

Notes to the consolidated interim financial statements continued

2. Expenditure continued

Transaction costs are associated with Participation fees on the refinancing of the Class A preference shares as well as securities transfer tax arising on the redemption of shares from Depfin Investments Proprietary Limited and the portion redeemed from First Rand Bank Limited (Refer Note 10).

	Six months ended 30 September		Year ended 31 March
	2023 Reviewed R000	2022 Reviewed R000	2023 Audited R000
Interest expense			
Class A preference shares	(141 406)	(107 660)	(235 674)
Class B preference shares	(212 401)	(152 391)	(337 279)
	(353 807)	(260 051)	(572 953)

All interest expense is incurred from financial liabilities not at fair value through profit or loss.

Interest expense was recognised at a rate of 68% of First National Bank Limited's prime overdraft lending rate (prime) on the class A preference shares. However, the interest expense is recognised at a rate of 67% of First National Bank Limited's prime overdraft lending rate (prime) on the class A preference shares effective from 31 August 2023 on which the Group concluded its refinance. The rate of 70% of prime on the class B preference shares has not changed. For further details, refer to Note 10.

	Six months ended 30 September		Year ended 31 March
	2023 Reviewed R000	2022 Reviewed R000	2023 Audited R000
Loss on fair value of Vodacom Group shares	(1 863 265)	(4 339 989)	(4 344 567)

The loss on fair value of Vodacom Group shares in the respective period/year resulted from the decrease in the Vodacom Group Limited (Vodacom Group) share price. Refer Note 7 for detail on the share price.

	Six months ended 30 September		Year ended 31 March
	2023 Reviewed R000	2022 Reviewed R000	2023 Audited R000
Loss on fair value of Vodacom Group shares	(1 863 265)	(4 339 989)	(4 344 567)

5. Taxation

5.1 Income tax expense

	Six months ended 30 September		Year ended 31 March
	2023 Reviewed R000	2022 Reviewed R000	2023 Audited R000
South African current tax			
Current year	(173)	(79)	(200)
South African deferred tax			
Current year	402 466	937 438	938 426
	402 293	937 359	938 226

Components of deferred tax charged to profit or loss

	Six months ended 30 September		Year ended 31 March
	2023 Reviewed R000	2022 Reviewed R000	2023 Audited R000
Capital gains tax on fair value loss	402 465	937 438	938 426

Factors affecting tax expense for the year

The table below discloses the differences between the expected income tax expense at the South African statutory tax rate and the Group's total income tax expense:

	Six months ended 30 September		Year ended 31 March
	2023 Reviewed R000	2022 Reviewed R000	2023 Audited R000
Loss before tax	(1 856 660)	(4 115 450)	(4 051 968)
Expected income tax credit on loss before tax at the South African statutory tax rate	501 298	1 111 171	1 094 031
Non-deductible preference share finance cost	(95 528)	(70 214)	(154 697)
Non-deductible operating expenditure	(4 837)	(2 117)	(4 445)
Loss on remeasurement of financial instrument (capital gains tax rate difference)	(100 616)	(234 359)	(234 607)
Exempt dividend income	101 976	132 878	237 944
	402 293	937 359	938 226

The South African statutory tax rate is 27%; the Group's effective tax rate is 21.7% (September 2022: 22.8%; March 2023: 23.2%).

5.2 Deferred tax and components

	Six months ended 30 September		Year ended 31 March
	2023 Reviewed Cents	2022 Reviewed Cents	2023 Audited Cents
Deferred tax liability: Capital gains tax on fair value movement	871 834	1 275 288	1 274 300

Reconciliation of net deferred tax balance

	Six months ended 30 September		Year ended 31 March
	2023 Reviewed R000	2022 Reviewed R000	2023 Audited R000
Balance at the beginning of the year	1 274 300	2 212 726	2 212 726
Credit to profit or loss	(402 466)	(937 438)	(938 426)
Balance at the end of the year	871 834	1 275 288	1 274 300

Deferred tax on the remeasurement of the investment in Vodacom Group is raised at the capital gains tax rate.

The deferred tax on the remeasurement of the investment in Vodacom Group is based on the fair value less the base cost of the investment as rolled over in terms of Section 42 of the Income Tax Act No. 58 of 1962.

	Six months ended 30 September		Year ended 31 March
	2023 Reviewed Cents	2022 Reviewed Cents	2023 Audited Cents
Basic loss per share	(2 748)	(6 006)	(5 884)
Dividends per share (Note 6.3)	91	107	177

There were no adjustments required to earnings attributable to equity shareholders in the determination of headline earnings. Therefore headline earnings per share is the same as per basic earnings per share disclosed above.

