk and Compliance Committee (ARC Committee)

The ARC Committee discharged all of those functions delegated to it in terms of its mandate, section 94(7) of the Companies Act of 2008, as amended and the JSE Listings Requirements. Further details on the role and function of the ARC Committee may be found in the Risk management report included in the integrated report as well as in the report of the ARC Committee on pages 16 to 20. At a meeting of the Board held on 11 May 2018, the Board resolved to categorise Mr DH Brown and Ms BP Mabelane, members of the ARC Committee as financial experts. This was in view of their qualifications and many years experience as Chief Financial Officers.

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

Competence, appropriateness and experience of the Company Secretary

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

Other matters

Competition Commission investigations

Competition Commission data service market inquiry

The Competition Commission initiated a market inquiry into data services on 30 November 2017. The purpose of the inquiry is to understand what factors or features of the market(s) and value chain may cause or lead to high prices for data services, and to make recommendations that would result in lower prices for data services. This inquiry covers all market participants involved at any point in the value chain for any form of data services that are provided to customers such as government, businesses and consumers in South Africa. The Competition Commission issued a summary of provisional findings and recommendations on 24 April 2019, inviting comments from stakeholders by 14 June 2019. The date for completion of the data market inquiry is 31 December 2019.

Competition complaint on the National Treasury government transversal contract for mobile communications services

On 14 March 2016, National Treasury issued a tender for the supply and delivery of mobile communication services to national and provincial government departments in South Africa. The tender was awarded to the Group, for the period 15 September 2016 to 31 August 2020, after an open and transparent process. The Competition Commission has initiated an investigation against the Group for alleged abuse of dominance, under sections 8(c) and 8(d)(i) of the Competition Act, which investigation is ongoing.

Kenneth Makate (Mr Makate) vs Vodacom (Pty) Limited

Following the failure of the parties to reach an agreement on the amount of reasonable compensation to be paid for a business idea that led to the development of a product known as 'Please Call Me', Mr. Makate declared a deadlock and referred the matter to the Group's Chief Executive Officer (CEO), in his judicially sanctioned role as a deadlock breaking mechanism, to make a determination on the reasonable amount of compensation payable to him. The CEO has made such a determination, in accordance with the Constitutional Court order, but Mr Makate has rejected the CEO's determination. The Group has subsequently been informed by Mr Makate's attorneys that he intends to have the CEO's determination judicially reviewed.

Directors' report continued

Events after the reporting period

Vodacom Tanzania

In April 2019, several of Vodacom Tanzania Plc's (Vodacom Tanzania) employees, including the Managing Director, were arrested by the Tanzanian Police in relation to a third party's alleged illegal use of network facilities. These employees were charged with a number of offences, including economic crimes which are non-bailable offences under Tanzania's Economic Organised Crime Act (EOCA). Vodacom Tanzania paid a fine of TZS 30 million (R0.2 million) as well as an amount of TZS 5.2 billion (R32 million), as compensation for the financial losses occasioned to the Tanzanian Communication Regulatory Authority (TCRA), after pleading guilty to the offences of occasioning pecuniary loss to a specified authority and permitting use of network services in contravention of the Electronic and Postal Communications Act (EPOCA). Vodacom Tanzania, its parent companies Vodacom Group Limited and Vodafone Group Plc are committed to upholding the highest standards of business integrity, ethics and good corporate governance. The companies have retained global law firm, Squire Patton Boggs to assist with an internal investigation into the underlying facts in line with the companies' legal and corporate governance principles and to safeguard the company.

Safaricom dividends declared 2 May 2019

Safaricom proposed a dividend of KES 50.08 billion for the financial year ended 31 March 2019. In addition, Safaricom proposed a special dividend of KES 24.84 billion. Both these dividends are payable to shareholders on or before 1 December 2019, subject to shareholders' approval at the annual general meeting. The Group's share of these dividend proposals, at a KES/ZAR exchange rate of 6.99, after withholding tax, amounts to R2 253 million and R1 118 million respectively.

Dividend declared after the reporting date and not recognised as a liability

A final dividend of R7 343 million (400 cents per ordinary share) for the year ended 31 March 2019, was declared on 10 May 2019, payable on 24 June 2019 to shareholders recorded in the register at the close of business on 21 June 2019. The net dividend after taking into account dividend withholding tax for those shareholders not exempt from dividend withholding tax is 320.00000 cents per share.

Mozambique spectrum licence

On 2 May 2019, Vodacom Mozambique secured 2x12.2 Mhz of 1 800 Mhz spectrum for $23 million. The licence will be issued after the payment of the first installment of 34% of total value.

Other matters

The Board is not aware of any matter or circumstance arising since the end of the reporting period, not otherwise dealt with in the consolidated annual financial statements, which significantly affect the financial position of the Group as at 31 March 2019 or the results of its operations or cash flows for the year then ended.

Auditors

PricewaterhouseCoopers Inc., has acted as auditors to Vodacom for the past 5 years. In terms of best practice, the Audit, Risk and Compliance ('ARC') Committee issued a Request for Proposals ('RFP') during the year in respect of external audit services. Following the conclusion of the RFP process, it is the recommendation of the ARC Committee, supported by the Board that, subject to shareholder approval at this annual general meeting, Ernst & Young Inc. be appointed as auditor of Vodacom and as auditor of its subsidiaries in South Africa and certain of its African subsidiaries for the financial year ending 31 March 2020.

Report of the Audit, Risk and Compliance Committee

Mandate and terms of reference

The Group's Audit, Risk and Compliance Committee (ARC Committee) operates within a Board-approved mandate and terms of reference. In line with the Companies Act of 2008, as amended (the Companies Act), the members of the ARC Committee were appointed at the annual general meeting held on Tuesday 17 July 2018.

The ARC Committee's responsibilities include the following:

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

Membership

Members: DH Brown (Chairman), BP Mabelane, SJ Macozoma

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

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

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

Attendance for the year ended 31 March 2019 was as follows:

Name of director	08/05/2018	01/06/2018 Telecon	01/06/2018 Special	07/09/2018	08/11/2018	16/01/2019 Special	25/03/2019	25/03/2019 Special
DH Brown	√	√	√	√	√	√	√	√
BP Mabelane	√	√	√	√	√	√	√	√
SJ Macozoma	√	√	√	√	√	√	√	√

Report of the Audit, Risk and Compliance Committee continued

Statutory duties

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

- Considered and satisfied itself that the external auditors are independent;
- Nominated the external auditors for appointment for the 2019 financial year;
- Reviewed the nature of non-audit services that were provided by the external auditors during the year;
- Determined the fees paid to the external auditors for the 2019 financial year;
- Confirmed the payment of non-audit services which the external auditors performed during the year under review;
- Approved the internal audit plan for the year;
- Monitored and provided oversight of the internal audit function;
- Held separate meetings with management and the external auditors to discuss any reserved matters;
- Ensured the ARC Committee complied with the membership criteria as set out in the Companies Act;
- Considered the appropriateness and experience of the Chief Financial Officer as required by the JSE Listings Requirements;
- Reviewed the consolidated and Company annual financial statements of Vodacom Group Limited;
- Reviewed the appropriateness of any amendments to accounting policies and internal financial controls;
- Monitored Vodacom's technology governance framework and processes including that of information security. Further details of this may be found in the corporate governance statement included in the integrated report;
- Considered the appropriateness of the firm and partner in respect of the external auditor as required by JSE Listings Requirements;
- Updated the Committee charter to accommodate King IV; and
- Reviewed the integrated reporting process.

The King IV report on Corporate Governance for South Africa 2016

The Group has applied the principles of King IV, the details of which is set out in the corporate governance statement included in the integrated report.

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

After discussion with management and the external auditor, being PricewaterhouseCoopers Inc. (PwC), the ARC Committee concurred with the key audit matters as set out in PwC's report on the audit of the consolidated annual financial statements for the year ended 31 March 2019.

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

Other significant matters identified and considered by the ARC Committee

The significant areas of focus considered and actions taken by the ARC Committee in relation to the 2019 annual report were discussed with the external auditor during the year and, where appropriate, these have been addressed as key audit matters as outlined in the external audit report on pages 02 to 07 of the consolidated annual financial statements for the year ended 31 March 2019.

External audit

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

External audit continued

Auditor appointment and tenure of the audit firm

PwC has been the Group's external auditor since July 2014. At the 2018 annual general meeting, PwC was re-appointed as the Group's independent external auditor, to hold office until the conclusion of the 2019 annual general meeting. It is noted that the individual registered auditor who undertook the audit during the financial year ended 31 March 2019 was Mr DB von Hoesslin. Further information regarding the tenure of Mr DB von Hoesslin is contained in PwC's report on the audit of the consolidated annual financial statements for the year ended 31 March 2019.

Change in auditors for the 2020 financial year

PwC has acted as auditors to the Group for the past 5 years. The ARC Committee issued a Request for Proposals ('RFP') during the year in respect of external audit services. Following the conclusion of the RFP process, it is the recommendation of the ARC Committee, supported by the Board that, subject to shareholder approval at the annual general meeting, Ernst & Young Inc. be appointed as auditor of the Group and as auditor of its subsidiaries in South Africa and certain of its African subsidiaries for the financial year ending 31 March 2020. Shareholders are referred to the notice of annual general meeting for further details.

Audit risk

At the start of the audit cycle for each financial year the ARC Committee receives a detailed audit plan from PwC, detailing their audit scope, planning materiality and their assessment of significant and elevated risk areas sensitive to fraud, error or judgement. The audit risk identification process is considered a key factor in the overall effectiveness of the external audit process, and the significant key risks for the 2019 financial year are capsulated in their report on the audit of the consolidated annual financial statements for the year ended 31 March 2019.

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

Working with the auditor

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

Effectiveness of the external audit process

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

Independence and objectivity

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

Non-audit function policy

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

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

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

- Review of responses to regulators/others R4 166 109;
- Taxation symposiums and training events R18 150; and
- Directors' remuneration benchmarking R108 900.

The total fees earned during the year by the external auditors for non-audit services were R4 293 159.

Report of the Audit, Risk and Compliance Committee continued

Internal audit

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

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

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

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

Design and implementation of internal financial control

The internal audit department assessed the key internal financial controls by using the internal financial controls framework. Key controls assessed were based on the financial statement account balances and disclosures that are deemed quantitatively and qualitatively significant to the Group. The key controls in place to mitigate the risk of material misstatement of these balances in the financial statements were reviewed as at 31 December 2018. Based on the review performed nothing has come to our attention that would indicate a material breakdown of internal financial controls. The internal financial controls reviewed appeared to be adequately designed and are operating as intended.

Compliance with section 404 of the US Sarbanes-Oxley Act

Vodafone Group Plc (Vodafone) is required to comply with section 404 of the Sarbanes-Oxley Act (SOX) due to its listing on the NASDAQ stock exchange. With combined efforts between the Group and Vodafone, specific processes were identified that had to be brought in line with SOX requirements as part of the Group's South African SOX compliance efforts. To be SOX compliant, the processes, systems and controls identified were reviewed for adequacy and tested to prove the effectiveness and ongoing operation thereof. Management has concluded that overall, as at 31 March 2019, these internal controls over financial reporting were effective.

Risk management

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

The internal audit department has conducted a review on the effectiveness of the risk management function in accordance with the approved risk management framework. The results of the review indicated that the risk management process was satisfactory as at 31 March 2019. There has been further development on the risk appetite framework that facilitates quantification of principal risks for the organisation.

From 1 April 2018 to 31 March 2019, the Group's corporate security divisions investigated over 9 873 cases, of which 9 625 related to external cases and 248 to internal cases. These cases were reported through various channels, including direct reports received from customers, service providers, online reports, referrals from business and external whistleblowing. Over the same period, 145 reports were received via the formal whistleblowing line.

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

Combined assurance

The Group assessed risks based on principal risks. This is a high level category of risks, made up of macro and sub risks. The current combined assurance model in place is representative of how the risks are currently being managed between the three lines of assurance. Vodafone Group Risk Management and Vodafone Group Internal Audit have implemented a coordinated structure for planning, executing and reporting on internal audit, compliance and risk activities. The committee is satisfied that the Group has optimised the assurance obtained from the three lines of assurance in accordance with the approved combined assurance model and that the model is effective in achieving the following objectives:

- coordinates assurance and reporting to provide management and the Board with a clear view on what our risks are;
- effective risk mitigation; and
- an acceptable level of residual risks.

Effectiveness of the finance function

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

Effectiveness of the design and implementation of financial controls

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

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

Compliance activities

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

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

Appropriateness and experience of Chief Financial Officer

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

Integrated report

The ARC Committee has overseen the integrated reporting process, reviewed the report and has recommended the 2019 integrated report and consolidated annual financial statements for approval by the Board on 31 May 2019.

David

DH Brown
Chairman
Audit, Risk and Compliance Committee

Consolidated income statement

for the year ended 31 March

Rm	Notes	2019[1]	2018
Revenue	1	86 627	86 370
Direct expenses		(31 427)	(33 669)
Staff expenses		(6 026)	(5 509)
Publicity expenses		(1 920)	(1 913)
Other operating expenses		(13 462)	(12 441)
Broad-based black economic empowerment charge		(1 404)	(130)
Depreciation and amortisation	9,10	(10 642)	(9 959)
Impairment losses	2	(30)	(4)
Net profit from associate and joint venture	12	2 774	1 507
Operating profit	3	24 490	24 252
Profit on sale of associate		–	734
Finance income	4	630	703
Finance costs	5	(3 008)	(2 811)
Net loss on remeasurement and disposal of financial instruments	6	(23)	(785)
Profit before tax		22 089	22 093
Taxation	7	(6 557)	(6 531)
Net profit		15 532	15 562
Attributable to:			
Equity shareholders		14 822	15 344
Non-controlling interests		710	218
		15 532	15 562

Cents		2019	2018
Basic earnings per share	8	872	947
Diluted earnings per share	8	856	919

Note:

1. The reported figures for the year ended 31 March 2019 have been significantly impacted by the adoption of IFRS 15 on 1 April 2018. Refer to accounting policies for a detailed analysis of the impact.

Consolidated statement of comprehensive income

for the year ended 31 March

Rm	2019	2018
Net profit	15 532	15 562
Other comprehensive income		
Foreign currency translation differences, net of tax[1]	11 879	(5 867)
Mark-to-market of financial assets held as fair value through other comprehensive income, net of tax	10	–
Total comprehensive income	27 421	9 695
Attributable to:		
Equity shareholders	25 709	9 943
Non-controlling interests	1 712	(248)
	27 421	9 695

Note:

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

Consolidated statement of financial position
as at 31 March

Rm	Notes	2019[1]	2018
Assets			
Non-current assets		113 897	96 543
Property, plant and equipment	9	43 989	40 529
Intangible assets	10	10 845	9 073
Financial assets	11	632	430
Investment in associate	12	54 292	44 076
Investment in joint venture		7	6
Trade and other receivables	14	2 137	724
Finance receivables	15	1 699	1 320
Tax receivable		183	106
Deferred tax	7	113	279
Current assets		39 746	34 822
Financial assets	11	6 391	4 532
Inventory	13	1 413	1 243
Trade and other receivables	14	17 649	14 819
Non-current assets held for sale	22	619	14
Finance receivables	15	2 251	1 463
Tax receivable		357	213
Bank and cash balances	23	11 066	12 538
Total assets		153 643	131 365
Equity and liabilities			
Fully paid share capital	16	57 073	42 618
Treasury shares	16	(16 387)	(1 792)
Retained earnings		32 670	28 731
Other reserves		4 636	(5 089)
Equity attributable to owners of the parent		77 992	64 468
Non-controlling interests		8 396	6 184
Total equity		86 388	70 652
Non-current liabilities		29 084	28 130
Borrowings	18	23 641	24 071
Trade and other payables	19	820	978
Provisions	20	329	388
Deferred tax	7	4 294	2 693
Current liabilities		38 171	32 583
Borrowings	18	10 603	8 220
Trade and other payables	19	26 607	23 958
Liabilities directly associated with non-current assets held for sale	22	286	–
Provisions	20	218	161
Tax payable		340	221
Dividends payable		117	23
Total equity and liabilities		153 643	131 365

Note:
1. The reported figures for the year ended 31 March 2019 have been significantly impacted by the adoption of IFRS 15 on 1 April 2018. Refer to accounting policies for a detailed analysis of the impact.

Consolidated statement of changes in equity

for the year ended 31 March

Rm	Notes	Fully paid share capital	Treasury shares	Share-based payment reserve[1]	Retained earnings
31 March 2017		*	(1 670)	1 782	26 396
Total comprehensive income		–	–	–	15 344
Net profit		–	–	–	15 344
Other comprehensive income	7	–	–	–	–
Dividends	8	–	–	–	(13 009)
Shares issued on acquisition of associate net of share issue cost	12	42 618	–	–	–
Repurchase and sale of shares	16	–	(275)	–	–
Share-based payment vesting		–	153	(153)	–
Share-based payment – deferred tax		–	–	(11)	–
Share-based payment expense	8,17	–	–	149	–
Changes in subsidiary holdings		–	–	–	–
Acquisition of subsidiary and associate	12	–	–	–	–
31 March 2018		**42 618**	**(1 792)**	**1 767**	**28 731**
Adoption of IFRS 15 and IFRS 9		**–**	**–**	**–**	**3 099**
1 April 2018		**42 618**	**(1 792)**	**1 767**	**31 830**
Total comprehensive income		**–**	**–**	**–**	**14 822**
Net profit		**–**	**–**	**–**	**14 822**
Other comprehensive income	7	**–**	**–**	**–**	**–**
Dividends	8	**–**	**–**	**–**	**(13 982)**
Shares issued on modification of broad-based black economic empowerment transaction	16	**14 455**	**(14 455)**	**–**	**–**
Repurchase and sale of shares	16	**–**	**(342)**	**–**	**–**
Share-based payment vesting		**–**	**202**	**(202)**	**–**
Share-based payment – deferred tax		**–**	**–**	**(18)**	**–**
Share-based payment expense	8,17	**–**	**–**	**211**	**–**
Broad-based black economic empowerment transaction		**–**	**–**	**1 669**	**–**
Changes in subsidiary holdings		**–**	**–**	**(1 594)**	**–**
Shareholder's loan converted to equity		**–**	**–**	**–**	**–**
31 March 2019		**57 073**	**(16 387)**	**1 833**	**32 670**

Notes:

1. Includes the broad-based black economic empowerment reserve of R1 713 million (2018: R1 641 million) and other employee share-based payment scheme reserves of R119 million (2018: R126 million).
2. Other comprehensive income.
3. Includes foreign exchange gains of R435 million (2018: foreign exchange losses of R335 million), net of tax, relating to foreign-denominated loans to subsidiaries classified as part of the net investments in these foreign operations.

* Fully paid share capital of R100.

