

## Notes to the consolidated annual financial statements continued

**12. Investment in associate****12.1 Helios Towers Tanzania Limited (Helios)**

The Group held an equity accounted interest in Helios Towers Tanzania Limited (Helios), an independent telecommunications tower operator. This holding was acquired as part of a sale and leaseback transaction of Vodacom Tanzania Limited's telecommunications towers to HTT Infraco Limited (HTT), a subsidiary of Helios.

The Group sold its 24.06% investment in Helios to Helios Towers Africa Holding Limited (HTA) during October 2017 for total cash proceeds of R797 million (US\$59 million). This investment as well as the towers and related equipment still to be transferred under the sale and leaseback transaction were included in non-current asset held for sale as at 31 March 2017. The sale resulted in a pre-tax profit on sale of R734 million being recognised. The remaining balance of loans receivable from Helios to the value of R42 million (US\$3 million) have also been sold to HTA.

The towers and related equipment remaining in the non-current assets held for sale balance are expected to be transferred during the year ending 31 March 2019.

**12.2 Safaricom Public Limited Company (Safaricom)**

On 7 August 2017, the Group acquired 87.5% of Vodafone Kenya Limited (Vodafone Kenya) from Vodafone International Holdings B.V. (VIHBV). Vodafone Kenya holds a 39.93% stake in Safaricom, the Republic of Kenya's leading integrated communications company. The investment in Vodafone Kenya has been treated as an investment in a subsidiary in terms of IAS 27: Separate Financial Statements. As Vodafone Kenya is an investment holding company, with its only material asset being the associate investment in Safaricom, the transaction does not meet the definition of a business combination under IFRS 3: Business Combinations. The 39.93% equity interest that Vodafone Kenya holds in Safaricom has been equity accounted as an investment in an associate.

The purchase consideration was settled by the issuance of 233 459 781 Vodacom Group Limited shares to the value of R42 618 million (net of directly attributable transaction costs of R3 million), measured based on the closing price of Vodacom Group Limited on the effective date, and, for the equity interest in Vodafone Kenya, a cash consideration of R51 million.

VIHBV retained a non-controlling interest (NCI) of 12.5% in Vodafone Kenya, resulting in NCI of R6 104 million being recognised at the acquisition date, measured on a fair value basis.

The fair value of the Group's investment in Safaricom, based on the listed closing share price as at 31 March 2018, was R57 748 million.

Rm	2018
<b>12.2.1 Reconciliation of carrying amount:</b>	
Investment at cost (including R408 million directly attributable costs)	43 029
Derivative on acquisition	52
Non-controlling interest's share of associate investment at fair value <sup>1</sup>	6 096
Investment at cost (including directly attributable costs, derivative and NCI)	49 177
Profit from associate	1 506
Net profit for the period (Note 12.2.2)	1 889
Depreciation and amortisation on fair value adjustment, net of tax	(383)
Dividends received	(1 988)
Foreign exchange loss	(4 619)
Carrying amount of investment at 31 March 2018	44 076

**Note:**

1. Includes the effective non-controlling interest in VKL.



Rm	2018
<b>12. Investment in associate continued</b>	
12.2 Safaricom Public Limited Company (Safaricom) continued	
12.2.2 <b>Summarised financial information of the Group's investment in Safaricom</b>	
<b>Income statement</b>	
Profit before tax	6 863
Taxation	(2 133)
Net profit	4 730
Other comprehensive income, net of tax	–
Total comprehensive income	4 730
Group's share of profit for the year at 39.93%	1 889
<b>Statement of financial position</b>	
Assets	19 672
Non-current assets	16 406
Current assets	3 266
Liabilities	(5 128)
Non-current liabilities	(390)
Current liabilities	(4 738)
Equity	14 544

The Group's associate had no significant contingent liabilities as at 31 March 2018.

There are no significant restrictions on the ability of the associate to transfer funds to the Group in the form of cash dividends or repayment of loans other than the fact that the associate may not declare and/or pay any dividends or make any capital distribution to shareholders without the prior written consent of the existing shareholders.

Rm	2018	2017
<b>13. Inventory</b>		
Goods held for resale	1 243	1 268
Inventory valuation allowance included above	(134)	(154)

The cost of inventories recognised as an expense during the period amounts to R13 003 million (2017: R11 671 million).