YeboYethu Limited

Registration no. 2008/014734/06

Historical financial information
for the three financial years ended 31 March 2016

"The preparation of the Historical financial information was supervised by the Director, Tlhabeli Christopher Ralebitso, Bachelor of Engineering."

Contents **Page**

The reports and statements set out below comprise the Historical financial information:

Introduction to Historical financial information

The Historical financial information of YeboYethu Limited for the three financial years ended 31 March 2014, 31 March 2015 and 31 March 2016 ("Historical financial information") is set out below.

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

No adjustments concerning the correction of fundamental errors or application of changes in accounting policies have been made in preparing the Historical Financial Information. Non-material adjustments have been made for comparative purposes

The financial statements for the financial years ended 31 March 2015 and 31 March 2016, 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.

The Historical financial information for the financial year ended 31 March 2014 was audited by Deloitte & Touche in accordance with International Standards on Auditing. Deloitte & Touche issued an unqualified audit opinion on these Historical financial information.

Independent reporting accountant's report on the Historical Financial Information of YeboYethu Limited for the financial years ended 31 March 2016 and 31 March 2015

The Directors
YeboYethu Limited
Vodacom Corporate Park
Midrand
1685

Dear Sirs/Madam

Independent reporting accountant's audit report on the Historical Financial Information of YeboYethu Limited ("YeboYethu")

Introduction

YeboYethu is issuing a pre-listing statement ("the Pre-listing statement") regarding the proposed listing of its shares on the BEE sector segment of the main board of the JSE Limited ("the Proposed listing").

At your request and solely for the purpose of the Pre-listing statement to be dated on or about 4 July 2016, we have audited the Historical Financial Information of YeboYethu set out on pages 7 to 27, which comprises the statement of financial position as at 31 March 2015 and 31 March 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information ("the Historical Financial Information"), as included by reference in paragraph 23 in the Pre-listing statement, in compliance with the JSE Limited ("JSE") Listings Requirements.

Responsibility

Directors' responsibility

The directors of YeboYethu are responsible for the preparation, contents and presentation of the Pre-listing statement and are responsible for ensuring that YeboYethu complies with the JSE Listings Requirements. The directors of YeboYethu are responsible for the preparation and fair presentation of the Historical Financial Information in accordance with International Financial Reporting Standards, and for such internal controls as the directors of YeboYethu determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance whether the Historical Financial Information of YeboYethu is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Historical Financial Information of YeboYethu. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Historical Financial Information 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of accounting estimates made by management of YeboYethu, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information of YeboYethu presents fairly, in all material respects, the financial position of YeboYethu as at 31 March 2015 and 31 March 2016, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards and the JSE Listings Requirements.

PricewaterhouseCoopers Inc.
Director: Dinesh Desai
Registered Auditor
2 Eglin Road, Sunninghill
29 June 2016

Independent reporting accountant's report on the Historical Financial Information for the financial years ended 31 March 2016 and 31 March 2015

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YeboYethu Limited
Vodacom Corporate Park
Midrand
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29 June 2016
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We have audited the historical financial information of YeboYethu Limited ("the company") in respect of the year ended 31 March 2014 set out on pages 8 to 27.

The historical financial information in respect of each annual period comprises the statement of financial position as at the year-end date, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the years then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the Historical financial information

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

The JSE Listings Requirements require the historical financial information in respect of each annual period to be prepared in accordance with the conceptual framework, the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and also, as a minimum, to be presented and contain the disclosures required by the JSE Listings Requirements.

Auditor's Responsibility

Our responsibility is to express an opinion or conclusion on the historical financial information based on our audit.

We conducted our audit of the historical financial information in accordance with International Standards on Auditing (ISAs).

We plan and perform the audit to obtain reasonable assurance about whether the historical financial information is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the historical financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the historical financial information 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the historical financial information.

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Other information in the Pre-listing statement

As required by paragraph 8.53 of the JSE Listings Requirements, we have read the pre- listing statement in which the 2014 historical financial information is contained, for the purpose of identifying whether there are material inconsistencies between the pre-listing statement and the historical financial information which has been subject to audit. The pre-listing statement is the responsibility of the directors. Based on reading the pre-listing statement we have not identified material inconsistencies between this report and the historical financial information which has been subject to audit. However, we have not audited the pre-listing statement and accordingly do not express an opinion on it.