Fair value reserve	Change of interests in subsidiaries	Profit on sale of treasury shares	Foreign currency translation reserve[2,3]	Equity attributable to owners of the parent	Non-controlling interests	Total equity
–	(1 854)	99	(690)	24 063	(1 067)	22 996
–	–	–	(5 401)	9 943	(248)	9 695
–	–	–	–	15 344	218	15 562
–	–	–	(5 401)	(5 401)	(466)	(5 867)
–	–	–	–	(13 009)	(393)	(13 402)
–	–	–	–	42 618	–	42 618
–	–	6	–	(269)	–	(269)
–	–	–	–	–	–	–
–	–	–	–	(11)	–	(11)
–	–	–	–	149	–	149
–	984	–	–	984	1 788	2 772
–	–	–	–	–	6 104	6 104
–	**(870)**	**105**	**(6 091)**	**64 468**	**6 184**	**70 652**
95	**–**	**–**	**(7)**	**3 187**	**(57)**	**3 130**
95	**(870)**	**105**	**(6 098)**	**67 655**	**6 127**	**73 782**
10	**–**	**–**	**10 877**	**25 709**	**1 712**	**27 421**
–	**–**	**–**	**–**	**14 822**	**710**	**15 532**
10	**–**	**–**	**10 877**	**10 887**	**1 002**	**11 889**
–	**–**	**–**	**–**	**(13 982)**	**(473)**	**(14 455)**
–	**–**	**–**	**–**	**–**	**–**	**–**
–	**–**	**(10)**	**–**	**(352)**	**–**	**(352)**
–	**–**	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**–**	**(18)**	**–**	**(18)**
–	**–**	**–**	**–**	**211**	**–**	**211**
–	**–**	**–**	**–**	**1 669**	**–**	**1 669**
–	**(1 306)**	**–**	**–**	**(2 900)**	**80**	**(2 820)**
–	**–**	**–**	**–**	**–**	**950**	**950**
105	**(2 176)**	**95**	**4 779**	**77 992**	**8 396**	**86 388**

Consolidated statement of cash flows

for the year ended 31 March

Rm	Notes	2019	2018
Cash generated from operations	21	34 575	32 299
Tax paid		(6 535)	(6 194)
Net cash flows from operating activities		28 040	26 105
Cash flows from investing activities			
Additions to property, plant and equipment and intangible assets		(13 653)	(10 825)
Proceeds from disposal of property, plant and equipment and intangible assets		467	187
Acquisition of associate (net of cash and cash equivalents acquired)		–	(410)
Proceeds from disposal of associate		–	797
Dividends received from associate	12	2 466	1 988
Finance income received		944	859
Other investing activities[1]		(1 412)	(1 122)
Net cash flows utilised in investing activities		(11 188)	(8 526)
Cash flows from financing activities			
Borrowings incurred	21	5 080	1 124
Borrowings repaid	21	(3 026)	(107)
Finance costs paid	21	(3 179)	(3 182)
Dividends paid – equity shareholders		(13 978)	(13 010)
Dividends paid – non-controlling interests		(473)	(393)
Repurchase and sale of shares		(352)	(269)
Changes in subsidiary holdings		(3 449)	2 770
Net cash flows utilised in financing activities		(19 377)	(13 067)
Net (decrease)/increase in cash and cash equivalents		(2 525)	4 512
Cash and cash equivalents at the beginning of the year		12 538	8 873
Effect of foreign exchange rate changes		1 053	(847)
Cash and cash equivalents at the end of the year	23	11 066	12 538

Note:
1. Consists mainly of the movement in restricted cash deposits of R1 142 million (2018: R821 million) as a result of M-Pesa related activities.

Notes to the consolidated annual financial statements

for the year ended 31 March

Basis of preparation

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

The preparation of the consolidated annual financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. For a discussion on the Group's critical accounting judgements, see Critical accounting judgements on pages 40 to 44. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

The significant accounting policies are consistent in all material respects with those applied in the previous year, except for the adoption of IFRS 9 and IFRS 15 which is presented in the "changes in accounting policies". There have been no material changes in judgements or estimates of amounts reported in prior reporting periods.

Significant accounting policies

Accounting convention

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

Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of Vodacom Group Limited, its subsidiaries, joint arrangement, associate and structured entities up to 31 March 2019.

Business combinations

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

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

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

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

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

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

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

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

Consolidation continued

Accounting for subsidiaries

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

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

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

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

Transactions with non-controlling interests

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

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

Investments in associates and joint ventures

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

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

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

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

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

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

Operating segments

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

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

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

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

Notes to the consolidated annual financial statements continued

Foreign currencies

Transactions and balances

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

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

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

Foreign operations

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

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

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

Property, plant and equipment

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

Land and buildings in which the Group occupies more than 25.0% of the floor space or for which the primary purpose is the service and connection of customers are classified as property, plant and equipment. Assets in the course of construction are carried at cost, less any impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

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

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

Depreciation is recognised in profit or loss on a straight-line basis over the shorter of the lease term, if applicable, or the estimated useful life and ceases at the earlier of the date the asset is classified as held for sale or the date it is derecognised. Depreciation is not ceased when assets are idle. Useful lives, residual values and depreciation methods are reviewed on an annual basis with the effect of any changes in estimate accounted for on a prospective basis.

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

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

Government grants

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

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

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

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

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

Intangible assets

The following are the main categories of intangible assets:

Intangible assets with an indefinite useful life

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

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

Intangible assets with finite useful lives

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

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

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

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

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

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

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

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

Impairment of assets

An impairment loss is recognised immediately in profit or loss if the recoverable amount of an asset is less than its carrying amount.

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

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

Notes to the consolidated annual financial statements continued

Impairment of assets continued

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.

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

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

Financial instruments

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

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

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

Financial assets, excluding derivative financial instruments

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

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

- Financial assets that are debt instruments, are classified based on how they are managed by the business and the nature of their contractual cash flows.
- Debt securities held for trading purposes, or whose cash flows do not solely represent payments of principal and interest are stated at fair value, with gains and losses arising from changes in fair value included in net profit or loss for the period.
- Equity securities are also stated at fair value, with gains and losses arising from changes in fair value recognised in profit or loss, as the business model is to "hold to both collect contractual cash flows and sell".
- Where the Group sells installment receivables to a third party from time to time these portfolios are recorded at fair value through other comprehensive income, as the business model is to "hold to both collect contractual cash flows and sell".
- All other investments, including trade receivables, are held to collect contractual interest and principal repayments and are stated at amortised cost using the effective interest method, less any impairment.

Trade and other receivables, included in financial assets stated at amortised cost above

Trade and other receivables mainly consist of amounts owed to us by customers and amounts that we pay to our suppliers in advance. Derivative financial instruments with a positive market value are reported within this note as are contract assets which represent an asset for accrued revenue in respect of goods or services delivered to customers for which a trade receivable does not yet exist.

Trade receivables represent amounts owed by customers where the right to payment is conditional only on the passage of time. Trade receivables that are recovered in installments from customers over an extended period are discounted at market rates and interest revenue is accreted over the expected repayment period. Other trade receivables do not carry any interest and are stated at their nominal value. The carrying value of all trade receivables, contract assets and finance lease receivables recorded at amortised cost is reduced by allowances for lifetime estimated credit losses. Estimated future credit losses are first recorded on the initial recognition of a receivable and irrecoverable amounts are based on the ageing of the receivable balances and historical experience. Individual balances are written off when management deems them not to be collectible.

Financial instruments continued

Impairment of financial assets

The Group has financial assets classified and measured at amortised cost that are subject to the expected credit loss model requirements of IFRS 9. While cash at bank and in hand and debt investments classified and measured at amortised cost, are also subject to these impairment requirements they are considered to have low credit risk, and the expected credit loss is mitigated through the Groups' credit risk management policy.

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,contract assets and finance lease receivables, the amount of the impairment loss is the irrecoverable amount estimated by management based on assumptions about risk of default and expected loss rates (Note 14).

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

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

Financial liabilities, excluding derivative financial instruments, and equity instruments

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

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

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

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

Derivative financial instruments

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

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

Derivative financial instruments are initially measured at fair value on contract date and are subsequently remeasured to fair value at each reporting date. Changes in fair value are recorded in profit or loss as they arise unless the derivative is designated and effective as a hedging instrument, in which event the timing of recognition in profit or loss depends on the nature of the hedge relationship. Changes in values of all derivatives of a financing nature are included within 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 are expected to be realised or settled within 12 months from reporting period.

Notes to the consolidated annual financial statements continued

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 are attributable to changes in interest rates.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

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

Amounts previously recognised in other comprehensive income are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss. Similarly, the Group designates certain foreign exchange forward contracts as fair value hedges to hedge its exposure to variability in fair value that is attributable to changes in foreign exchange rates.

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

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

Offset

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

Leases

Lease classification

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

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

Group as lessee

Finance leases

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

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.

Leases continued

Group as lessor

Finance leases

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

Operating leases

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

Inventory

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

Non-current assets held for sale

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

Cash and cash equivalents

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

Provisions

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

Taxation

Taxation represents the sum of current tax and deferred tax.

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

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

Current tax

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

Deferred tax

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

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

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

Notes to the consolidated annual financial statements continued

Taxation continued

Deferred tax continued

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

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

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

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

Revenue recognition and presentation

Revenue recognition

When the Group enters into an agreement with a customer, goods and services deliverable under the contract are identified as separate performance obligations ('obligations') to the extent that the customer can benefit from the goods or services on their own and that the separate goods and services are considered distinct from other goods and services in the agreement. Where individual goods and services don't meet the criteria to be identified as separate obligations they are aggregated with other goods and/or services in the agreement until a separate obligation is identified. The obligations identified will depend on the nature of individual customer contracts, but might typically be separately identified for mobile handsets, other equipment provided to customers and services provided to customers such as mobile and fixed line communication services. Where goods and services have a functional dependency (for example, a fixed line router can only be used with the Group's services) this does not, in isolation, prevent those goods or services from being assessed as separate obligations.

The Group determines the transaction price to which it expects to be entitled to in return for providing the promised obligations to the customer based on the committed contractual amounts, net of sales taxes and discounts. Where indirect channel dealers, such as retailers, acquire customer contracts on behalf of the Group and receive commission, any commissions that the dealer is compelled to use to fund discounts or other incentives to the customer are treated as payments to the customer when determining the transaction price and consequently are not included in contract acquisition costs.

The transaction price is allocated between the identified obligations according to the relative standalone selling prices of the obligations. The standalone selling price of each obligation deliverable in the contract is determined according to the prices that the Group would achieve by selling the same goods and/or services included in the obligation to a similar customer on a standalone basis; where standalone selling prices are not directly observable, estimation techniques are used maximising the use of external inputs. See "Critical accounting judgements and estimates" for details.

Revenue is recognised when the respective obligations in the contract are delivered to the customer and payment remains probable.

- Revenue for the provision of services, such as mobile airtime and fixed line broadband, is recognised when the Group provides the related service during the agreed service period.
- Revenue for device sales to end customers is generally recognised when the device is delivered to the end customer.

For device sales made to intermediaries such as indirect channel dealers, revenue is recognised if control of the device has transferred to the intermediary and the intermediary has no right to return the device to receive a refund; otherwise revenue recognition is deferred until sale of the device to an end customer by the intermediary or the expiry of any right of return.

When the Group has control of goods or services prior to delivery to a customer, then the Group is the principal in the sale to the customer. As a principal, receipts from, and payments to, suppliers are reported on a gross basis in revenue and operating costs. If another party has control of goods or services prior to transfer to a customer, then the Group is acting as an agent for the other party and revenue in respect of the relevant obligations is recognised net of any related payments to the supplier and recognised revenue represents the margin earned by the Group. See "Critical judgements and estimates" for details".

When revenue recognised in respect of a customer contract exceeds amounts received or receivable from a customer at that time a contract asset is recognised; contract assets will typically be recognised for handsets or other equipment provided to customers where payment is recovered by the Group via future service fees. If amounts received or receivable from a customer exceed revenue recognised for a contract, for example if the Group receives an advance payment from a customer, a contract liability is recognised.

Revenue recognition and presentation continued

Revenue recognition continued

When contract assets or liabilities are recognised, a financing component may exist in the contract; this is typically the case when a handset or other equipment is provided to a customer up-front but payment is received over the term of the related service agreement, in which case the customer is deemed to have received financing. If a significant financing component is provided to the customer, the transaction price is reduced and interest revenue is recognised over the customer's payment period using an interest rate reflecting the relevant central bank rates and customer credit risk.

Revenue recognition policy prior to adopting IFRS 15 on 1 April 2018

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

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

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

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

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

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

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

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

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

Other income

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

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

Presentation: gross versus net

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

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

Notes to the consolidated annual financial statements continued

Revenue recognition and presentation continued

Contract-related costs

When costs directly relating to a specific contract are incurred prior to recognising revenue for a related obligation, and those costs enhance the ability of the Group to deliver an obligation and are expected to be recovered, then those costs are recognised on the statement of financial position as fulfilment costs and are recognised as expenses in line with the recognition of revenue when the related obligation is delivered.

The direct and incremental costs of acquiring a contract including, for example, certain commissions payable to staff or agents for acquiring customers on behalf of the Group, are recognised as contract acquisition cost assets in the statement of financial position when the related payment obligation is recorded. Costs are recognised as an expense in line with the recognition of the related revenue that is expected to be earned by the Group; typically this is over the customer contract period as new commissions are payable on contract renewal. Certain amounts payable to agents are deducted from revenue recognised.

Commissions

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

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

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

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

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

Expenses

Expenses are recognised as they are incurred. Prepaid expenses are deferred and recognised in periods to which they relate. Restraint of trade payments are made to limit an executive's post-employment activities and are expensed as incurred.

Borrowing costs

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

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

Other borrowing costs are expensed as they are incurred.

Employee benefits

Post-employment benefits

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

Short-term and long-term benefits

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

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

Share-based payments

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

Employee benefits continued

Share-based payments continued

Equity-settled share-based payments

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

Cash-settled share-based payments

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

Broad-based black economic empowerment (BBBEE) transaction

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

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

New accounting pronouncements

The new accounting pronouncements adopted by the Group on 1 April 2018 as well as the accounting pronouncements to be adopted in coming financial years are set out below:

Accounting pronouncements adopted

On 1 April 2018 the Group adopted the IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments". Details of the impact of adoption are provided on pages 45 to 49. In addition the following new accounting pronouncements, none of which were considered by the Group as significant on adoption, were adopted by the Group to comply with amendments to IFRS.

- Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts";
- Amendment to IAS 28 "Investments in Associates and Joint Ventures" (part of "Improvements to IFRS 2014-2016 Cycle");
- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions'; and
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration".

New accounting pronouncements to be adopted on 1 April 2019

On 1 April 2019 the Group will adopt IFRS 16 'Leases' which has been issued by the IASB; this standard will have a significant impact on the Group's financial reporting. Additional information on the impact of this standard is discussed below.

The following pronouncements, which have also been issued by the IASB, are effective for periods commencing on or after 1 January 2019. The Group's financial reporting will be presented in accordance with these new standards, which are not expected to have a material impact on the consolidated income statement and consolidated statement of financial position from 1 April 2019.

- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures";
- "Improvements to IFRS: 2015-2017 cycle";
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement";
- Amendments to IFRS 9 "Prepayment Features with Negative Compensation"; and
- IFRIC 23 "Uncertainty over Income Tax Treatments".

New accounting pronouncements to be adopted on or after 1 April 2020

The Group has not yet adopted the following pronouncements, which have been issued by the IASB and are effective for annual periods beginning on or after 1 January 2020:

- Amendments to IFRS 3 "Definition of a Business"; and
- Amendments to IAS 1 and IAS 8 "Definition of Material".

The Group's financial reporting will be presented in accordance with the new standards above, which are not expected to have a material impact on the consolidated results, financial position or cash flows of the Group, from 1 April 2020.

In addition, the Group will adopt IFRS 17 "Insurance contracts", which has been issued by the IASB and is effective for accounting periods on or after 1 January 2021. The Group's work to assess the impact of the accounting changes that will arise under IFRS 17 is continuing; however, the changes are not expected to have a material impact on the consolidated income statement and consolidated statement of financial position.

Notes to the consolidated annual financial statements continued

New accounting pronouncements continued

IFRS 16: Leases

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 and will have a material impact on the Group's financial statements in particular:

- Lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a liability for future lease payables. The liability recorded for future lease payments will be for amounts payable for the 'reasonably certain' period of the lease, which may include future lease periods for which the Group has extension options. Under IAS 17, liabilities are generally not recorded for future operating lease payments, which have been disclosed as commitments, see Note 24.
- Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability; interest will typically be higher in the early stages of a lease and will reduce over the term. Under IAS 17, operating lease rentals have been expensed on a straight-line basis over the lease term within operating expenses (see Note 24).

Lessee accounting for finance leases will be similar under IFRS 16 to existing IAS 17 accounting. Lessor accounting under IFRS 16 is also similar to existing IAS 17 accounting and is expected to be materially the same for the Group.

A high volume of transactions will be impacted by IFRS 16 and material judgements will be required in identifying and accounting for leases. The most significant judgements in applying IFRS 16 relate to lease identification and the determination of lease term:

- For most contracts there is limited judgment in determining whether an agreement contains a lease; however, where the Group has contracts for the use of fibre and other fixed lines judgement is required to determine whether the Group controls the line and has a lease. Where the Group has exclusive use of a line it is normally determined that the Group can also direct the use of the line and therefore leases will be recognised for these connections.
- Lease terms under IFRS 16 may exceed the minimum lease period and include optional lease periods where it is reasonably certain that an extension option will be exercised or that a termination option will not be exercised by the Group. Significant judgement is required in determining whether optional periods should be included in the lease term taking into account the nature and purpose of the leased asset and the potential to replace the leased asset.

The lease terms for real estate, subject to the non-cancellable period and rights and options in each individual contract, are generally judged to be the longer of the minimum lease term and:

- 5 years for tower sights;
- Between 5 and 10 years for offices, with terms at the top end of this range if the office is considered to be strategic;
- To the next contractual lease break date for retail stores, although if the next break is within the next 12 months the lease term will be to the subsequent break unless a clear plan to exit the store is already in place;
- The asset life of the connected operations for leases of fibre and other fixed lines providing internal connectivity for the Group's operations; and
- Service agreement length for individual customers for leases of fibre or other fixed lines used to provide services directly to individual end customers, as management judge that it is not possible to be 'reasonable certain' that the end customer will have an economic incentive to renew the service agreement on expiry.

IFRS 16 is being adopted with the cumulative retrospective impact recorded as an adjustment to equity on the date of adoption. The Group currently expects to apply the following practical expedients allowed under IFRS 16:

- The Group will rely on its onerous lease assessments under IAS 37 to impair right-of-use assets recognised on adoption instead of performing a new impairment assessment for those assets on adoption; and
- The Group will not be taking the short term or low value expedients in IFRS 16 for either transition or on-going accounting and instead will recognise such leases on the balance sheet.

The Group's current estimate of the primary financial impact of these changes on the consolidated statement of financial position on adoption is the recognition of an additional lease liability at 1 April 2019 of between R9.1 billion and R9.7 billion. The right of use asset recognised at 1 April 2019 will be between R9.3 billion and R10.0 billion. Overall, these transactions will not have a material impact on Group retained earnings.

The Group cannot forecast the impact on the consolidated income statement for the year to 31 March 2020 as it will depend on factors that may occur during the year including new leases entered into, changes or reassessments of the Group's existing lease portfolio and changes to exchange rates or discount rates. However, it is expected that a similar amount of lease depreciation and interest, when compared to the current operating lease charge, would have been recognised had IFRS 16 has been applied in the year to 31 March 2019.

Applying IFRS 16 will not impact net cash flow, although net cash inflows from operating activities and payments classified within cash flow from financing activities will both increase, as payments made at both lease inception and subsequently will be characterised as repayments of lease liabilities.

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 27.

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

Investment in subsidiaries, associates and joint ventures

Judgement is required in the assessment of whether the Group has control or significant influence in terms of the variability of returns from the Group's involvement in the investee, the ability to use power to affect those returns and the significance of the Group's investment in the investee. The Group classified its investment considering this assessment of control or significant influence (Notes 12 and 28).

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

Intangible assets with finite useful lives

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

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

At 31 March 2019, intangible assets with finite useful lives amounted to R8 161 million (2018: R6 394 million) and represented 5.3% (2018: 4.9%) of the Group's total assets.

