# Cell C Limited

## Preliminary Unaudited Financial information

## for the year ended 31 December 2018

The Group has elected to adjust the impact of the new accounting standards in retained earnings and has not restated the comparative results. The adoption of the new accounting standards does not provide meaningful information when compared to the reported results in 2017. The comparative results disclosed in these Group Annual Financial Statements are disclosed on the accounting policy adopted in the prior year.

## Statement of profit or loss and other comprehensive income

| | Note | 2018<br>R'000 | 2017<br>R'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | | 15 699 479 | 15 715 161 |
| Other income | | 175 007 | 4 205 181 |
| Direct expenses | | (7 242 377) | (7 544 662) |
| Selling and distribution expenses | | (1 092 875) | (898 267) |
| Administration expenses | | (1 971 254) | (2 104 045) |
| Impairment loss on trade receivables and contract assets | | (334 732) | - |
| Operating expenses | | (3 797 894) | (3 941 658) |
| **Operating profit before finance cost / income and income tax** | | **1 435 354** | **5 431 710** |
| Finance income | 1 | 1 620 774 | 1 536 457 |
| Finance costs | 2 | (4 337 293) | (4 967 287) |
| Share of (loss) / profit from equity accounted investee (net of income tax) | | (831) | 197 |
| **(Loss)/profit before income tax** | | **(1 281 996)** | **2 001 077** |
| Income tax | | - | 2 111 000 |
| **(Loss)/profit from continuing operations** | | **(1 281 996)** | **4 112 077** |
| **Discontinued operations** | | | |
| Share of profit from equity accounted investee (net of income tax) | | 8 220 | 2 633 |
| **Total Comprehensive income for the period** | | **(1 273 776)** | **4 114 710** |

## Statement of financial position at 31 December

| | Note | 2018 R'000 | 2017 R'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 15 144 936 | 8 616 898 |
| Intangible assets | 4 | 1 703 761 | 1 341 272 |
| Equity-accounted investees | | 4 557 | 93 910 |
| Deferred tax asset | | 4 094 290 | 4 094 290 |
| Derivative non-current financial assets | 5 | 159 916 | - |
| | | **21 107 460** | **14 146 370** |
| **Current assets** | | | |
| Contract assets | | 228 799 | - |
| Inventories | | 313 805 | 426 607 |
| Trade and other receivables | | 3 404 476 | 4 243 274 |
| Cash and cash equivalents | | 492 910 | 132 942 |
| | | **4 439 990** | **4 802 823** |
| Equity-accounted investee held for sale | | 96 742 | - |
| | | **4 536 732** | **4 802 823** |
| **Total assets** | | **25 644 191** | **18 949 193** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital and share premium | | 25 501 557 | 25 501 557 |
| Share-based payment reserve | | 57 | 57 |
| Accumulated loss | | (23 098 374) | (21 740 741) |
| | | **2 403 240** | **3 760 873** |
| **Non-current liabilities** | | | |
| Derivative non-current financial liabilities | 5 | - | 108 414 |
| Other employee benefits | | 404 684 | 276 463 |
| Interest bearing loans and borrowings | 6 | 6 544 245 | 5 837 046 |
| Obligations under lease | 8 | 6 529 936 | 1 387 152 |
| Other non-current liabilities | 9 | 207 526 | 497 049 |
| Operating lease liability | | - | 314 991 |
| | | **13 686 391** | **8 421 115** |
| **Current liabilities** | | | |
| Derivative current financial liabilities | 5 | - | 6 364 |
| Contract liabilities | | 873 872 | 975 286 |
| Other employee benefits | | 323 483 | 292 086 |
| Interest bearing loans and borrowings | 6 | 2 390 562 | 986 994 |
| Obligations under lease | 8 | 1 030 228 | 100 567 |
| Other current liabilities | 9 | 354 991 | 261 685 |
| Trade and other payables | | 4 581 425 | 4 144 223 |
| | | **9 554 561** | **6 767 205** |
| **Total liabilities** | | **23 240 952** | **15 188 320** |
| **Total equity and liabilities** | | **25 644 191** | **18 949 193** |

## Statement of changes in equity

| | Share capital* | Share premium | Share-based payment reserve | Accumulated loss | Total |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| **Balance at 1 January 2017** | - | 14 168 218 | - | (25 855 451) | (11 687 233) |
| Total comprehensive income | - | - | - | 4 114 710 | 4 114 710 |
| *Contributions and distributions* | | | | | |
| - Issue of shares | 11 333 339 | - | - | - | 11 333 339 |
| - Equity settled share-based payment | | - | 57 | - | 57 |
| **Balance at 31 December 2017** | **11 333 339** | **14 168 218** | **57** | **(21 740 741)** | **3 760 873** |
| Application of new accounting standard** | | | | | |
| - Adjustment of initial application of IFRS 15 (net of tax) | | | | 38 943 | 38 943 |
| - Adjustment of initial application of IFRS 9 (net of tax) | | | | (122 800) | (122 800) |
| **Restated equity balances at 1 January 2018** | **11 333 339** | **14 168 218** | **57** | **(21 824 598)** | **3 677 016** |
| Total comprehensive income | - | - | - | (1 273 776) | (1 273 776) |
| **Balance at 31 December 2018** | **11 333 339** | **14 168 218** | **57** | **(23 098 374)** | **2 403 240** |

* Share capital at the beginning of 2017 is not shown due to the amount being less than R1 000.

