

**YeboYethu (RF) Limited**

**Registration no. 2008/014734/06**

**Historical financial information  
for the three financial years ended 31 March 2018**

"The preparation of the Historical financial information was supervised by the Director, MM Mbungela, Master of Business Administration."

## YeboYethu (RF) Limited Historical financial information for the three financial years ended 31 March 2018

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## **YeboYethu (RF) Limited Historical financial information for the three financial years ended 31 March 2018**

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### **Introduction to Historical financial information**

The Historical financial information of YeboYethu (RF) Limited for the three financial years ended 31 March 2016, 31 March 2017 and 31 March 2018 ("Historical financial information") is set out below.

The directors of YeboYethu (RF) Limited are responsible for the preparation and fair presentation of the audited YeboYethu (RF) Limited financial statements in accordance with International Financial Reporting Standards ('IFRS') from which this Historical financial information has been prepared.

The financial statements for the financial years ended 31 March 2016, 31 March 2017 and 31 March 2018, from which the related information below was extracted, were audited by PricewaterhouseCoopers Inc in accordance with International Standards on Auditing. PricewaterhouseCoopers Inc issued an unqualified audit opinion on these financial statements.



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

To the directors of YeboYethu (RF) Limited

### *Our opinion*

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

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

(the "Proposed Transaction").

In our opinion, the historical financial information set out on pages 7 to 25 (the "historical financial information") incorporated by reference in the Circular presents fairly, in all material respects, the financial position of YeboYethu as at 31 March 2016, 31 March 2017, and 31 March 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the JSE Limited's ("JSE") Listings Requirements.

### **What we have audited**

At your request and solely for the purpose of the Circular to be dated on or about 10 July 2018, we have audited YeboYethu's historical financial information set out on pages 7 to 25, to be incorporated by reference in the Circular, which comprises:

- the statements of financial position as at 31 March 2016, 31 March 2017, and 31 March 2018;
- the statements of comprehensive income for the years then ended;
- the statements of changes in equity for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the historical financial information, which include a summary of significant accounting policies.

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Reporting accountant's responsibilities for the audit of the historical financial information* section of our report.

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

### **Independence**

We are independent of the Company 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

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Chief Executive Officer: T D Shangro  
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 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.  
Reg. no. 1998/012055/21, VAT reg.no. 4950174682



our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

### *Purpose of this report*

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

### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the historical financial information for the year ended 31 March 2018. These matters were addressed in the context of our audit of the historical financial information as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><b><i>Valuation of Vodacom Proprietary Limited Option Asset</i></b></p> <p><i>The Company is an investment holding company with the principal objective of holding the Vodacom Proprietary Limited (VSA) option asset. As disclosed in note 10 to the financial statements, the fair value of the VSA option asset amounted to R2,2 billion as at 31 March 2018, with a corresponding fair value adjustment included in net profit amounting to R624,0 million for the period then ended.</i></p> <p><i>In valuing the option asset, management utilised a Monte Carlo simulation methodology. The inputs with the most significant impact on the valuation are disclosed in note 10, and include the VSA minority interest value, dividend yield, notional funding balance, risk-free interest rate and the share price volatility of Vodacom Group Limited (“VGL”).</i></p> <p><i>We considered this to be a matter of most significance in the current year audit due to the material value of the investment and the attributable judgements, assumptions and estimates applied by management in determining the fair value of both the VSA option asset and the underlying reference asset (the VSA minority interest value).</i></p>	<p><i>We obtained the VSA option asset valuation from management and gained an understanding of the process followed by them in determining the attributable value through discussions held with management.</i></p> <p><i>We inspected the valuation report from management’s expert to gain an understanding of the nature of their work performed.</i></p> <p><i>We made use of our valuation expertise to evaluate the reasonability of management’s VSA option asset valuation by performing our own independent valuation and comparing our results with those of management. Management’s valuation result was considered to be within a reasonable range.</i></p> <p><i>We tested the reasonability of the following key inputs to the option valuation model as follows:</i></p> <ul style="list-style-type: none"><li><i>• The notional funding balance was compared with VSA historical financial information;</i></li><li><i>• Dividend yield was tested against the approved long-range plan;</i></li><li><i>• The maturity date was agreed to the original contract;</i></li><li><i>• The risk-free interest rate was compared to market data. Based on our work performed, the rates were deemed reasonable.</i></li></ul> <p><i>Volatility of the option model was tested by way of performing a sensitivity analysis through shifting the quoted market interest</i></p>



rate input by 50 basis points (in both directions) on the risk free rate, together with a spot price sensitivity analysis whereby the Vodacom equity value was increased and decreased by 10% in order to determine the effects of volatility. The value fell within an acceptable range.

In relation to the VSA minority interest value, we made use of our valuations expertise to assess the methodology applied by management to perform an independent reasonability test. As part of the assessment, we compared the free cash flow forecast to the approved budget and found it to be consistent. We assessed the reasonability of the key inputs into the VSA minority interest valuation and accepted the reasonableness of management's assumptions. The assessment was performed as follows:

- The discount rates were recalculated;
- The terminal value growth rate was compared to reported industry data; and
- Valuation discounts and premiums applied were assessed for reasonability against market data.

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

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

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

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

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

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



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

- Identify and assess the risks of material misstatement of the historical financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountant's report to the related disclosures in the historical financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our reporting accountant's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the historical financial information, including the disclosures, and whether the historical financial information represent the underlying transactions and events in a manner that achieves fair presentation.