Estimation of useful lives

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

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

Licences

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

Trademarks, patents and other

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

Customer bases

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

Notes to the consolidated annual financial statements continued

Intangible assets with finite useful lives continued

Estimation of useful lives continued

Computer software

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

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

Years	2019	2018
Licences	**8 – 30**	8 – 30
Trademarks, patents and other	**5 – 12**	5 – 12
Customer bases	**1 – 8**	1 – 8
Customer software	**3 – 10**	3 – 10

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

Property, plant and equipment

Property, plant and equipment also represent a significant proportion of the Group's asset base, being 28.6% (2018: 30.9%) of the Group's total assets. Therefore, the estimates and assumptions made to determine their carrying amounts and related depreciation are critical to the Group's financial position and performance.

Estimation of useful lives and residual values

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

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

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

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

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

Years	2019	2018
Buildings, included in land and buildings	**17 – 50**	17 – 50
Leasehold improvements, included in land and buildings	**Shorter of lease term and 50**	Shorter of lease term and 50
Network infrastructure and equipment	**3 – 25**	3 – 25
Other assets	**1 – 15**	1 – 15

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

Impairment reviews

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

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

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

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

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

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

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

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

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

Fair values

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

Business combinations

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

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

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

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

Financial instruments

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

BBBEE transaction

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

Forfeitable share plan

The share-based payment expense relating to awards of performance shares to the Group's executive directors and selected employees is based on the achievement of financial performance and customer targets. The probability of these financial performance targets being achieved is estimated using the Monte-Carlo simulation model. Refer to Note 17.1.1.

Notes to the consolidated annual financial statements continued

Fair values continued

Direct and indirect tax liabilities

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

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

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

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

Recognition of deferred tax assets

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

Determining whether an arrangement contains a lease and lease classification

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

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

Revenue recognition and presentation

Revenue recognition

Revenue recognition under IFRS 15 is significantly more complex than under previous reporting requirements and necessitates the collation and processing of very large amounts of data and the increased use of management judgements and estimates to produce financial information. The most significant critical accounting judgements and key sources of estimation uncertainty are disclosed below.

Determination of standalone selling price

Where the Group doesn't sell equivalent goods or services in similar circumstances on a standalone basis it is necessary to estimate the standalone price. When estimating the standalone price the Group maximises the use of external inputs; methods for estimating standalone prices include determining the standalone price of similar goods and services sold by the Group, observing the standalone prices for similar goods and services when sold by third parties or using a cost-plus reasonable margin approach (which is sometimes the case for handsets and other equipment). Where it is not possible to reliably estimate standalone prices due to lack of observable standalone sales or highly variable pricing, which is sometimes the case for services, the standalone price of an obligation may be determined as the transaction price less the standalone prices of other obligations in the contract. The standalone price determined for obligations materially impacts the allocation of revenue between obligations and impacts the timing of revenue when obligations are provided to customers at different times – for example, the allocation of revenue between handsets, which are usually delivered up-front, and services which are typically delivered over the contract period. However, there is not considered to be a significant risk of material adjustment to the carrying value of contract-related assets or liabilities in the 12 months after the balance sheet date if these estimates were revised.

Revenue recognition and presentation continued

Gross versus net presentation

When the Group has control of goods or services when they are delivered to a customer, then the Group is the principal in the sale to the customer; otherwise the Group is acting as an agent. Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating expenses (see above) but do not impact reported assets, liabilities or cash flows. Scenarios requiring judgement to determine whether the Group is a principal or an agent include, for example, those where the Group delivers third-party branded services (such as premium music or TV content) to customers.

Provisions and contingent liabilities

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

Foreign operations

The Group exercises judgements in determining whether monetary items receivable from or payable to foreign entities form part of the Group's net investment in foreign operations. Judgements, including those involving estimations, are necessary in assessing whether settlement of the monetary items receivable or payable is likely to occur in the foreseeable future.

Notes to the consolidated annual financial statements continued

Changes in accounting policies

The Group adopted the new, revised or amended accounting pronouncements as issued by the IASB, which were effective and applicable to the Group from 1 April 2018. The accounting pronouncements considered by the Group as significant on adoption are IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" as set out below.

Other IFRS changes adopted on 1 April 2018 have no material impact on the consolidated results, financial position or cash flows of the Group.

IFRS 15 Revenue from contracts with customers (IFRS 15)

IFRS 15 "Revenue from Contracts with Customers" was adopted by the Group on 1 April 2018 with the cumulative retrospective impact reflected as an adjustment to equity on the date of adoption.

The impact on the consolidated statement of financial position at 1 April 2018 is set out on page 49.

The impact on the consolidated income statement for the year ended 31 March 2019 and the consolidated statement of financial position at 31 March 2019 is set out below.

Consolidated income statement
for the year ended 31 March 2019

Rm	Notes	IFRS 15 basis	Adoption of IFRS 15	IAS 18 basis
Revenue	(a)	86 627	(3 439)	90 066
Direct expenses	(a) – (c)	(31 427)	3 504	(34 931)
Staff expenses	(b)	(6 026)	(40)	(5 986)
Publicity expenses		(1 920)	–	(1 920)
Other operating expenses		(13 462)	–	(13 462)
Share-based payment charges		(1 404)	–	(1 404)
Depreciation and amortisation		(10 642)	–	(10 642)
Impairment		(30)	–	(30)
Net profit from associate and joint venture	(a) – (c)	2 774	(50)	2 824
Operating profit		24 490	(25)	24 515
Finance income		630	–	630
Finance costs		(3 008)	–	(3 008)
Net loss on remeasurement and disposal of financial instruments		(23)	–	(23)
Profit before tax		22 089	(25)	22 114
Taxation	(d)	(6 557)	115	(6 672)
Net profit		15 532	90	15 442
Attributable to:				
Equity shareholders		14 822	95	14 727
Non-controlling interests		710	(5)	715
		15 532	90	15 442

Cents	Notes	IFRS 15 basis	Adoption of IFRS 15	IAS 18 basis
Basic earnings per share		872	5	867
Diluted earnings per share		856	5	851

IFRS 15 Revenue from contracts with customers (IFRS 15) continued

Consolidated statement of financial position
as at 31 March 2019

Rm	Notes	IFRS 15 basis	Adoption of IFRS 15	IAS 18 basis
Assets				
Non-current assets		113 897	1 287	112 610
Property, plant and equipment		43 989	–	43 989
Intangible assets		10 845	–	10 845
Financial assets		632	–	632
Investment in associate		54 292	62	54 230
Investment in joint venture		7	–	7
Trade and other receivables		2 137	1 225	912
Of which: Contract assets	(a)		1 040	
Deferred customer acquisition costs	(b)		185	
Finance receivables		1 699	–	1 699
Tax receivable		183	–	183
Deferred tax assets		113	–	113
Current assets		39 746	3 473	36 273
Financial assets		6 391	–	6 391
Inventory		1 413	–	1 413
Trade and other receivables		17 649	3 479	14 170
Of which: Contract assets	(a)		2 962	
Deferred customer acquisition costs	(b)		517	
Non-current assets held for sale		619	(6)	625
Finance receivables		2 251	–	2 251
Tax receivable		357	–	357
Bank and cash balances		11 066	–	11 066
Total Assets		153 643	4 760	148 883
Equity and liabilities				
Fully paid share capital		57 073	–	57 073
Treasury shares		(16 387)	–	(16 387)
Retained earnings		32 670	3 367	29 303
Other reserves		4 636	13	4 623
Equity attributable to owners of the parent		77 992	3 380	74 612
Non-controlling interests		8 396	12	8 384
Total equity		86 388	3 392	82 996
Non-current liabilities		29 084	1 327	27 757
Borrowings		23 641	–	23 641
Trade and other payables		820	33	787
Of which: Contract liabilities	(a)		33	
Provisions		329	–	329
Deferred tax	(d)	4 294	1 294	3 000
Current liabilities		38 171	41	38 130
Borrowings		10 603	–	10 603
Trade and other payables		26 607	41	26 566
Of which: Contract liabilities	(a)		84	
Reduction in revenue deferral	(e)		(43)	
Liabilities directly associated with non-current assets held for sale		286	–	286
Provisions		218	–	218
Tax payable		340	–	340
Dividends payable		117	–	117
Total equity and liabilities		153 643	4 760	148 883

Notes to the consolidated annual financial statements continued

IFRS 15 Revenue from contracts with customers (IFRS 15) continued

(a) Mobile device revenue acceleration and deferred customer acquisition costs amortised to revenue

The main impact of IFRS 15 on the Group's revenue results from service agreements entered into with customers which contain both devices and services as deliverables. Under IAS 18, revenue allocated to devices on inception of a customer contract was limited to the amount received. IFRS 15 requires revenue to be recognised for devices on inception of the contract, irrespective of the amount received, with a corresponding contract asset representing the unbilled portion, or a contract liability in cases where revenue recognised under IFRS 15 is less than the actual invoiced amount for any obligation as a result of an advance payment received. The remainder of the subscription fee is recognised over the contract term as services are delivered.

Contract assets are also raised for the impact of capitalising customer incentive bonuses (CIB). Under IAS 18, incremental costs such as CIB were expensed in the income statement as incurred. Under IFRS 15, CIB costs incurred in acquiring a contract customer are deferred and recognised as an asset at inception and amortised against revenue over the term of the contract.

(b) Deferred customer acquisition costs amortised to direct costs

Under IAS 18, incremental costs were expensed in the income statement as incurred. Under IFRS 15, incremental costs incurred in acquiring a contract customer are deferred and recognised as an asset at inception. Certain of these costs are subsequently amortised against direct costs over the term of the contract.

(c) Impairment of contract assets

IFRS 9 requires expected credit losses to be recorded in respect of amounts due from customers. On initial recognition, the upfront recognition of contract assets under IFRS 15 resulted in an increase in credit loss charges recorded in future periods.

(d) Deferred tax

A deferred tax liability has been recognised for contract assets and deferred customer acquisition costs recognised under IFRS 15 where applicable, at the enacted statutory tax rate in each jurisdiction in accordance with the recognition criteria of IAS12.

(e) Reduction in revenue deferral

The reduced subscription fee recognised over the contract term under IFRS 15 leads to a reduction in revenue deferrals. See point (a) above.

IFRS 9 Financial instruments (IFRS 9)

IFRS 9 impacts the classification and measurement of the Group's financial instruments, revises the requirements for when hedge accounting can be applied and requires certain additional disclosures. Whilst hedge accounting requirements are revised under IFRS 9, no material changes to the Group were identified. The Group has adopted IFRS 9 with the cumulative retrospective impact on the classification and measurement of financial instruments reflected as an adjustment to equity on the date of adoption. The key impacts were as follows:

- The carrying values of trade receivables, contract assets and finance lease receivables are reduced by the lifetime estimated future credit losses at the date of initial recognition, where previously credit losses were not recognised on such assets until there was an indicator of impairment, such as a payment default;
- Customer receivables that are received in instalments, which are currently recorded at amortised cost, will be recorded at fair value through other comprehensive income for receivable portfolios that the Group sells from time to time to third parties.

The impact on the consolidated statement of financial position at 1 April 2018 is set out on page 49.

IFRS 9 Financial Instruments (IFRS 9) continued

Classification and measurement of financial assets

The following table and the accompanying notes below explain the original measurement categories under IAS 39 Financial instruments: Recognition and measurement (IAS39) and the new measurement categories under IFRS 9 for each class of the Group's financial assets at 1 April 2018.

Rm	Original classification IAS 39	New classification and measurement IFRS 9	Original carrying amount IAS 39	New carrying amount[1] IFRS 9
Financial assets				
Unlisted equity investments	Available-for-sale	Fair value through profit or loss	**83**	**83**
Public debt and bonds	Loans & receivables	Amortised cost	**637**	**637**
Unit trust investments	Fair value through profit or loss	Fair value through profit or loss	**328**	**328**
Cash held in restricted deposits	Loans & receivables	Amortised cost	**3 567**	**3 567**
Loans receivable	Loans & receivables	Amortised cost	**347**	**347**
Trade and other receivables	Loans & receivables	Amortised cost	**25 179**	**25 179**
Finance receivables[2]	Loans & receivables	Fair value through other comprehensive income	**2 718**	**2 814**
Total financial assets			**32 859**	**32 955**

Notes:
1. Before adjusting for the impact of applying the expected credit loss model.
2. The Group provides financing to customers to acquire devices at an additional contractual charge which is included in finance receivables. The business model under IFRS 9 for finance receivables has been determined to be "hold to collect and sell". As a result, the Group has reclassified finance receivables relating to device financing from loans and receivables to fair value through other comprehensive income. The full change in the carrying amount arises from a change in measurement attribute on transition to IFRS 9.

Impairment

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase. The Group has determined that the application of IFRS 9's impairment requirements, and the adoption of IFRS 15 at 1 April 2018 results in an additional impairment allowance as follows:

	Rm
Loss allowance 31 March 2018	**826**
Recognition of additional allowance on trade and other receivables at 31 March 2018	**237**
Additional loss allowance on device revenue contract assets recognised on adoption of IFRS 15	**210**
Loss allowance at 1 April 2018	**1 273**

Notes to the consolidated annual financial statements continued

IFRS 9 Financial Instruments (IFRS 9) continued

Opening consolidated statement of financial position
as at 1 April 2018

Rm	Notes	31 March 2018	Impact of adoption of IFRS 15	Impact of adoption of IFRS 9	1 April 2018
Assets					
Non-current assets		96 543	1 412	–	97 955
Property, plant and equipment		40 529	–	–	40 529
Intangible assets		9 073	–	–	9 073
Financial assets		430	–	–	430
Investment in associate		44 076	94	–	44 170
Investment in joint venture		6	–	–	6
Trade and other receivables		724	1 318	–	2 042
Of which: Contract assets	(a)		1 114	–	
Deferred customer acquisition costs	(b)		204	–	
Finance receivables		1 320	–	–	1 320
Tax receivable		106	–	–	106
Deferred Tax Assets		279	–	–	279
Current assets		34 822	3 316	(140)	37 998
Financial assets		4 532	–	–	4 532
Inventory		1 243	–	–	1 243
Trade and other receivables		14 819	3 316	(237)	17 898
Of which: Contract assets	(a)		2 782	–	
Deferred customer acquisition costs	(b)		527	–	
Trade receivables			–	(237)	
Other			7	–	
Non-current assets held for sale		14	–	–	14
Finance receivables		1 463	–	97	1 560
Tax receivable		213	–	–	213
Bank and cash balances		12 538	–	–	12 538
Total Assets		131 365	4 728	(140)	135 953
Equity and liabilities					
Fully paid share capital		42 618	–	–	42 618
Treasury shares		(1 792)	–	–	(1 792)
Retained earnings		28 731	3 273	(174)	31 830
Other reserves		(5 089)	(7)	95	(5 001)
Equity attributable to owners of the parent		64 468	3 266	(79)	67 655
Non-controlling interests		6 184	17	(74)	6 127
Total equity		70 652	3 283	(153)	73 782
Non-current liabilities		28 130	1 457	13	29 600
Borrowings		24 071	–	–	24 071
Trade and other payables		978	48	–	1 026
Of which: Contract liabilities	(a)		48	–	
Provisions		388	–	–	388
Deferred tax	(d)	2 693	1 409	13	4 115
Current liabilities		32 583	(12)	–	32 571
Borrowings		8 220	–	–	8 220
Trade and other payables		23 958	(12)	–	23 946
Of which: Contract liabilities	(a)		47	–	
Reduction in revenue deferral	(e)		(59)	–	
Provisions		161	–	–	161
Tax payable		221	–	–	221
Dividends payable		23	–	–	23
Total equity and liabilities		131 365	4 728	(140)	135 953

1. Segment analysis

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

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

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

International comprises the segment information relating to the non-South African-based cellular networks in Tanzania, Mozambique, Lesotho and the Democratic Republic of Congo as well as the operations of Vodacom International Limited and Vodacom Business Africa. During the current year, the Group entered into agreements to dispose of certain subsidiaries within the Vodacom Business Africa group which have been classified as non-current assets held for sale as at 31 March 2019 (Note 22).

Safaricom comprises the Group's interest in its associate, Safaricom Limited. Due to the significance of this investment, and the information available for review by the chief operating decision maker, it is presented as a separate segment.

Rm	2019	2018
Reconciliation of segment results		
EBITDA	33 714	32 898
Depreciation and amortisation excluding acquired brands and customer bases	(10 506)	(9 798)
Net profit on disposal of property, plant and equipment and intangible assets	205	9
EBIT	23 413	23 109
Acquired brand and customer base amortisation	(136)	(161)
Impairment losses	(30)	(4)
Share-based payment charges	(1 404)	(130)
Net profit from associate and joint venture	2 774	1 507
Other	(127)	(69)
Operating profit[1]	24 490	24 252

Rm	Corporate	South Africa	International	Eliminations	Total	Safaricom[2]
2019						
Segment revenue (including inter-segment)	27	67 887	19 981	(1 268)	86 627	34 113
Total segment revenue	–	68 993	20 265	–	89 258	
Intra-segment revenue	27	(1 106)	(284)	(1 268)	(2 631)	
Inter-segment revenue	(27)	(442)	(799)	1 268	–	
External customer segment revenue	–	67 445	19 182	–	86 627	34 113
EBIT	(255)	20 268	3 431	(31)	23 413	12 131
EBITDA	(248)	27 741	6 252	(31)	33 714	16 913
Net finance income/(charges)	11 921	(2 393)	2 242	(14 171)	(2 401)	
Taxation	(651)	(4 820)	(1 151)	65	(6 557)	
Other material non-cash items included in segment profit or loss:						
Depreciation and amortisation	(6)	(7 511)	(3 125)	–	(10 642)	
Total assets						
Reportable segment assets which includes:	89 222	66 881	30 761	(33 221)	153 643	63 432
Additions to property, plant and equipment and intangible assets	4	9 577	4 822	–	14 403	
Non-current assets other than financial instruments and deferred taxation	42	41 464	15 448	1 413	58 367	
Total liabilities						
Reportable segment liabilities	(11 486)	(48 560)	(17 245)	10 036	(67 255)	(16 039)

Notes:

1. For a reconciliation of operating profit and net profit for the year, refer to the consolidated income statement on page 21.
2. Segment revenue represent 100% of the results of Safaricom. EBITDA and EBIT represents 100% of the results of Safaricom, including the impact of the net fair value adjustments on tangible assets. Total assets and total liabilities represents 100 % of the results of Safaricom, including the impact of net fair value adjustments on tangible and intangible assets, excluding goodwill that arose on acquisition.

Notes to the consolidated annual financial statements continued

1. Segment analysis continued

Rm	Corporate	South Africa	International	Eliminations	Total	Safaricom
2018						
Segment revenue						
(including inter-segment)	40	69 967	17 460	(1 097)	86 370	19 768
Total segment revenue	–	71 933	17 918	–	89 851	
Intra-segment revenue	40	(1 966)	(458)	(1 097)	(3 481)	
Inter-segment revenue	(40)	(426)	(631)	1 097	–	
External customer segment revenue	–	69 541	16 829	–	86 370	19 768
EBIT	(122)	21 124	2 096	11	23 109	6 799
EBITDA	(120)	28 088	4 930	–	32 898	9 620
Net finance income/(charges)	14 988	(2 531)	1 539	(16 889)	(2 893)	
Taxation	(171)	(5 120)	(980)	(260)	(6 531)	
Other material non-cash items included in segment profit or loss:						
Depreciation and amortisation	(5)	(7 091)	(2 863)	–	(9 959)	
Total assets						
Reportable segment assets	69 268	60 426	24 756	(23 085)	131 365	51 000
which includes:						
Additions to property, plant and equipment and intangible assets	3	8 893	2 714	–	11 610	
Non-current assets other than financial instruments and deferred taxation	44	37 984	11 916	1 411	51 355	
Total liabilities						
Reportable segment liabilities	(11 216)	(51 068)	(15 169)	16 740	(60 713)	(13 179)

Revenue disaggregation (IFRS 15 basis)

Rm	Corporate	South Africa	International	Eliminations	Total	Safaricom[1]
Mobile contract revenue	–	19 856	1 169	(7)	21 018	4 628
Mobile prepaid revenue	–	23 713	15 132	1	38 846	24 869
Customer service revenue	–	43 569	16 301	(6)	59 864	29 497
Mobile interconnect	–	2 001	1 253	(646)	2 608	1 161
Fixed service revenue	–	2 809	1 659	(372)	4 096	1 106
Other service revenue	–	3 162	164	(27)	3 299	934
Service revenue	–	51 541	19 377	(1 051)	69 867	32 698
Equipment revenue	–	13 377	368	(12)	13 733	1 063
Other non service revenue	27	2 730	223	(205)	2 775	352
Revenue from contracts with customers	27	67 648	19 968	(1 268)	86 375	*
Interest income recognised as revenue	–	116	13	–	129	*
Other[2]	–	123	–	–	123	*
Revenue	27	67 887	19 981	(1 268)	86 627	34 113

Notes:
1 Segment revenue represent 100% of the results of Safaricom.
2 Other revenue largely represents lease revenues recognised under IAS 17 "Leases".
* Not reviewed by the chief operating decision maker.

