

YeboYethu (RF) Limited

Registration no. 2008/014734/06

**Condensed interim financial statements
for the six months ended 30 September 2017**

The preparation of these condensed interim financial statements was supervised by S Mdlalose, ACCA, and has been reviewed by the independent auditor, PricewaterhouseCoopers Inc.

**YeboYethu (RF) Limited condensed interim financial statements
for the six months ended 30 September 2017**

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Statement of responsibility by the board of directors

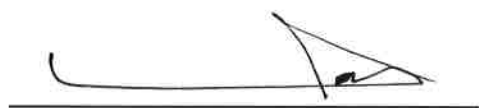
The directors are responsible for the preparation, integrity and fair presentation of the condensed interim financial statements of YeboYethu (RF) Limited ('the company').

The condensed interim financial statements have been reviewed by the independent auditing firm PricewaterhouseCoopers Inc. which was given unrestricted access to all financial records and related data, including minutes of meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their review were valid and appropriate. The review report of the auditors is presented on the next page.

The condensed interim financial statements for the six months ended 30 September 2017 presented on pages 2 to 11 have been prepared in accordance with framework concepts, the recognition and measurement criteria of International Financial Reporting Standards ('IFRS') and in accordance with and containing the information required by the International Accounting Standard 34: Interim Financial Reporting ('IAS 34') 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 Johannesburg Stock Exchange Limited ('JSE') Listings Requirements and the requirements of the Companies Act of 2008, as amended. They are based on appropriate accounting policies which have been consistently applied, and which are supported by reasonable and prudent judgements, including those involving estimations. The going concern basis has been adopted in preparing the condensed interim financial statements.

These condensed interim financial statements were approved by the board on 10 November 2017 and are signed on its behalf by:


S SITHOLE
Chairman, audit committee


MM MBUNGELA
Director



INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL STATEMENTS

To the Shareholders of YeboYethu (RF) Limited

We have reviewed the condensed interim financial statements of YeboYethu (RF) Limited in the accompanying interim report, which comprise the condensed statement of financial position as at 30 September 2017 and the related condensed statements of comprehensive income, changes in equity and cash flows for the six-months then ended, and selected explanatory notes.

Directors' Responsibility for the Interim Financial Statements

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council 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 interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim financial statements.

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Chief Executive Officer: T D Shango
Management Committee: S N Madikane, J S Masondo, P J Mothibe, C Richardson, F Tonelli, C Volschenk
The Company's principal place of business is at 2 Eglin Road, Sunninghill where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements of YeboYethu (RF) Limited for the six months ended 30 September 2017 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: Dinesh Desai
Registered Auditor
Sunninghill
10 November 2017

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**YeboYethu (RF) Limited condensed interim financial statements
for the six months ended 30 September 2017**

Condensed statement of comprehensive income

		Six months ended 30 September 2017 R'000 Reviewed	Six months ended 30 September 2016 R'000 Reviewed	Year ended 31 March 2017 R'000 Audited
Income		13,176	11,932	19,445
Expenditure	3	(2,367)	(2,548)	(4,191)
Operating profit		10,809	9,384	15,254
Finance income		434	437	931
Finance cost		(1)	(*)	(*)
Gains on remeasurement of financial instrument	4	265,613	10,596	352,739
Profit before tax		276,855	20,417	368,924
Taxation		(62,363)	(4,747)	(79,274)
Net profit		214,492	15,670	289,650
Total comprehensive income		214,492	15,670	289,650

(*) Less than R500.

		Cents	Cents	Cents
Basic earnings per share	2	1,490.0	108.9	2,012.1
Diluted earnings per share	2	1,032.0	79.7	1,433.2