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 historical financial information 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.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers I'.

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

## **Commentary on Historical financial information**

### **Nature of business**

The company was incorporated on 19 June 2008 under the laws of the Republic of South Africa. The principal activities of the company are to:

- (a) carry on business of holding Vodacom Proprietary Limited ('Vodacom SA') ordinary shares and 'A' ordinary shares, cash and such assets as are received and acquired solely by virtue of or in relation to the holding of Vodacom SA ordinary shares and 'A' ordinary shares and interests in its subsidiaries; and;
- (b) receive and distribute dividends and other distributions in terms of its holding in Vodacom SA.

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

### **Financial results**

Net profit for the year was R498.6 million (2017: net profit R289.6 million, 2016: net profit R139.6 million).

Net profit for the 2018 financial year was attributable to the increase in the Vodacom SA option asset. The reasons for the increase in value in the 2018 financial year related primarily to growth in Vodacom SA's service revenue of 4.9% and a strong focus on cost savings by Vodacom SA resulting in an earnings before interest, tax, depreciation and amortisation ('EBITDA') growth of 4.7%.

Net profit for the 2017 financial year was attributable to the increase in the Vodacom SA option asset. The reasons for the increase in value in the 2017 financial year related primarily to growth in mobile customer revenue of 5.7%, growth in fixed line revenue of 17.3% as well as a strong focus on cost savings resulting in an EBITDA growth of 7.3%.

Net profit for the 2016 financial year was attributable to the increase in the Vodacom SA option asset. The reasons for the increase in value in the 2016 financial year related mainly to growth in data revenue, a recovery of voice revenue, an increase in customers compared to prior year, an uplift in average revenue per user ('ARPU') as well as a strong focus on costs.

Full details on the performance and financial position of the company are set out in these Historical financial information.

### **Dividend**

#### **Dividend distribution**

An ordinary dividend of 100 (one hundred) cents (2017: 112 (one hundred and twelve) cents, 2016: 111 (one hundred and eleven) cents) per ordinary share was proposed and approved by the board of directors.

	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Final dividend declared 11 May 2018 and payable 4 June 2018	14,395	-	-
Final dividend declared 15 May 2017 and payable 12 June 2017	-	16,123	-
Final dividend declared 5 May 2016 and paid on 31 May 2016	-	-	15,979

#### **Dividend policy**

The company has a policy to pay so much of its after tax profits as will be available after retaining such sums and repaying such debts owing to third parties as shall be necessary to meet the required costs reflected in the budget, as a final dividend each year.

#### **Going concern**

The financial position of YeboYethu (RF) Limited and its cash flows are described on pages 8 and 9. In addition, Note 18 to the Historical financial information includes the company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposures to credit risk and liquidity

The company generates its revenue from dividends received from its investment in Vodacom SA.

The company's total assets exceeds its total liabilities by R1.9 billion (2017: R1.4 billion, 2016: R1.1 billion) and its current assets exceeds its current liabilities by R2,275.8 million (2017: R18.8 million, 2016: R17.9 million).

As a consequence, YeboYethu (RF) Limited has adequate resources to continue in operational existence for the foreseeable future and accordingly, continue to adopt the going concern basis in preparing the annual financial

#### **Share capital and ordinary share premium**

Full details of the share capital and ordinary share premium of the company are contained in Notes 13 and 14 of the Historical financial information.

There were no changes to the authorised and issued share capital of the company for the financial year ended 31 March 2018, 31 March 2017 and 31 March 2016, respectively.



YeboYethu (RF) Limited Historical financial information for the three financial years ended 31 March 2018

Statement of comprehensive income

	Notes	2018 R'000	2017 R'000	2016 R'000
<b>Income</b>	<b>3</b>	20,075	19,445	18,700
Expenditure	<b>4</b>	(3,597)	(4,191)	(3,463)
<b>Operating profit</b>		16,478	15,254	15,237
Finance income	<b>5</b>	875	931	981
Finance cost	<b>6</b>	(1)	-	(*)
Gains on remeasurement of financial instrument	<b>7</b>	624,001	352,739	194,495
<b>Profit before tax</b>		641,353	368,924	210,713
Taxation	<b>8</b>	(142,766)	(79,274)	(71,141)
<b>Net profit</b>		498,587	289,650	139,572
<b>Total comprehensive income</b>		498,587	289,650	139,572

(\*) Less than R500.

		Cents	Cents	Cents
Basic earnings per share	<b>9</b>	3,464.0	2,012.1	969.6
Diluted earnings per share	<b>9</b>	2,343.3	1,433.2	713.3

YeboYethu (RF) Limited Historical financial information for the three financial years ended 31 March 2018

Statement of financial position

	Notes	2018 R'000	2017 R'000	2016 R'000
<b>Assets</b>				
<b>Non-current assets</b>		-	1,634,759	1,282,020
Financial assets	10	-	1,634,759	1,282,020
<b>Current assets</b>		2,281,061	23,892	22,717
Financial assets	10	2,258,760	-	-
Accounts receivable	11	17,606	19,472	17,714
Tax receivable		456	2	-
Restricted cash	12	210	244	1,227
Cash and cash equivalents	12	4,029	4,174	3,776
<b>Total assets</b>		<u>2,281,061</u>	<u>1,658,651</u>	<u>1,304,737</u>
<b>Equity and liabilities</b>				
Share capital	13	*	*	*
Ordinary share premium	14	359,883	359,883	359,883
Retained earnings		1,490,599	1,008,135	733,498
<b>Total equity</b>		<u>1,850,482</u>	<u>1,368,018</u>	<u>1,093,381</u>
<b>Non-current liability</b>		425,343	285,567	206,553
Deferred tax	8	425,343	285,567	206,553
<b>Current liabilities</b>		5,236	5,066	4,803
Accounts payable	15	2,177	1,612	1,690
Tax payable		-	-	3
Dividends payable		3,059	3,454	3,110
<b>Total equity and liabilities</b>		<u>2,281,061</u>	<u>1,658,651</u>	<u>1,304,737</u>

(\*) Less than R500.