During the year ended 31 March 2019, the Group reduced revenue by R361 million relating to revenue from performance obligations satisfied or partially satisfied in previous financial years.

The total future revenue from the Group's contracts with customer with performance obligations not satisfied at 31 March 2019 is R19 266 million of which R13 728 million is expected to be recognised within the next year, R5 132 million in the following 12 months and the remaining R406 million beyond 24 months.

Rm	2019	2018
2. Impairment		
Impairment losses		
Impairment losses recognised are as follows:		
Property, plant and equipment (Note 9)	(28)	(4)
Intangible assets (Note 10)	(2)	–
	(30)	(4)
Goodwill impairment testing		
Carrying amount of goodwill is as follows:		
Vodacom (Pty) Limited	2 556	2 554
Other[1]	128	125
	2 684	2 679

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

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

Key assumptions used in value in use calculations

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

Key assumptions	Basis for determining values assigned to key assumptions
Forecast capital expenditure	The cash flow forecasts for capital expenditure are based on past experience, benchmarks in similar markets and include the ongoing normal capital expenditure required to roll out networks to provide voice and data products and services, roll out fixed services, and to meet the population coverage requirements in terms of licences. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and computer software.
Forecast EBITDA	Forecast EBITDA has been based on past experience adjusted for the following: • Voice and messaging revenue expected to be relatively stable driven by new customers using our services, growth in the usage of existing customers, offset by pricing pressure and reduction in mobile termination rate. • data revenue which is expected to benefit from increased usage from new and existing customers, the introduction of new services like video and the gaming platform, increase in active smart devices; however this will be partially offset by some pricing transformation, regulatory pressures and competitor activity, which may result in price declines. • fixed-line revenue growth expectations as a result of continued focus in growing our market share, as well as continued expansion of fixed services to enterprise businesses; and • margins which are expected to be impacted by increasingly competitive markets and investment in new growth areas while helped by cost management and efficiency improvements expected from the implementation of Group initiatives.
Long-term growth rate	For businesses where the five-year management plans are used for the Group's value in use calculations, a long-term growth rate into perpetuity has been determined as the lower of: • a combination of the average long-term real GDP rate and CPI forecast for the country of operation; and • the five-year compound annual growth rate in EBITDA estimated by management.

Notes to the consolidated annual financial statements continued

2. Impairment continued

Key assumptions used in value in use calculations continued

Key assumptions	Basis for determining values assigned to key assumptions
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.

Rm	Vodacom (Pty) Limited
31 March 2019	
Long-term growth rate[1]	3.7
Risk adjustment discount rate[2]	14.0
31 March 2018	
Long-term growth rate	3.9
Risk adjusted discount rate	12.3

Sensitivity to changes in key assumptions

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

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

Notes:
1. For the current year the long-term growth rate considers a combination of the average long-term real GDP rate and CPI forecast for the country of operation; while the prior year considered only the average long-term real GDP rate.
2. The risk adjusted discount rate increased due to an increase in the risk free rate and market risk premium.

Rm	2019	2018
3. Operating profit		
The operating profit has been arrived at after (charging)/crediting:		
Net gain on disposal of property, plant and equipment and intangible assets	**205**	9
Auditor's remuneration – audit fees	**(55)**	(47)
Auditor's remuneration – other services	**(4)**	(1)
Professional fees for consultancy services	**(359)**	(259)
Operating lease rentals	**(2 995)**	(2 182)
Network infrastructure	**(2 439)**	(1 692)
Other	**(556)**	(490)
Bad debts	**(369)**	(451)
Net foreign exchange (losses)/gains	**(66)**	56

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.

Rm	2019	2018
4. Finance income		
Interest income		
Banks	**434**	471
Loans receivable	**46**	42
Tax authorities	**7**	1
Other	**143**	189
	630	703

Interest income on financial assets not at fair value through profit or loss amounted to R599 million (2018: R666 million).

Rm	2019	2018
5. Finance costs		
Interest Expense		
Borrowings	**(2 832)**	(2 616)
Other	**(176)**	(195)
	(3 008)	(2 811)

Interest expense on financial liabilities not at fair value through profit or loss amounted to R2 831 million (2018: R2 653 million).

Rm	2019	2018
6. Net loss on remeasurement and disposal of financial instruments		
Net loss on derivatives	**(170)**	(386)
Net gain/(loss) on translation of foreign denominated assets and liabilities	**209**	(411)
Remeasurement of loans receivable	**(62)**	12
	(23)	(785)

Notes to the consolidated annual financial statements continued

Rm	2019	2018
7. Taxation		
7.1 Income tax expense		
South African current tax	(5 037)	(5 182)
Current year	(5 038)	(5 174)
Adjustments in respect of prior years	1	(8)
Foreign current tax	(1 413)	(1 204)
Current year	(922)	(820)
Adjustments in respect of prior years	(13)	(2)
Withholding tax	(478)	(382)
Current year	(481)	(386)
Adjustments in respect of prior years	3	4
Total current tax	(6 450)	(6 386)
Deferred tax on origination and reversal of temporary differences:		
South African deferred tax	(93)	(124)
Current year	(290)	(142)
Adjustments in respect of prior years	197	18
Foreign deferred tax	(14)	(21)
Current year	(22)	(58)
Adjustments in respect of prior years	8	37
Total deferred tax	(107)	(145)
Total income tax expense	(6 557)	(6 531)
Components of deferred tax charged to profit or loss		
Capital allowances	233	27
Foreign exchange	21	(65)
Tax losses	(174)	78
Provisions and deferred income	(32)	(65)
Other	(155)	(120)
	(107)	(145)
Factors affecting tax expense for the year		
The table below discloses the differences between the expected income tax expense at the South African statutory tax rate and the Group's total income tax expense:		
Expected income tax expense on profit before tax at the South African statutory tax rate.	(6 185)	(6 186)
Adjusted for:		
BBBEE Charge	(393)	(48)
Non-deductible operating expenditure	(187)	(150)
Non-deductible finance costs	(260)	(86)
Non-deductible depreciation and amortisation	(17)	(23)
Net unrecognised tax asset	(31)	(254)
Irrecoverable foreign taxes	(471)	(425)
Effect of taxation of associate and joint venture reported within operating profit	777	422
Minimum alternative taxes	(76)	(65)
Adjustments in respect of prior years	196	50
Capital Gains Tax	(4)	–
Effect of different statutory tax rates of jurisdictions other than South Africa	69	96
Non-taxable income	25	138
Total income tax expense reconciliation	(6 557)	(6 531)

The South African statutory tax rate is 28% for all reporting periods. The Group's effective tax rate is 29.7% (2018: 29.6%).

Rm		2019	2018
7.	**Taxation continued**		
7.2	**Other comprehensive income, net of tax**		
	Foreign currency translation differences, net of tax	11 879	(5 867)
	Foreign currency translation differences	12 061	(5 990)
	Taxation	(182)	123
	Mark-to-market of financial assets held at fair value through other comprehensive income, net of tax	10	–
	Mark-to-market of financial assets held at fair value through other comprehensive income	14	–
	Taxation	(4)	–
		11 889	(5 867)
7.3	**Tax charged directly to other comprehensive income**		
	Current tax	(42)	–
	Deferred tax	(146)	123
		(188)	123
7.4	**Deferred tax**		
	Analysed in the statement of financial position, after offset of balances within companies, as follows:		
	Deferred tax assets	113	279
	Deferred tax liabilities	(4 294)	(2 693)
		(4 181)	(2 414)
	Components		
	Gross deferred tax assets and liabilities, before offset of balances within companies, are as follows:		
	Capital allowances	(3 104)	(3 353)
	Deferred tax assets	6	8
	Deferred tax liabilities	(3 110)	(3 361)
	Foreign exchange	(327)	(260)
	Deferred tax assets	4	30
	Deferred tax liabilities	(331)	(290)
	Tax losses	106	249
	Deferred tax assets	106	249
	Provisions and deferred income	(477)	1 075
	Deferred tax assets	536	1 075
	Deferred tax liabilities	(1 013)	–
	Other	(379)	(125)
	Deferred tax assets	75	28
	Deferred tax liabilities	(454)	(153)
		(4 181)	(2 414)

Notes to the consolidated annual financial statements continued

Rm	2019	2018
7. Taxation continued		
7.4 Deferred tax continued		
Reconciliation of net deferred tax balance		
1 April	**(2 415)**	(2 436)
Adoption of IFRS 15 and IFRS 9	**(1 422)**	–
1 April	**(3 837)**	(2 436)
Foreign currency translation differences	**(91)**	44
Charged to profit or loss	**(107)**	(145)
Charged directly to other comprehensive income	**(146)**	123
31 March	**(4 181)**	(2 414)
7.5 Factors affecting the tax charge in future years		
Total estimated tax losses	**5 709**	4 864
Utilised to reduce net temporary differences	**(372)**	(861)
Estimated unused tax losses	**5 337**	4 003

If the estimated unused tax losses are applied, the available R1 390 million (2018: R1 161 million) would result in the current year's R4 181 million net deferred tax liability reducing to R2 791 million (2018: R2 414 million net deferred tax liability reducing to R1 253 million), if sufficient future taxable profits will be available against which the unused tax losses can be utilised.

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

Rm	Unlimited	Total
2019		
Deductible temporary differences	**1 543**	**1 543**
Estimated unused tax losses	**5 337**	**5 337**
2018		
Deductible temporary differences	5 329	5 329
Estimated unused tax losses	4 003	4 003

Cents	2019	2018
8. Earnings and dividends per share		
Basic earnings per share	**872**	947
Diluted earnings per share	**856**	919
Headline earnings per share	**868**	923
Diluted headline earnings per share	**852**	895
Dividends per share[1]	**820**	825

Note:

1. The 31 March 2019 dividend per share includes dividends of 425 cents per share and 395 cents per share, declared on 11 May 2018 and 9 November 2018, respectively. The 31 March 2018 dividend per share includes dividends of 435 cents per share and 390 cents per share, declared on 12 May 2017 and 10 November 2017, respectively. The Group declared a final dividend of 400 cents per share in respect of the year ended 31 March 2019 after the reporting period (Note 27).

8. Earnings and dividends per share continued

8.1 Earnings per share

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

	Rm	2019	2018
8.1.1	Diluted earnings reconciliation		
	Earnings attributable to equity shareholders for basic earnings per share	**14 822**	15 344
	Adjusted for:		
	Dilutive effect of potential ordinary shares in subsidiary	**–**	(432)
	Earnings for diluted earnings per share	**14 822**	14 912
8.1.2	Headline earnings reconciliation		
	Earnings, attributable to equity shareholders, for basic earnings per share	**14 822**	15 344
	Adjusted for		
	Net profit on disposal of property, plant and equipment and intangible assets (Note 3)[2]	**(95)**	(5)
	Net profit on disposal of property, plant and equipment and intangible assets (Note 3)[2]	**(214)**	(10)
	Tax and non-controlling interest impact	**119**	5
	Profit on sale of associate	**–**	(397)
	Profit on sale of associate	**–**	(734)
	Tax and non-controlling interest impact	**–**	337
	Impairment losses (Note 2)	**17**	4
	Impairment losses (Note 2)	**30**	4
	Tax and non-controlling interest impact	**(13)**	–
	Headline earnings for headline earnings per share[1]	**14 744**	14 946
	Dilutive effect of potential ordinary shares in subsidiary	**–**	(432)
	Headline earnings for diluted headline earnings per share	**14 744**	14 514

Notes:
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 4/2018 as issued by SAICA.
2. Includes attributable share of profit on disposal of property, plant and equipment and intangible assets of associate of R9 million (2018: R1 million).

	Shares	2019	2018
8.1.3	Reconciliation of weighted average number of ordinary shares outstanding		
	For basic and headline earnings per share	**1 699 198 862**	1 620 042 298
	Diluted earnings and diluted headline earnings per share	**31 988 079**	1 936 123
	For diluted earnings and diluted headline earnings per share[1]	**1 731 186 941**	1 621 978 421

Note:
1. Includes shares held under the forfeitables share plan (note 17.1.1)

Notes to the consolidated annual financial statements continued

Shares	2019	2018
8. Earnings and dividends per share continued		
8.2 Dividends per share		
For dividends per share		
435 cents per share declared on 12 May 2017	–	1 487 954 000
390 cents per share declared on 10 November 2017	–	1 721 413 781
425 cents per share declared on 11 May 2018	**1 721 413 781**	–
395 cents per share declared on 12 November 2018	**1 835 864 961**	–

Vodacom Group Limited acquired 2 314 379 shares in the market during the year at an average price of R150.20 per share. Share repurchases did not exceed 1% of Vodacom Group Limited's issued share capital. Dividends per share calculations are based on a dividend paid of R14 568 million (2018: R13 186 million) of which R52 million (2018: R44 million) was offset against the forfeitable share plan reserve, R8 million (2018: R6 million) expensed as staff expenses and R126 million (2018: R127 million) paid to Wheatfields Investments 276 (Pty) Limited, a wholly-owned subsidiary holding treasury shares on behalf of the Group. An amount of R452 million (2018: Rnil) was paid to YeboYethu Investment Company (RF) (Pty) Limited, a special purpose vehicle holding shares in Vodacom Group Limited on behalf of broad-based black economic participants. The Group declared a final dividend in respect of the year ended 31 March 2019 after the reporting period.

Rm	Land and buildings	Network infrastructure & equipment	Other assets	Total
9. Property, plant and equipment				
31 March 2017	3 414	36 010	757	40 181
Cost	5 126	66 272	1 787	73 185
Accumulated depreciation and impairment losses	(1 712)	(30 262)	(1 030)	(33 004)
Additions	167	9 303	197	9 667
Disposals	(1)	(111)	(5)	(117)
Foreign currency translation differences	(50)	(1 043)	(25)	(1 118)
Depreciation	(175)	(7 663)	(187)	(8 025)
Impairment losses (Note 2)	–	(4)	–	(4)
Net transfer to intangible assets (Note 10)	14	(67)	(2)	(55)
Category transfers and other	139	95	(234)	–
31 March 2018	**3 508**	**36 520**	**501**	**40 529**
Cost	**5 228**	**71 245**	**1 558**	**78 031**
Accumulated depreciation and impairment losses	**(1 720)**	**(34 725)**	**(1 057)**	**(37 502)**
Additions	**288**	**10 023**	**192**	**10 503**
Disposals	**(2)**	**(159)**	**(3)**	**(164)**
Foreign currency translation differences	**87**	**1 742**	**39**	**1 868**
Depreciation	**(166)**	**(7 990)**	**(192)**	**(8 348)**
Impairment losses (Note 2)	**–**	**(28)**	**–**	**(28)**
Transfer to non-current assets held for sale (Note 22)	**(5)**	**(256)**	**(7)**	**(268)**
Category transfers and other	**(25)**	**(95)**	**17**	**(103)**
31 March 2019	**3 685**	**39 757**	**547**	**43 989**
Cost	**5 543**	**80 746**	**1 684**	**87 973**
Accumulated depreciation and impairment losses	**(1 858)**	**(40 989)**	**(1 137)**	**(43 984)**

9. Property, plant and equipment continued

The carrying amount of network infrastructure and equipment includes R1 386 million (2018: R1 472 million) in relation to assets held under finance leases (Note 18).

The Group's South African operations pledged certain of its property, plant and equipment with a carrying amount of R1 386 million (2018: R1 472 million) as security against borrowings with a fair value of R1 614 million (2018: R1 634 million) (Note 18). The respective pledges are limited to the carrying amount of the borrowings.

Included in the carrying amount are assets in the course of construction, which are not depreciated, with a cost of R957 million (2018: R390 million).

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

In the current year, directly attributable staff expenses of R1 000 million (2018: R821 million) were capitalised.

10. Intangible assets

Rm	Goodwill	Licences	Trademark, patents and other	Customer bases	Computer software	Total
31 March 2017	2 690	725	38	1 002	4 731	9 186
Cost	9 608	1 420	405	2 686	11 382	25 501
Accumulated amortisation and impairment losses	(6 918)	(695)	(367)	(1 684)	(6 651)	(16 315)
Additions	–	15	–	2	1 928	1 945
Disposals	–	–	–	–	(9)	(9)
Foreign currency translation differences	(11)	(66)	–	–	(93)	(170)
Amortisation	–	(99)	(17)	(147)	(1 671)	(1 934)
Net transfer from property, plant and equipment (Note 9)	–	–	–	–	55	55
31 March 2018	2 679	575	21	857	4 941	9 073
Cost	8 849	1 286	404	2 585	12 318	25 442
Accumulated amortisation and impairment losses	(6 170)	(711)	(383)	(1 728)	(7 377)	(16 369)
Additions	–	1 446	–	–	2 454	3 900
Disposals	–	(24)	–	–	(69)	(93)
Foreign currency translation differences	6	125	2	–	140	273
Amortisation	–	(128)	(16)	(124)	(2 026)	(2 294)
Impairment losses (Note 2)	(2)	–	–	–	–	(2)
Transfer to non-current assets held for sale (Note 22)	–	(12)	–	–	–	(12)
Category transfers and other	1	(1)	–	(2)	2	–
31 March 2019	2 684	1 981	7	731	5 442	10 845
Cost	10 094	2 741	215	2 644	11 933	27 627
Accumulated amortisation and impairment losses	(7 410)	(760)	(208)	(1 913)	(6 491)	(16 782)

Included in the carrying amount of computer software are assets in the course of development, which are not amortised, with a cost of R38 million (2018: R28 million).

Notes to the consolidated annual financial statements continued

Rm	2019	2018
11. Financial assets		
Financial asset classification after IFRS 9 adoption		
Non-current		
Financial asset at amortised cost (2018: Loans receivable) (Note 11.1.1 and Note 11.1.2)	537	347
Financial assets at fair value through profit and loss (2018: Available-for sale financial assets) (Note 11.2.2)	95	83
	632	430
Current		
Financial asset at amortised cost (Note 11.1.2 and 11.1.3)	6 100	4 204
Financial assets at fair value through profit or loss (Note 11.2.1)	291	328
	6 391	4 532
11.1 Financial assets measured at amortised cost		
11.1.1 Loans receivable		
Loans to VM, SA non-controlling interests	371	281
Loans with a combined nominal value of US$24.9 million, bearing interest at three-month LIBOR plus 5%, secured by shares in VM, SA and repayable on 30 June 2026, were advanced to non-controlling interests in VM, SA.		
Other loans receivable	78	66
	449	347
11.1.2 Cash held in restricted deposits	4 717	3 567
The carrying amount approximates fair value and is mainly represented by cash from M-Pesa activities which is held in accounts with reputable financial institutions.		
11.1.3 Public debts and bonds	1 369	637
The Group invested in Tanzania Treasury bills maturing within the next twelve months, bearing interest between 2.49% and 8.10%.		
	6 086	4 204
11.2 Financial assets at fair value through profit or loss		
11.2.1 Unit trust investments	291	328
Fair value of unit trust investments are determined with reference to quoted market prices while the fair value of the equity linked notes were determined using valuation models.		
11.2.2 Unlisted equity investments (2018: Available-for-sale financial assets)	95	83
A register with details of the entities and the percentages of share capital and voting power, if different, held in each unlisted investment is available for inspection at the Group's registered office.		
	386	411

12. Investment in associate

Safaricom Public Limited Company (Safaricom)

The fair value of the Group's 39.93% investment in Safaricom, based on the listed closing share price of R27.55 (2018: R30.75) as at 31 March 2019, was R63 078 million (2018: R57 748 million).