## Statement of cash flows

| | Note | 2018<br>R'000 | 2017<br>R'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operating activities | 10 | 5 649 592 | 1 539 106 |
| | | | |
| **Cash flows from investing activities** | | | |
| Finance income received | | 127 463 | 924 861 |
| Acquisition of property, plant and equipment | | (2 023 698) | (1 256 188) |
| Acquisition of intangible assets | | (400 058) | (1 151 868) |
| Acquisition of cost to obtain and fulfil contracts intangible assets | | (958 350) | - |
| Loans repaid by equity-accounted investee | | - | 23 102 |
| **Net cash used in investing activities** | | **(3 254 643)** | **(1 460 093)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | - | 7 500 000 |
| Proceeds from interest bearing loans and borrowings | | 2 674 482 | 740 000 |
| Repayment of interest bearing loans and borrowings | | (1 590 000) | (3 599 721) |
| Repayment of finance lease liabilities | | (871 741) | (191 136) |
| Net cash received / (paid) to margin call account | | 286 679 | (925 857) |
| Finance cost paid | | (2 534 401) | (2 876 448) |
| Transaction fees paid | | - | (871 719) |
| **Net cash utilised by financing activities** | | **(2 034 981)** | **(224 881)** |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | 359 968 | (145 868) |
| | | | |
| Cash and cash equivalents at the beginning of the year | | 132 942 | 278 810 |
| **Cash and cash equivalents at the end of the year** | | **492 910** | **132 942** |

# Notes

| | 2018 | 2017 |
|---|---|---|
| | R'000 | R'000 |
| **1 Finance income** | | |
| Interest income - cash balances | 61 457 | 43 324 |
| Foreign exchange gains - loans and borrowings | | |
| - realised | - | 554 262 |
| - unrealised | 64 | 269 688 |
| Foreign exchange gains - working capital | | |
| - realised | 55 257 | 118 717 |
| - unrealised | 613 383 | 154 947 |
| Foreign exchange gains - derivatives | | |
| - realised | 10 685 | 289 588 |
| - unrealised | 879 928 | 105 931 |
| | **1 620 774** | **1 536 457** |
| **2 Finance costs** | | |
| Interest from loans and borrowings | 818 501 | 942 959 |
| Finance element from discounting future cashflows | 178 205 | 18 173 |
| Other interest | 36 621 | 930 087 |
| Interest on lease liabilities | 908 395 | 245 000 |
| Financing costs | 151 127 | 839 144 |
| Foreign exchange losses - loans and borrowings | | |
| - realised | 334 175 | 686 752 |
| - unrealized | 634 358 | 20 |
| Foreign exchange losses - working capital | | |
| - realized | 270 164 | 122 893 |
| - unrealized | 678 397 | 140 303 |
| Foreign exchange losses – derivatives | | |
| - realized | 133 356 | 243 399 |
| - unrealized | 193 994 | 798 557 |
| | **4 337 293** | **4 967 287** |

# Notes

### 3 Property, plant and equipment

The effect of initially applying IFRS 16 and the 2018 comparative on the Group's leases are presented in note 31. Due to the transition method chosen in applying IFRS 16, comparative information has not been restated to reflect the new requirements and are based on IAS 17.

Property plant and equipment comprise owned and right-of-use assets that do not meet the definition of investment property.

| | 2018 | 2017 |
|---|---|---|
| | R'000 | R'000 |
| Property plant and equipment - owned | 8 510 119 | 7 276 275 |
| Property plant and equipment -leased | - | 1 340 623 |
| Right-of-use assets* | 6 634 817 | - |
| | **15 144 936** | **8 616 898** |

*Effective 1 January 2018 under IFRS 16 - *leases*.

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated depreciation and impairment | Carrying amount | Cost | Accumulated depreciation and impairment | Carrying amount |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Network assets | 17 616 963 | (9 463 720) | 8 153 243 | 15 697 706 | (8 835 475) | 6 862 231 |
| Computer equipment | 1 061 846 | (908 952) | 152 894 | 1 036 649 | (835 403) | 201 246 |
| Leasehold improvements | 649 838 | (480 930) | 168 908 | 602 156 | (439 741) | 162 415 |
| Furniture and fixtures | 56 540 | (49 995) | 6 545 | 56 598 | (42 934) | 13 664 |
| Equipment | 309 594 | (284 281) | 25 313 | 306 513 | (269 794) | 36 719 |
| Motor vehicles - owned | 3 783 | (567) | 3 216 | - | - | - |
| Network and equipment assets - leased | - | - | - | 1 846 238 | (525 952) | 1 320 286 |
| Motor vehicles - leased | - | - | - | 63 741 | (43 404) | 20 337 |
| Right-of-use assets | 8 427 785 | (1 792 968) | 6 634 817 | - | - | - |
| | **28 126 349** | **(12 981 414)** | **15 144 936** | **19 609 601** | **(10 992 703)** | **8 616 898** |

## Notes

**3 Property, plant and equipment (continued)**

| | GSM network | Computer equipment | Leasehold improve-ments | Furniture and fixtures | Equipment | Network and equipment assets - leased | Motor vehicles - leased | Motor vehicles - Owned | Total |
|---|---|---|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | |
| **Reconciliation of property, plant and equipment - owned** | | | | | | | | | |
| Opening balance | 6 966 223 | 134 590 | 151 345 | 21 126 | 42 096 | 1 391 690 | 44 039 | - | 8 751 109 |
| Additions | 1 075 585 | 59 210 | 57 920 | - | 5 366 | 215 447 | 11 500 | - | 1 425 028 |
| Disposals | (4 499) | - | - | - | - | (149 791) | (4 167) | - | (158 457) |
| Transfers** | (17 091) | 67 696 | 86 | - | 6 374 | 1 046 | - | - | 58 111 |
| Depreciation | (1 157 987) | (60 250) | (46 936) | (7 462) | (17 117) | (138 106) | (31 035) | - | (1 458 893) |
| **Balance at 31 December 2017** | **6 862 231** | **201 246** | **162 415** | **13 664** | **36 719** | **1 320 286** | **20 337** | **-** | **8 616 898** |
| | | | | | | | | | |
| Opening balance | 6 862 231 | 201 246 | 162 415 | 13 664 | 36 719 | 1 320 286 | 20 337 | - | 8 616 898 |
| Change in accounting policy*** | - | - | - | - | - | (1 320 286) | (20 337) | - | (1 340 623) |
| Additions | 1 941 007 | 28 253 | 47 793 | - | 2 862 | - | - | 3 783 | 2 023 698 |
| Disposals | (2 006) | - | - | - | - | - | - | - | (2 006) |
| Transfers** | 1 894 | (3 017) | (127) | - | 219 | - | - | - | (1 031) |
| Impairment loss* | (7 834) | - | - | - | - | - | - | - | (7 834) |
| Depreciation | (642 049) | (73 588) | (41 173) | (7 119) | (14 487) | - | - | (567) | (778 983) |
| **Balance at 31 December 2018** | **8 153 243** | **152 894** | **168 908** | **6 545** | **25 313** | **-** | **-** | **3 216** | **8 510 119** |

*Network civil assets were impaired as these assets could no longer be used and had an insignificant resale value.