YeboYethu (RF) Limited Historical financial information for the three financial years ended 31 March 2018

Statement of changes in equity

	Share capital	Ordinary share premium	Retained earnings	Total equity
	R'000	R'000	R'000	R'000
<b>Balance at 1 April 2015</b>	*	359,883	607,746	967,629
Net profit	-	-	139,572	139,572
Dividends	-	-	(13,820)	(13,820)
<b>Balance at 31 March 2016</b>	*	359,883	733,498	1,093,381
Net profit	-	-	289,650	289,650
Dividends	-	-	(15,013)	(15,013)
<b>Balance at 31 March 2017</b>	*	359,883	1,008,135	1,368,018
Net profit	-	-	498,587	498,587
Dividends	-	-	(16,123)	(16,123)
<b>Balance at 31 March 2018</b>	*	359,883	1,490,599	1,850,482

(\*) Less than R500.

Statement of cash flows

	Notes	2018 R'000	2017 R'000	2016 R'000
<b>Cash generated from operations</b>	<b>16</b>	17,732	13,015	15,513
Tax paid		(3,444)	(265)	(271)
Dividends paid		(16,518)	(14,669)	(13,235)
<b>Net cash flows (utilised in)/generated from operating activities</b>		(2,230)	(1,919)	2,007
<b>Cash flows from investing activities</b>				
Finance income received		876	931	981
<b>Net cash flows generated from investing activities</b>		876	931	981
<b>Cash flows from financing activities</b>				
Finance cost paid		(1)	(*)	(*)
Intergroup overnight deposit movement		1,210	1,386	(2,359)
<b>Net cash flows generated from/(utilised in) financing activities</b>		1,209	1,386	(2,359)
<b>Net movement in cash and cash equivalents</b>		(145)	398	629
Cash and cash equivalents at the beginning of the year		4,174	3,776	3,147
<b>Cash and cash equivalents at the end of the year</b>	<b>12</b>	4,029	4,174	3,776

(\*) Less than R500.

## Notes to the Historical financial information

### Basis of preparation

The Historical financial information of the company has been prepared in accordance with IFRS as issued by the IASB and interpretations issued by the IFRS Interpretations Committee 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 Johannesburg Stock Exchange ('JSE') Listings Requirement and the requirements of the Companies Act of 2008, as amended.

The Historical financial information is presented in South African rand which is the company's functional and presentation currency.

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

### Significant accounting policies

#### Accounting convention

The Historical financial information is prepared on a historical cost basis, except for certain financial instruments which are measured at fair value or at amortised cost.

#### Financial instruments

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

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

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

#### Financial assets, excluding derivative financial instruments

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

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

- Financial assets at fair value through profit or loss and available-for-sale are subsequently stated at fair value. Where securities are held for trading, gains and losses arising from changes in fair value are included in profit or loss. The net gain or loss recognised in profit or loss incorporates any gains or losses on remeasurement transferred from other comprehensive income to profit or loss, dividends and finance income on the financial asset.
- Loans receivable are subsequently stated at amortised cost using the effective interest rate method, less any impairment losses. The terms of loans granted are renegotiated on a case-by-case basis if circumstances required renegotiation.
- Accounts receivable (excluding assets created by statutory requirements and prepayments) do not carry any interest.
- Other receivables are subsequently stated at their nominal values.

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

Financial liabilities and equity instruments issued by the company 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 company after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets.

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

- Accounts payable (excluding liabilities created by statutory requirements and revenue charged in advance) as well as dividends payable are not interest bearing and are subsequently stated at their nominal values.

#### Cash and cash equivalents

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

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

## Notes to the Historical financial information

### Taxation

Taxation represents the sum of the current tax and deferred tax.

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

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

### Current tax

Current tax payable or recoverable is based on taxable profit for the year. The company'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 Historical financial information 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 of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

### Income

Dividends from investments are recognised when the company'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.

## Notes to the Historical financial information

### New accounting pronouncements

#### Accounting pronouncements adopted on 1 April 2017

The company adopted the following new accounting policies to comply with amendments to IFRS. The accounting pronouncements, none of which was considered by the company as significant on adoption, are:

- Amendments to IAS 7: Disclosure Initiative;
- Amendments to IFRS 12: Disclosure of Interests in other entities; and
- Amendments to IAS 12: Recognition of deferred Tax Assets for Unrealised Losses.

These changes had no impact on the results, financial position or cash flows of the company.

#### New accounting pronouncements to be adopted 1 April 2018

The following pronouncements which have been issued by the IASB, are effective for annual periods beginning on or after 1 January 2018:

- 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 12: Disclosure of Interests in other entities (part of Improvements to IFRS 2014 to 2016 Cycle);
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions;
- IFRS 15: Revenue from Contracts with Customers; and
- IFRS 9: Financial Instruments.