Rm	2019	2018
Reconciliation of carrying amount:		
Investment at cost (including R408 million directly attributable costs)	43 029	43 029
Derivative on acquisition	52	52
Non-controlling interest's share of associate investment at fair value[1]	6 096	6 096
Investment at cost (including directly attributable costs, derivative and NCI)	49 177	49 177
Retained earnings of associate since acquisition	(5 101)	
Opening carrying amount of investment	44 076	
Adoption of IFRS 9 and IFRS 15	94	
Profit from associate	2 774	1 506
Net profit for the period	3 397	1 889
Depreciation and amortisation on fair value adjustment, net of tax	(623)	(383)
Dividends received	(2 466)	(1 988)
Foreign exchange profit/(loss)	9 814	(4 619)
Closing carrying amount of investment	54 292	44 076

Note:

1. Includes the effective non-controlling interest in VKL

Summarised financial information of the Group's investment in Safaricom	2019	2018
Income statement		
Profit before tax	12 424	6 863
Taxation	(3 916)	(2 133)
Net profit	8 508	4 730
Total comprehensive income	8 508	4 730
Group's share of profit for the year at 39.93%	3 397	1 889
Statement of financial position		
Assets	27 587	19 672
Non-current assets	20 385	16 406
Current assets	7 202	3 266
Liabilities	(6 931)	(5 128)
Non-current liabilities	(568)	(390)
Current liabilities	(6 363)	(4 738)
Equity	20 656	14 544

The Group's associate had no significant contingent liabilities as at 31 March 2019.

There are no significant restrictions on the ability of the associate to transfer funds to the Group in the form of cash dividends or repayment of loans other than the fact that the associate may not declare and/or pay any dividends or make any capital distribution to shareholders without the prior written consent of the existing shareholders.

Notes to the consolidated annual financial statements continued

Rm	2019	2018
13. Inventory		
Goods held for resale	1 413	1 243
Inventory valuation allowance included above	(148)	(134)

The cost of inventories recognised as an expense during the period amounts to R12 427 million (2018: R13 003 million).

Rm	2019	2018
14. Trade and other receivables		
Trade receivables	10 040	9 801
Contract assets[1]	4 002	–
Deferred customer acquisition costs[1]	732	–
Prepayments	2 329	2 404
Accrued income	1 556	2 056
Value-added tax	46	24
Operating lease receivables	665	592
Derivative financial assets	76	67
Other	340	599
	19 786	15 543
Timing		
Non-current	2 137	724
Current	17 649	14 819
	19 786	15 543
Included within derivative financial assets:		
Fair value hedges:		
Foreign exchange forward contracts	73	16
Firm commitment asset – fair value hedge	3	51
	76	67

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

Expected credit loss ('ECL') allowance included above:

From 1 April 2018, the Group measures the loss allowance for trade receivables and contract assets on the simplified approach (Lifetime ECL). The ECL on trade receivables and contract assets are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date such as inflation and GDP growth. The Group has recognised a loss allowance of 100% against all receivables where historical experience has indicated that these receivables are generally not recoverable.

Note:

1. The reported figures for the year ended 31 March 2019 have been significantly impacted by the adoption of IFRS 15 on 1 April 2018. Refer to 'Changes in accounting policy' for a detailed analysis of the impact.

Rm	2019	2018

14. Trade and other receivables continued

Expected credit loss ('ECL') allowance included above: continued

Trade receivables:

The Group's trade receivables are stated after an ECL provision based on management's assessment of creditworthiness, an analysis of which is as follows:

Rm	2019	2018
31 March	**(826)**	(725)
Adoption of IFRS 9	**(237)**	–
1 April	**(1 063)**	(725)
Foreign currency translation differences	**(128)**	(67)
Charged to profit or loss	**(67)**	(73)
Utilised	**108**	39
31 March	**(1 150)**	(826)

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

Contract assets:

The Group's contract assets are stated after an ECL provision based on management's assessment of creditworthiness, an analysis of which is as follows:

Rm	2019	2018
31 March	–	–
Adoption of IFRS 9	**210**	–
1 April	**210**	–

The Group's contract-related costs comprise R687 million relating to cost incurred to obtain customer contracts and R2 million relating to costs incurred to fulfill customer contracts. Amortisation and impairment expenses of R679 million and R 44 million respectively were recognised in operating profit during the year.

Contract asset balances did not fluctuate materially since adoption of the new accounting standards.

15. Finance receivables

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

The Group provides financing to customers to acquire devices at an additional contractual charge which is included in finance receivables. The Group adopted IFRS 9 on 1 April 2018, under IFRS 9 the business model for finance receivables has been determined to be "hold to collect and sell". As a result, the Group has reclassified finance receivables relating to device financing from loans and receivables to fair value through other comprehensive income. The full change in the carrying amount arises from a change in measurement attribute on transition to IFRS 9.

Rm	Within one year	Between one and five years	Total
2019			
Future minimum payments receivable	**2 543**	**1 793**	**4 336**
Unearned finance income	**(292)**	**(94)**	**(386)**
Present value of minimum payments receivable	**2 251**	**1 699**	**3 950**
2018			
Future minimum payments receivable	1 752	1 428	3 180
Unearned finance income	(289)	(108)	(397)
Present value of minimum payments receivable	1 463	1 320	2 783

The fair value of the finance receivables at 31 March 2019 is R3 950 million (2018: R2 783 million).

Notes to the consolidated annual financial statements continued

Rm	2019	2018
16 Share capital		
Authorised		
4 000 000 000 ordinary shares with no par value		
Issued		
Fully paid share capital		
1 835 864 961 (2018: 1 721 413 781) ordinary shares with no par value	**57 073**	42 618
Treasury shares		
136 494 151 (2018: 21 309 092) ordinary shares with no par value	**(16 387)**	(1 792)
	40 686	40 826

Shares	2019	2018
Movements in the number of ordinary shares outstanding:		
1 April	**1 700 104 689**	1 467 089 572
Statutory shares in issue	**1 721 413 781**	1 487 954 000
Treasury shares	**(21 309 092)**	(20 864 428)
Share movements – shares issued	**114 451 180**	233 459 781
Issued shares transferred to treasury shares	**(114 451 180)**	–
Repurchase of shares[1]	**(2 769 341)**	(2 108 969)
Forfeited shares sold	**422 706**	496 847
Vesting of shares	**1 610 756**	1 167 458
31 March	**1 699 368 810**	1 700 104 689
Statutory shares in issue	**1 835 864 961**	1 721 413 781
Treasury shares	**(136 496 151)**	(21 309 092)
Treasury shares held by:		
Vodacom Group Limited	**6 168 778**	5 887 861
Subsidiaries	**130 327 373**	15 421 231
	136 496 151	21 309 092

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

Note:

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

17. Other reserves

17.1 Share-based payment reserve

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

Rm	2019	2018
Share plans (Notes 17.1.1 to 17.1.3)	**(226)**	(184)
BBBEE staff expense (Note 17.1.4)	**(19)**	–
BBBEE charge (Note 17.1.4)	**(1 404)**	(130)
	(1 649)	(314)

17.1.1 Forfeitable share plan (FSP) reserve

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

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

	Weighted average fair value at grant date R	Number of shares 2019	Weighted average fair value at grant date R	Number of shares 2018
Share awards				
Movements in non-vested shares				
1 April	**157.26**	**4 558 080**	145.68	4 027 983
Granted	**133.58**	**2 314 379**	165.07	2 186 094
Forfeited	**134.15**	**(423 190)**	126.52	(573 972)
Vested	**137.42**	**(1 263 265)**	132.51	(1 082 025)
31 March	**152.05**	**5 186 004**	157.26	4 558 080
Ordinary shares available for utilisation:				
1 April		**69 441 923**		69 972 020
Granted		**(2 314 379)**		(2 186 094)
Forfeited		**423 190**		573 972
Vested		**1 263 265**		1 082 025
31 March		**68 813 999**		69 441 923

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

17.1.2 Restricted share plan reserve

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

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

	Weighted average fair value at grant date R	Number of shares 2019	Weighted average fair value at grant date R	Number of shares 2018
Share awards				
Movements in non-vested shares				
1 April	**112.20**	**1 329 781**	112.19	1 415 214
Vested	**110.46**	**(347 491)**	112.03	(85 433)
31 March	**113.61**	**982 290**	112.20	1 329 781

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

Notes to the consolidated annual financial statements continued

17. Other reserves continued

17.1 Share-based payment reserve continued

17.1.3 Vodafone performance share plan reserve

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

Under this plan, awards of shares are granted to executive directors and prescribed officers and certain executive management of the Group. During the current year 850 989 (2018: 795 501) shares were granted to Group employees, assignees and co-investment participants and 237 899 of the shares issued in prior years, vested. The vesting of these shares is subject to continued employment, and, for some awards, is conditional upon achievement of performance targets, measured over a three-year period. A charge is recognised based on the fair value of the award on the grant date.

17.1.4 Broad-based Black Economic Empowerment (BBBEE) transaction

The existing Vodacom (Pty) Limited (Vodacom SA) BBBEE transaction (the previous BBBEE transaction) was replaced with a new BBBEE transaction designed to provide liquidity to participants through YeboYethu (RF) Limited (YeboYethu)[1] declaring a special dividend, and the opportunity for Vodacom SA BEE shareholders[2], and the Vodacom Employee Share Ownership Trust (ESOP) to participate in a growth opportunity by holding their listed YeboYethu shares. The notional vendor funding of the previous BBBEE transaction was settled, after which Royal Bafokeng Holdings (Pty) Limited (RBH) and Thebe Investment Corporation (Pty) Limited (Thebe) (strategic partners) exchanged their remaining shares in Vodacom SA for shares in YeboYethu, and YeboYethu exchanged their remaining shares in Vodacom SA (as well as those obtained from the strategic partners) for shares in Vodacom Group Limited, which are treated as treasury shares on a consolidated level, and are encumbered (Note 17.1.4.4).

The previous BBBEE transaction was predominantly accounted for as an equity-settled share based payment scheme, and YeboYethu and the special purpose vehicles created by the strategic partners to acquire the Vodacom SA shares were consolidated in terms of IFRS 10: Consolidated Financial Statements (IFRS 10). Consequently, the unwind of the existing Vodacom SA BBBEE transaction resulted in the special purpose vehicles created by the strategic partners being de-consolidated. The unwind has been accounted for within equity as it is a transaction with shareholders. Vodacom Group Limited will consolidate YeboYethu and the Siyanda employee trust (Siyanda) (Note 17.1.4.1).

Notes:
1. Consolidated by the Group as a structured entity in terms of IFRS 10: Consolidated Financial Statements.
2. RBH, Thebe and YeboYethu.

Rm	2019
De-consolidation of special purpose vehicles	(21)
Reversal of ESOP IFRS 2 liability	234
Reversal of non-controlling interest	247
Special dividend paid to YeboYethu shareholders, net of dividend received by the Innovator Trust	(3 167)
Siyanda purchase of shares in the market	(193)
Changes in subsidiary holdings	(2 900)

The new BBBEE transaction meets the requirements of an IFRS 2: Share-based Payment arrangement and is predominantly accounted for as equity-settled. The transaction resulted in a once off share-based payment charge, as well as a recurring share-based payment charge for Siyanda, which will be expensed over the vesting period (Note 17.1.4.1). Vodacom Group Limited currently has no intention to settle the BBBEE transaction in cash. The Innovator Trust and a portion of Siyanda will however be accounted for as cash-settled due to the accounting substance thereof, of which the charge relating to Siyanda will be expensed over the vesting period. As this part of the share based payment is cash-settled, the share based payment liability will be re-measured at each reporting period (Note 17.1.4.6).

	Notes	Percentage allocated %	Transaction value Rm	Cash received Rm
Components of the transaction				
Employees: Vodacom Siyanda Employee Trust	17.1.4.1	1.36	3 580	750
Black Public (including ESOP participants)	17.1.4.3	2.33	6 132	1 995
Strategic Partner: RBH	17.1.4.3	1.78	4 687	1 307
Strategic Partner: Thebe	17.1.4.3	0.76	2 008	560
		6.23	16 407	4 612

17 Other reserves continued

17.1 Share-based payment reserve continued

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

Rm	2019	2018
Summary of the financial impact of share based payment arrangements		
Cash-settled share based payment liability		
Employees (Note 17.1.4.1)	**(8)**	(191)
Innovator Trust (Note 17.1.4.5)	**(123)**	(389)
	(131)	(580)
Equity-settled share based payment reserve		
Employees (Note 17.1.4.1)	**(12)**	(386)
Black Public and Business Partners (Note 17.1.4.3)	**(535)**	(300)
Strategic Partners (Note 17.1.4.3)	**(584)**	(923)
Innovator Trust (Note 17.1.4.5)	**(550)**	–
Storage Technologies Services (Pty) Limited (Note 17.1.4.7)	**(32)**	(32)
	(1 713)	(1 641)

17.1.4.1 Employees

Vodacom employees and management participate in ownership of Vodacom Group Limited through Siyanda[1]. Siyanda aqcuired vested rights to the YeboYethu ordinary shares, subject to certain restrictions. Qualifying employees have been issued units in Siyanda based on a varying percentage of their guaranteed total cost of employment per annum taking into account their employment level, racial and gender classification. The units, representing vested rights to the underlying YeboYethu ordinary shares, have a service condition that will lift in three equal tranches in years 3, 4 and 5 respectively, but only become fully tradeable on the BBBEE Segment in equal tranches over a three year period starting from the end of the fifth year of the scheme (i.e. years 6, 7 and 8).

Siyanda will receive dividends as and when declared by YeboYethu, and the trustees will distribute the dividends to the beneficiaries.

As at 31 March 2019, 99.41% of units were allocated. Units were allocated to participating employees with an effective date of 1 March 2019, and a grant date for IFRS 2 purposes of 25 March 2019.

The cash-settled share based payment liability as at 31 March 2019 is R8 million (2018: R191 million[2]) and the equity-settled share based payment reserve as at 31 March 2019 is R12 million (2018: R386 million[2]).

Notes:
1. Consolidated by the Group as a structured entity in terms of IFRS 10: Consolidated Financial Statements.
2. Relating to the previous BBBEE deal.

17.1.4.2 Share rights

	2019	2018
Movements in non-vested share rights:		
1 April	**300 000 000**	300 000 000
Granted	**(114 744 844)**	–
Vested	**(185 255 156)**	–
31 March	**–**	300 000 000

Vodacom SA repurchased 114 744 844 (31 813 785 from RBH, 13 634 479 from Thebe, 30 298 842 from YeboYethu and 38 997 738 from ESOP) Vodacom SA A shares from the Vodacom SA BBBEE shareholders for a nominal consideration (R0.00001 per Vodacom SA A share, and R1 147.45 in aggregate) pursuant to the Vodacom SA notional vendor funding transaction terms, upon which the remaining 185 255 156 Vodacom SA A shares became unencumbered consistent with the terms of issue thereof.

Notes to the consolidated annual financial statements continued

17. Other reserves continued

17.1 Share-based payment reserve continued

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

17.1.4.3 Black Public, RBH and Thebe

Each of RBH and Thebe exchanged their Vodacom SA shares for new YeboYethu ordinary shares in terms of asset-for-share transactions, thereby consolidating all of the Vodacom SA BBBEE shareholders' interests (including the black public) into a single vehicle, being YeboYethu. A new special purpose vehicle, YeboYethu Investment Company (RF) (Pty) Limited (YeboYethu Investment), has been created for the purpose of holding YeboYethu's Vodacom Group Limited shares. YeboYethu Investment is a wholly-owned subsidiary of YeboYethu. After the consolidation of YeboYethu's interests in Vodacom SA, YeboYethu exchanged its Vodacom SA shares for YeboYethu Investment shares. YeboYethu Investment in turn exchanged its Vodacom SA shares for 49 689 995 new Vodacom Group Limited shares on a fair market value basis. YeboYethu thereafter raised funding (Note 17.1.4.4) and acquired an additional 64 761 185 shares in Vodacom Group Limited via it's wholly owned subsidiary, bringing its holding up to 114 451 180 shares in Vodacom Group Limited. YeboYethu remains listed on the BBBEE Segment of the JSE, and YeboYethu shareholders therefore continue to have the ability to trade their YeboYethu ordinary shares on the JSE. The YeboYethu shares held by the Siyanda will only become tradeable by employees on the BBBEE Segment of the JSE as described in Note 17.1.4.1.

17.1.4.4 Funding

YeboYethu raised vendor funding and third party financing, in the form of preference shares, in order to subscribe for additional Vodacom Group Limited shares.

Third party funding

YeboYethu issued preference shares to the value of R4 654 million to ABSA Bank Limited, Depfin Investments (Pty) Limited and FirstRand Bank Limited (class A preference shares) (Refer to Note 18).

Vendor funding

Vendor funding of R5 252 million was raised in the form of preference shares with a dividend rate of 70% of prime issued by YeboYethu to Vodacom Group Limited (class B preference shares). The vendor funding eliminates on consolidation.

	Rm	%
Sources of funding		
Economic value of Vodacom discount of subscription price	1 951	11.8
Equity contribution – Vodacom SA BBBEE shareholders	3 862	23.5
Equity contribution by Vodacom Group Limited and employer companies – Siyanda	750	4.6
Class A preference shares from third party funders	4 654	28.2
Class B preference shares from Vodacom Group Limited	5 252	31.9
Total	**16 469**	**100**
Uses of funding		
Acquisition of Vodacom Group Limited shares	16 407	99.6
Transaction costs	62	0.4
Total	**16 469**	**100**

17. Other reserves continued

17.1 Share-based payment reserve continued

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

17.1.4.5 Innovator Trust[1]

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

The ability of the Innovator Trust to purchase YeboYethu shares provides the Group with a choice of settlement to the BBBEE shareholders, for up to 34.9% of the YeboYethu shares, limited to the funding available to the Innovator Trust. 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, the Group created a past practice of settling the awards in cash and recognised its present obligation to settle in cash as a deduction from equity.

The cash-settled share based payment liability as at 31 March 2019 is R123 million (2018: R389 million).

The liability of the Innovator Trust is limited to the amount of funding available via a facility agreement with Vodacom (Pty) Limited. During the current year, there was a change to the facility agreement, reducing the funds available to the Innovator Trust with which to purchase YeboYethu shares by R550 million and leading to a permanent reduction in the level of the liability for the same amount. Since the original liability was raised out of equity reserves, a reserve balance was re-instated to the value of this downward adjustment in the liability, since it is a once off capital reduction of the cash-settled portion of the scheme, and did not occur as a result of the movement in the value of the scheme.

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

17.1.4.6 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 once off share-based payment to YeboYethu shareholders, other than employees, was granted on the date the transaction was approved by the shareholders of YeboYethu. The recurring share-based payment charge for Siyanda was first recognised on the date that the details of awards were communicated to eligible employees. The following assumptions were used at the time to determine the fair value at the respective grant dates:

	Once-off charge 17 August 2018	Siyanda 25 March 2019
Grant date		
Risk-free rate (%)[1]	**6.4 – 8.6**	**7.1 – 8.0**
Expected volatility (%)[2]	**22.7**	**23.1**
Dividend yield (%)[3]	**6.7 – 7.8**	**6.7 – 7.9**
Vodacom Group Limited share price at grant date (rand)	**125.6**	**114.0**
Weighted average fair value of instruments granted (Rm)	**1 119**	**921**

Notes:
1. Determined using the South African swap curve.
2. Determined using historical share prices of Vodacom Group Limited.
3. Determined using dividend forecasts up to the 2021 financial year obtained from Bloomberg in conjunction with projected future share prices as at each dividend payment date.