**Transfer of R1.331 million (2017: R58.111 million from intangible assets) to intangible assets.

***Effective 1 January 2018 the Group adopted IFRS 16 - *Leases*.

**Assets pledged as security**

The assets of Cell C Limited and its subsidiaries serve as security, in the security package.

## Notes

**3 Property, plant and equipment (continued)**

| | Data centres | Retail Stores | Offices and business parks | Site rentals | *Leased sites | *IT Equipment leased | *Transmission links | *Motor vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | | | R'000 | R'000 | R'000 |
| **Reconciliation of property, plant and equipment - Right-of-use assets** | | | | | | | | | |
| Cost on transition date - 1 January 2018 | 127 722 | 77 847 | 849 850 | 3 006 560 | 45 787 | 2 224 | 1 272 272 | 20 337 | 5 402 599 |
| Additions | 35 026 | 292 073 | - | 1 805 962 | 220 364 | - | 359 595 | 38 090 | 2 751 110 |
| Disposals | - | - | - | - | - | - | (146 251) | (5 506) | (151 757) |
| Transfers** | - | - | - | - | - | - | (300) | - | (300) |
| Depreciation | (35 602) | (71 682) | (80 716) | (949 154) | (20 848) | (861) | (187 379) | (20 593) | (1 366 835) |
| **Balance at 31 December 2018** | **127 146** | **298 238** | **769 134** | **3 863 368** | **245 303** | **1 363** | **1 297 937** | **32 328** | **6 634 817** |

*These assets were classified as finance lease assets in 2017 under IAS 17.
**Transfer of R1.331 million (2017: R58.111 million from intangible assrts) to intangible assets.

# Notes

**4 Intangible assets**

The effect of initially applying IFRS 15 and the 2018 comparative on the Group's revenue from contracts with customers is presented in note 31. Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements and are based on IAS 18.

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated depreciation and impairment | Carrying amount | Cost | Accumulated depreciation and impairment | Carrying amount |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Computer software | 2 996 191 | (2 459 726) | 536 465 | 2 658 881 | (2 353 953) | 304 928 |
| Subscriber acquisition cost | 497 533 | (482 490) | 15 043 | 1 033 981 | (612 393) | 421 588 |
| Cost to obtain and fulfil a contract | 958 350 | (248 081) | 710 269 | - | - | - |
| Programme and film rights | 523 915 | (230 989) | 292 926 | 528 313 | (50 347) | 477 966 |
| Store buy-back | 89 029 | (79 416) | 9 613 | 33 074 | (7 900) | 25 174 |
| Indefeasible rights of use (IRU) | 153 580 | (75 712) | 77 868 | 153 580 | (70 463) | 83 117 |
| Customer base | 97 837 | (36 260) | 61 577 | 29 480 | (981) | 28 499 |
| | **5 316 435** | **(3 612 674)** | **1 703 761** | **4 437 309** | **(3 096 037)** | **1 341 272** |

# Notes

**11 Intangible assets (continued)**

| | Computer software | Subscriber acquisition cost | Cost to obtain and fulfil a contract | Programme and film rights | Store buy-back | Indefeasible rights of use (IRU) | Customer base | Total |
|---|---|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| **Reconciliation of intangible assets** | | | | | | | | |
| Opening balance | 302 091 | 373 682 | - | - | - | 120 608 | - | 796 381 |
| Transfers * | (64 745) | - | - | - | - | 6 634 | - | (58 111) |
| Additions | 193 014 | 420 442 | - | 528 313 | 33 074 | 5 656 | 29 480 | 1 209 979 |
| Impairment** | - | (150 103) | - | - | - | (42 241) | - | (192 344) |
| Amortisation | (125 432) | (222 433) | - | (50 347) | (7 900) | (7 540) | (981) | (414 633) |
| **Balance at 31 December 2017** | **304 928** | **421 588** | **-** | **477 966** | **25 174** | **83 117** | **28 499** | **1 341 272** |
| | | | | | | | | |
| Opening balance | 304 928 | 421 588 | - | 477 966 | 25 174 | 83 117 | 28 499 | 1 341 272 |
| Additions | 327 871 | - | 958 350 | 3 710 | 120 | - | 68 357 | 1 358 408 |
| IFRS 15 transition | - | (185 865) | - | - | - | - | - | (185 865) |
| Transfers * | 8 989 | - | - | (7 658) | - | - | - | 1 331 |
| Impairment** | - | (59 584) | (15 117) | - | - | - | - | (74 701) |
| Amortisation | (105 323) | (161 096) | (232 964) | (181 092) | (15 681) | (5 249) | (35 279) | (736 684) |
| **Balance at 31 December 2018** | **536 465** | **15 043** | **710 269** | **292 926** | **9 613** | **77 868** | **61 577** | **1 703 761** |

* Transfer of R1.331 million (2017: R58.111 million to property, plant and equipment) from property, plant and equipment.

**An impairment on subscriber acquisition cost, cost to obtain and fulfil a contract is based on customer churn. Impairment of the right-of-use asset in 2017 is due to the cancellation of the contract.

**Cost to obtain and fulfil a contract**

These costs include incremental commission, connection bonuses and interest paid on behalf of the customer for activation of contract customers. These costs have been assessed as recoverable over the contract period.

# Notes

### 5 Derivative financial assets/(liabilities)

The following information relates to derivative financial instruments:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| | **R'000** | **R'000** | **R'000** | **R'000** |
| USD loan cross currency swap | 115 003 | - | - | (487 615) |
| USD bond cross currency swap | - | (103 016) | - | (184 603) |
| FEC | - | - | - | (6 364) |
| Margin call account | 147 929 | - | 429 064 | - |
| Option | - | - | 134 740 | - |
| | **262 932** | **(103 016)** | **563 804** | **(678 582)** |
| | | | | |
| Current | - | - | - | (6 364) |
| Non-current | 159 916 | - | - | (108 414) |
| | **159 916** | **-** | **-** | **(114 778)** |

## Derivatives

The USD loan cross currency swap was entered into to hedge 100% of the principal and coupon repayments on the USD denominated China Development Bank facility. The notional value of the hedge is $131.003 million.