The company's financial reporting will be presented in accordance with the new standards above, which are not expected to have a material impact on the results, financial position or cash flows of the company, from 1 April 2018.

#### New accounting pronouncements to be adopted on or after 1 April 2019

The following pronouncements which are potentially relevant to the company have been issued by the IASB, that are effective for annual periods beginning on or after 1 January 2019:

- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures;
- Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- IFRIC 23: Uncertainty over Income Tax Treatments;
- Improvements to IFRS: 2015-2017 cycle;
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement; and
- IFRS 16: Leases was issued in January 2016 to replace IAS 17: Leases.

The company is currently assessing the impact of the accounting changes, however the changes are not expected to have a material impact on the financial statements.

### Critical accounting judgements including those involving estimations

#### Fair value

The closing share price of YeboYethu (RF) Limited ordinary shares on the JSE empowerment segment as at 31 March 2018 was R76.41. The fair value of the Vodacom SA option asset was measured using the Monte Carlo option pricing valuation model (Refer Note 10 for assumptions used). This is attributable to the structure of the transaction, the forthcoming maturity of the transaction and the relative insignificant ratio of shares traded during the year in comparison to the total number of shares issued. The appropriateness of this assessment is evaluated annually.

YeboYethu (RF) Limited Historical financial information for the three financial years ended 31 March 2018

Notes to the Historical financial information

	2018 R'000	2017 R'000	2016 R'000
<b>3. Income</b>			
Dividends received	20,075	19,445	18,700
<b>4. Expenses</b>			
Administration fees	(2,371)	(3,359)	(2,801)
Auditors' remuneration	(394)	(373)	(269)
Consultancy fees	(86)	(139)	(63)
Information technology	(57)	(57)	(56)
Directors' remuneration (Refer Note 20)	(593)	-	-
Other	(96)	(263)	(274)
	<u>(3,597)</u>	<u>(4,191)</u>	<u>(3,463)</u>

Administration fees comprise the monthly share register maintenance fee paid of R494,760 (2017: R516,853, 2016: R980,753), AGM expenses of R490,970 (2017: R1,068,234, 2016: R279,178), JSE sponsor fee of R199,500 (2017: R76,750, 2016: Rnil), storage of data of Rnil (2017: R7,472, 2016: R3,670), fees for end user and security license of R105,515 (2017: R139,207, 2016: Rnil), volume trading fees of R17,902 (2017: R16,314, 2016: Rnil) as well as the printing and posting of the annual report, interim results and unclaimed dividend advices of R1,063,674 (2017: R1,533,672, 2016: R1,537,836).

Auditors' remuneration comprise audit fees of R393,750 (2017: R373,223, 2016: R269,496) to PricewaterhouseCoopers Inc ('PwC') in the current financial year.

Consultancy fees comprise valuation services.

Information technology comprises website maintenance and hosting for R56,835 (2017: R57,309, 2016: R55,763).

Other comprises bank charges of R95,656 (2017: R263,457, 2016: R273,743).

	2018 R'000	2017 R'000	2016 R'000
<b>5. Finance income</b>			
<b>Interest income</b>			
Intergroup overnight deposit - Vodacom Group Limited	641	667	981
Banks	234	264	-
Tax authorities	*	-	-
	<u>875</u>	<u>931</u>	<u>981</u>

Interest income on financial assets not at fair value through profit or loss amounted to R875,661 (2017: R930,873, 2016: R981,842).

<b>6. Finance cost</b>			
<b>Interest expense</b>			
Bank overdrafts	(1)	-	(*)

Interest expense on financial liabilities not at fair value through profit or loss amounted to R1,182 (2017: Rnil, 2016: R13).

<b>7. Gains on remeasurement of financial instrument</b>			
Gains in fair value of financial instruments classified as held for trading	624,001	352,739	194,495

(\*) Less than R500.

YeboYethu (RF) Limited Historical financial information for the three financial years ended 31 March 2018

Notes to the Historical financial information

	2018 R'000	2017 R'000	2016 R'000
<b>8. Taxation</b>			
<b>8.1 Income tax expense</b>			
<b>South African current tax</b>			
Current year	(245)	(260)	(274)
Adjustments in respect of prior years	(2,745)	-	-
<b>South African deferred tax</b>			
Current year	(139,776)	(79,014)	(43,567)
Rate adjustment *	-	-	(27,300)
	<u>(142,766)</u>	<u>(79,274)</u>	<u>(71,141)</u>

**Components of deferred tax charged to profit or loss**

Capital gains tax on fair value gains	<u>(139,776)</u>	<u>(79,014)</u>	<u>70,867</u>
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**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 company's total income tax expense:

Profit before tax	<u>641,353</u>	<u>368,924</u>	<u>210,713</u>
Expected income tax expense on profit before tax at the South African statutory tax rate	(179,579)	(103,299)	(59,000)
Adjusted for:			
Disallowed expenditure	(1,007)	(1,173)	(970)
Taxation rate adjustment *	-	-	(27,300)
Exempt income	5,621	5,445	5,236
Portion of fair value gain not subject to capital gains tax	34,944	19,753	10,893
Adjustments to prior years	(2,745)	-	-
	<u>(142,766)</u>	<u>(79,274)</u>	<u>(71,141)</u>

The South African statutory tax rate is 28.0%. The company's effective tax rate is 22.3% (2017: 21.5%, 2016: 33.8%).

