

Notes to the company financial statements continued

for the year ended 31 December 2017

6 TRADE AND OTHER RECEIVABLES

Refer to note 4.2 of the group financial statements for the applicable accounting policy.

	2017 Rm	2016 Rm
Trade receivables due from related parties	491	223
Prepayments and other receivables	1	4
Sundry debtors and advances	17	15
	509	242

7 CASH AND CASH EQUIVALENTS

Refer to note 4.4 of the group financial statements for the applicable accounting policy.

	2017 Rm	2016 Rm
Cash at bank	380	1 367

8 ORDINARY SHARE CAPITAL AND SHARE PREMIUM

Refer to note 8.1 of the group financial statements for the applicable accounting policy.

	2017 Number of shares	2016 Number of shares
Ordinary share capital (par value of 0,01 cents)		
Authorised	2 500 000 000	2 500 000 000
Issued (fully paid up)	1 884 269 758	1 884 269 758
In issue at the beginning of the year	1 884 269 758	1 845 493 245
MTN Zakhele shares cancelled and delisted ¹	–	(38 058 865)
Shares issued to MTN Zakhele Futhi	–	76 835 378
In issue at the end of the year	1 884 269 758	1 884 269 758
Options held by MTN Zakhele Futhi²	(76 835 378)	(76 835 378)
In issue at the end of the year – excluding MTN Zakhele Futhi	1 807 434 380	1 807 434 380

¹ Included in the shares cancelled are 1 444 172 shares acquired in 2015 and delisted in 2016.

² These shares, although legally issued to MTN Zakhele Futhi, are not deemed to be issued in terms of IFRS and are shown as such in the share capital reconciliation.

Notes to the company financial statements continued

for the year ended 31 December 2017

8 ORDINARY SHARE CAPITAL AND SHARE PREMIUM (continued)

	2017 Rm	2016 Rm
Share capital		
Balance at the beginning of the year	*	*
Shares cancelled	—	(*)
Share buy-back	—	(*)
Balance at the end of the year	*	*
Share premium		
Balance at the beginning of the year	37 040	40 502
Share buy-back	—	(3 462)
Balance at the end of the year	37 040	37 040

*Amounts less than R1 million.

Share-based payment transaction

The group unwound its broad-based black economic empowerment (BBBEE) transaction 'MTN Zakhele' during November 2016. As a consequence of the unwind of MTN Zakhele, the group concluded a new BBBEE transaction. The new BBBEE transaction was structured through a separate legal entity, MTN Zakhele Futhi (RF) Limited (hereafter referred to as MTN Zakhele Futhi). The transaction is designed to provide long-term, sustainable benefits to all BBBEE participants and will run for a period of eight years.

MTN Zakhele Futhi acquired 76 835 378 of the company's shares at a price of R128,50 per share. The acquisition of 35 747 139 shares (and transaction costs of R36 million incurred by MTN Zakhele Futhi) was funded using equity raised from the allotment of MTN Zakhele Futhi shares totalling R1 651 million (including R557 million obtained from the group for the purchase of MTN Zakhele Futhi shares in terms of its underwrite option), reinvestment of R817 million from the existing MTN Zakhele shareholders and third-party preference share funding of R2 161 million. The acquisition of 15 367 075 shares was funded through a donation of R1 975 million received from the group. The company also issued 25 721 164 notional vendor finance shares (NVF shares) at par value to MTN Zakhele Futhi amounting to approximately R3 305 million.

The BBBEE transaction with MTN Zakhele Futhi has the substance of an option for accounting purposes. MTN Zakhele Futhi must repay the preference shares and NVF before the company's shares held by it become unencumbered, while the company's shares are the only security offered by MTN Zakhele Futhi for the debt funding obtained. Until the company's shares held by MTN Zakhele Futhi become unencumbered, the ordinary shareholders of MTN Zakhele Futhi are exposed to the gains on the company's shares, while their exposure to downside risk or risk of loss is limited to their equity contributions (i.e. the purchase price paid by them for the MTN Zakhele Futhi shares). Consequently, although legally issued, the company does not recognise its shares issued to MTN Zakhele Futhi and does not recognise the NVF as outstanding for accounting purposes. Equity contributions from external parties comprising cash received from new investors (including amounts funded from the preference shares) and the reinvestment by existing MTN Zakhele shareholders, are in substance a premium paid for the option to acquire the company's shares in future. The resultant premium recognised by the company in the share-based payment reserve is R4 036 million. Securities transfer tax of R10 million was paid by MTN on the acquisition of shares from MTN Zakhele, which was recognised in the share-based payment reserve.

The transaction with MTN Zakhele Futhi's shareholders is an equity-settled share-based payment transaction among group entities in terms of which the company will issue shares in future to MTN Zakhele Futhi's shareholders in exchange for BBBEE benefits received by Mobile Telephone Networks Proprietary Limited (note 5).

During the 2017 year, an additional 24 388 294 MTN Zakhele Futhi shares were sold to external parties, that were previously acquired by the company in terms of the underwrite option during the allotment of MTN Zakhele Futhi shares in 2016. The shares were sold in four tranches on different grant dates for a total consideration of R487 million. The total increase in equity resulting from these share-based payment transactions amounted to R921 million of which R434 million (2016: R1 008 million) relates to the share-based payment expense capitalised as part of the investment in subsidiaries and R487 million relates to the option premium on the shares sold during the year.