Consent

We consent to the inclusion of this report, which will form part of the pre-listing statement to the shareholders of YeboYethu Limited, to be issued on or about 4 July 2016, in the form and context in which it appears.

Deloitte & Touche

Registered Auditor
Per: Bester Greyling
Partner
41 Matroosberg Road
Ashley Gardens ex 6
Pretoria
0081
29 June 2016

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29 June 2016

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;

(b) receive and distribute dividends and other distributions in terms of its holding in Vodacom SA; and

(c) to acquire and hold interests in Vodacom Group Limited ('Vodacom Group') and its subsidiaries and associated companies, for the benefit of shareholders.

Financial results

Net profit for the year was R139.6 million (2015: net loss R35.6 million, 2014: net profit R135.9 million).

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.

Net loss for the 2015 financial year was attributable to the decrease in the Vodacom SA option asset. The reasons for the decrease in value in the 2015 financial year related to a decrease in mobile termination rates and a difficult economic environment.

Net profit for the 2014 financial year was attributable to the increase in the Vodacom SA option asset. The reasons for the increase in value in the 2014 financial year related to data acceleration, strength in enterprise, differentiation based on network and customer experience as well as multi-year cost efficiency programmes in Vodacom SA.

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 74 (seventy-four) cents (2015: 74 (seventy-four) cents, 2014: 74 (seventy-four) cents) per ordinary share and a special dividend of 37 (thirty-seven) cents (2015: 22 (twenty-two) cents, 2014: 56 (fifty-six) cents) per ordinary share was proposed and approved by the board of directors.

	2016 R'000	2015 R'000	2014 R'000
Final dividend declared 5 May and paid on 31 May	15,979	-	-
Final dividend declared 30 June and paid on 7 July	-	13,820	-
Final dividend declared 14 May and paid on 13 June	-	-	18,714

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 Limited and its cash flows are described on pages 9 and 10. 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 risk.

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

The company's total assets exceeds its total liabilities by R1.1 billion (2015: R1.0 billion, 2014: R1.0 billion) and its current assets exceeds its current liabilities by R17.9 million (2015: R15.8 million, 2014: R22.1 million).

As a consequence, YeboYethu 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 statements.

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 2016, 31 March 2015 and 31 March 2014, respectively.

Statement of comprehensive income

	Notes	2016 R'000	2015 R'000	2014 R'000
Income	**3**	18,700	14,776	19,360
Expenditure	**4**	(3,463)	(3,754)	(3,719)
Operating profit		15,237	11,022	15,641
Finance income	**5**	981	953	744
Finance cost	**6**	(*)	(*)	(*)
Gains/(loss) on remeasurement of financial instrument	**7**	194,495	(58,166)	147,177
Profit/(loss) before tax		210,713	(46,191)	163,562
Taxation	**8**	(71,141)	10,580	(27,654)
Net profit/(loss)		139,572	(35,611)	135,908
Total comprehensive income/(loss)		139,572	(35,611)	135,908

(*) Less than R500.

		Cents	Cents	Cents
Basic earnings per share	**9**	969.6	(247.4)	944.1
Diluted earnings per share	**9**	713.3	(247.4)	642.1

Statement of financial position

	Notes	2016 R'000	2015 R'000	2014 R'000
Assets				
Non-current assets		1,282,020	1,087,525	1,145,691
Financial assets	**10**	1,282,020	1,087,525	1,145,691
Current assets		22,717	21,022	28,817
Accounts receivable	**11**	17,714	15,352	12,057
Tax receivable		-	*	-
Restricted cash	**12**	1,227	2,523	2,540
Cash and cash equivalents	**12**	3,776	3,147	14,220
Total assets		1,304,737	1,108,547	1,174,508
Equity and liabilities				
Share capital	**13**	*	*	*
Ordinary share premium	**14**	359,883	359,883	359,883
Retained earnings		733,498	607,746	661,342
Total equity		1,093,381	967,629	1,021,225
Non-current liability		206,553	135,686	146,533
Deferred tax	**8**	206,553	135,686	146,533
Current liabilities		4,803	5,232	6,750
Accounts payable	**15**	1,690	2,707	3,152
Tax payable		3	-	23
Dividends payable		3,110	2,525	3,575
Total equity and liabilities		1,304,737	1,108,547	1,174,508

(*) Less than R500.