The USD bond cross currency swap was entered into to hedge 100% of the principal and coupon repayments on the USD denominated senior secured bonds. The notional value of the hedge is $184 million.

The FEC was entered into to hedge a portion of the short-term USD loan repayments in 2017. The notional value of the hedge in 2017 was $5.750 million.

The derivatives are classified as a current asset or liability, if the maturity of the item is less than 12 months.

# Notes

**5 Derivative financial assets/(liabilities) (continued)**

| | Notional value 2018 FC'000 | Derivative Fair value 2018 R'000 | Maturity dates | Hedging instrument |
|---|---|---|---|---|
| **USD Denominated** | | | | |
| China Development Bank facility | 131 003 | 115 003 | 1 August 2020 | USD loan cross currency swap |
| Senior secured bonds | 184 000 | (103 016) | 3 August 2020 | USD bond cross currency swap |

**Fair value hierarchy of financial assets at fair value**

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.

Level 2 applies to inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 applies to inputs which are not based on observable market data.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions at an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

| | 2018 R'000 | 2017 R'000 |
|---|---|---|
| **Level 2** | | |
| FEC | - | (6 364) |
| Option | - | 134 740 |
| Margin call account | 147 929 | 429 064 |
| USD loan cross currency swap - Goldman Sachs International | 115 003 | (487 615) |
| USD bond cross currency swap - Standard Bank Limited | (103 016) | (184 603) |
| | **159 916** | **(114 778)** |

# Notes

**5 Derivative financial assets/ (liabilities) (continued)**

**Fair value hierarchy of financial assets at fair value (continued)**

**Level 2 valuation methodology**

USD bond cross currency swap (Standard Bank Limited)

The fair value of the swap is determined using the following valuation techniques:

- For both the domestic (ZAR) and the foreign (USD) legs, projected the future payments at each payment date until the maturity of the swap. This projection is determined based on the interest rate period end dates.
- These are 21 July and 21 January of each year, commencing on 21 January 2018 and ending on the termination date of 1 August 2020. Having determined the period end dates, the corresponding cash flow dates are then determined as two business days prior to each period end date.
- Cell C's payments are based on a fixed rate of 12.05% on the ZAR notional, and Standard Bank Limited payments are based on USD 6m LIBOR plus a spread of 3.45% on the USD notional. The ZAR and USD cash flows on each payment date for each leg are calculated as the product of the time-period, the relevant notional and the applicable rate.
- Having determined the USD and ZAR cash flows as at each payment date, obtained the net cash flow in USD by using the USD/ZAR forward exchange rates from Bloomberg to convert the ZAR cash flows into USD. At each payment date, this net payment is then discounted using a discount rate obtained from the USD OIS curve as at the valuation date corresponding to the payment date. The USD OIS curve is regarded as the most risk-free curve in the US market, and it is thus appropriate to use as a discount curve.
- The sum of the discounted payments represent the fair value of the swap (in USD) as at the valuation date, which is then converted to ZAR using the valuation date USD/ZAR FX spot rate.
- The fair value movement of the swap is dependent on the following variables:
  - USD/ZAR exchange rates;
  - USD interest rates; and
  - USD discount rates.

USD loan cross currency swap (Goldman Sachs International)

The fair value of the swap is determined using the following valuation techniques:

- For both the domestic (ZAR) and the foreign (USD) legs, projected the future payments at each payment date until the maturity of the swap. This projection is determined based on the interest rate period end dates.
- These are 01 June and 01 December, commencing on 01 December 2017, and ending on the termination date of 3 August 2020. Having determined the period end dates, the corresponding cash flow dates are then determined as two business days prior to each period end date.
- Cell C's payments are based on a fixed rate of 16.03% on the ZAR notional, and Goldman Sachs International payments are based on a fixed rate of 8.625% on the USD notional. The ZAR and USD cash flows on each payment date for each leg are then calculated as the product of the time-period, the relevant notional and the applicable rate.
- Having determined the USD and ZAR cash flows as at each payment date, obtained the net cash flow in USD by using the USD/ZAR forward exchange rates from Bloomberg to convert the ZAR cash flows into USD. At each payment date, this net payment is then discounted using a discount rate obtained from the USD OIS curve as at the valuation date corresponding to the payment date. The USD OIS curve is regarded as the most risk-free curve in the US market, and it is thus appropriate to use as a discount curve.
- The sum of the discounted payments represent the fair value of the swap (in USD) as at the valuation date, which is then converted to ZAR using the valuation date USD/ZAR FX spot rate.
- The fair value movement of the swap is dependent on the following variables:
  - USD/ZAR exchange rates; and
  - USD discount rate.

