

## Notes to the consolidated annual financial statements continued

Rm	2018	2017
<b>5. Finance costs</b>		
Interest expense		
Borrowings	(2 616)	(2 576)
Tax authorities	–	(25)
Other	(195)	(217)
	<b>(2 811)</b>	<b>(2 818)</b>

Interest expense on financial liabilities not at fair value through profit or loss amounted to R2 653 million (2017: R2 696 million).

Rm	2018	2017
<b>6. Net loss on remeasurement and disposal of financial instruments</b>		
Net (loss)/gain on derivatives	(386)	166
Net loss on translation of foreign denominated assets and liabilities	(411)	(657)
Remeasurement of loans receivable	12	11
Financial liabilities held at amortised cost	–	(1)
	<b>(785)</b>	<b>(481)</b>

Rm	2018	2017
<b>7. Taxation</b>		
<b>7.1 Income tax expense</b>		
South African current tax	(5 182)	(5 000)
Current year	(5 174)	(5 176)
Adjustments in respect of prior years	(8)	176
Foreign current tax	(1 204)	(827)
Current year	(820)	(483)
Adjustments in respect of prior years	(2)	(143)
Withholding tax	(382)	(201)
Current year	(386)	(192)
Adjustments in respect of prior years	4	(9)
<b>Total current tax</b>	<b>(6 386)</b>	<b>(5 827)</b>
Deferred tax on origination and reversal of temporary differences:		
South African deferred tax	(124)	(264)
Current year	(142)	(93)
Adjustments in respect of prior years	18	(171)
Foreign deferred tax	(21)	(11)
Current year	(58)	113
Adjustments in respect of prior years	37	(124)
Total deferred tax	(145)	(275)
<b>Total income tax expense</b>	<b>(6 531)</b>	<b>(6 102)</b>
<b>Components of deferred tax charged to profit or loss</b>		
Capital allowances	27	(325)
Foreign exchange	(65)	102
Tax losses	78	169
Provisions and deferred income	(65)	(85)
Other	(120)	(136)
	<b>(145)</b>	<b>(275)</b>



Rm	2018	2017
<b>7. Taxation continued</b>		
7.1 Income tax expense continued		
<b>Factors affecting tax expense for the year</b>		
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	(6 186)	(5 384)
Adjusted for:		
Non-deductible operating expenditure	(198)	(119)
Non-deductible finance costs	(86)	(33)
Non-deductible depreciation and amortisation	(23)	(25)
Net unrecognised tax asset	(254)	(171)
Irrecoverable foreign taxes	(425)	(124)
Effect of taxation of associate and joint venture reported within operating profit	422	–
Minimum alternative taxes	(65)	(58)
Adjustments in respect of prior years	50	(271)
Effect of different statutory tax rates of jurisdictions other than South Africa	96	80
Non-taxable income	138	3
Total income tax expense	(6 531)	(6 102)

The South African statutory tax rate is 28.0% for all reporting periods. The Group's effective tax rate is 29.6% (2017: 31.7%).

Rm	2018	2017
7.2 Other comprehensive income, net of tax		
Foreign currency translation differences, net of tax	(5 867)	(1 633)
Foreign currency translation differences	(5 990)	(1 737)
Taxation	123	104
Other comprehensive income, net of tax	(5 867)	(1 633)
7.3 Tax charged directly to other comprehensive income		
Current tax	–	8
Deferred tax	123	96
	123	104

## Notes to the consolidated annual financial statements continued

Rm	2018	2017
<b>7. Taxation continued</b>		
7.4 Deferred tax		
Analysed in the statement of financial position, after offset of balances within companies, as follows:		
Deferred tax assets	279	199
Deferred tax liabilities	(2 693)	(2 635)
	<b>(2 414)</b>	<b>(2 436)</b>
<b>Components</b>		
Gross deferred tax assets and liabilities, before offset of balances within companies, are as follows:		
Capital allowances	(3 353)	(3 447)
Deferred tax assets	8	–
Deferred tax liabilities	(3 361)	(3 447)
Foreign exchange	(260)	(293)
Deferred tax assets	30	93
Deferred tax liabilities	(290)	(386)
Tax losses	249	174
Deferred tax assets	249	174
Provisions and deferred income	1 075	1 169
Deferred tax assets	1 075	1 169
Other	(125)	(39)
Deferred tax assets	28	12
Deferred tax liabilities	(153)	(51)
	<b>(2 414)</b>	<b>(2 436)</b>
<b>Reconciliation of net deferred tax balance</b>		
1 April	(2 436)	(2 247)
Foreign currency translation differences	44	91
Charged to profit or loss	(145)	(275)
Charged directly to other comprehensive income	123	96
Charged directly to equity	–	(54)
Business combinations and disposal of subsidiaries	–	(47)
31 March	<b>(2 414)</b>	<b>(2 436)</b>



Rm	2018	2017
<b>7. Taxation continued</b>		
7.5 Factors affecting the tax charge in future years		
Total estimated tax losses	4 864	4 189
Utilised to reduce net temporary differences	(861)	(588)
Estimated unused tax losses	4 003	3 601

If the estimated unused tax losses are applied, the available R1 161 million (2017: R1 155 million) would result in the current year's R2 414 million net deferred tax liability reducing to R1 253 million (2017: R2 436 million net deferred tax liability reducing to R1 282 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	Unlimited	Total
<b>2018</b>		
Deductible temporary differences	5 329	5 329
Estimated unused tax losses	4 003	4 003
<b>2017</b>		
Deductible temporary differences	5 396	5 396
Estimated unused tax losses	3 601	3 601

Cents	2018	2017
<b>8. Earnings and dividends per share</b>		
Basic earnings per share	947	915
Diluted earnings per share	919	886
Headline earnings per share	923	923
Diluted headline earnings per share	895	894
Dividends per share <sup>1</sup>	825	795

**Note:**

1. The 31 March 2018 dividend per share includes dividends of 435 cents per share and 390 cents per share, declared on 12 May 2017 and 10 November 2017, respectively. The 31 March 2017 dividend per share includes dividends of 400 cents per share and 395 cents per share, declared on 13 May 2016 and 11 November 2016, respectively. The final dividend for the year ended 31 March 2017 was declared and paid prior to the issue of shares for the Safaricom acquisition (Note 12). The Group declared a final dividend of 425 cents per share in respect of the year ended 31 March 2018 after the reporting period (Note 27).