\* Effective 1 March 2015 capital gains inclusion rate increased from 66.6% to 80%.

	2018 R'000	2017 R'000	2016 R'000
<b>8.2 Deferred tax and components</b>			
Deferred tax liability: Capital gains tax on fair value movement	<u>(425,343)</u>	<u>(285,567)</u>	<u>(206,553)</u>
<b>Reconciliation of net deferred tax balance</b>			
Balance at the beginning of the year	(285,567)	(206,553)	(135,686)
(Charge)/credit to profit or loss	(139,776)	(79,014)	(70,867)
Balance at the end of the year	<u>(425,343)</u>	<u>(285,567)</u>	<u>(206,553)</u>

Deferred tax on the revaluation of the option asset is raised at the capital gains tax rate.

The deferred tax liability is expected to be realised upon sale of the Vodacom SA option asset.



YeboYethu (RF) Limited Historical financial information for the three financial years ended 31 March 2018

Notes to the Historical financial information

	2018 Cents	2017 Cents	2016 Cents
<b>9. Earnings and dividends per share</b>			
Basic earnings per share	3,464.0	2,012.1	969.6
Diluted earnings per share	2,343.3	1,433.2	713.3
Headline earnings per share	3,464.0	2,012.1	969.6
Diluted headline earnings per share	2,343.3	1,433.2	713.3
Dividends per share	100.0	112.0	111.0

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

	2018 R'000	2017 R'000	2016 R'000
<b>9.1 Basic and diluted earnings</b>			
Earnings attributable to equity shareholders for basic and diluted earnings per share	498,587	289,650	139,572

<b>9.2 Headline earnings reconciliation</b>			
Earnings, attributable to equity shareholders, for basic and diluted earnings per share	498,587	289,650	139,572
Headline earnings for headline and diluted headline earnings per share	498,587	289,650	139,572

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.

<b>9.3 Reconciliation of weighted average number of ordinary shares outstanding</b>			
For basic and headline earnings per share	14,395,300	14,395,300	14,395,300
'N' ordinary shares convertible into ordinary shares (Refer Note 13.2)	6,881,619	5,815,102	5,172,801
For diluted earnings and diluted headline earnings per share	21,276,919	20,210,402	19,568,101

<b>9.4 Dividends per share</b>			
Dividends per share calculations are based on a proposed dividend of R14.4 million (2017: R16.1 million, 2016: R16.0 million) and shares of 14,395,300 for all reporting periods.			

	2018 Cents	2017 Cents	2016 Cents
<b>9.5 Net asset value per share</b>			
Net asset value per share	8,697.0	6,768.9	5,587.6
Tangible net asset value per share	8,697.0	6,768.9	5,587.6

	2018	2017	2016
<b>Reconciliation of expected number of ordinary shares in issue after conversion</b>			
Issued ordinary shares	14,395,300	14,395,300	14,395,300
'N' ordinary shares convertible into ordinary shares (Refer Note 13.2)	6,881,619	5,815,102	5,172,801
	21,276,919	20,210,402	19,568,101

**Notes to the Historical financial information**

**9.5 Net asset value per share (continued)**

This disclosure is a requirement of the JSE Limited and is not a recognised measure under IFRS. It has been calculated by dividing the total net asset value by the expected number of ordinary shares in issue after conversion (Refer Note 13.2).

**10. Financial assets**

**Non-current**

**10.1 Financial asset at fair value through profit or loss**

**Vodacom SA option asset**

On 8 October 2008 the company acquired a 3.44% investment in Vodacom SA by obtaining ordinary shares and 'A' ordinary shares for the benefit of its shareholders as part of a Vodacom SA Broad-based Black Economic Empowerment Transaction ('BBBEE') as follows:

The Black public contributed R360.0 million of unencumbered equity to acquire 14.4 million ordinary shares in YeboYethu (RF) Limited. Twelve million 'N' ordinary shares were issued to the YeboYethu Employee Trust for R120. The R360.0 million was used to acquire 7.2 million ordinary shares and 82.8 million 'A' ordinary shares in Vodacom SA. The shares in Vodacom SA were issued to YeboYethu (RF) Limited in the 2009 financial year at a 10.0% discount. Vodacom SA contributed the balance of R1,665.0 million on behalf of the black public and R1,687.5 million on behalf of the employee scheme by way of notional funding. The notional funding does not give rise to a legal obligation but only facilitates the repurchase mechanism.

YeboYethu (RF) Limited receives notional dividends on these shares calculated on the basis of the actual dividends paid to ordinary shareholders, divided by ordinary shares and 'A' ordinary shares, which was then used as a notional payment. 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.

At the annual general meeting held on 17 October 2013 shareholders resolved that, the notional funding rate applicable to the Vodacom SA 'A' shares decrease from 9.8% to 8% with effect from 1 April 2015 and to extend the notional funding period applicable to such 'A' shares from 8 October 2015 to 30 September 2018. This has a direct impact on the valuation of the Vodacom SA option asset.