## Notes

| | 2018 | 2017 |
|---|---|---|
| | R'000 | R'000 |
| **6 Interest bearing loans and borrowings** | | |
| **Unsecured** | | |
| **Oger Telecom Limited - Current account** | - | 8 824 |
| 2017: $0.71 million bearing no interest, with no fixed terms of repayment. accrued and settled monthly. | | |
| **Total unsecured** | **-** | **8 824** |
| **Secured** | | |
| **Handset financing** | 865 132 | - |
| Handset financing loan from CEC payable within 360 days of drawdown, bearing interest at the Prime Rate + 4.75% which is accrued and settled monthly. | | |
| **USD Senior secured bonds** | 2 665 946 | 2 368 109 |
| Comprises bonds of $189.752 million bearing interest at 8.625% which is accrued monthly and settled half yearly. The balance includes $1.322 million (2017: $1.322 million) accrued interest. The bonds are repayable on 2 August 2020. | | |
| **China Development Bank Capex Facility USD** | 1 934 892 | 1 657 228 |
| $131.003 million loan expiring on 29 December 2020, bearing interest at monthly Libor + 3.5% which is accrued monthly and settled half yearly. The balance includes $3.502 million (2017: $2.713 million) accrued interest. The Group has drawn down the entire facility. The principal outstanding will be settled in two equal installments in January and July 2020. | | |
| **Industrial and Commercial Bank of China (ICBC) – ZAR** | 1 045 935 | 1 043 292 |
| R997 million loan expiring on 31 July 2020, bearing interest at 3 month Jibar + 3.45% which is accrued monthly and settled half yearly. The balance includes accrued interest of R48.935 million (2017: R46.292 million). The Group has drawn down the entire facility. The principal outstanding will be settled in two equal installments in January and July 2020. | | |
| **Development Bank of Southern Africa** | 190 472 | 189 536 |
| R180.423 million loan expiring on 31 July 2020, bearing interest at 3 month Jibar + 5% which is accrued monthly and settled half yearly. The capital outstanding is repayable in two equal instalments in January and July 2020. The Group has drawn down on the entire facility. The balance includes R10.146 million (2017: R9.114 million) accrued interest. | | |
| **Nedbank Long Term facility** | 797 309 | 806 367 |
| R767.203 million loan expiring on 31 July 2020, bearing interest at 3 month Jibar + 5% which is accrued monthly and settled half yearly. The capital outstanding is repayable in two equal instalments in January and July 2020. The Group has drawn down on the entire facility. The balance includes R41.743 million (2017: R39.164 million) accrued interest. | | |
| **RMB/ABSA/Investec facility** | 1 400 000 | - |
| R1.4 billion loan expiring on 31 July 2019, bearing interest at 15.5% which is accrued and settled monthly. The capital outstanding is payable in trenches of R75 million from February 2019 to June 2019 and the remaining balance in July 2019. | | |
| **Blue Label Telecoms capex facility** | - | 750 684 |
| R740 million capex facility, bearing interest at 17% which accrues and is paid monthly. The balance in 2017 includes R10.684 million accrued interest. The outstanding balance was settled in 2018. | | |

## Notes

| | 2018 | 2 017 |
|---|---|---|
| | R'000 | R'000 |
| **6 Interest bearing loans and borrowings (Continued)** | | |
| **ZTE bridge vendor financing** | 106 893 | - |
| $7.407 million loan expiring on 13 October 2021 bearing interest at 6month Libor + 3.5%, is accrued monthly and settled bi-annually. The balance includes accrued interest of $0.023 million. The Group has an undrawn facility of $72.593 million. | | |
| **Capitalised Finance costs - Borrowings** | (71 772) | - |
| The costs of raising finance have been capitalised and are amortised over the loan period. Amortisation is reflected as finance cost in profit or loss. | | |
| **Total secured** | **8 934 807** | **6 815 216** |
| **Total unsecured and secured** | **8 934 807** | **6 824 040** |

**Current portion of interest bearing borrowings**

| | 2018 | 2 017 |
|---|---|---|
| USD Senior secured bonds | 19 025 | 87 654 |
| China Development Bank Capex Facility USD | 50 376 | 33 625 |
| Industrial and Commercial Bank of China (ICBC) - ZAR | 48 935 | 46 292 |
| Development Bank of Southern Africa | 10 146 | 9 114 |
| Nedbank Long Term Facility | 41 743 | 50 801 |
| Blue Label Telecoms capex facility | - | 750 684 |
| Rand Merchant Bank facility | 1 400 000 | - |
| Capitalised finance cost - Borrowings | (71 772) | - |
| Handset financing loan | 865 132 | - |
| ZTE bridge vendor financing | 26 977 | - |
| Oger Telecom Limited - Current account | - | 8 824 |
| | **2 390 562** | **986 994** |
| Current | 2 390 562 | 986 994 |
| Non-current | 6 544 245 | 5 837 046 |
| **Total** | **8 934 807** | **6 824 040** |

# Notes

**6 Interest bearing loans and borrowings (Continued)**

**Securities and guarantees**

**The following loans shared in the security package:**
- Development Bank of Southern Africa loan;
- China Development Bank loan;
- USD senior secured bonds;
- Industrial and Commercial Bank of China loan; and
- Nedbank Limited loan.

**The security package includes the following security:**
- security on all assets of Cell C Limited and its subsidiaries;
- security on certain receivables of the group;
- cession in securitate of all contracts and trademarks; and
- pledge on all shares of its subsidiaries.

The Rand Merchant Bank facility is secured by virtual vouchers with a face value of R1.6 billion.

The handset financing loan with CEC is secured by contract SIM Keys.

The Group issued virtual vouchers to the value of R740 million to an external financier as security in 2017.

In the prior year, an amount of R436 million was recognised in trade and other payables relating to the handset financing agreement. The change in disclosure is based on the application of IFRS 15 requirements.

**Externally imposed capital requirements**

Cell C Group complied with all financial covenants at 31 December 2018.

**Handset financing**

The handset financing transaction was concluded in August 2015. The rationale for the transaction was to reduce the cash flow strain in the Group purchasing the handset whilst only recovering the costs over the period of the contract, typically 24 months.

A customer legally signs two contracts on activation of a postpaid or hybrid contract, one with the handset financier and one with Cell C to provide Telco services. Significant judgement is required in assessing whether the Group acts as an agent or a principle in the handset financing arrangement. The Group considered all the relevant factors and concluded that it acted as a principle in the arrangement. The following factors were considered:

- Physical possession of the inventory prior to sale to the end customer;
- Contractual rights to cash flow;
- Liability for damages and product loss for inventory in its possession prior to sale to the end customer;
- Liability for customer returns;
- Discretion on setting prices which is substantive;
- Power to affect key terms of the contract with the customer;
- The party that the customer believes is responsible for fulfilling the promise;
- Discretion with respect to accepting and rejecting orders from customers;
- Responsible for sales strategy – e.g. location of inventory in store, sales staff and in store advertising;
- Source the inventory item ordered by the end customer from more than one supplier; and
- Legal title of the handset prior to the sale to the customer.