**YeboYethu (RF) Limited condensed interim financial statements
for the six months ended 30 September 2017**

Condensed statement of financial position

		As at 30 September 2017 R'000 Reviewed	As at 30 September 2016 R'000 Reviewed	As at 31 March 2017 R'000 Audited
Assets				
Non-current assets		-	1,292,616	1,634,759
Financial assets	4	-	1,292,616	1,634,759
Current assets		1,916,830	18,632	23,892
Financial assets	4	1,900,372	-	-
Accounts receivable		11,894	14,296	19,472
Tax receivable		16	-	2
Restricted cash		283	276	244
Cash and cash equivalents		4,265	4,060	4,174
Total assets		1,916,830	1,311,248	1,658,651
Equity and liabilities				
Share capital		*	*	*
Ordinary share premium		359,883	359,883	359,883
Retained earnings		1,206,504	734,155	1,008,135
Total equity		1,566,387	1,094,038	1,368,018
Non-current liability		345,064	208,927	285,567
Deferred tax		345,064	208,927	285,567
Current liabilities		5,379	8,283	5,066
Accounts payable	5	1,951	2,572	1,612
Tax payable		-	2,233	-
Bank overdraft		-	19	-
Dividends payable		3,428	3,459	3,454
Total equity and liabilities		1,916,830	1,311,248	1,658,651

(*) Less than R500.

**YeboYethu (RF) Limited condensed interim financial statements
for the six months ended 30 September 2017**

Condensed statement of changes in equity

	Share capital and ordinary share premium	Retained earnings	Total equity
	R'000	R'000	R'000
Balance at 1 April 2017	359,883	1,008,135	1,368,018
Net profit	-	214,492	214,492
Dividends	-	(16,123)	(16,123)
Balance at 30 September 2017-Reviewed	<u>359,883</u>	<u>1,206,504</u>	<u>1,566,387</u>
Balance at 1 April 2016	359,883	733,498	1,093,381
Net profit	-	15,670	15,670
Net dividends #	-	(15,013)	(15,013)
Balance at 30 September 2016-Reviewed	<u>359,883</u>	<u>734,155</u>	<u>1,094,038</u>
Balance at 1 April 2016	359,883	733,498	1,093,381
Net profit	-	289,650	289,650
Net dividends #	-	(15,013)	(15,013)
Balance at 31 March 2017-Audited	<u>359,883</u>	<u>1,008,135</u>	<u>1,368,018</u>

Net dividends paid comprises of dividends declared less forfeited dividends.

**YeboYethu (RF) Limited condensed interim financial statements
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Condensed statement of cash flows

	Six months ended 30 September 2017 R'000 Reviewed	Six months ended 30 September 2016 R'000 Reviewed	Year ended 31 March 2017 R'000 Audited
Cash flow from operating activities			
Cash generated from operations	11,651	9,313	13,015
Tax paid	(2,880)	(143)	(265)
Dividends paid	(16,149)	(14,664)	(14,669)
Net cash flows utilised in operating activities	(7,378)	(5,494)	(1,919)
Cash flows from investing activities			
Finance income received	434	437	931
Net cash flows generated from investing activities	434	437	931
Cash flows from financing activities			
Finance cost paid	(*)	(*)	(*)
Overnight deposit movement	7,035	5,322	1,386
Net cash flows generated from financing activities	7,035	5,322	1,386
Net movement in cash and cash equivalents	91	265	398
Cash and cash equivalents at the beginning of the period/year	4,174	3,776	3,776
Cash and cash equivalents at the end of the period/year	4,265	4,041	4,174

(*) Less than R500.

**YeboYethu (RF) Limited condensed interim financial statements
for the six months ended 30 September 2017**

Notes to the condensed interim financial statements

1. Basis of preparation

The condensed interim financial statements have been prepared in accordance with the framework concepts, the recognition and measurement criteria of IFRS and in accordance with and containing the information required by IAS 34 as issued by the IASB, the 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. 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, which is the company's functional and presentation currency.

The significant accounting policies, judgements, estimates of amounts and methods of computation are consistent in all material respects with those applied in the annual financial statements for the year ended 31 March 2017. The significant accounting policies are available for inspection at the company's registered office.

These condensed interim financial statements have been reviewed by PriceWaterhouseCoopers Inc. whose unmodified review report is presented on page 1.

The company adopted the new, revised or amended accounting pronouncements as issued by the IASB, which were effective and applicable to the company from 1 April 2017, none of which had any material impact on the company's financial results for the year.

Full details on changes in accounting policies will be disclosed in the company's annual financial statements for the year ending 31 March 2018.