	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
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	1,898,759	1,274,758	922,019
	<u><u>2,258,760</u></u>	<u><u>1,634,759</u></u>	<u><u>1,282,020</u></u>

The valuation of the option asset in Vodacom SA, at 31 March 2018, was modelled as the aggregate of two components:

- A variable-strike call option with payoff equal to the expected difference between the value of the shares held by YeboYethu (RF) Limited and the value of the notional vendor debt (strike price), as at 30 September 2018, discounted to the valuation date; and
- The present value on the valuation date, of the trickle dividends and dividends to be received on 'A' ordinary shares once the notional loan has been repaid, to be received by YeboYethu (RF) Limited shareholders.

A Monte Carlo methodology was adopted to value the option. The Monte Carlo simulation allows for the option model to consider the dependencies which exist between the company value, the dividends paid, the notional funding value and the remitted value. The payoff of this structure was valued as the time adjusted difference between the future value of the company and the future outstanding balance of the notional debt plus the present value of the dividend remitted to YeboYethu (RF) Limited.

Notes to the Historical financial information

10. Financial assets (continued)

Non-current (continued)

10.1 Financial asset at fair value through profit or loss (continued)

Vodacom SA option asset (continued)

Within the Monte Carlo method, the following input parameters were used to simulate the Vodacom SA 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. The strike price is based on the simulated closing balance on the notional vendor finance at maturity.

The fair value of R2,259 million (2017: R1,635 million, 2016: R1,282 million) was calculated using the following assumptions as at 31 March 2018:

- 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 31 May 2018 of 1.48% to 28 September 2018 of 4.30% (2017: 30 May 2017 of 1.56% to 28 September 2018 of 5.11%, 2016: 30 May 2016 of 1.29% to 30 September 2018 of 5.71%);
- Maturity date - 28 September 2018;
- Volatility was calculated by applying the equally weighted methodology to the historical share price data of Vodacom Group. The Vodacom Group volatility was applied as a proxy for Vodacom SA, calculated at six months equally weighted volatility of 24.62% as at 31 March 2018; a one and a half years equally weighted volatility of 17.41% as at 31 March 2017, a two and a half years equally weighted volatility of 22.69% as at 31 March 2016, respectively.
- Strike price - the notional vendor debt as at valuation date provided by Vodacom SA amounted to R4,402 million (2017: R4,768 million, 2016: R5,082 million). Interest accrues at a notional rate of 8.0% NACD (2017: 8.0% NACD, 2016: 8.0% NACD). The debt at maturity represents the strike price; and
- The equity value of Vodacom SA was estimated at R143,408 million (2017: R130,549 million, 2016: R119,701 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 3.90% (2017: 2.67%, 2016: 2.93%), the pre-tax cost of debt of 8.66% (2017: 8.68%, 2016: 8.73%) and cost of equity of 14.31% (2017: 13.19%, 2016: 13.59%). The discount rate used in the valuation model includes a risk free rate of 8.85% (2017: 8.79%, 2016: 9.19%), market risk premium of 4.00% (2017: 5.50%, 2016: 5.50%), lack of control discount of 10.00% (2017: 10.00%, 2016: 10.00%) and marketability discount of 5.00% (2017: 5.00%, 2016: 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 31 March:

	Favourable change	Unfavourable change
<b>2018</b>		
Total change from base (Rm)	R491.7	(R488.9)
Total change from base (%)	21.8%	(21.6%)
<b>2017</b>		
Total change from base (Rm)	R437.8	(R422.0)
Total change from base (%)	26.8%	(25.8%)
<b>2016</b>		
Total change from base (Rm)	R363.2	(R337.9)
Total change from base (%)	28.3%	(26.4%)

Notes to the Historical financial information

10. Financial assets (continued)

Non-current (continued)

10.1 Financial asset at fair value through profit or loss (continued)

Vodacom SA option asset (continued)

It is therefore important that shareholders and other users of these annual 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.

Reconciliation of notional funding

The closing balance of the notional funding loan after the notional interest and notional dividends is as follows:

	2018	2017	2016
	R'000	R'000	R'000
Opening balance	2,842,675	3,005,118	3,139,587
Notional interest accrued	223,720	238,684	251,313
	<u>3,066,395</u>	<u>3,243,802</u>	<u>3,390,900</u>
Less: notional dividend received	(414,129)	(401,127)	(385,782)
	<u><u>2,652,266</u></u>	<u><u>2,842,675</u></u>	<u><u>3,005,118</u></u>

10.2 Available-for-sale investment

Unlisted investment carried at cost

The company exercised its call option in Jupicol Proprietary Limited ('Jupicol') effective 1 November 2010. The company obtained a 10.0% stake for an amount of R10.00 being R1.00 per ordinary share.

Jupicol has remained dormant since incorporation and therefore no fair value is currently attributed to the investment.

	2018	2017	2016
	R'000	R'000	R'000
<b>11. Accounts receivable</b>			
Interest receivable	1	2	-
Intergroup overnight deposit	15,069	16,279	17,665
Intercompany receivable	2,434	3,187	-
Prepayments	3	4	49
Value added tax	99	-	-
	<u>17,606</u>	<u>19,472</u>	<u>17,714</u>
<b>Timing</b>			
Current	<u>17,606</u>	<u>19,472</u>	<u>17,714</u>

Accounts receivable are carried at cost which normally approximates fair value due to the short term maturity thereof. Interest is earned on the intergroup overnight deposit at money market rates.

12. Cash and cash equivalents and restricted cash

Restricted cash	<u>210</u>	<u>244</u>	<u>1,227</u>
Bank balances	<u>4,029</u>	<u>4,174</u>	<u>3,776</u>

Restricted cash of R210,358 (2017: R243,632, 2016: R1,226,501) belongs to shareholders or potential shareholders trading on the over-the-counter trading facility.