Notes to the consolidated annual financial statements continued

17. Other reserves continued

17.1 Share-based payment reserve continued

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

17.1.4.6 BBBEE valuation continued

Cash-settled share based payment transaction

The cash-settled liabilities relating to employees (compound instruments) were fully settled with the unwind of the previous BBBEE deal. A new cash-settled liability arose as a result of the past practice created by the Group in assisting employees to settle their tax liability through repurchasing their YeboYethu shares. Both this cash-settled liability, as well as the Innovator Trust (ability to purchase up to 34.9% 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:

	2019	2018[4]
Risk-free rate[1]	7.1 – 8.0	6.7 – 6.8
Expected volatility (%)[2]	23.1	24.6
Dividend yield (%)[3]	6.7 – 7.9	N/A
Vodacom Group Limited share price at grant date (rand)	114.0	N/A
Weighted average fair value of instruments granted (Rm)	921	745

Notes:
1. Determined from the South African swap curve.
2. Determined using historical share prices of Vodacom Group Limited.
3. Determined using dividend forecasts up to the 2021 financial year obtained from Bloomberg in conjunction with projected future share prices as at each dividend payment date.
4. Previous BBBEE deal liability for compound instruments.

17.1.4.7 Storage Technologies Services (Pty) Limited (Stortech)

During the 2016 financial year, a Special Purpose Vehicle (SPV)[1] was created pursuant to a BBBEE deal to acquire a 44.0% shareholding in a subsidiary of the Group, Stortech. The SPV is held by two BBBEE shareholders with a respective shareholding of 70.0% held by a non-executive director of Vodacom Group and 30.0% held by Inspired Techcomm Proprietary Limited (formerly known as In2salad (Pty) Limited). The purchase price amounting to R72 million was partially funded by loans guaranteed by Vodacom SA with the shares in the SPV acting as the only security. The transaction was finalised on 15 September 2015 and the new structure provided Stortech with the necessary black female and black shareholding that it requires for qualifying BBBEE credentials in terms of the BBBEE codes.

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

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

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

18. Borrowings

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

Rm	2019	2018
Non-Current		
Interest bearing borrowings (Note 18.1)	**23 641**	24 071
Current		
Interest bearing borrowings (Note 18.1)	**10 603**	7 784
Non-interest bearing borrowings (Note 18.2)	**–**	436
	10 603	8 220

18.1 Interest bearing borrowings

	2019	2018
Vodafone Investments Luxembourg s.a.r.l. During the current year, the Group refinanced three of its loan facilities received from Vodafone Investments Luxembourg s.a.r.l. On 16 July 2018, a R2 000 million loan facility was renewed for a further 3 years at a rate of 3 months JIBAR plus 1.35%. The loan is repayable on 16 July 2021. The Group also refinanced a R3 000 million facility on 27 September 2018. The loan facility bears interest at 3 month JIBAR plus 1.30% and is repayable on 27 September 2021. An existing fixed rate facility of R1 000 million was refinanced with a floating rate facility of R1 000 million at a rate of 3 month JIBAR plus 1.30% with a repayment date of 28 September 2021. On 25 July 2018, the Group made an early capital repayment of R757 million against the R2 576 million loan facility. This loan was then fully repaid with a further early capital repayment of R1 819 million on 25 January 2019. The loan was due for repayment on 25 April 2019. The loans with a combined nominal value of R25 030 million are unsecured, bear interest payable quarterly between JIBAR plus 1.15% and 1.57% and a fixed interest rate between 8.45% and 8.99%, have repayment terms between three and seven years and are ultimately repayable between 26 November 2019 and 24 November 2024.	**25 251**	27 862
Dark Fibre Africa (Pty) Limited, Link Africa (Pty) Limited And Metrofibre Networx (Pty) Limited The Group leases access transmission links under finance leases. These leases bear interest at a fixed interest rate between 6.71% and 9.30% and lease payments are made monthly over a lease term of 15 years per link. The finance lease liability is secured by the lessor's title to the leased assets (Note 9).	**1 612**	1 634
The Standard Bank of South Africa Limited Vodacom Mozambique obtained a US$100 million loan facility on 30 November 2018 from Standard Bank South Africa to finance capital expenditure and working capital requirements, with US$30 million drawn as at 31 March 2019. The loan facility bears interest at 6 month LIBOR plus 3.30% and is repayable bi-annually with a final repayment on 30 November 2022. Loans with nominal values of US$35 million and US$40 million were raised in favour of Vodacom Congo (RDC) SA to finance capital expenditure and working capital requirements and to repay short-term borrowings. The loans bear interest payable quarterly at three-month LIBOR plus 2.45% and three-month LIBOR plus approximately 3.01% respectively, have a five-year term and are ultimately repayable on 2 October 2019 and 12 December 2019 respectively. The Group has issued guarantees for these borrowings.	**1 515**	889
Balance carried forward	**28 378**	30 385

Notes to the consolidated annual financial statements continued

Rm	2019	2018
18. Borrowings continued		
18.1 Interest bearing borrowings continued		
Balance brought forward	**28 378**	30 385
Mirambo Limited The unsecured loan with a nominal value of US$18 million was provided to Vodacom Tanzania Public Limited Company. The total outstanding amount of the loan and accrued interest was repaid.	**–**	1
Congolese Wireless Network s.a.r.l. The loan with a nominal value of US$37 million, forms part of the capital structure of Vodacom Congo (RDC) SA, bears interest at 4.0% per annum and is repayable at the discretion of the shareholders and simultaneously in proportion to their shareholding.The shareholders of Vodacom Congo (RDC) SA agreed on 28 December 2018 to convert the initial shareholder loans into equity. The remaining accrued interest of US$7.8 million on the loan with an original nominal value of US$37m forms part of the capital structure.	**113**	767
YeboYethu preference shares YeboYethu issued preference shares to the value of R4 654 million to ABSA Bank Limited, Depfin Investments (Pty) Limited and FirstRand Bank Limited in order to finance the Group's new BBBEE transaction (Note 17). These preference shares have a dividend rate of 68% of First National Bank Limited's prime overdraft lending rate, and have a maturity date of 14 September 2023. The borrowing is secured by the shares that YeboYethu Investment Company (RF) (Pty) Limited, a wholly owned subsidiary of YeboYethu, holds in Vodacom Group Limited, with a target share cover ratio of above three times the debt with a breach occuring at two times share cover. The share cover ratio at 31 March 2019, based on a five day volume-weighted average price of R112.18, was 2.84.	**4 528**	–
Licence payables classified as debt Vodacom Mozambique secured spectrum for US$33.3 million, and a unified licence for US$40 million. US$37.3 million was paid during the 2019 financial year, and the balance is payable over the next two financial years. Licence payables are viewed as debt in instances where payment is deferred beyond the very short term.	**471**	–
Bank borrowings classified as financing activities	**700**	644
Other loans	**54**	58
	34 244	31 855

The aggregate fair value if determinable, of interest bearing borrowings with a carrying amount of R29 602 million (2018: R31 088 million) amounts to R29 757 million (2018: R31 402 million). Where the fair value could be determined by using the discounted cash flow method, with a discount rate based on market-related interest rates, the discount rate varied between 7.2% and 9.1% (2018: 7.0% and 8.8%) for rand-denominated borrowings and between 5.1% and 6.0% (2018: 5.0% and 5.5%) for foreign-denominated borrowings.

Maturity of finance lease liabilities:

Rm	0-1 year	2-5 years	5+ years
2019			
Future minimum lease payments payable	**241**	**961**	**1 227**
Future finance costs	**(123)**	**(392)**	**(267)**
Present value of minimum lease payments payable	**118**	**569**	**960**
2018			
Future minimum lease payments payable	232	906	1 324
Future finance costs	(119)	(391)	(290)
Present value of minimum lease payments payable	113	515	1 034

18. Borrowings continued

18.1 Interest bearing borrowings continued

Interest rate and currency of interest bearing borrowings:

Rm	Total	Floating rate	Fixed rate
2019			
Currency			
South African rand	**31 409**	**17 666**	**13 743**
Tanzanian shilling[1]	**35**	**–**	**35**
United States dollar	**2 800**	**1 515**	**1 285**
	34 244	**19 181**	**15 063**
2018			
Currency			
South African rand	29 525	14 759	14 766
Tanzanian shilling	29	–	29
United States dollar	2 301	998	1 303
	31 855	15 757	16 098

Note:
1. Finance lease of Tanzania at a fixed rate.

Rm	2019	2018
18.2 Non-interest bearing borrowings		
Royal Bafokeng Holdings (Pty) Limited	–	436

Refer to Note 17.1.4 for more information

Rm	2019	2018
19. Trade and other payables		
Trade payables	**13 408**	11 325
Contract liabilities	**116**	–
Capital expenditure creditors	**4 175**	3 875
Indirect taxes	**1 788**	1 457
Accruals	**4 320**	4 383
Deferred revenue	**2 670**	2 923
Derivative financial liabilities	**252**	207
Other	**698**	766
	27 427	24 936
Timing		
Non-current	**820**	978
Current	**26 607**	23 958
	27 427	24 936
Included within derivative financial liabilities:		
Fair value hedges:		
Foreign exchange forward contracts	**(9)**	(172)
Firm commitment liability – fair value hedge	**(243)**	(35)
	(252)	(207)

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

During the year revenue of R2 876 million was recognised relating to the satisfaction of performance obligation that were previously recorded as contract liabilities.

Notes to the consolidated annual financial statements continued

Rm	Employee benefits provisions	Other provisions	Total
20. Provisions			
31 March 2017	44	504	548
Provision created	21	63	84
Provision utilised	(18)	(91)	(109)
Unwinding of interest	–	26	26
31 March 2018	**47**	**502**	**549**
Provision created	23	186	209
Provision utilised	(16)	(236)	(252)
Unwinding of interest	–	41	41
31 March 2019	**54**	**493**	**547**

Rm	2019	2018
Timing		
Non-current	329	388
Current	218	161
	547	549

20.1 Employee benefits provisions

Other employee benefits provision

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

Rm	2019	2018
1 April	29	36
Current service cost	1	2
Total benefit payments	(15)	(9)
31 March	15	29

20.2 Other provisions

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

Rm	2019	2018
21. Consolidated statement of cash flows reconciliations		
21.1 Cash generated from operations		
Profit before tax	22 089	22 093
Adjusted for:		
Profit on sale of associate	–	(734)
Finance income	(630)	(703)
Finance costs	3 008	2 811
Net loss on remeasurement and disposal of financial instruments	23	785
Operating profit	24 490	24 252
Adjusted for:		
Depreciation and amortisation (Notes 9 and 10)	10 642	9 959
Net profit on disposal of property, plant and equipment and intangible assets	(205)	(9)
Impairment losses (Note 2)	30	4
Bad debt	369	451
Share-based payment	1 649	315
Net profit from associate and joint venture	(2 774)	(1 507)
Cash flows from operations before working capital changes	34 201	33 465
(Increase)/decrease in inventory	(170)	13
Increase in trade and other receivables	(1 097)	(1 948)
Increase in trade and other payables and provisions	1 641	769
Cash generated from operations	34 575	32 299

21.2 Changes in liabilities arising from financing activities

Rm	Derivative financial liabilities	Borrowings	Other liablities[1]	Total
31 March 2018	207	32 291	122	32 620
Cash flow movements	(499)	(422)	(204)	(1 125)
Settlement of derivatives	(499)	–	–	(499)
Repayment of borrowings	–	(3 026)	–	(3 026)
Proceeds from borrowings raised	–	5 080	–	5 080
Interest paid on borrowings	–	(2 476)	(204)	(2 680)
Non-cash flow movement	544	2 375	280	3 199
Addition of finance lease	–	85	–	85
Licence payables classified as debt	–	463	–	463
Unwinding of the previous BBBEE transaction	–	(436)	–	(436)
Conversion of shareholders loan into equity	–	(950)	–	(950)
Interest accrual	–	2 695	260	2 955
Fair value adjustments	544	–	–	544
Foreign exchange	–	521	22	543
Other	–	(3)	(2)	(5)
31 March 2019	252	34 244	198	34 694

Note:
1. The 'Other liabilities' column mainly includes the movement of the interest payable to M-Pesa creditors as well as interest accrued and paid on bank overdrafts.

Notes to the consolidated annual financial statements continued

Rm	2019	2018
22. Non-current assets held for sale		
The Group entered into agreements to dispose of certain subsidiaries within the Vodacom Business Africa group. The disposals are subject to regulatory approvals, but are expected to occur within twelve months from 31 March 2019.		
Non-current assets held for sale	619	14
Liabilities directly associated with non-current assets held for sale	(286)	–
	333	14

Rm	2019	2018
23. Cash and cash equivalents		
Bank and cash balances[1]	11 066	12 538

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

Note:

1. Included in the bank and cash balances is an amount of R428 million (2018: R190 million) which represents the call deposits of Vodacom Insurance Company (RF) Limited and Vodacom Life Assurance Company (RF) Limited. The call deposits are invested based on the asset spread requirement in terms of the Long-Term and Short-Term Insurance Act of 1998.

Rm	2019	2018
24. Commitments		
24.1 Capital commitments[1]		
Capital expenditure contracted for but not yet incurred	3 210	2 692

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

Note:

1. The Group entered into a facilities leasing, services and roaming agreements with RAIN (previously Wireless Business Solutions (Pty) Limited) which will result in R1 121 million (2018: R1 225 million) future capital expenditure for the Group. The majority of this expenditure is non-current. Capital commitments do not include the aforementioned.

Rm	2019	2018
24.2 Operating lease commitments		
Future minimum lease payments under non-cancellable operating leases comprise:		
Within one year	2 392	1 764
Between one and five years	7 787	6 587
After five years	3 197	3 180
	13 376	11 531

Operating leases include leases of certain transmission and data lines, offices, distribution outlets, sites, buildings, office equipment and motor vehicles. The remaining lease terms vary between 1 and 15 years (2018: six months and 15 years) with escalation clauses that vary from an annual fixed escalation rate between 5.0% and 10.0% (2018: 7.0% and 12.0%) per annum or an annual variable consumer price index rate. Various options to renew exist.

The total of future minimum sublease payments expected to be received under non-cancellable subleases is R1 942 million (2018: R1 898 million).

24.3 Other commitments

Other commitments include commitments for purchases of handsets; other goods and services; and activation commissions.

As at 31 March 2019, purchase commitments amount to R29 317 million (2018: R28 658 million) of which R10 063 million (2018: R8 557 million) relate to payments due within 12 months. The increase relates mainly to the roaming agreement with RAIN, of which the net commitment, including committed revenue, amounts to R1 381 million (committed cost of R18 412 million and committed revenue of R17 031 million).

25. Contingent liabilities and legal proceedings

25.1 Unresolved tax matters

The Group is regularly subject to an evaluation by tax authorities of its direct and indirect tax filings. The consequence of such reviews is that disputes may arise with tax authorities over the interpretation or application of certain tax rules to the Group's business. The tax laws are in some instances ambiguous and subject to a broad range of interpretations. To address and manage this tax uncertainty, good governance is fundamental to the Group's business sustainability. All major tax positions taken are subject to review by executive management and are reported to the Board. The Group has support from external advisors supporting the positions taken in respect of the significant tax matters which confirms the application and interpretation of the tax legislation. The Group has considered all matters in dispute and has accounted for any exposure identified, if required. These disputes may not necessarily be resolved in a manner that is favourable to the Group.

25.2 Various legal contingencies

The Group is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the outcome of these proceedings. Following this assessment, the Group's management has determined that adequate provision has been made in respect of these legal proceedings as at 31 March 2019.

25.3 Guarantees

The Group has various guarantees in issue, relating to external financial obligations of its subsidiaries, which amounted to R138 million (2018: R116 million).

Foreign denominated guarantees amounting to R1 082 million (2018: R889 million) are in issue in support of Vodacom Congo (RDC) SA relating to liabilities included in the consolidated statement of financial position.

26. Post-employments benefits

The Group operates a number of pension plans for the benefit of all its employees throughout the Group, which vary depending on the conditions and practices in the countries concerned. The Group's pension plans are provided through defined contribution schemes. Defined contribution schemes offer employees individual funds that are converted into benefits at the time of retirement. Current contributions to the defined contribution schemes amounted to R297 million (2018 : 296 million). South African funds are governed in terms of the Pension Funds Act of 1956. The assets in the funds are held in separate accounts and funds are raised through payments from employees and the Group.

27. Events after the reporting period

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

A final dividend of R7 343 million (400 cents per ordinary share) was declared for the year ended 31 March 2019,was declared on 10 May 2019, payable on 24 June 2019 to shareholders recorded in the register at the close of business on 21 June 2019. The net dividend after taking into account dividend withholding tax for those shareholders not exempt from dividend withholding tax is 320.00000 cents per share.

27.2 Vodacom Tanzania

In April 2019, several of Vodacom Tanzania Plc's (Vodacom Tanzania) employees, including the Managing Director, were arrested by the Tanzanian Police in relation to a third party's alleged illegal use of network facilities. These employees were charged with a number of offences, including economic crimes which are non-bailable offences under Tanzania's Economic Organised Crime Act (EOCA).

Vodacom Tanzania paid a fine of TZS 30 million (R0.2 million) as well as an amount of TZS 5.2 billion (R32 million), as compensation for the financial losses occasioned to the Tanzanian Communication Regulatory Authority (TCRA), after pleading guilty to the offences of occasioning pecuniary loss to a specified authority and permitting use of network services in contravention of the Electronic and Postal Communications Act (EPOCA).

Vodacom Tanzania, its parent companies Vodacom Group Limited and Vodafone Group Plc are committed to upholding the highest standards of business integrity, ethics and good corporate governance. The companies have retained global law firm, Squire Patton Boggs to assist with an internal investigation into the underlying facts in line with the companies' legal and corporate governance principles and to safeguard the company.

Notes to the consolidated annual financial statements continued

27. Events after the reporting period continued

27.3 Safaricom dividends declared 2 May 2019

Safaricom proposed a dividend of KES 50.08 billion for the financial year ended 31 March 2019. In addition, Safaricom proposed a special dividend of KES 24.84 billion. Both these dividends are payable to shareholders on or before 1 December 2019, subject to shareholders' approval at the annual general meeting. The Group's share of these dividend proposals, at a KES/ZAR exchange rate of 6.99, after withholding tax, amounts to R2 253 million and R1 118 million respectively.

27.4 Mozambique spectrum licence

On 2 May 2019, Vodacom Mozambique secured 2x12.2 Mhz of 1 800 Mhz spectrum for $23 million. The licence will be issued after the payment of the first installment of 34% of total value.

28. Interest in subsidiaries

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

28.1 Vodacom Tanzania Public Limited Company (VTLPLC) and its subsidiaries

The Group holds an effective 61.61% interest in VTPLC (of which 48.75% is held directly by Vodacom Group Limited) which operates and is incorporated in Tanzania. There are no restrictions on VTPLC's ability to access or use assets, and settle liabilities of the Group.