	Six months ended 30 September 2017 Cents	Six months ended 30 September 2016 Cents	Year ended 31 March 2017 Cents
2. Earnings and dividends per share			
Basic earnings per share	1,490.0	108.9	2,012.1
Diluted earnings per share	1,032.0	79.7	1,433.2
Headline earnings per share	1,490.0	108.9	2,012.1
Diluted headline earnings per share	1,032.0	79.7	1,433.2
Dividends per share	-	-	112.0

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

	Six months ended 30 September 2017 R'000	Six months ended 30 September 2016 R'000	Year ended 31 March 2017 R'000
2.1 Earnings reconciliation			
Earnings, attributable to equity shareholders, for basic and diluted earnings per share	214,492	15,670	289,650
Headline earnings for headline and diluted headline earnings per share	214,492	15,670	289,650

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

**YeboYethu (RF) Limited condensed interim financial statements
for the six months ended 30 September 2017**

Notes to the condensed interim financial statements

	Six months ended 30 September 2017	Six months ended 30 September 2016	Year ended 31 March 2017
2.2 Reconciliation of weighted average number of ordinary shares outstanding			
For basic and headline earnings per share	14,395,300	14,395,300	14,395,300
'N' ordinary shares convertible into ordinary shares	6,388,619	5,260,403	5,815,102
For diluted earnings and diluted headline earnings per share	<u>20,783,919</u>	<u>19,655,703</u>	<u>20,210,402</u>

On the YeboYethu Employee Participation Trust's conversion date, 30 September 2018, each 'N' share shall automatically convert into one ordinary share with a simultaneous repurchase of a variable number of shares at par value. The variable number of shares will be calculated based on a specified formula which takes into account the outstanding balance of the notional loan and the underlying value of the shares held in Vodacom SA. The formula ensures that the YeboYethu Employee Participation Trust will, after Vodacom SA's repurchase of a portion of the Vodacom SA shares held by the company and the consequent repurchase by the company of a portion of the company's shares held by the YeboYethu Employee Participation Trust, hold that percentage shareholding in the company as is equal to the YeboYethu Employee Participation Trust 'A' shares held by the company, as a percentage of all Vodacom SA shares held by it.

3. Directors emoluments

Included in Expenditure for the current financial period is directors emoluments (refer Note 10) as follows:

	Salary R
ZBM Bassa*	61,427
SM Radebe*	40,280
AM Hall*	27,189
S Sithole*	44,308
	<u>173,204</u>

* Independent non-executive directors.

V Jarana resigned effective 21 September 2017.

4. Financial assets

The company acquired a 3.44% investment in Vodacom SA during the 2009 financial year by obtaining ordinary shares and 'A' ordinary shares for the benefit of its shareholders as part of the Broad-Based Black Economic Empowerment transaction ('BBBEE') as follows:

	As at 30 September 2017 R'000 Reviewed	As at 30 September 2016 R'000 Reviewed	As at 31 March 2017 R'000 Audited
Financial asset at fair value through profit or loss			
Vodacom South Africa option asset			
7 200 000 ordinary shares at R25.00 each	180,000	180,000	180,000
82 800 000 'A' ordinary shares at R2.1739 each	180,000	180,000	180,000
75 000 000 'A' ordinary shares at R0.00001 each	1	1	1
	<u>360,001</u>	<u>360,001</u>	<u>360,001</u>
Accumulated fair value adjustment	1,540,371	932,615	1,274,758
	<u>1,900,372</u>	<u>1,292,616</u>	<u>1,634,759</u>

The financial asset namely the Vodacom South Africa option asset had been classified from non current to current in the current financial period as the maturity date of the option asset is 30 September 2018.

**YeboYethu (RF) Limited condensed interim financial statements
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Notes to the condensed interim financial statements

4. Financial assets (continued)

Reconciliation

Opening balance	1,634,759	1,282,020	1,282,020
Fair value adjustment	265,613	10,596	352,739
Closing balance	<u>1,900,372</u>	<u>1,292,616</u>	<u>1,634,759</u>

Within the Monte Carlo method, the following input parameters were used to simulate the Vodacom SA option asset value: the equity value of the underlying share at the valuation date, the expected dividend yield of the underlying share over the life of the option, the expected volatility of the underlying share over the life of the option, and the risk-free interest rate over the life of the model. In addition to these, the strike price is based on the simulated closing balance of the notional funding at maturity date.