Statement of changes in equity

	Note	Share capital R'000	Ordinary share premium R'000	Retained earnings R'000	Total equity R'000
Balance at 1 April 2013		*	359,893	545,133	905,026
Net profit		-	-	135,908	135,908
Repurchase of shares	**14**	(*)	(10)	(8)	(18)
Net dividends		-	-	(19,691)	(19,691)
Balance at 31 March 2014		*	359,883	661,342	1,021,225
Net loss		-	-	(35,611)	(35,611)
Net dividends		-	-	(17,985)	(17,985)
Balance at 31 March 2015		*	359,883	607,746	967,629
Net profit		-	-	139,572	139,572
Net dividends		-	-	(13,820)	(13,820)
Balance at 31 March 2016		*	359,883	733,498	1,093,381

(*) Less than R500.

Statement of cash flows

	Notes	2016 R'000	2015 R'000	2014 R'000
Cash generated from operations	**16**	15,513	10,548	15,700
Tax paid		(271)	(290)	(6)
Dividends paid		(13,235)	(19,035)	(17,791)
Net cash flows generated from/(utilised in) operating activities		2,007	(8,777)	(2,097)
Cash flows from investing activities				
Finance income received		981	953	744
Net cash flows generated from investing activities		981	953	744
Cash flows from financing activities				
Finance cost paid		(*)	(*)	(*)
Share capital and share premium movement		-	-	(18)
Intergroup overnight deposit movement		(2,359)	(3,249)	13,808
Net cash flows (utilised in)/generated from financing activities		(2,359)	(3,249)	13,790
Net movement in cash and cash equivalents		629	(11,073)	12,437
Cash and cash equivalents at the beginning of the year		3,147	14,220	1,783
Cash and cash equivalents at the end of the year	**12**	3,776	3,147	14,220

(*) 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 Commitee and comply with the SAICA Financial Reporting Guides as issued by the SAICA Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of 2008, as amended.

The 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.

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. For available-for-sale financial assets, gains and losses arising from changes in fair value are recognised directly in other comprehensive income, until the security is disposed of, it is determined to be impaired or the equity interest is increased, resulting in the asset no longer being accounted for as an available-for-sale financial asset, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified 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 and are subsequently reduced by appropriate allowances for estimated irrecoverable amounts.
- Other receivables are subsequently stated at their nominal values.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date.

Certain categories of financial assets, such as accounts receivable, that are assessed not to be impaired individually, are subsequently assessed for impairment on a collective basis.

Notes to the Historical financial information

Financial instruments (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, with the exception of accounts receivable, 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 accounts receivable, the amount of the impairment loss is the irrecoverable amount estimated by management.

The carrying amount is reduced directly by the impairment loss, with the exception of accounts receivable 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.

Available-for-sale financial assets

Where there is objective evidence that a decline in the fair value of an available-for-sale financial asset that has been recognised directly in other comprehensive income is as a result of impairment, the cumulative loss is removed from other comprehensive income and recognised as an impairment loss in profit or loss. The amount of the cumulative loss removed is the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in profit or loss.

A reversal of previously recognised impairment losses on available-for-sale equity investments is recognised directly in other comprehensive income.

Financial liabilities, excluding derivative financial instruments, and equity instruments

Financial liabilities and equity instruments issued by the 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.

Ordinary shares are classified as equity. Equity instruments issued by the company are recorded at the proceeds received, net of direct issuance costs.

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.

Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset. The legally enforceable right should not be contingent on future events and must be enforceable in the ordinary course of business and in the event of default, insolvency or bankruptcy.

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.

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

Current tax

Current tax payable or recoverable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because some items of income or expense are taxable or deductible in different years or may never be taxable or deductible. 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 deferrred 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.

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

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

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.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Comparatives

Certain comparatives have been reclassified in the 2015 and 2014 financial years (refer Note 20).

Notes to the Historical financial information

New accounting pronouncements

Accounting pronouncements adopted

On 1 April 2015, the company adopted the following new accounting policies to comply with amendments to IFRS:

- Improvements to IFRS 2011 to 2013 cycle amendment to IFRS 13: Fair value measurement.

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

New accounting pronouncements to be adopted 1 April 2016

The company has not yet adopted the following pronouncements, which have been issued by the IASB. The company does not currently believe the adoption of these pronouncements will have a material impact on its results, financial position or cash flows:

- Amendments to IAS 1: Presentation of financial statements;
- Amendments to IAS 16: Property, Plant and Equipment and IAS 38: Intangible Assets, clarification of acceptable methods of depreciation and amortisation;
- Amendments to IAS 27: Separate Financial Statements, equity method in separate financial statements;
- Amendments to IFRS 11: Joint Arrangements, accounting for acquisitions of interests in joint operations; and
- Improvements to IFRS 2012 to 2014 cycle.