# Notes

**6 Interest bearing loans and borrowings (Continued)**

**Handset financing (continued)**

The impact of acting as a principle in the handset financing arrangement is:

- The difference between the amount received from the customer (over the contract period) and the amount received from the financier is recognized as a short term loan. The interest incurred is recognized as an interest expense;
- The admin and margin fees incurred are capitalized as costs incurred in obtaining funding and amortized over one year;
- The interest on financing the handset is paid by the Group on behalf of the customer. This is an unavoidable cost provided the customer remains active on the network. The contractual interest over the period is recorded at the present value using the effective interest rate in the handset financing arrangement. The difference between the present value and the contractual obligation is recognized as finance cost. The liability is decreased when the payments are made and the asset is amortized over the period of the contract. The carrying value of the asset and liability is extinguished when the customer churns off the network;
- The liability incurred when a customer churns from the network is recognized in trade and other payables; and
- The expected loss on the total outstanding customer liability is encapsulated using the expected credit loss model using the principles from IFRS 9.

**2017**

The Group successfully completed a re-capitalisation in 2017. The Group issued 30% of the shares to Cedar Cellular Investment 1 (RF) Proprietary Limited ("Investment entity 1"), Magnolia Cellular Investment 2 (RF) Proprietary Limited ("Investment entity 2') and Yellowwood Cellular Investment 3 (RF) Proprietary Limited ("Investment entity 3") in exchange for assuming R8.979 billion of debt. These entities are wholly-owned by 3C Telecommunications Proprietary Limited. The Group was legally released from the primary responsibility of settling the outstanding amount in Investment entity 1, Investment entity 2 and Investment entity 3. The transaction was treated as an extinguishment of debt with reference to IAS 39: *Financial Instruments: Recognition and Measurement* and IFRIC 19: *Extinguishing Financial Liabilities with Equity Instruments*.

The equity instruments issued to the investment entities are considerations paid for the residual debt balance and must be measured at fair value. The difference between the fair value of the equity issued and the carrying amount of the financial liability extinguished is recognised in profit and loss. An amount of R5.145 billion was recognised as other income. Transaction fees incurred of R1.197 billion was recognised against the gain from the de-recognition of the debt.

Only part of the residual debt balance is extinguished by the issue of equity instruments, while the remainder is modified or paid in cash.
The original notional amount of the debt was allocated to the following "components":

- Cash settlement;
- Modified/refinanced portion; and
- Uplifted debt settled in equity.

This allocation was done based on the fair value of each component. Each loan calculation indicated that the loans were substantially modified.

# Notes

**7 Reconciliation of movements of liabilities to cash flows arising from financing activities**

| | Liabilities | | Derivatives (assets)/liabilities held to hedge long-term borrowings | |
|---|---|---|---|---|
| | **Other loans and borrowings** | **Finance lease liabilities** | **Interest rate swap and forward exchange contracts used for hedging liabilities** | **Total** |
| **Balance 1 January 2018** | **6 824 040** | **1 487 719** | **114 782** | **8 426 541** |
| **Changes from financing cash flows** | | | | |
| Transition of IFRS 15 | 398 091 | - | - | 398 091 |
| Proceeds from loans and borrowings | 2 726 064 | - | | 2726 064 |
| Receipts from margin call | - | - | 2 399 435 | 2 399 435 |
| Payment to margin call | - | - | (2 110 870) | (2 110 870) |
| Repayment of borrowings | (1 590 328) | - | - | (1 590 328) |
| Payment of finance lease liabilities | - | (871 745) | - | (871 745) |
| **Total changes from financing cash flows** | **1 533 827** | **(871 745)** | **288 565** | **950 647** |
| **The effect of changes in foreign exchange rates** | **968 469** | **-** | **-** | **968 469** |
| **Changes in fair value** | **-** | **-** | (563 263) | **(563 263)** |
| **Other changes Liability-related** | | | | |
| New lease obligations | - | 2 751 110 | - | 2 751 110 |
| Transition of IFRS 16 | - | 4 376 979 | - | 4 376 979 |
| Termination of lease obligations | | (183 899) | | (183 899) |
| Capitalised borrowing costs | (71 772) | - | - | (71 772) |
| Interest expense | 818 501 | - | - | 818 501 |
| Interest paid | (1 138 258) | - | - | (1 138 258) |
| **Total liability-related other changes** | **(391 529)** | **6 944 190** | **-** | **6 552 661** |
| **Balance at 31 December 2018** | **8 934 807** | **7 560 164** | **(159 916)** | **16 335 055** |

# Notes

## 8 Obligations under leases

| | 2018 |
|---|---|
| | R'000 |
| **Lease liabilities*** | |
| Maturity analysis- contractual undiscounted cash flows | |
| Less than one year | 1 840 044 |
| One to five years | 6 346 711 |
| More than five years | 3 336 210 |
| **Total undiscounted lease liabilities at 31 December 2018** | **11 522 965** |
| **Lease liabilities included in the Statement of financial position at 31 December 2018** | |
| Current | 1 030 228 |
| Non-current | 6 529 936 |
| | **7 560 164** |

*Above disclosures are a result of the adoption of IFRS 16 - *Leases*

As at 31 December 2018 the future lease charges for premises, office equipment and GSM network sites were payable as follows:

| Lease type | Average Lease term | Average escalation |
|---|---|---|
| Networks | 5 years | 6% |
| Stores | 2 years | 8% |
| Landlords | 6 years | 7% |
| Buildings | 2 - 11 years | 8% |

## 9 Other Liabilities

Comparative information has not been restated to reflect the new requirements and are based on IAS 32.

| | 2018 | 2017 |
|---|---|---|
| | R'000 | R'000 |
| **Non-current** | | |
| Financial guarantee | - | 68 267 |
| Programme and film rights | 207 526 | 364 184 |
| Bond raising fees | - | 64 598 |
| | **207 526** | **497 049** |
| **Current** | | |
| Financial guarantee | - | 159 286 |
| Programme and film rights | 163 747 | 102 399 |
| Bond raising fees | 78 877 | - |
| Handset financing liability | 112 367 | - |
| | **354 991** | **261 685** |
| **Reconciliation of financial guarantee** | | |
| Opening balance | 227 553 | 146 355 |
| Gains and losses for the period recognised in profit and loss - revaluation | - | 385 492 |
| Gains and losses for the period recognised in profit and loss - settlement | - | (304 294) |
| IFRS 9 transition adjustment | (227 553) | - |
| Closing balance | **-** | **227 553** |

# Notes

**9 Other Liabilities (continued)**

**2017**

**Financial guarantee**

The Group provided a guarantee to an external vendor for outstanding handset fees not collected from the customers. Financial guarantee liabilities are classified as level 3 financial liabilities. The valuation of the financial guarantee was based on the following methodology and assumptions:

The methodology is analogous to the technique of run-off triangles under short-term insurance. The fundamental assumption under this method is that patterns of progression in the past may reasonably be expected to be repeated in future.