The fair value of R1 900 million (30 September 2016: R1 292 million, 31 March 2017: R1 635 million) was calculated using the following assumptions as at 30 September 2017:

- The risk-free interest rates were determined from the South African interest rate swap zero curve, which is based on inputs from money-market and interest rate swap rates on the valuation date;
- The dividend yield was based on Vodacom SA's forecasted earnings and dividend policy based on a range from 30 March 2018 of 3.48% to 30 September 2018 of 4.85% (30 September 2016: 31 March 2017 of 3.22% to 30 September 2018 of 5.64%, 31 March 2017: 30 May 2017 of 1.56% to 28 September 2018 of 5.11%);
- Maturity date - 30 September 2018;
- Volatility was calculated by applying the equally weighted methodology to the historical share price data of Vodacom Group Limited. The Vodacom Group Limited volatility was applied as a proxy for Vodacom SA, calculated at one year equally weighted volatility of 19.21% as at 29 September 2017, two years equally weighted volatility of 20.65% as at 30 September 2016, one and a half years equally weighted volatility of 17.41% as at 31 March 2017, respectively.
- Strike price - the notional funding as at valuation date provided by Vodacom SA amounted to R4 474 million (30 September 2016: R4 848 million, 31 March 2017: R4 768 million). Interest accrues at a notional rate of 8.0% NACD (30 September 2016: 8.0% NACD, 31 March 2017: 8.0% NACD). The simulated notional funding balances at maturity represents the strike price; and
- The equity value of Vodacom SA was estimated at R134 110 million (30 September 2016: R120 013 million, 31 March 2017: R130 549 million) by applying the results of the five year Long Range Plan (LRP) forecast as the inputs into the Adjusted Present Value methodology. The terminal year free cash flow value is based on the final year of the LRP, capitalised into perpetuity. The cash flow projections are based on the five year LRP approved by the board.

Key cash flow assumptions included market share, revenue per user, EBITDA margin and revenue growth.

Key equity value assumptions include the perpetual growth rate of 2.75% (30 September 2016: 2.68%, 31 March 2017: 2.67%), the pre-tax cost of debt of 8.67% (30 September 2016: 9.39%, 31 March 2017: 8.68%) and cost of equity of 13.05% (30 September 2016: 13.25%, 31 March 2017: 13.19%). The discount rate used in the valuation model includes a risk free rate of 8.65% (30 September 2016: 8.85%, 31 March 2017: 8.79%), market risk premium of 5.50% (30 September 2016: 5.50%, 31 March 2017: 5.50%), lack of control discount of 10.00% (30 September 2016: 10.00%, 31 March 2017: 10.00%) and marketability discount of 5.00% (30 September 2016: 5.00%, 31 March 2017: 5.00%), respectively.

Our calculations indicate that the acceptable range of equity values for Vodacom SA, would be a range of up to 10.0% higher or lower than the equity value used in the determination of the option value. The following table shows the sensitivity of the fair value of the option asset to this reasonable alternative range of assumptions as at 30 September 2017, 30 September 2016 and 31 March 2017, respectively:

	Favourable	Unfavourable
30 September 2017		
Total change from base (Rm)	R457.0	(R448.2)
Total change from base (%)	24.1%	(23.6%)

**YeboYethu (RF) Limited condensed interim financial statements
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Notes to the condensed interim financial statements

	Favourable	Unfavourable
4. Financial assets (continued)		
30 September 2016		
Total change from base (Rm)	R376.0	(R350.5)
Total change from base (%)	29.1%	(27.1%)
31 March 2017		
Total change from base (Rm)	R437.8	(R422.0)
Total change from base (%)	26.8%	(25.8%)

It is therefore important that shareholders and other users of these financial statements understand the sensitivity of the option value actually recorded to changes in any or all of the assumptions used in determining the option value.

Notional funding

The notional funding does not give rise to a legal obligation but only facilitates the share repurchase mechanism. Initially, the notional funding carried an interest rate of 9.8% compounded daily. The interest rate was however reduced to 8.0% compounded daily from 1 April 2015 onwards. The company received a notional dividend on these shares calculated on the basis of the actual dividend paid to ordinary shareholders. The holders of ordinary shares are entitled to dividends but the holders of 'A' ordinary shares will only be entitled to dividends once the notional funding has been settled.