New accounting pronouncements to be adopted on or after 1 April 2017

The company is currently assessing the impact of the following new pronouncements, which have been issued by the IASB. Unless otherwise stated, the company does not currently believe the adoption of these pronouncements will have a material impact on its results, financial position or cash flows:

- Amendments to IAS 12: Income Taxes, recognition of deferred tax assets for unrealised losses, effective for annual periods beginning on or after 1 January 2017;
- Amendments to IAS 7: Statement of Cash Flows, disclosure initiative, effective for annual periods beginning on or after 1 January 2017;
- IFRS 15: Revenue from Contracts with Customers, which is effective for annual periods beginning on or after 1 January 2018.
- IFRS 9: Financial Instruments was issued in July 2014 to replace IAS 39: Financial Instruments: Recognition and Measurement. The standard will impact the classification and measurement of the company’s financial instruments and will require certain additional disclosures. The changes to recognition and measurement of financial instruments and changes to hedge accounting rules are not currently considered likely to have any major impact on the company’s current accounting treatment. The standard is effective for annual periods beginning on or after 1 January 2018.
- 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 with early adoption permitted if IFRS 15: Revenue from Contracts with Customers has been adopted.

Critical accounting judgements including those involving estimations

Fair value

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). The directors believe that the Monte Carlo option pricing model is more appropriate to determine the fair value of the Vodacom SA option asset than by reference to the current price of YeboYethu Limited ordinary shares as traded on the over-the-counter platform. 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.

Taxation

The company's tax charge on ordinary activities is the sum of the current and deferred tax charges. The calculation of the company's total tax charge necessarily involves judgements, including those involving estimations, in respect of certain matters where the tax impact is uncertain until a conclusion has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits, losses and/or cash flows (Refer Note 8).

Notes to the Historical financial information

	2016 R'000	2015 R'000	2014 R'000
3. Income			
Dividends received - Vodacom Proprietary Limited	18,700	14,776	19,360
4. Expenses			
Administration fees	(2,801)	(2,993)	(2,771)
Auditors' remuneration	(269)	(269)	(359)
Consultancy fees	(63)	(60)	(91)
Information technology	(56)	(53)	(17)
Other	(274)	(379)	(481)
	(3,463)	(3,754)	(3,719)

Administration fees comprise the monthly share register maintenance fee paid of R980,753 (2015: R928,530, 2014: R822,598), AGM expenses of R279,178 (2015: R165,762, 2014: R189,658), storage of data of R3,670 (2015: R57,675, 2014: R131,403) as well as the printing and posting of the annual report, interim results and unclaimed dividend cheques of R1,537,836 (2015: R1,841,470, 2014: R1,627,375).

Auditors' remuneration comprise audit fees of R269,496 (2015: R269,496) to PricewaterhouseCoopers Inc ('PWC') in the current financial year and to Deloitte & Touche in the 2014 financial year at R171,000, valuation review work for interim results purposes for an amount of R171,000 and agreed upon procedures for inclusion in the YeboYethu prospectus for an amount of R17,100 in the 2014 financial year.

Consultancy fees comprise valuation services provided by Deloitte & Touche for R62,700 (2015: R60,420) in the current financial year and PWC provided the valuation services in the 2014 financial year for R91,371.

Information technology comprises website maintenance and hosting for R55,763 (2015: R53,107, 2014: R17,499).

Other comprises bank charges of R273,743 (2015: R379,080, 2014: R481,368). The decrease in bank charges was associated with a decrease in failed payments occuring from the dividend payment to shareholders. The failed payments arose due to updated banking details by the shareholder or closed bank accounts.

	2016 R'000	2015 R'000	2014 R'000
5. Finance income			
Interest income			
Tax authorities	*	29	-
Intergroup overnight deposit - Vodacom Group Limited	981	924	744
	981	953	744

Interest income on financial assets not at fair value through profit or loss amounted to R981,842 (2015: R953,243, 2014: R744,006).

	2016 R'000	2015 R'000	2014 R'000
6. Finance cost			
Interest expense			
Bank overdrafts	(*)	(*)	(*)

Interest expense on financial liabilities not at fair value through profit or loss amounted to R13 (2015: R52, 2014: R339).