YeboYethu (RF) Limited Historical financial information for the three financial years ended 31 March 2018

Notes to the Historical financial information

	2018 R'000	2017 R'000	2016 R'000
<b>13. Share capital</b>			
<b>13.1 Ordinary share capital</b>			
<b>Authorised</b>			
40.0 million ordinary shares at R0.00001 each	*	*	*
<b>Issued</b>			
14.4 million ordinary shares at R0.00001 each	*	*	*
There were no changes to the authorised and issued share capital of the company for the financial year ended 31 March 2018, 31 March 2017 and 31 March 2016, respectively.			
<b>13.2 'N' ordinary share capital</b>			
<b>Authorised</b>			
12.0 million authorised 'N' ordinary shares at R0.00001 each.	*	*	*
<b>Issued</b>			
12.0 million issued 'N' ordinary shares at R0.00001 each.	*	*	*

'N' ordinary shares rank pari passu to ordinary shares other than the fact that they will not earn any dividends until the notional funding by Vodacom SA to purchase the 'A' ordinary shares in Vodacom SA is settled.

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.

There were no changes to the 'N' ordinary shares for the financial year ended 31 March 2018, 31 March 2017 and 31 March 2016, respectively.

(\*) Less than R500.

YeboYethu (RF) Limited Historical financial information for the three financial years ended 31 March 2018

Notes to the Historical financial information

	2018 R'000	2017 R'000	2016 R'000
<b>14. Ordinary share premium</b>			
14.4 million issued ordinary shares at R24.99999 each.	359,883	359,883	359,883
<b>15. Accounts payable</b>			
Supplier accounts payable and accruals	1,872	1,229	463
Value added tax	-	139	-
JSE Empowerment segment/Over-the-counter trading account (Refer Note 12)	210	244	1,227
Intercompany payables	95	-	-
	<u>2,177</u>	<u>1,612</u>	<u>1,690</u>

The average credit period is 30 days (2017: 30 days, 2016: 30 days). No interest is incurred on accounts payable. The company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

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

	2018 R'000	2017 R'000	2016 R'000
<b>16. Cash generated from operations</b>			
Profit for the financial year	498,587	289,650	139,572
Adjusted for:			
Taxation	142,766	79,274	71,141
Finance income	(876)	(931)	(981)
Finance costs	1	-	-
Fair value adjustment	(624,001)	(352,739)	(194,495)
Cash flow from operations before working capital changes	16,477	15,254	15,237
Movement in accounts receivable	690	(3,144)	(3)
Movement in accounts payable	565	905	279
	<u>17,732</u>	<u>13,015</u>	<u>15,513</u>

**17. Related parties**

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

	2018 R'000	2017 R'000	2016 R'000
<b>17.1 Balances with related parties</b>			
<b>Accounts receivable</b>			
Vodacom Group Limited	15,069	16,279	17,665
Vodacom Proprietary Limited	2,434	3,187	-
<b>Accounts payable</b>			
Vodacom Group Limited	34	-	-
Vodacom Proprietary Limited	61	-	-
<b>17.2 Transactions with related parties</b>			
<b>Vodacom Group Limited</b>			
Finance income received	641	667	981
<b>Vodacom Proprietary Limited</b>			
Dividends received	20,075	19,445	18,700

YeboYethu (RF) Limited Historical financial information for the three financial years ended 31 March 2018

Notes to the Historical financial information

	2018 R'000	2017 R'000	2016 R'000
<b>17. Related parties (continued)</b>			
<b>17.2 Transactions with related parties (continued)</b>			
<b>The Innovator Trust (entity within the Vodacom Group structure)</b>			
Dividends paid	(1,343)	(1,183)	(606)

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.

	2018 R'000	2017 R'000	2016 R'000
<b>18. Financial instruments and risk management</b>			
<b>18.1 Net gains on financial instruments</b>			
<b>Net gains/(loss) on financial instruments analysed by category, are as follows:</b>			
Financial assets at fair value through profit or loss, classified as held for trading	624,001	352,739	194,495
Loans and receivables	875	931	981
Financial liabilities held at amortised cost	(1)	(*)	(*)
Net gains attributable to financial instruments	624,875	353,670	195,476
Net gains attributable to non-financial instruments	20,075	19,445	18,700
	<u>644,950</u>	<u>373,115</u>	<u>214,176</u>

**18.2 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, classified as held for trading	2,258,760	1,634,759	1,282,020
Available for sale	*	*	*
Loans and receivables	21,746	23,642	21,441
	<u>2,280,506</u>	<u>1,658,401</u>	<u>1,303,461</u>

**Liabilities**

Financial liabilities measured at amortised cost	5,236	4,823	3,573
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**18.3 Fair value hierarchy**

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

**Level three**

Financial assets at fair value through profit or loss, classified as held for trading

Vodacom SA option asset (Refer Note 10)	2,258,760	1,634,759	1,282,020
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Level three uses data inputs for the valuation of the asset that are not based on observable market data.

(\*) Less than R500.