The closing balance as at 30 September 2017 of the notional funding after the interest and dividends for the employee scheme and black public and business partners is as follows:

	As at 30 September 2017 R'000 Reviewed	As at 30 September 2016 R'000 Reviewed	As at 31 March 2017 R'000 Audited
Reconciliation of notional funding			
Opening balance	2,842,675	3,005,118	3,005,118
Notional interest accrued	114,449	121,472	238,684
	<u>2,957,124</u>	<u>3,126,590</u>	<u>3,243,802</u>
Less: notional dividend received	(271,804)	(246,142)	(401,127)
Closing balance	<u>2,685,320</u>	<u>2,880,448</u>	<u>2,842,675</u>
5. Accounts payable			
Supplier accounts payable	1,495	2,296	1,229
Intercompany payables	173	-	-
Value added tax	-	-	139
JSE Empowerment segment	283	276	244
	<u>1,951</u>	<u>2,572</u>	<u>1,612</u>

The average credit period is 30 days (six months period ended 30 September 2016: 30 days, year ended 31 March 2017: 30 days). No interest is charged on trade payables.

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Notes to the condensed interim financial statements

6. Related parties

All transactions with related parties have been made on terms equivalent to those that prevail in arm's length transactions.

	As at 30 September 2017 R'000 Reviewed	As at 30 September 2016 R'000 Reviewed	As at 31 March 2017 R'000 Audited
6.1 Balances with related parties			
Accounts receivable			
Vodacom Group Limited	9,243	12,343	16,279
Vodacom Proprietary Limited	2,491	1,934	3,187
Accounts payable			
Vodacom Group Limited	112	-	-
Vodacom Proprietary Limited	61	-	-
6.2 Transactions with related parties			
Vodacom Group Limited			
Finance income received	307	289	667
Vodacom Proprietary Limited			
Dividends received	13,176	11,932	19,445
The Innovator Trust (entity within the Vodacom Group structure)			
Dividends paid	(1,343)	(1,183)	(1,183)

The following costs are incurred by Vodacom Proprietary Limited and not charged to the company:

- accounting services;
- company secretarial services;
- risk management services; and
- access to research information and assistance for the company to enable Vodacom Proprietary Limited to meet or improve its empowerment standards.

7. Carrying amounts of financial instruments

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

Assets

Financial assets at fair value through profit or loss	1,900,372	1,292,616	1,634,759
Available-for-sale financial asset	*	*	*
Loans and receivables	16,000	18,337	23,642
Financial assets at amortised cost	283	276	244
	<u>1,916,655</u>	<u>1,311,229</u>	<u>1,658,645</u>

Liabilities

Financial liabilities measured at amortised cost	<u>5,379</u>	<u>6,050</u>	<u>4,927</u>
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(*) Less than R500.

**YeboYethu (RF) Limited condensed interim financial statements
for the six months ended 30 September 2017**

Notes to the condensed interim financial statements

8. Fair value hierarchy

An analysis of the financial instrument, Vodacom SA option asset, measured at fair value and disclosed as level three based on the degree to which the fair value is observable, is as follows:

	As at 30 September 2017 R'000 Reviewed	As at 30 September 2016 R'000 Reviewed	As at 31 March 2017 R'000 Audited
Level three			
Financial assets at fair value through profit or loss, classified as held for trading	1,900,372	1,292,616	1,634,759

Level three uses data inputs for the valuation of the asset that are not based on observable market data.

Reconciliation of fair value

Measurement in level three

Opening balance	1,634,759	1,282,020	1,282,020
Recognised in net gains on remeasurement and disposal of financial instruments	265,613	10,596	352,739
Closing balance	1,900,372	1,292,616	1,634,759

9. Operating commitments

998	4,863	996
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The operating commitments will be financed through internal cash generation.

10. Non-executive directors' fees

At the company's ninth annual general meeting held on 31 July 2017, Special resolution number one was approved that a proposed fee per annum excluding vat for non-executive directors be paid. The proposed fee is disclosed in the company's annual report for the year ended 31 March 2017 and is available for inspection on the company's website.

11. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the reporting period, not otherwise dealt with in the condensed interim financial statements, which significantly affected the financial position of the company as at 30 September 2017 and the results of its operations and cash flows for the six months ended 30 September 2017.