	2016 R'000	2015 R'000	2014 R'000
7. Gains/(loss) on remeasurement of financial instrument			
Gains/(loss) in fair value of financial instruments classified as held for trading	194,495	(58,166)	147,177

(*) Less than R500.

Notes to the Historical financial information

		2016 R'000	2015 R'000	2014 R'000
8.	**Taxation**			
8.1	**Income tax expense**			
	South African current tax			
	Current year	(274)	(267)	(208)
	South African deferred tax			
	Current year	(43,567)	10,847	(27,446)
	Rate adjustment *	(27,300)	-	-
		(71,141)	10,580	(27,654)
	Components of deferred tax charged to profit or loss			
	Capital gains tax on fair value gains/(loss)	(70,867)	10,847	(27,446)
	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/(loss) before tax	210,713	(46,191)	163,562
	Expected income tax expense on profit before tax at the South African statutory tax rate	(59,000)	12,933	(45,797)
	Adjusted for:			
	Disallowed expenditure	(970)	(1,050)	(1,041)
	Taxation rate adjustment *	(27,300)	-	-
	Exempt income	5,236	4,137	5,420
	Adjustment to capital gains inclusion rate for fair value gains/(loss)	10,893	(5,440)	13,764
		(71,141)	10,580	(27,654)

The South African statutory tax rate is 28.0% (2015: 28.0%, 2014: 28.0%) with the effective capital gains rate at 22.4% (2015: 18.6%, 2014: 18.6%). The company's effective tax rate is 33.8% (2015: 22.9%, 2014: 16.9%).

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

		2016 R'000	2015 R'000	2014 R'000
8.2	**Deferred tax and components**			
	Deferred tax liability: Capital gains tax on fair value movement	(206,553)	(135,686)	(146,533)
	Reconciliation of net deferred tax balance			
	Balance at the beginning of the year	(135,686)	(146,533)	(119,087)
	(Charge)/credit to profit or loss	(70,867)	10,847	(27,446)
	Balance at the end of the year	(206,553)	(135,686)	(146,533)

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, that is more than twelve months.

Notes to the Historical financial information

		2016 Cents	2015 Cents	2014 Cents
9.	**Earnings and dividends per share**			
	Basic earnings per share	969.6	(247.4)	944.1
	Diluted earnings per share	713.3	(247.4)	642.1
	Headline earnings per share	969.6	(247.4)	944.1
	Diluted headline earnings per share	713.3	(247.4)	642.1
	Dividends per share	111.0	96.0	130.0

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

		2016 R'000	2015 R'000	2014 R'000
9.1	**Basic and diluted earnings**			
	Earnings attributable to equity shareholders for basic and diluted earnings per share	139,572	(35,611)	135,908
9.2	**Headline earnings reconciliation**			
	Earnings, attributable to equity shareholders, for basic and diluted earnings per share	139,572	(35,611)	135,908
	Headline earnings for headline and diluted headline earnings per share	139,572	(35,611)	135,908

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.

9.3	**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 (Refer Note 13.2)	5,172,801	≠	6,771,340
	For diluted earnings and diluted headline earnings per share	19,568,101	14,395,300	21,166,640

≠ Anti-dilutive.

9.4 Dividends per share

Dividends per share calculations are based on a proposed dividend of R16.0 million (2015: R13.8 million, 2014: R18.7 million) and shares of 14,395,300 for all reporting periods.

		2016 Cents	2015 Cents	2014 Cents
9.5	**Net asset value per share**			
	Net asset value per share	5,587.6	5,049.0	4,824.7
	Tangible net asset value per share	5,587.6	5,049.0	4,824.7

	2016	2015	2014
Reconciliation of expected number of ordinary shares in issue after conversion			
Issued ordinary shares	14,395,300	14,395,300	14,395,300
'N' ordinary shares convertible into ordinary shares (Refer Note 13.2)	5,172,801	4,769,345	6,771,340
	19,568,101	19,164,645	21,166,640

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 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 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 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.

	2016 R'000	2015 R'000	2014 R'000
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
	360,001	360,001	360,001
Accumulated fair value adjustment	922,019	727,524	785,690
	1,282,020	1,087,525	1,145,691
Opening balance	1,087,525	1,145,691	998,514
Fair value adjustment	194,495	(58,166)	147,177
Closing balance	1,282,020	1,087,525	1,145,691

The valuation of the option asset in Vodacom SA, at 31 March 2016, 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 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 (the actual dividends expected to be received on the ordinary shares over three (2015: four, 2014: six) dividend periods) and dividends to be received on 'A' ordinary shares once the notional loan has been repaid) to be received by the BBBEE participants.