**YeboYethu (RF) Limited Historical financial information for the three financial years ended 31 March 2018**

**Notes to the Historical financial information**

	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>18. Financial instruments and risk management (continued)</b>			
<b>18.3 Fair value hierarchy (continued)</b>			
Measurement in level three			
Opening balance at the beginning of the year	1,634,759	1,282,020	1,087,525
Recognised in net gains on remeasurement and disposal of financial instruments	624,001	352,739	194,495
Closing balance at the end of the year	<u>2,258,760</u>	<u>1,634,759</u>	<u>1,282,020</u>

**18.4.1 Market risk management**

Market risk exposures are measured using sensitivity analysis. A sensitivity analysis shows how profit after tax or equity after tax would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date.

**18.4.1.1 Interest rate risk management**

The company's interest rate profile consists mainly of floating rate bank balances and related party receivable which exposes the company to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:

	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>Financial assets</b>			
Bank and related party deposits linked to floating rate of interest	<u>21,746</u>	<u>20,453</u>	<u>21,441</u>

The company is exposed to floating rates of interest namely South African prime rates and South African money market rates.

**Interest rate sensitivity analysis**

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

The basis points increases or decreases, as detailed in the table on the next page discloses the company's sensitivity to the specified basis point change in the market interest rates it is exposed to. Management's assessment of a reasonable possible change in market interest rates are based on economic forecasts.

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

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

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

The sensitivity analysis is representative of the company's exposure to interest rate risk. There were no changes in the methods and assumptions used in preparing the sensitivity analysis.

	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>RSA prime rates, Money market rates and RSA BA rates</b>			
Basis point increase	50	25	25
Profit post tax (R'000)	<u>54</u>	<u>29</u>	<u>32</u>

**18.4.2 Credit risk management**

Investments, accounts receivable and cash and cash equivalents potentially expose the company to credit risk.

The company's exposure to credit with regards to overnight deposit is limited due to the deposit being intercompany.



**YeboYethu (RF) Limited Historical financial information for the three financial years ended 31 March 2018**

**Notes to the Historical financial information**

**18. Financial instruments and risk management (continued)**

**18.4 Financial risk management (continued)**

**18.4.2 Credit risk management (continued)**

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

**18.4.3 Equity price risk management**

The company's exposure to equity price risk arises from investment held by the company and classified in the statement of financial position as at fair value through profit or loss (Refer Note 10).

**18.4.4 Liquidity risk management**

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

The tables below disclose the maturity profile of the company's non-derivative financial liabilities and financial assets used for managing liquidity risk. The amounts disclosed are the future undiscounted contractual cash (outflows)/inflows which therefore differs from both the carrying amount and the fair value. The table has been drawn up based on the earliest date on which the company can be required to settle or can require settlement and include both estimated interest and principal cash flows.

	<b>0-1 year</b>	<b>2 years</b>	<b>3 years</b>	<b>4 years</b>	<b>5 years</b>	<b>5+ years</b>	<b>Total</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>2018</b>							
<b>Financial liabilities</b>							
Accounts payable	2,177	-	-	-	-	-	2,177
<b>Financial assets</b>							
Accounts receivable	17,504	-	-	-	-	-	17,504
Cash and cash equivalents	4,029	-	-	-	-	-	4,029
	21,533	-	-	-	-	-	21,533
<b>2017</b>							
<b>Financial liabilities</b>							
Accounts payable	1,229	-	-	-	-	-	1,229
Dividends payable	3,454	-	-	-	-	-	3,454
	4,683	-	-	-	-	-	4,683
<b>Financial assets</b>							
Accounts receivable	19,468	-	-	-	-	-	19,468
Cash and cash equivalents	4,174	-	-	-	-	-	4,174
	23,642	-	-	-	-	-	23,642

YeboYethu (RF) Limited Historical financial information for the three financial years ended 31 March 2018

Notes to the Historical financial information

18. Financial instruments and risk management (continued)

18.4 Financial risk management (continued)

18.4.4 Liquidity risk management (continued)

	0-1 year	2 years	3 years	4 years	5 years	5+ years	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>2016</b>							
<b>Financial liabilities</b>							
Accounts payable	463	-	-	-	-	-	463
Dividends payable	3,110	-	-	-	-	-	3,110
	<u>3,573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,573</u>
<b>Financial assets</b>							
Accounts receivable	17,665	-	-	-	-	-	17,665
Cash and cash equivalents	3,776	-	-	-	-	-	3,776
	<u>21,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,441</u>

18.4.5 Capital risk management

The company defines total capital as 'equity' in the statement of financial position. The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital. In order to maintain or improve the capital structure, the company may adjust the amount of dividends paid to shareholders.

	2018	2017	2016
	R'000	R'000	R'000
<b>19. Commitments</b>			
Operating commitments	<u>(2,242)</u>	<u>(996)</u>	<u>-</u>

The operating commitments will be financed through internal cash generation.

20. Directors' emoluments

	2018
	R
<b>Non-executive directors:</b>	<b>Directors' fees</b>
ZBM Bassa	245,708
SM Radebe	140,980
AM Hall	95,162
S Sithole	110,770
	<u>592,620</u>

No emoluments were paid to the directors in the prior financial years.

At the ninth annual general meeting held on 31 July 2017 non-executive directors' fees were approved by special resolution.

**Notes to the Historical financial information**

**21. Events after reporting period**

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

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

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

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

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

Shareholders are referred to the Circular detailing the BEE transaction between Vodacom Group and YeboYethu.

The board is not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with in the Historical financial information, which significantly affects the financial position of the company at 31 March 2018 and the results of its operations or cash flows for the financial year end.