Historical debt churn behavior was assessed separately for all debt durations, based on the month of first appearance in the file of distressed customers. The longest history is therefore available for early cases of entry to these files and the shortest history for later entrants. The history was used to determine the probability of transition to write-off for each month after appearance in the file, and the value of write-off in those cases ultimately written off.

What ultimately matters is the relationship between the value at first appearance in the timing file and the corresponding value at write-off. In the debt book value at the first appearance is grossed up by a write off factor, which approximates the difference between the value at first appearance and the value finally written off.

The analysis produces a curve, by month of delay, which describes the relationship between:
(1) the value of debt at first entry to the distressed file; and
(2) the corresponding value of the write-off, for each month from that first entry. For projection purposes, we assume that the average across all starting months gives us the best estimate of the corresponding curve for all future write-offs.

We then apply this curve to all existing entries in the debt files to predict the proportion of the current values that will need to be written off, and the corresponding timing.

The future run-off is estimated using the average of the last twelve months percentage write-off and extrapolated for 24 months. The methodology and assumptions above are reassessed annually and the calculation is performed quarterly.

**2017 and 2018**

**Programme and film rights**

This relates to contractual obligations for programme and film rights, acquired for the period between 3 to 5 years.

**Bond raising fees**

These fees are payable to a third party, for the successful registration of the new USD bonds. The remaining amount was recognised as the present value, which is due and payable on 30 June 2019 ($6 million).

**Handset financing liability**

As part of the handset financing agreement, the interest on financing the handset is paid by the Group on behalf of the customer. The contractual interest over the period is recorded at the present value using the effective interest rate in the handset financing arrangement. The liability accrues interest over the contract period and is decreased by payments made. The liability is extinguished when the customer churns off the network.

# Notes

## 10 Cash generated from operations

Cash generated from operations are calculated below:

| | 2018 | 2017 |
|---|---|---|
| | R'000 | R'000 |
| **(Loss)/Profit before equity accounted earnings, net finance cost and tax** | 1 435 354 | 5 431 710 |
| Adjustments for: | | |
| Profit on disposal of property, plant and equipment | (29 517) | (35 794) |
| Gain on settlement of creditors | - | (92 475) |
| Net gain on the derecognition of loans | - | (3 948 210) |
| Depreciation of right-to-use assets | 1 366 835 | - |
| Amortisation of cost to obtain and fulfil a contract | 232 964 | - |
| Depreciation and amortisation of non-current assets | 1 282 703 | 1 873 526 |
| Impairment of intangible assets/ property, plant and equipment | 82 536 | 192 344 |
| Movements in provisions | (874 363) | 168 869 |
| Movements in operating lease liabilities | - | 42 816 |
| Adjustment for adoption of new standards to retained earnings | 415 500 | - |
| | **3 912 012** | **3 632 786** |
| **Changes in working capital** | | |
| Trade and other receivables | 694 606 | (668 325) |
| Inventories | 112 803 | (92 397) |
| Trade and other payables | 1 406 007 | (752 295) |
| Unearned revenue | (101 414) | (1 111 042) |
| Other liabilities | (374 422) | 530 379 |
| | **1 737 580** | **(2 093 680)** |
| **Total cash generated from operations** | **5 649 592** | **1 539 106** |

## 11 Application of new and revised International Financial Reporting Standards (IFRS)

### 11 Changes in significant accounting policies

The accounting policies adopted in the preparation of the Financial information are consistent with those followed in the preparation of the Financial information for the year ended 31 December 2017, except for the adoption of IFRS 15 - *Revenue from contracts with customers,* IFRS 9 - *Financial instruments* effective 1 January 2018. The Group has also elected to early adopt IFRS 16 - *Leases* that has been issued but is not yet effective (effective for periods beginning on or after 1 January 2019).

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout the Financial information has not been restated to reflect the requirements of the new standards.

# Notes

**11 Application of new and revised International Financial Reporting Standards (IFRS) (continued)**

**11 Changes in significant accounting policies (continued)**

The following tables show the adjustments recognised in the Statement of financial position and the Statement of profit or loss and other comprehensive income, due to changes in accounting policy for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

There was no material impact on the Group's Statement of cash flows for the year ended 31 December 2018.

**Statement of financial position**

| | Amount as reported 31-Dec-18 | Impact of adopting IFRS 9 | Impact of adopting IFRS 15 | Impact of adopting IFRS 16 | 2018 Amounts without adop-tion of new IFRS | Amount as reported 31-Dec-17 |
|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| **Assets** | | | | | | |
| **Non-Current assets** | | | | | | |
| Property, plant and equipment | 15 144 936 | - | - | (5 057 887) | 10 087 049 | 8 616 898 |
| Intangible assets | 1 703 761 | - | (280 706) | - | 1 423 055 | 1 341 272 |
| Equity-accounted investees | 4 557 | - | - | - | 4 557 | 93 910 |
| Deferred tax asset | 4 094 290 | - | - | - | 4 094 290 | 4 094 290 |
| Derivative non-current financial assets | 159 916 | - | - | - | 159 916 | - |
| | **21 107 460** | **-** | **(280 706)** | **(5 057 887)** | **15 768 867** | **14 146 370** |
| **Current assets** | | | | | | |
| Contract assets | 228 799 | - | - | - | 228 799 | |
| Inventories | 313 805 | - | - | - | 313 805 | 426 607 |
| Trade and other receivables | 3 404 476 | 236 053 | - | - | 3 640 529 | 4 243 274 |
| Cash and cash equivalents | 492 910 | - | - | - | 492 910 | 132 942 |
| | **4 439 990** | **236 053** | **-** | **-** | **4 676 043** | **4 802 823** |
| Equity-accounted investee held for sale | 96 742 | - | - | - | 96 742 | - |
| | **4 536 732** | **236 053** | **-** | **-** | **4 772 785** | **4 802 823** |
| **Total Assets** | **25 644 192** | **236 053** | **(280 706)** | **(5 057 887)** | **20 541 652** | **18 949 193** |
| **Equity** | | | | | | |
| Share capital and share premium | 25 501 557 | - | - | - | 25 501 557 | 25 501 557 |
| Share-based payment reserve | 57 | - | - | - | 57 | 57 |
| Accumulated loss | (23 098 374) | 8 500 | (379 208) | 389 104 | (23 079 978) | (21 740 741) |
| | **2 403 240** | **8 500** | **(379 208)** | **389 104** | **2 421 636** | **3 760 873** |