Rm	2019	2018
Statement of financial position		
Non-current assets	5 261	4 181
Current assets	7 153	5 699
Total assets	12 414	9 880
Equity attributable to owners of the parent	(4 884)	(3 925)
Non-controlling interests[1]	(3 030)	(2 433)
Non-current liabilities	(628)	(526)
Current liabilities	(3 872)	(2 996)
Total equity and liabilities	(12 414)	(9 880)
Income Statement		
Revenue	6 173	5 677
Net profit attributable to equity shareholders	361	683
Net profit attributable to non-controlling interests	223	383
Net profit	584	1 066
Statement of cash flows		
Net cash flows from operating activities	1 654	1 309
Net cash flows utilised in investing activities	(1 597)	(734)
Net cash flows (utilised in)/from financing activities	(304)	1 189
Net (decrease)/increase in cash and cash equivalents	(247)	1 764

Note:
1. Dividend paid to non-controlling interests amounted to R95 million (2018: R67 million).

28. Interest in subsidiaries continued

28.2 Vodacom Congo (RDC) SA (Vodacom Congo) and its subsidiaries

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

Rm	2019	2018
Statement of financial position		
Non-current assets	5 332	4 346
Current assets	2 967	2 343
Total assets	8 299	6 689
Equity attributable to owners of the parent	4 581	4 632
Non-controlling interests	2 350	2 399
Non-current liabilities	(33)	(936)
Current liabilities	(15 197)	(12 784)
Total equity and liabilities	(8 299)	(6 689)
Income statement		
Revenue	6 522	5 554
Net loss attributable to equity shareholders	(67)	(549)
Net loss attributable to non-controlling interests	(65)	(528)
Net loss	(132)	(1 077)
Statement of cash flows		
Net cash flows from operating activities	2 109	1 238
Net cash flows utilised in investing activities	(1 689)	(662)
Net cash flows (utilised in)/from financing activities	(388)	8
Net increase in cash and cash equivalents	32	584

Notes to the consolidated annual financial statements continued

28. Interest in subsidiaries continued

28.3 VM, SA and its subsidiaries

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

Rm	2019	2018
Statement of financial position		
Non-current assets	4 484	2 680
Current assets	2 161	1 587
Total assets	6 645	4 267
Equity attributable to owners of the parent	(3 313)	(2 189)
Non-controlling interests	(449)	(250)
Non-current liabilities	(763)	(195)
Current liabilities	(2 120)	(1 633)
	(6 645)	(4 267)
Income statement		
Revenue	4 788	3 740
Net profit attributable to equity shareholders	709	564
Net profit attributable to non-controlling interests	125	99
Net profit	834	663
Statement of cash flows		
Net cash flows from operating activities	1 857	1 415
Net cash flows utilised in investing activities	(1 805)	(565)
Net cash flows utilised in financing activities	(38)	(282)
Net increase in cash and cash equivalents	14	568

28. Interest in subsidiaries continued

28.4 Vodacom Lesotho (Pty) Limited (Vodacom Lesotho)

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

Rm	2019	2018
Statement of financial position		
Non Current Assets	918	847
Current Assets	423	339
Total Assets	1 341	1 186
Equity attributable to owners of the parent	(728)	(660)
Non-controlling interests[1]	(182)	(165)
Non Current Liabilities	(53)	(42)
Current Liabilities	(378)	(319)
Total equity and liabilities	(1 341)	(1 186)
Income Statement		
Revenue	1 308	1 255
Net profit attributable to equity shareholders	296	285
Net profit attributable to non-controlling interests	74	71
Net profit	370	356
Statement of cash flows		
Net cash flows from operating activities	578	491
Net cash flows utilised in investing activities	(256)	(243)
Net cash flows utilised in financing activities	(292)	(268)
Net increase/(decrease) in cash and cash equivalents	30	(20)

Note:
1. Dividend paid to non-controlling interest amounted to R58 million (2018: R55 million).

29. Related parties

The Group's related parties are its parent, joint venture, associate, pension schemes (Note 26) and key management including directors (Note 29.3). Further details regarding the related party relationship with a non-executive director of the Group may be found in Note 17.1.4.7.

Rm	2019	2018
29.1 Balances with related parties		
Accounts receivable		
Vodafone Group Plc and subsidiaries	213	110
Other	7	9
Accounts Payable		
Vodafone Group Plc and subsidiaries	(466)	(1 039)
Other	(9)	(1)
The outstanding balances listed above are unsecured and will be settled in cash in the ordinary course of business. No guarantees or provision for doubtful debts have been recognised.		
Borrowings		
Vodafone Investments Luxembourg s.a.r.l. (Note 18)	25 251	27 862

Notes to the consolidated annual financial statements continued

29. Related parties continued

29.2 Transactions with related parties

Rm	2019	2018
Vodafone Group Plc and subsidiaries[1]	(13 353)	(12 272)
Revenue	193	180
Direct expenses	(413)	(80)
Secondment fees	(6)	(7)
Other operating expenses	(1 726)	(1 501)
Finance costs	(2 294)	(2 325)
Dividends declared	(9 107)	(8 539)
Other	(38)	(43)
Revenue	6	5
Other operating expenses	(44)	(48)
Transactions with entities in which related parties have an interest	(3)	(3)

Note:
1. An amount of R218 million (2018: R190 million) relating to procurement costs was capitalised during the current year.

29.3 Directors' remuneration

Rm	2019	2018
Directors		
Executive directors	(57)	(56)
Short-term employee benefits	(34)	(37)
Post-employment benefits[1]	(1)	(1)
Share-based payments	(22)	(18)
Non-executive directors	(10)	(9)
Directors' fees	(10)	(9)
Directors' remuneration payable by the Group	(67)	(64)
Short-term incentives under provided by the Group	–	(2)
Directors' remuneration incurred by Vodafone Group Plc[2]	(9)	(10)
	(76)	(76)

Notes:
1. Included in post-employment benefits is an amount of R0.5 million (2018: R0.6 million) relating to contributions to provident funds made annually from bonus allocations.
2. Includes long-term employee benefits for MS Aziz Joosub: R5 million (2018: R5 million) and T Streichert: R4 million (2015: R5 million).

29. Related parties continued

29.3 Directors' remuneration continued

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

R	Directors' fee	Salary	Retirements contributions	Other[1]
2019				
Executive directors				
MS Aziz Joosub#	–	10 474 698	800 302	945 036
T Streichert[6]	–	6 229 509	182 281	3 876 343
Non-executive directors				
PJ Moleketi^	2 695 333	–	–	–
DH Brown^	1 161 605	–	–	–
V Badrinah*	880 984	–	–	–
F Bianco*[5]	68 575	–	–	–
M Joseph*	611 451	–	–	–
BP Mabelane^	657 248	–	–	–
SJ Macozoma^	1 034 882	–	–	–
P Mahanyele-Dabengwa^[5]	183 307	–	–	–
TM Mokgosi-Mwantembe^[4]	629 928	–	–	–
JWL Otty*	611 451	–	–	–
M Pieters*[4]	134 274	–	–	–
T Reisten*[5]	118 688	–	–	–
RAW Schellekens*[4]	641 521	–	–	–
S Sood*[5]	332 227	–	–	–
	9 761 474	16 704 207	982 583	4 821 379

Notes:

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

\# MS Aziz Joosub contributed an additional R465 358 to retirement funds from his short-term incentives.

^ Excludes incidental costs incurred of R14 000.

1. Includes mainly assignment allowance and other benefits.
2. Includes mobile phone benefit and subsistence allowance.
3. STI payable in June 2019, for the year ended 31 March 2019.
4. Resignations: M Pieters: 18 July 2018; TM Mokgosi-Mwantembe: 31 December 2018; RAW Schellekens: 31 December 2018.
5. Appointments: S Sood: 18 July 2018; P Mahanyele-Dabengwa: 1 January 2019; T Reisten: 1 January 2019; F Bainco (alternate director to M Joseph): 1 January 2019.
6. Remuneration paid/payable to Vodafone Group Plc.

Expense allowances[2]	Short-term incentives (STI)[3]	Remuneration report	Expensed over term	Long-term incentives and other	Total
4 800	9 786 500	22 011 336	–	21 582 047	43 593 383
4 800	3 046 540	13 339 473	–	–	13 339 473
–	–	2 695 333	–	–	2 695 333
–	–	1 161 605	–	–	1 161 605
–	–	880 984	–	–	880 984
–	–	68 575	–	–	68 575
–	–	611 451	–	–	611 451
–	–	657 248	–	–	657 248
–	–	1 034 882	–	–	1 034 882
–	–	183 307	–	–	183 307
–	–	629 928	–	–	629 928
–	–	611 451	–	–	611 451
–	–	134 274	–	–	134 274
–	–	118 688	–	–	118 688
–	–	641 521	–	–	641 521
–	–	332 227	–	–	332 227
9 600	12 833 040	45 112 283	–	21 582 047	66 694 330

29. Related parties continued

29.3 Director's remuneration continued

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

R	Directors' fee	Salary	Retirements contributions	Other[1]
2018				
Executive directors				
MS Aziz Joosub#	–	9 623 300	826 700#	1 664 319
T Streichert[6]	–	5 595 571	173 935	3 754 262
Non-executive directors				
PJ Moleketi[5]	2 069 960	–	–	–
DH Brown	939 666	–	–	–
V Badrinah*	713 333	–	–	–
M Joseph*	455 000	–	–	–
BP Mabelane	636 000	–	–	–
SJ Macozoma[5]	614 078	–	–	–
TM Mokgosi-Mwantembe	818 333	–	–	–
MP Moyo[4]	686 290	–	–	–
JWL Otty*	455 000	–	–	–
M Pieters*	430 000	–	–	–
RAW Schellekens*	808 333	–	–	–
	8 625 993	15 218 871	1 000 635	5 418 581

Notes:

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

\# MS Aziz Joosub contributed an additional R556 500 to retirement funds from his short-term incentives.

1. Includes mainly assignment allowance, leave encashment and other benefits.
2. Includes mobile phone benefit and subsistence allowance.
3. STI payable in June 2018, for the year ended 31 March, 2018.
4. Resignations: MP Moyo: 18 July 2017.
5. Appointments: PJ Moleketi: Appointed as chairman: 19 July 2017; SJ Macozoma: 19 July 2017.
6. Remuneration paid/payable to Vodafone Group Plc.

Expense allowances[2]	Short-term incentives (STI)[3]	Remuneration report	Expensed over term	Long-term incentives and other	Total
4 800	12 391 400	24 510 519	–	17 762 137	42 272 656
–	3 820 024	13 343 792	–	–	13 343 792
–	–	2 069 960	–	–	2 069 960
–	–	939 666	–	–	939 666
–	–	713 333	–	–	713 333
–	–	455 000	–	–	455 000
–	–	636 000	–	–	636 000
–	–	614 078	–	–	614 078
–	–	818 333	–	–	818 333
–	–	686 290	–	–	686 290
–	–	455 000	–	–	455 000
–	–	430 000	–	–	430 000
–	–	808 333	–	–	808 333
4 800	16 211 424	46 480 304	–	17 762 137	64 242 441

	Rm	2019	2018
30	**Financial instruments and risk management**		
30.1	**Net losses on financial instruments**		
	Net losses on financial instruments analysed by category, are as follows:		
	Financial assets at fair value through profit or loss	(158)	(350)
	Financial (liabilities)/assets measured at amortised cost	(2 074)	(2 396)
	Net losses attributable to financial instruments	(2 232)	(2 746)
30.2	**Carrying amounts of financial instruments**		
	Carrying amounts of financial instruments analysed by category, are as follows:		
	Net financial liabilities measured at amortised cost[1]	(19 324)	(16 250)
	Financial assets at fair value through profit or loss (Note 11.2)	386	411
	Financial assets at fair value through other comprehensive income (Note 15)	3 896	–
	Derivatives designated as fair value hedging instruments (Note 14 and 19)	(176)	(140)
		(15 218)	(15 979)

Note:
1. Included are cash held in restricted deposits.

		2019	2018
30.3	**Fair value hierarchy**		
	The table below sets out the valuation basis of financial instruments measured at fair value:		
	Level one[1]		
	Financial assets and liabilities at fair value through profit or loss, classified as held for trading		
	Unit trust investments (Note 11)	291	328
	Level two[2]		
	Derivatives designated as fair value hedging instruments		
	Finance receivables[3] (Note15)	3 896	–
	Derivative financial assets (Note 14)	76	67
	Derivative financial liabilities (Note 19)	(252)	(207)
		4 011	188

Notes:
1. Level one classification is used when the valuation is determined using quoted prices in an active market.
2. Level two classification is used when valuation inputs used to determine fair value are observable for the asset/(liability), either directly as prices or indirectly when derived from prices.
3. The Group provides financing to customers to acquire devices at an additional contractual charge which is included in finance receivables. The business model under IFRS 9 for finance receivables has been determined to be "hold to collect and sell". As a result, the Group has reclassified finance receivables relating to device financing from loans and receivables to fair value through other comprehensive income. The inclusion in the fair value hierarchy arises from a change in measurement attribute on transition to IFRS 9.

Notes to the consolidated annual financial statements continued

30. Financial instruments and risk management continued

30.4 Financial risk management

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

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

Where natural hedges do not exist, the Group uses a number of derivative instruments that are transacted for foreign currency and interest rate risk management purposes only. There has been no significant change during the reporting period to the types of financial risks faced by the Group, the measures used to measure them or the objectives, policies and processes for managing them.

During the previous reporting period, the three international rating agencies affirmed South Africa's foreign currency and local currency rating with a stable outlook.

The Group looks to mitigate risk exposure as best possible and has implemented strategies in order to manage the impact of ratings downgrades through segmented propositions and micro bundles, more relevant data offerings to evolve with customer behaviour, using hedging instruments such as forward contracts, and continuously extending our debt maturity profile to alleviate refinancing and reallocation risk. The Group balances the debt structure between fixed and floating interest rates to protect against upward movement in rates but allowing for participation in downward movements and mitigates revaluation risk on foreign denominated debt by holding the majority of debt in each borrower's local currency.

30.4.1 Market risk management

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

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

30 Financial instruments and risk management continued

30.4 Financial risk management continued

30.4.1 Market risk management continued

30.4.1.1 Foreign currency risk management

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

Rm	Euro	United States dollar	Other
2019			
Functional currency			
South African Rand	**(148)**	**1 001**	**(9)**
United States Dollar	**(17)**	**–**	**(134)**
Tanzanian Shilling	**3**	**947**	**(12)**
Mozambican Metical	**(7)**	**(410)**	**(47)**
Nigerian naira	**–**	**34**	**(1)**
	(169)	**1 572**	**(203)**
2018			
Functional currency			
South African Rand	5	(1 035)	(16)
United States Dollar	(33)	–	(62)
Tanzanian Shilling	33	861	(12)
Mozambican Metical	(21)	359	(81)
Nigerian naira	(1)	19	–
	(17)	204	(171)

The Group's South African operations manages its exposure to fluctuations in foreign currency exchange rates by entering into foreign exchange forward contracts for foreign-denominated transactions. The contracts are entered into to buy and/or sell specified amounts of various foreign currencies in the future at predetermined exchange rates, primarily for the purchase of capital equipment, inventory and to a lesser extent operating expenditure. The Group's policy is generally that entities within the Group borrow funds denominated in their respective functional currencies, however, in those instances where funds are borrowed in foreign-denominated currencies and a forward market exists, exposure to fluctuations in foreign currency exchange rates is managed by entering into foreign exchange forward contracts.

Notes to the consolidated annual financial statements continued

30 Financial instruments and risk management continued

30.4 Financial risk management continued

30.4.1 Market risk management continued

30.4.1.1 Foreign currency risk management continued

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

Rm	2019	2018
Forward contracts to buy foreign currency		
Euro[1]	**59**	(42)
Pound sterling[2]	**–**	(1)
United States dollar[3]	**5**	(118)
Net derivative financial asset/(liability)	**64**	(161)

Notes:
1. €96 million (2018: €93 million).
2. £nil million (2018: £1 million).
3. US$75 million (2018: US$260 million).

Rm	2019	2018
Forward contracts to sell foreign currency		
Euro[1]	**–**	1
United States dollar[2]	**–**	3
Net derivative financial asset	**–**	4

Notes:
Foreign contract values amount to:
1. €1 million (2018: €1 million).
2. US$3 million (2018: US$14 million).

Of the R64 million net asset (2018: R156 million net liability), R73 million (2018: R16 million) is reported in trade and other receivables and R9 million (2018: R172 million) in trade and other payables.

30 Financial instruments and risk management continued

30.4 Financial risk management continued

30.4.1 Market risk management continued

30.4.1.1 Foreign currency risk management continued

Foreign currency sensitivity analysis

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

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

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

	Euro	United States dollar	Other
2019			
Functional currency			
South African Rand (%)	10.9	6.4	0.4 – 8.8
United States Dollar (%)	4.3	–	0.1 – 14.6
Tanzanian Shilling (%)	8.2	3.8	2.5 – 9.5
Mozambican Metical (%)	19.5	14.6	5.3 – 18.2
Profit post tax (Rm)	(10)	(124)	(69)
2018			
Functional currency			
South African Rand (%)	21.4	25.4	5.7 – 20.3
United States Dollar (%)	3.2	–	1.9 – 25.4
Tanzanian Shilling (%)	3.0	6.4	1.9 – 15.1
Mozambican Metical (%)	14.1	17.9	0.3 – 17.9
Profit post tax (Rm)	(117)	(472)	(2)

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

	Euro	United States dollar	Pound sterling
2019			
Functional currency			
South African rand	**16.2**	**14.4**	**18.7**
United States dollar	**1.1**	**–**	**1.3**
Tanzanian shilling	**2 595.2**	**2 312.7**	**3 005.0**
Mozambican metical	**71.1**	**63.4**	**82.4**
2018			
Functional currency			
South African rand	14.6	11.9	16.6
United States dollar	1.2	–	1.4
Tanzanian shilling	2 773.4	2 256.4	3 162.8
Mozambican metical	76.4	62.1	87.1

Notes to the consolidated annual financial statements continued

30 Financial instruments and risk management continued

30.4 Financial risk management continued

30.4.1 Market risk management continued

30.4.1.2 Interest rate risk management

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

Rm	2019	2018
Financial assets		
Fixed rate financial assets	**6 020**	7 007
Floating rate financial assets	**13 828**	10 650
	19 848	17 657
Financial liabilities		
Fixed rate financial liabilities	**(14 593)**	(16 098)
Floating rate financial liabilities	**(19 651)**	(15 756)
	(34 244)	(31 854)

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

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

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

Interest rate sensitivity analysis

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

The analysis below, expressed in the Company's presentation currency, discloses the Company's sensitivity to the specified basis point change in the market interest rates exposed to. The analysis includes both derivative and non-derivative instruments at the reporting date and in the case of floating rate instruments, the analysis is prepared assuming the amount outstanding at the reporting date was outstanding for the whole year.

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

	2019	2018
South African prime, JIBAR and South African money market rates		
Basis point increase	**50**	50
Profit post tax (Rm)	**(12)**	(25)

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

30.4.1.3 Equity price risk

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

30 Financial instruments and risk management continued

30.4 Financial risk management continued

30.4.2 Credit risk management

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

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

Rm	2019	2018
South Africa	**22 716**	21 545
Non-South African	**8 138**	7 447
	30 854	28 992

In addition, the Group holds cash in restricted deposits of R4 717 million (2018: R3 567 million) mainly as a result of its M-Pesa activities, which cash is held in accounts with reputable financial institutions.

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

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

The Group's largest customer represents 26.0% (2018: 24.6%) of the total trade receivable balance. With the exception of the aforementioned, the credit risk for trade, finance and other receivables is generally limited due to the customer base being large and unrelated in conjunction with stringent credit approval processes. Due to this, management believes there is no further provision required in excess of the normal provision for doubtful receivables. Credit risk is limited for loans receivable due to collateral held and for cash and cash equivalents as they are placed with high credit quality financial institutions. Credit risk relating to investments and derivatives is minimised by limiting the counterparties to major local and international banks, which are closely monitored, and the Group does not expect to incur any losses as a result of non-performance by these counterparties.

