

Rm	2016	2015
5. Finance costs		
Interest expense	(2 027)	(1 505)
Borrowings	–	(1)
Tax authorities	(169)	(231)
Other	(2 196)	(1 737)

Interest expense on financial liabilities not at fair value through profit or loss amounted to R2 082 million (2015: R1 640 million).

Rm	2016	2015
6. Net (loss)/gain on remeasurement and disposal of financial instruments		
Net (loss)/gain on derivatives	(361)	40
Net loss on translation of foreign denominated assets and liabilities	(302)	(17)
Remeasurement of loans receivable	(70)	(15)
Financial liabilities held at amortised cost	(2)	–
Financial assets at fair value through profit or loss	–	(1)
	(735)	7

Rm	2016	2015
7. Taxation		
7.1 Income tax expense		
South African current tax	(5 045)	(4 721)
Current year	(5 038)	(4 721)
Adjustments in respect of prior years	(7)	–
Foreign current tax	(634)	(822)
Current year	(716)	(536)
Adjustments in respect of prior years	138	(99)
Withholding tax	(56)	(187)
Current year	(61)	(188)
Adjustments in respect of prior years	5	1
Total current tax	(5 679)	(5 543)
Deferred tax on origination and reversal of temporary differences:		
South African deferred tax	(100)	42
Current year	(98)	5
Adjustments in respect of prior years	(2)	37
Foreign deferred tax	(155)	160
Current year	(12)	(107)
Adjustments in respect of prior years	(143)	267
Total deferred tax	(255)	202
Total income tax expense	(5 934)	(5 341)
Components of deferred tax charged to profit or loss		
Capital allowances	(311)	416
Foreign exchange	61	4
Tax losses	–	(184)
Provisions and deferred income	106	(12)
Other	(111)	(22)
	(255)	202

Notes to the consolidated annual financial continued

Rm	2016	2015
7. Taxation continued		
7.1 Income tax expense continued		
Factors affecting tax expense for the year		
The table below discloses the differences between the expected income tax expense at the South African statutory tax rate and the Group's total income tax expense:		
Expected income tax expense on profit before tax at the South African statutory tax rate	(5 276)	(4 998)
Adjusted for:		
Non-deductible operating expenditure	(229)	(154)
Non-deductible finance costs	(106)	(180)
Non-deductible depreciation and amortisation	(46)	(41)
Unrecognised tax asset	(187)	(160)
Irrecoverable foreign taxes	(13)	(115)
Effect of taxation of associate and joint venture reported within operating profit	(70)	(45)
Minimum alternative taxes	(59)	(43)
Adjustments in respect of prior years	(9)	206
Effect of different statutory tax rates of jurisdictions other than South Africa	49	87
Non-taxable income	12	102
Total income tax expense	(5 934)	(5 341)

The South African statutory tax rate is 28.0% for all reporting periods. The Group's effective tax rate is 31.5% (2015: 29.9%) the increase was mainly due prior year adjustments in 2015.

Rm	2016	2015
7.2 Other comprehensive income, net of tax		
Foreign currency translation differences, net of tax	260	279
Foreign currency translation differences	418	379
Taxation	(158)	(100)
Gain/(Loss) on hedging instruments in cash flow hedges, net of tax	4	(1)
Gain/(Loss) on hedging instruments in cash flow hedges	3	(1)
Taxation	1	—
Other comprehensive income, net of tax	264	278
7.3 Tax credited charged directly to other comprehensive income		
Deferred tax	(157)	(100)
	(157)	(100)

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Rm	2016	2015
Taxation continued		
Deferred tax		
Analysed in the statement of financial position, after offset of balances within companies, as follows:		
Deferred tax assets	25	18
Deferred tax liabilities	(2 272)	(1 758)
	(2 247)	(1 740)
Components		
Gross deferred tax assets and liabilities, before offset of balances within companies, are as follows:		
Capital allowances	(3 071)	(2 593)
Deferred tax liabilities	(3 071)	(2 593)
Foreign exchange	(235)	(184)
Deferred tax assets	107	29
Deferred tax liabilities	(342)	(213)
Tax losses	2	–
Deferred tax assets	2	–
Provisions and deferred income	1 264	1 157
Deferred tax assets	1 266	1 157
Deferred tax liabilities	(2)	–
Other	(207)	(120)
Deferred taxation assets	17	9
Deferred taxation liabilities	(224)	(129)
	(2 247)	(1 740)
Reconciliation of net deferred tax balance		
1 April	(1 740)	(1 570)
Foreign currency translation differences	27	1
Credited/(charged) to profit or loss	(255)	202
Charged directly to other comprehensive income	(157)	(100)
(Charged)/credited directly to equity	14	(36)
Business combinations and disposal of subsidiaries	(136)	(237)
31 March	(2 247)	(1 740)

Notes to the consolidated annual financial continued

Rm	2016	2015
7. Taxation continued		
7.5 Factors affecting the tax charge in future years		
Total estimated tax losses	3 169	2 268
Utilised to reduce net temporary differences	(6)	–
Estimated unused tax losses	3 163	2 268
Tax credits	–	–

If the estimated unused tax losses are applied, the available R1 002 million (2015: R726 million) would result in the current year's R2 247 million net deferred tax liability reducing to R1 245 million (2015: R1 740 million net deferred tax liability reducing to R1 014 million), if sufficient future taxable profits will be available against which the unused tax losses can be utilised.

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

Rm	2 – 5 years	Unlimited	Total
2016			
Deductible temporary differences	2	3 650	3 652
Estimated unused tax losses ¹	211	2 952	3 163
Unused tax credits	–	–	–
2015			
Deductible temporary differences	1	3 082	3 083
Estimated unused tax losses	111	2 157	2 268
Unused tax credits	–	–	–

Note:

1. Effective 1 January 2016 the utilisation of tax losses of Vodacom Congo (RDC) SA are limited to 60% of the taxable income for years of assessment ending on or after 31 December 2016.

Cents	2016	2015
8. Earnings and dividends per share		
Basic earnings per share	881	864
Diluted earnings per share	857	845
Headline earnings per share	883	860
Diluted headline earnings per share	860	840
Dividends per share ¹	795	805

Note:

1. Includes dividends of 400 cents per share and 395 cents per share, declared on 14 May 2015 and 6 November 2015, respectively. The Group declared a final dividend in respect of the year ended 31 March 2016 after the reporting period (Note 28).