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 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. In addition to these, in order to simulate the strike price, the expected net asset value of the underlying share was used.

The fair value of R1.3 billion (2015: R1.1 billion, 2014: R1.1 billion) was calculated using the following assumptions as at 31 March 2016:

- The risk-free interest rates were determined from the bootstrapped zero coupon perfect fit swap curve, using a raw interpolation bootstrapping algorithm, with the following inputs namely the South African money-market rates (interbank acceptance rates and Forward Rate Agreement rates) and swap rates;
- The dividend yield was based on Vodacom SA's forecasted earnings and dividend policy based on a range from 30 May 2016 of 1.29% to 30 September 2018 of 5.71% (2015: 30 September 2015 of 5.51% to 30 September 2018 of 7.28%, 2014: 30 September 2014 of 6.48% to 30 September 2018 of 9.22%);
- Maturity date - 28 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 Proprietary Limited, calculated at a two and a half years equally weighted volatility of 22.69% as at 31 March 2016, three and a half years equally weighted volatility of 22.36% as at 31 March 2015 and at a four and a half years equally weighted volatility of 23.13% as at 31 March 2014, respectively.
- Strike price - the notional vendor debt as at valuation date provided by Vodacom SA amounted to R5.1 billion (2015: R5.3 billion, 2014: R5.4 billion). Interest accrues at a notional rate of 8.0% NACD (2015: 9.8% NACD, 2014: 9.8% NACD). The debt at maturity represents the strike price; and
- The equity value of Vodacom SA is arrived at by using the five year Long Range Plan (LRP) forecast as the input 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 2.93% (2015: 3.59%, 2014: 4.01%), the pre-tax cost of debt of 8.73% (2015: 9.47%, 2014: 10.30%) and cost of equity of 13.59% (2015: 12.12%, 2014: 13.80%). The discount rate used in the valuation model includes a risk free rate of 9.19% (2015: 7.72%, 2014: 8.30%), market risk premium of 5.50% (2015: 5.50%, 2014: 5.50%), lack of control discount of 10.00% (2015: 10.00%, 2014: 10.00%) and marketability discount of 5.00% (2015: 5.00%, 2014: 5.00%), respectively.

The directors want to emphasise that option valuations are forward looking and therefore highly subjective. The option value determined is our best estimate on a continuum of acceptable values. For each of the inputs used in determining the option value, there is a range of acceptable values. The most significant assumptions have been disclosed above. The equity value of Vodacom SA was determined to be the most sensitive input in the process of determining the option value.

The closing share price of YeboYethu Limited ordinary shares on the over-the-counter trading facility as at 31 March 2016 was R54.20. The directors believe that the Monte Carlo option pricing model is more appropriate to determine the fair value of the Vodacom SA option asset than by reference to the current price of YeboYethu Limited ordinary shares as traded on the over-the-counter platform. 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.

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)

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
2016		
Total change from base (Rm)	R363.2	(R337.9)
Total change from base (%)	28.3%	(26.4%)
2015		
Total change from base (Rm)	R327.0	(R298.0)
Total change from base (%)	30.1%	(27.4%)
2014		
Total change from base (Rm)	R333.6	(R296.4)
Total change from base (%)	29.1%	(25.9%)

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:

	2016 R'000	2015 R'000	2014 R'000
Opening balance	3,139,587	3,132,683	3,212,192
Notional interest accrued	251,313	311,719	319,870
	3,390,900	3,444,402	3,532,062
Less: notional dividend received	(385,782)	(304,815)	(399,379)
	3,005,118	3,139,587	3,132,683

10.2 Available-for-sale investment

Unlisted investment carried at cost

Jupicol Proprietary Limited	*	*	*

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.

11. Accounts receivable

Intergroup overnight deposit - Vodacom Group Limited	17,665	15,306	12,057
Prepayments	49	46	-
	17,714	15,352	12,057

Timing

Current	17,714	15,352	12,057

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.

(*) Less than R500.

Notes to the Historical financial information

	2016 R'000	2015 R'000	2014 R'000
12. Cash and cash equivalents and restricted cash			
Restricted cash	1,227	2,523	2,540
Bank balances	3,776	3,147	14,220

Restricted cash of R1,226,501 (2015: R2,523,143, 2014: R2,540,426) belongs to shareholders or potential shareholders trading on the over-the-counter trading facility.