There are no potential ordinary shares that would have a dilutive effect on the earnings per share. Therefore diluted earnings per share and diluted headline earnings per share is the same as per basic earnings per share disclosed above.

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

	Six months ended 30 September		Year ended 31 March
	2023 Reviewed R000	2022 Reviewed R000	2023 Audited R000
Loss for the financial year*	(1 454 367)	(3 178 091)	(3 113 742)
Adjusted for:			
Taxation	(402 293)	(937 359)	(938 226)
Finance income	(641)	(292)	(744)
Finance costs	353 807	260 051	572 953
Fair value adjustments	1 863 265	4 339 989	4 344 567
Cash flow from operations before working capital changes	359 771	484 298	864 808
Movement in accounts receivable	(165)	(78)	(19)
Movement in account payable	2 387	737	57
	361 993	484 957	864 846

* Includes dividends received of R377.7 million (September 2022: R492.1 million; March 2023: R881.3 million).

6. Earnings and dividends per share

Earnings and headline loss attributable to equity shareholders for all earnings per share amounts disclosed above

	Six months ended 30 September		Year ended 31 March
	2023 Reviewed R000	2022 Reviewed R000	2023 Audited R000
Loss for the financial year*	(1 454 367)	(3 178 091)	(3 113 742)

Headline earnings disclosure is a requirement of the JSE Limited and is not a recognised measure under IFRS. It has been calculated in accordance with Circular 1/2023 as issued by SAICA.

6. Earnings and dividends per share continued

6.2 Reconciliation of weighted average number of ordinary shares outstanding

	Six months ended 30 September		Year ended 31 March
	2023 Reviewed	2022 Reviewed	2023 Audited
For basic and headline loss per share	52 915 960	52 915 960	52 915 960

6.3 Dividends per share

Dividends per share of 91 cents per share is based on 52,915,960 shares, paid on 10 July 2023 (September 2022: Dividends per share of 107 cents per share is based on 52,915,960 shares, paid on 11 July 2022; March 2023: Dividends per share of 177 cents per share consist of a final dividend per share of 107 cents based on 52,915,960 shares, paid on 11 July 2022, and an interim dividend per share of 70 cents based on 52,915,960 shares, paid on 19 December 2022).

7. Financial assets

Financial asset at fair value through profit or loss

In September 2018 YeboYethu, through YeboYethu Investment, acquired 6.23% of Vodacom Group issued shares in terms of its second BBBEE transaction.

The above transaction resulted in an exchange of 49,689,995 Vodacom SA shares for Vodacom Group shares on a fair market value basis for R7.1 billion and the purchase of additional 64,761,185 Vodacom Group shares for R7.3 billion. The purchase of the Vodacom Group shares was financed through preference share funding from the external funders as well as from Vodacom Group.

Vodacom Group shares are used as security for the class A preference share funding obtained from the external funders.

	As at 30 September		As at 31 March
	2023 Reviewed R000	2022 Reviewed R000	2023 Audited R000
Investment in Vodacom Group			
Cost	14 455 817	14 455 817	14 455 817
Accumulated fair value adjustment	(2 351 460)	(483 617)	(488 195)
	12 104 357	13 972 200	13 967 622

The Group holds 114,451,180 shares in Vodacom Group. There was no movement in the shares held from at acquisition.

The investment is categorised as level 1 in the fair value hierarchy. Fair value was determined using the JSE listed share price as below:

	As at 30 September		As at 31 March
	2023 Reviewed R000	2022 Reviewed R000	2023 Audited R000
JSE listed closing share price (R)	105.76	122.08	122.04

8. Cash and cash equivalents

	As at 30 September		As at 31 March
	2023 Reviewed R000	2022 Reviewed R000	2023 Audited R000
Bank balances	3 891	3 226	3 982
Overnight deposit	1 883	2 384	1 926
	5 774	5 610	5 908

9. Share capital

Ordinary share capital

Authorised

	As at 30 September		As at 31 March
	2023 Reviewed R000	2022 Reviewed R000	2023 Audited R000
100.0 million authorised ordinary shares at no par value	—	—	—

Issued

	As at 30 September		As at 31 March
	2023 Reviewed R000	2022 Reviewed R000	2023 Audited R000
52.9 million ordinary shares at no par value	4 193 265	4 193 265	4 193 265

There were no changes to the issued ordinary shares in the current financial period.

10. Borrowings

Held at amortised cost

	As at 30 September		As at 31 March
	2023 Reviewed R000	2022 Reviewed R000	2023 Audited R000
Class A preference shares	3 550 902	3 715 682	3 650 473
Class B preference shares	5 307 088	5 133 375	5 168 479
	8 857 990	8 849 057	8 818 952

The carrying amount of Borrowings approximates fair value.