# Notes

**11 Application of new and revised International Financial Reporting Standards (IFRS)**

**11 Changes in significant accounting policies**

**Statement of financial position (continued)**

| | Amount as reported 31-Dec-18 | Impact of adopting IFRS 9 | Impact of adopting IFRS 15 | Impact of adopting IFRS 16 | 2018 Amounts without adop-tion of new IFRS | Amount as reported 31-Dec-17 |
|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| **Liabilities** | | | | | | |
| **Non-Current liabilities** | | | | | | |
| Derivative non-current financial liabilities | - | - | - | - | - | 108 414 |
| Provisions and other employee benefits | 404 684 | - | - | - | 404 684 | 276 463 |
| Interest bearing loans and borrowings | 6 544 245 | - | - | - | 6 544 245 | 5 837 046 |
| Obligations under leases | 6 529 936 | - | - | (4 892 273) | 1 637 663 | 1 387 152 |
| Other non-current liabilities | 207 526 | 68 267 | - | - | 275 793 | 497 049 |
| Operating lease liability | - | - | - | 347 709 | 347 709 | 314 991 |
| | **13 686 391** | **68 267** | - | **(4 544 564)** | **9 210 094** | **8 421 115** |
| **Current liabilities** | | | | | | |
| Derivative current financial liabilities | - | - | - | - | - | 6 364 |
| Contract liabilities (unearned revenue) | 873 872 | - | 150 147 | - | 1 024 019 | 975 286 |
| Provisions and other employee benefits | 323 483 | - | - | - | 323 483 | 292 086 |
| Interest bearing loans and borrowings | 2 390 562 | - | (812 654) | - | 1 577 908 | 986 994 |
| Obligations under lease | 1 030 228 | - | - | (902 427) | 127 801 | 100 567 |
| Other liabilities | 354 991 | 159 286 | - | - | 514 277 | 261 685 |
| Trade and other payables | 4 581 425 | - | 761 009 | - | 5 342 434 | 4 144 223 |
| | **9 554 561** | **159 286** | **98 502** | **(902 427)** | **8 909 922** | **6 767 205** |
| **Total liabilities** | **23 240 952** | **227 553** | **98 502** | **(5 446 991)** | **18 120 016** | **15 188 320** |
| **Total equity and liabilities** | **25 644 192** | **236 053** | **(280 706)** | **(5 057 887)** | **20 541 652** | **18 949 193** |

# Notes

**11 Application of new and revised International Financial Reporting Standards (IFRS) (continued)**

**11 Changes in significant accounting policies (continued)**

**Statement of profit or loss and other comprehensive Income**

| | Amount as reported 31-Dec-18 | Impact of adopting IFRS 9 | Impact of adopting IFRS 15 | Impact of adopting IFRS 16 | Amounts without adoption of new IFRS | Amount as reported 31-Dec-17 |
|---|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Revenue | 15 699 479 | - | 1 125 729 | - | 16 825 208 | 15 715 161 |
| Other income | 175 007 | - | - | - | 175 007 | 4 205 181 |
| Direct expenses | (7 242 377) | (114 500) | (504 044) | - | (7 860 921) | (7 544 662) |
| Selling and distribution expenses | (1 092 875) | - | - | - | (1 092 875) | (898 267) |
| Administration expenses | (1 971 254) | - | - | (182 360) | (2 153 614) | (2 104 045) |
| Impairment loss on trade receivables and contract assets | (334 732) | - | - | - | (334 732) | - |
| Operating expenses | (3 797 894) | - | 187 518 | (81 101) | (3 691 477) | (3 941 658) |
| **Operating profit before finance cost/ income and income tax** | **1 435 354** | **(114 500)** | **809 203** | **(263 461)** | **1 866 596** | **5 431 710** |
| Finance income | 1 620 774 | - | - | - | 1 620 774 | 1 536 457 |
| Finance costs | (4 337 293) | - | (1 150 327) | 652 565 | (4 835 055) | (4 967 287) |
| Share of loss equity accounted investee | (831) | - | - | - | (831) | 197 |
| **Loss before income tax** | **(1 281 996)** | **(114 500)** | **(341 124)** | **389 104** | **(1 348 516)** | **2 001 077** |
| Income tax | - | - | - | - | - | 2 111 000 |
| Loss from continued operations | **(1 281 996)** | **(114 500)** | **(341 124)** | **389 104** | **(1 348 516)** | **4 112 077** |
| **Discontinued operations** | | | | | | |
| Share of profit from equity accounted - investee | 8 220 | - | - | - | 8 220 | 2 633 |
| **Total comprehensive income for the year** | **(1 273 776)** | **(114 500)** | **(341 124)** | **389 104** | **(1 340 296)** | **4 114 710** |

# Notes

**11 Application of new and revised International Financial Reporting Standards (IFRS) (continued)**

**11 Changes in significant accounting policies (continued)**

The following table summarises the impact, gross of tax, of transition to IFRS 15 on retained earnings at 1 January 2018.

| | **Impact of adopting IFRS 15 at 1 January 2018** |
|---|---|
| | **R'000** |
| **Retained earnings** | |
| Derecognition of subscriber related acquisition costs | 85 879 |
| Recognition of costs to fulfil a contract | (46 936) |
| **Impact at 1 January 2018** | **38 943** |

The following table summarises the impact, net of tax, of transition to IFRS 9 on retained earnings at 1 January 2018.

| | **Impact of adopting IFRS 9 at 1 January 2018** |
|---|---|
| | **R'000** |
| **Retained earnings** | |
| Recognition of expected credit losses under IFRS 9 | (122 800) |
| Impact at 1 January 2018 | **(122 800)** |

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.