	2016 R'000	2015 R'000	2014 R'000
13. Share capital			
13.1 Ordinary share capital			
Authorised			
40.0 million authorised ordinary shares at R0.00001 each.	*	*	*
Issued			
Opening balance at the beginning of the year 14.4 million (2015: 14.4 million, 2014: 14.4 million) ordinary shares at R0.00001 (2015: R0.00001, 2014: R0.00001) each.	*	*	*
Less repurchase: nil (2015: nil, 2014: 400) ordinary shares at R0.00001 each.	-	-	(*)
Closing balance at the end of the year	*	*	*

The company repurchased nil (2015: nil, 2014: 400) of its ordinary shares during the 2016 financial year at par value.

The repurchased ordinary shares were cancelled as issued ordinary shares and returned to unissued authorised ordinary shares.

	2016 R'000	2015 R'000	2014 R'000
13.2 'N' ordinary share capital			
Authorised			
12.0 million authorised 'N' ordinary shares at R0.00001 each.	*	*	*
Issued			
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 2016, 31 March 2015 and 31 March 2014, respectively.

(*) Less than R500.

Notes to the Historical financial information

	2016 R'000	2015 R'000	2014 R'000
14. Ordinary share premium			
Opening balance at the beginning of the year	359,883	359,883	359,893
Less repurchase: nil (2015: nil, 2014: 400) ordinary shares at R24.99 (2015: R24.99, 2014: R24.99) each.	-	-	(10)
Closing balance at the end of the year	359,883	359,883	359,883

No shares were repurchased by the company during the current and 2015 financial years, respectively, as the over-the-counter trading facility became available for the deceased estates' to sell the shares, effective 3 February 2014. The amount paid for repurchased and cancelled ordinary shares was accounted for in the 2014 financial year as 400 ordinary shares at R44.07 per share. The total amount of R44.07 comprised of the par value per share of R0.00001, the share premium paid of R24.99 and an excess portion of R19.08. The excess portion is accounted for in retained earnings.

	2016 R'000	2015 R'000	2014 R'000
15. Accounts payable			
Supplier accounts payable	463	184	612
Over-the-counter trading account	1,227	2,523	2,540
	1,690	2,707	3,152

The average credit period is 30 days (2015: 30 days, 2014: 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.

	2016 R'000	2015 R'000	2014 R'000
16. Cash generated from operations			
Profit/(loss) for the financial year	139,572	(35,611)	135,908
Adjusted for:			
Taxation	71,141	(10,580)	27,654
Finance income	(981)	(953)	(744)
Fair value adjustment	(194,495)	58,166	(147,177)
Cash flow from operations before working capital changes	15,237	11,022	15,641
Movement in accounts receivable	(3)	(46)	9
Movement in accounts payable	279	(428)	50
	15,513	10,548	15,700

(*) Less than R500.

Notes to the Historical financial information

17. Related parties

All transactions with related parties have been made on terms equivalent to those that prevail in arm's length transactions. The company does not pay remuneration to directors (Refer Note 19).

		2016 R'000	2015 R'000	2014 R'000
17.1	**Balances with related parties**			
	Accounts receivable			
	Vodacom Group Limited	17,665	15,306	12,057
17.2	**Transactions with related parties**			
	Vodacom Group Limited			
	Finance income received	981	924	744
	Vodacom Proprietary Limited			
	Dividends received	18,700	14,776	19,360
	The Innovator Trust (entity within the Vodacom Group structure)			
	Dividends paid	(606)	(27)	-

18. Financial instruments and risk management

		2016 R'000	2015 R'000	2014 R'000
18.1	**Net gains/(loss) on financial instruments**			
	Net gains/(loss) on financial instruments analysed by category, are as follows:			
	Financial assets at fair value through profit or loss, classified as held for trading	194,495	(58,166)	147,177
	Loans and receivables	981	924	744
	Financial liabilities held at amortised cost	(*)	(*)	(*)
	Net gains/(loss) attributable to financial instruments	195,476	(57,242)	147,921
	Net gains attributable to non-financial instruments	18,700	14,805	19,360
		214,176	(42,437)	167,281

		2016 R'000	2015 R'000	2014 R'000
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	1,282,020	1,087,525	1,145,691
	Available-for-sale financial asset	*	*	*
	Loans and receivables	21,441	18,453	26,277
		1,303,461	1,105,978	1,171,968
	Liabilities			
	Financial liabilities measured at amortised cost	3,573	2,709	4,187

(*) Less than R500.