On 31 August 2023, the Group refinanced its Class A preference shares at an improved dividend rate of 67% of the prime rate, from the previous rate of 68% as well as extended its redemption date to 31 August 2028.

The subscribers to the original Class A preference shares were ABSA Bank Limited, FirstRand Bank Limited and Depfin Investments Proprietary Limited. FirstRand Bank Limited opted to reduce its preference shareholding and Depfin Investments Proprietary Limited elected to exit its preference shareholding. ABSA Bank Limited and Momentum Metropolitan Holdings (MMH) agreed to subscribe for the preference shares that was redeemed from the aforesaid original preference share subscribers.

Amount paid was the outstanding balance as well as accrued interest up to 31 August 2023 due to FirstRand Bank Limited and Depfin Investments Proprietary Limited which was the equivalent amount subscribed for by ABSA Bank Limited and MMH. The cash in and out flowing from the subscription and redemption of the preference shares was R917.3 million. Included in Repayment of Borrowings as reflected in the Statement of Cash flows is a mandatory amount of R90.0 million paid semi annually in terms of its initial preference share agreement.

The final redemption date for the Class B preference shares has not changed and is 10 years commencing from subscription date that is 13 September 2028.

	Six months ended 30 September		Year ended 31 March
	2023 Reviewed R000	2022 Reviewed R000	2023 Audited R000
Cash generated from operations	(1 454 367)	(3 178 091)	(3 113 742)

11. Cash generated from operations

	Six months ended 30 September		Year ended 31 March
	2023 Reviewed R000	2022 Reviewed R000	2023 Audited R000
Loss for the financial year*	(1 454 367)	(3 178 091)	(3 113 742)
Adjusted for:			
Taxation	(402 293)	(937 359)	(938 226)
Finance income	(641)	(292)	(744)
Finance costs	353 807	260 051	572 953
Fair value adjustments	1 863 265	4 339 989	4 344 567
Cash flow from operations before working capital changes	359 771	484 298	864 808
Movement in accounts receivable	(165)	(78)	(19)
Movement in account payable	2 387	737	57
	361 993	484 957	864 846

* Includes dividends received of R377.7 million (September 2022: R492.1 million; March 2023: R881.3 million).

12. Related parties

All transactions with related parties have been made on terms equivalent to those that prevail in arm's length transactions. Directors' remuneration is disclosed in Note 14.

	As at 30 September		As at 31 March
	2023 Reviewed R000	2022 Reviewed R000	2023 Audited R000
Accounts receivable			
Vodacom Group Limited ¹	5 702	6 161	6 034
Cash and cash equivalents			
Vodacom Group Limited	1 883	2 384	1 926
Accounts payable			
Vodacom Group Limited	129	164	152
Borrowings			
Vodacom Group Limited	5 307 088	5 133 375	5 168 479

¹ Vodacom Group consolidates 100% of YeboYethu and YeboYethu Investment, which are structured entities that form part of Vodacom Group's Broad-based Black Economic Empowerment transaction.

	Six months ended 30 September		Year ended 31 March
	2023 Reviewed R000	2022 Reviewed R000	2023 Audited R000
Dividends received	377 689	492 140	881 274
Service fee	(2 828)	(2 628)	(5 456)
Finance income received	505	233	583
Class B preference share interest	(212 401)	(152 391)	(337 279)
The Innovator Trust (entity within the Vodacom Group structure)			
Dividends paid	(1 095)	(1 288)	(2 131)
Vodacom Siyanda Employee Trust (entity within the Vodacom Group structure)			
Dividends paid	(10 506)	(12 353)	(20 434)

12.1 Balances with related parties

	Six months ended 30 September		Year ended 31 March
	2023 Reviewed R000	2022 Reviewed R000	2023 Audited R000
Dividends received	377 689	492 140	881 274
Service fee	(2 828)	(2 628)	(5 456)
Finance income received	505	233	583
Class B preference share interest	(212 401)	(152 391)	(337 279)
Dividends paid	(1 095)	(1 288)	(2 131)
Dividends paid	(10 506)	(12 353)	(20 434)

12.2 Transactions with related parties

	Six months ended 30 September		Year ended 31 March
	2023 Reviewed R000	2022 Reviewed R000	2023 Audited R000
Dividends received	377 689	492 140	881 274
Service fee	(2 828)	(2 628)	(5 456)
Finance income received	505	233	583
Class B preference share interest	(212 401)	(152 391)	(337 279)
Dividends paid	(1 095)	(1 288)	(2 131)
Dividends paid	(10 506)	(12 353)	(20 434)

13. Fair value

The carrying amounts of accounts receivable, cash and cash equivalents and accounts payable are measured at cost which approximates fair value due to short-term maturity thereof.

	As at 30 September	
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