The average legally agreed credit period on trade receivables is between 0 and 60 days, for all reporting periods, for the South African operations and between 30 and 39 days, for all reporting periods, for the non-South African operations.

The Group holds collateral to the value of R3,443 million (2018: R4 168 million) over certain trade and other receivables, which is made up of demand guarantees from financial institutions, exercisable on overdue invoices.

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

%	2019	2018
High[1]	**2.0**	3.5
Medium[2]	**6.0**	2.3
Low[3]	**92.0**	94.2
	100.0	100.0

Notes:
1. High: probability of default in payments exists and possible delinquency scenario.
2. Medium: probability of financial difficulties exists resulting in arrears.
3. Low: no default in payment occurred or anticipated.

Notes to the consolidated annual financial statements continued

30 Financial instruments and risk management continued

30.4 Financial risk management continued

30.4.2 Credit risk management continued

The tables below disclose an analysis of the age of trade and other receivables that are past due but not impaired and contract assets that are due but not past due:

Rm	2019	2018
Trade and other receivables		
South Africa		
1 – 30 days past due	**267**	318
31 – 60 days past due	**141**	208
61 – 120 days past due	**185**	132
121 days to 12 months past due	**120**	104
More than 12 months past due	**35**	36
	748	798
Non-South Africa		
1 – 30 days past due	**204**	278
31 – 60 days past due	**42**	23
61 – 120 days past due	**462**	397
121 days to 12 months past due	**14**	7
More than 12 months past due	**8**	5
	730	710
Contract assets		
South Africa		
Due but not past due	**3 952**	–
Non-South Africa		
Due but not past due	**50**	–

30 Financial instruments and risk management continued

30.4 Financial risk management continued

30.4.3 Liquidity risk management

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

Rm	0-1 year	2 years	3 years	4 years	5 years	5+ years	Total
2019							
Financial liabilities							
Interest bearing borrowings	**(12 521)**	**(3 930)**	**(11 893)**	**(4 108)**	**(4 738)**	**(3 931)**	**(41 121)**
Non-interest bearing borrowings	–	–	–	–	–	–	–
Trade and other payables[1]	**(20 569)**	–	–	–	–	–	**(20 569)**
	(33 090)	**(3 930)**	**(11 893)**	**(4 108)**	**(4 738)**	**(3 931)**	**(61 690)**
Financial assets							
Trade and other receivables	12 240	–	–	–	–	–	12 240
Cash and cash equivalents	11 066	–	–	–	–	–	11 066
	23 306	–	–	–	–	–	23 306
2018							
Financial liabilities							
Interest bearing borrowings	(9 093)	(13 312)	(2 664)	(4 911)	(3 525)	(4 258)	(37 763)
Non-interest bearing borrowings	(436)	–	–	–	–	–	(436)
Trade and other payables[1]	(18 073)	–	–	–	–	–	(18 073)
	(27 602)	(13 312)	(2 664)	(4 911)	(3 525)	(4 258)	(56 272)
Financial assets							
Trade and other receivables	12 604	–	–	–	–	–	12 604
Cash and cash equivalents	12 538	–	–	–	–	–	12 538
	25 142	–	–	–	–	–	25 142

Note:
1. In addition, the Group holds cash in restricted deposits of R4 717 million (2018: R3 567 million) relating to mainly M-Pesa creditors, for which cash is held in accounts with reputable financial institutions.

Notes to the consolidated annual financial statements continued

30 Financial instruments and risk management continued

30.4 Financial risk management continued

30.4.3 Liquidity risk management continued

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

Rm	0-1 year	2 years	3 years	4 years	5 years	5+ years	Not determinable	Total
2019								
Net settled	–	–	–	–	–	–	–	–
Gross settled Payable	**(2 489)**	**(154)**	–	–	–	–	–	**(2 643)**
	(2 489)	**(154)**	–	–	–	–	–	**(2 643)**
2018								
Net settled	(195)	–	–	–	–	–	–	(195)
Gross settled Payable	(3 832)	(132)	–	–	–	–	–	(3 964)
	(4 027)	(132)	–	–	–	–	–	(4 159)

The Group ensures that adequate funds are available to meet its expected and unexpected financial commitments through undrawn borrowing facilities. At the reporting date the Group had undrawn rand-denominated borrowing facilities of R6 090 million (2018: R3 453 million) and undrawn foreign-denominated borrowing facilities of US$126 million (2018: US$6 million), MZN nil million (2018: MZN388 million) and LSL50 million (2018: LSL50 million) available to manage its liquidity. The Group uses bank facilities and the normal operating cycle to manage short-term liquidity. The Group raises funds in bank markets and via loan funding from Vodafone Investments Luxembourg s.a.r.l and ensures a reasonable balance is maintained between the period over which assets generate funds and the period over which the respective assets are funded to manage long-term liquidity. Liquidity on long-term borrowings is managed by maintaining a varied maturity profile thereby minimising refinancing risk.

30.4.4 Insurance risk management

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

30.5 Capital risk management

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

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

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

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

Adjusted equity comprises fully paid share capital, treasury shares, retained earnings and other reserves less trademarks and goodwill.

30 Financial instruments and risk management continued

30.5 Capital risk management continued

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

The Group's material operations are not subject to externally imposed capital requirements. The following table summarises the capital of the Group:

Rm	2019	2018
Bank and cash balances	**11 066**	12 538
Borrowings and derivative financial instruments	**(34 420)**	(32 430)
Net debt	**(23 354)**	(19 892)
Equity	**(86 388)**	(70 652)
Capital	**(109 742)**	(90 544)

EBITDA and the net debt to EBITDA multiple at the reporting date is as follows:

EBITDA	**33 714**	32 898
Net debt/EBITDA (times)	**0.7**	0.6

Independent auditor's report on the summarised Company financial statements

To the Shareholders of Vodacom Group Limited

Opinion

The summarised financial statements of Vodacom Group Limited (the 'Company'), set out on pages 100 to 107 of the Consolidated annual financial statements for the year ended 31 March 2019, which comprise the summarised Company statement of financial position as at 31 March 2019, the summarised Company income statement, the summarised Company statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited financial statements of the Company for the year ended 31 March 2019.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the JSE Limited's (JSE) requirements for summarised financial statements, as set out in the basis of preparation paragraph on page 104 to the summarised financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

Summarised financial statements

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

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 31 May 2019. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

Director's responsibility for the summarised financial statements

The directors are responsible for the preparation of the summarised financial statements in accordance with the JSE's requirements for summarised financial statements, set out in the basis of preparation paragraph on page 104 to the summarised financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

Auditor's responsibility

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: D.B. von Hoesslin
Registered Auditor
Johannesburg

31 May 2019

Summarised Company income statement
for the year ended 31 March

Rm	Notes	2019	2018
Revenue		10 421	15 282
Staff expenses		(470)	(423)
Other operating expenses		(378)	(280)
Depreciation and amortisation		(6)	(5)
Net impairment reversal	1	168	10
Finance income		1 005	928
Finance costs		(895)	(953)
Net gain/(loss) on remeasurement and disposal of financial instruments	2	1 819	(45)
Profit before tax		11 664	14 514
Taxation		(618)	(148)
Net profit		11 046	14 366

Summarised Company statement of comprehensive income
for the year ended 31 March

Rm	2019	2018
Net profit	11 046	14 366
Total comprehensive income	11 046	14 366

Summarised Company statement of financial position
as at 31 March

Rm	Notes	2019	2018
Assets			
Non-current assets		67 739	53 148
Property, plant and equipment		9	8
Intangible assets		16	20
Investments in associate and subsidiaries	4	62 042	52 784
Trade and other receivables	6	17	16
Finance lease receivables		282	280
Financial assets	5	5 373	40
Current assets		7 009	13 741
Investments in associate and subsidiaries	4	810	643
Trade and other receivables	6	2 998	6 611
Finance lease receivables		26	21
Tax receivable		40	40
Cash and cash equivalents		3 135	6 426
Total assets		74 748	66 889
Total equity		68 093	56 047
Fully paid share capital	7	57 073	42 618
Treasury shares	7	(952)	(869)
Retained earnings		10 537	13 999
Other reserves	8	1 435	299
Non-current liabilities		3 461	2 994
Borrowings	9	2 000	2 576
Trade and other payables	10	1 114	179
Deferred tax		347	239
Current liabilities		3 194	7 848
Borrowings	9	31	2 069
Trade and other payables	10	3 084	5 754
Provisions		5	5
Tax payable		54	–
Dividends payable		20	20
Total equity and liabilities		74 748	66 889

Summarised Company statement of changes in equity

for the year ended 31 March

Rm	Notes	Fully paid share capital	Treasury shares	Share-based payment reserve	Profit on sale of treasury shares	Retained earnings	Total equity
1 April 2017		*	(747)	219	82	12 769	12 323
Share issue	7	42 618	–	–	–	–	42 618
Total comprehensive income		–	–	–	–	14 366	14 366
Share based payment vesting		–	153	(153)	–	–	–
Advanced distribution received		–	–	133	–	–	133
Share-based payment expense		–	–	13	–	–	13
Share-based payment expense – Deferred tax		–	–	(1)	–	–	(1)
Repurchase and sale of shares		–	(275)	–	6	–	(269)
Dividends		–	–	–	–	(13 136)	(13 136)
31 March 2018		**42 618**	**(869)**	**211**	**88**	**13 999**	**56 047**
Share issue	7	**14 455**	–	–	–	–	**14 455**
Total comprehensive income		–	–	–	–	**11 046**	**11 046**
Share-based payment vesting		–	**203**	**(203)**	–	–	–
Advanced distribution received		–	–	**170**	–	–	**170**
Share-based payment expense		–	–	**21**	–	–	**21**
BBBEE transaction	8	–	–	**1 161**	–	–	**1 161**
Share-based payment expense – Deferred tax		–	–	**(3)**	–	–	**(3)**
Repurchase and sale of shares		–	**(286)**	–	**(10)**	–	**(296)**
Dividends		–	–	–	–	**(14 508)**	**(14 508)**
31 March 2019		**57 073**	**(952)**	**1 357**	**78**	**10 537**	**68 093**

Summarised Company statement of cash flows

for the year ended 31 March

Rm	2019	2018
Cash (utilised in)/generated from operations	(280)	8
Finance income received	320	186
Dividends received	9 611	14 698
Finance costs paid	(538)	(468)
Dividends paid – equity shareholders	(14 508)	(13 135)
Tax paid	(468)	(345)
Net cash flows (utilised in)/generated from operating activities	(5 863)	944
Cash flows from investing activities		
Additions to property, plant and equipment and intangible assets	(2)	(6)
Proceeds from disposal of property, plant and equipment and intangible assets	–	2
Repayment of loans granted to subsidiaries	2 230	1 358
Acquisition of subsidiary (net of cash and cash equivalents acquired)	–	(410)
Loans granted to related parties	(5 252)	–
Net cash flows (utilised in)/generated from investing activities	(3 024)	944
Cash flows from financing activities		
Proceeds from issue of shares	7 333	–
Repayment of borrowings	(2 576)	–
Repurchase and sale of shares	852	(94)
Intercompany money market movement	(245)	(1 036)
Net cash flows generated from/(utilised in) financing activities	5 364	(1 130)
Net (decrease)/increase in cash and cash equivalents	(3 523)	758
Cash and cash equivalents at the beginning of the year	6 426	5 735
Exchange gain/(loss) on cash and cash equivalents	232	(67)
Cash and cash equivalents at the end of the year	3 135	6 426

Notes to the summarised Company financial statements

for the year ended 31 March

Basis of preparation

These summarised financial statements of the Company have been prepared in accordance with the recognition and measurement criteria of IFRS and the information required by International Accounting Standard 34: Interim Financial Reporting as issued by the IASB, the Financial Reporting Guides as issued by the SAICA Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act of 2008, as amended. They have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value or at amortised cost, and are presented in South African rand, the Company's functional and presentation currency.

The significant accounting policies and methods of computation are consistent in all material respects with those applied in the previous period. The Company's critical accounting judgements, including those involving estimations are included in the Group's critical accounting judgements, including those involving estimations, as disclosed on pages 40 to 44 of the consolidated annual financial statements.

Rm	2019	2018
1. Impairment losses		
Investments in subsidiaries	**168**	10

In the current year there was a R168 million (2018: R10 million) impairment reversal on the VM, SA preference share investment.

2. Net loss on remeasurement and disposal of financial instruments

Included in the net loss on remeasurement and disposal of financial instruments are remeasurement gains of R994 million (2018: gain of R453 million) relating to loans and other receivables from subsidiaries as well as net gain on remeasurement of foreign-denominated assets and liabilities of R914 million (2018: net loss of R499 million).

3. Dividends

Further details regarding dividends may be found in the directors' report in the consolidated annual financial statements.

Rm	2019	2018
4. Investments in associate and subsidiaries		
Investment in associate		
Safaricom Public Limited Company	**43 080**	43 080
Investment in subsidiaries		
Vodacom Siyanda Employee Trust ('Siyanda')	**1 050**	–
Vodacom (Pty) Limited	**10 455**	2 268
Vodacom UK Limited	**489**	489
Vodacom International Limited	**3 842**	3 841
VM, SA	**810**	643
Vodacom Tanzania Public Limited Company	**3 075**	3 055
Vodafone Kenya Limited	**51**	51
	19 772	10 347
Total investment in associate and subsidiaries	**62 852**	53 427
5. Financial assets		
Loans receivable from subsidiaries		
Non-current		
Wheatfields Investments 276 (Pty) Limited	**–**	40
YeboYethu (RF) Limited	**5 373**	–

Notes to the summarised Company financial statements continued

Rm		2019	2018
6.	**Trade and other receivables**		
	Money market receivable	2 891	6 462
	Amounts owed by subsidiaries and related parties	72	96
	Prepayments	19	32
	Other receivables	33	37
		3 015	6 627
	Timing		
	Non-current	17	16
	Current	2 998	6 611
		3 015	6 627
7.	**Share capital**		
	Authorised		
	4 000 000 000 ordinary shares with no par value		
	Issued		
	Fully paid share capital		
	1 835 864 961 (2018: 1 721 413 781) ordinary shares with no par value	57 073	42 618
	Treasury shares[1]		
	6 168 778 (2018: 5 887 861) ordinary shares with no par value	(952)	(869)
		56 121	41 749

Shares	2019	2018
Movements in the number of ordinary shares outstanding:		
1 April	1 715 526	1 482 511
Statutory shares in issue	1 721 414	1 487 954
Treasury shares (held by the Company)	(5 888)	(5 443)
Share increase – forfeitable and restricted share plans	(281)	(445)
Share movements – shares issued	114 451	233 460
31 March	1 829 696	1 715 526
Statutory shares in issue	1 835 865	1 721 414
Treasury shares (held by the Company)	(6 169)	(5 888)

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

Note:

1. The Group acquired 2 314 179 (2018:2 186 094) shares as part of the current year forfeitable share plan allocation. Refer to Note 16, 17.1.1 and Note 17.1.2 of the consolidated annual financial statements for further details.

8. Other reserves

Forfeitable share plan (FSP) reserve

The Company granted 593 043 (2018: 621 155) forfeitable shares at a weighted average grant date fair value of R135.90 (2018: R164.69), of which 142 429 (2018: 226 744) shares were forfeited and 329 146 (2018: 312 966) vested during the year. R52 million (2018: R44 million) of the dividend declared was offset against the FSP reserve. Refer to Note 17.1.1 of the consolidated annual financial statements for further details.

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

Rm	2019	2018
9. Borrowings		
Non-current		
Interest bearing borrowings	**2 000**	2 576
Current		
Interest bearing borrowings	**31**	2 069
	2 031	4 645

Borrowings consists of loans obtained from Vodafone Investments Luxembourg s.a.r.l. Further details may be found in Note 18 of the consolidated annual financial statements.

Rm	2019	2018
10. Trade and other payables		
Money market payables	**2 423**	5 224
Trade and other payables	**360**	268
Amounts owed to subsidiaries and related parties	**80**	119
Advance distributions received from subsidiaries and related parties	**1 335**	322
	4 198	5 933
Timing		
Non-current	**1 114**	179
Current	**3 084**	5 754
	4 198	5 933
11. Commitments		
Funding – due within one year	**–**	570
Other	**146**	20
	146	590

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

12. Contingencies

The Company is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the outcome of these proceedings. Following this assessment, the Company's management has determined that no provision is required in respect of these legal proceedings as at 31 March 2019. Litigations, current or pending, are not likely to have a material adverse effect on the Company.

Notes to the summarised Company financial statements continued

13. Events after the reporting period

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

14. Related parties

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

14.1. Balances with related parties

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

Rm	2019	2018
14.2. Transactions with related parties		
Vodafone Group Plc and subsidiaries	(9 432)	(8 935)
Staff expenses	(17)	(14)
Other operating expenses	(1)	–
Finance costs	(307)	(382)
Dividends declared	(9 107)	(8 539)
Subsidiaries and related parties	11 792	15 253
Revenue	10 421	15 282
Other operating expenses	(83)	(106)
Finance income	2 555	754
Finance costs	(521)	(550)
Dividends declared	(580)	(127)

Note:
1. Revenue consists of mainly dividends received from subsidiaries and administration fees charged to subsidiaries.

Addendum A

As at 31 March

Interest in material subsidiaries

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

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

	Country of incorporation	Issued share capital		% Interest in issued share capital	
		2019	2018	2019	2018
Subsidiaries					
Cellular network operators					
Direct					
Vodacom (Pty) Limited	RSA				
Ordinary share capital[1]		**R45 180**	R45 180	**100.0**	100.0
'A' ordinary share capital[1]		**R1 673**	R2 820	**100.0**	100.0
Vodacom Tanzania Public Limited Company[2]	TNZ				
Ordinary share capital[2]		**TZS112 000 015 000**	TZS112 000 015 000	**61.6**	61.6
Indirect					
Vodacom Lesotho (Pty) Limited	LES				
Ordinary share capital		**LSL4 180**	LSL4 180	**80.0**	80.0
VM, SA	MZ				
Ordinary share capital		**MZN2 760 000 000**	MZN2 760 000 000	**85.0**	85.0
Preference share capital[3]		**MZN3 562 334 806**	MZN3 562 334 806	**100.0**	100.0
Vodacom Congo (RDC) SA	DRC				
Ordinary share capital		**US$1 000 000**	US$1 000 000	**51.0**	51.0
Service providers					
Interconnect service providers via satellite					
Direct					
Vodacom UK Limited	UK				
'B' ordinary share capital		**US$1**	US$1	**100.0**	100.0
Preference share capital		**US$710 999 999**	US$710 999 999	**100.0**	100.0
Vodacom Business Africa Group Services Limited	UK				
Ordinary share capital		**£49 567 569**	£49 567 569	**100.0**	100.0
Preference share capital		**US$20 790 572**	US$20 790 572	**100.0**	100.0
Indirect					
Vodacom UK Limited	UK	**US$100**	US$100	**100.0**	100.0
'A' ordinary share capital					
Vodacom Business Africa (Nigeria) Limited	NGR				
Ordinary share capital		**NGN5 000 000**	NGN5 000 000	**100.0**	100.0
Preference share capital		**NGN20 029 333 255**	NGN20 029 333 255	**100.0**	100.0
Other					
Direct					
Vodacom International Limited					
Ordinary share capital	MAU	**US$100**	US$100	**100.0**	100.0
Preference share capital		**US$773 403 577**	US$773 403 577	**100.0**	100.0

Notes:

1. 100% held directly (31 March 2018:6.25% held indirectly through special purpose entities which are consolidated in terms of IFRS 10: Consolidated Financial Statements as part of the broad based black economic empowerment transaction (Note 17.1)).
2. 48.75% held directly by Vodacom Group Limited.
3. 100% held directly through Vodacom Group Limited.

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