Notes to the Historical financial information

18. Financial instruments and risk management (continued)

18.3 Fair value hierarchy

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

Level three

	2016 R'000	2015 R'000	2014 R'000
Financial assets at fair value through profit or loss, classified as held for trading			
Vodacom SA option asset (Refer Note 10)	1,282,020	1,087,525	1,145,691

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	2016 R'000	2015 R'000	2014 R'000
Opening balance at the beginning of the year	1,087,525	1,145,691	998,514
Recognised in net gains/(loss) on remeasurement and disposal of financial instruments	194,495	(58,166)	147,177
Closing balance at the end of the year	1,282,020	1,087,525	1,145,691

18.4 Financial risk management

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:

	2016 R'000	2015 R'000	2014 R'000
Financial assets			
Bank and related party deposits linked to floating rate of interest	21,441	18,453	26,277

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.

Notes to the Historical financial information

18. Financial instruments and risk management (continued)

18.4 Financial risk management (continued)

18.4.1 Market risk management (continued)

18.4.1.1 Interest rate risk management (continued)

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.

	2016	2015	2014
RSA prime rates, JIBAR rates, Money market rates and RSA BA rates			
Basis point increase	25	75	100
Profit post tax (R'000)	32	83	87

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.

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.

	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
2016							
Financial liabilities							
Accounts payable	463	-	-	-	-	-	463
Dividends payable	3,110	-	-	-	-	-	3,110
	3,573	-	-	-	-	-	3,573
Financial assets							
Accounts receivable	17,665	-	-	-	-	-	17,665
Cash and cash equivalents	3,776	-	-	-	-	-	3,776
	21,441	-	-	-	-	-	21,441

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 R'000	2 years R'000	3 years R'000	4 years R'000	5 years R'000	5+ years R'000	Total R'000
2015							
Financial liabilities							
Accounts payable	184	-	-	-	-	-	184
Dividends payable	2,525	-	-	-	-	-	2,525
	2,709	-	-	-	-	-	2,709
Financial assets							
Accounts receivable	15,306	-	-	-	-	-	15,306
Cash and cash equivalents	3,147	-	-	-	-	-	3,147
	18,453	-	-	-	-	-	18,453
2014							
Financial liabilities							
Accounts payable	612	-	-	-	-	-	612
Dividends payable	3,575	-	-	-	-	-	3,575
	4,187	-	-	-	-	-	4,187
Financial assets							
Accounts receivable	12,057	-	-	-	-	-	12,057
Cash and cash equivalents	14,220	-	-	-	-	-	14,220
	26,277	-	-	-	-	-	26,277

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.

19. Services in-kind

The board cannot reliably determine a fair value for services received in-kind that consist primarily of participation by board members in the business of the company, and as a result does not recognise the value of these services received in income.

Notes to the Historical financial information

20. Prior year reclassification

Reclassification to prior years pertained to the following:

- The unclaimed dividends payable to shareholders previously disclosed on a net basis in cash and cash equivalents were reclassified to disclose the gross cash and related dividends payable on the statement of financial position;
- The restricted cash which belongs to shareholders or potential shareholders trading on the over-the-counter trading facility was removed from the cash and cash equivalents balance and presented separately on the statement of financial position with a resultant impact on the statement of cash flows.

	Before reclassfication	After reclassification	Reclassification
2015			
Statement of financial position			
Cash and cash equivalents	3,145	3,147	2
Restricted cash	-	2,523	2,523
Dividends payable	-	2,525	2,525
Statement of cash flows			
Cash generated from operations	10,531	10,548	(17)
Dividends paid	(17,985)	(19,035)	1,050
Cash and cash equivalents at the beginning of the year	13,185	14,220	(1,035)
Cash and cash equivalents at the end of the year	3,145	3,147	2
2014			
Statement of financial position			
Cash and cash equivalents	13,185	14,220	1,035
Restricted cash	-	2,540	2,540
Dividends payable	-	3,575	3,575
Statement of cash flows			
Cash generated from operations	18,240	15,700	2,540
Dividends paid	(19,691)	(17,791)	(1,900)
Cash and cash equivalents at the beginning of the year	108	1,783	(1,675)
Cash and cash equivalents at the end of the year	13,185	14,220	1,035

21. Events after reporting period

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 2016 and the results of its operations or cash flows for the financial year end.