vodacom

Integrated report

For the year ended 31 March 2011

Our vision is
to make every
customer
smile!

This is our first integrated report. Like our past annual reports, it contains lots of important numbers. But people aren't numbers. And numbers don't tell the whole story.

The numbers in this report matter because they help us tell the story of how we create possibilities and change lives by connecting people. They matter because they help you to hold us accountable for our obligations and our impacts. They matter because they help us measure the true value we create and the real difference we make.

About this report

Thank you for reading Vodacom Group Limited's integrated report for the year ended 31 March 2011.

We hope it gives you the insight you need to decide how well we will create and sustain value into the future. Please let us know what you think of it, so we can keep on improving our communication with you.

Look at the next page to see how you can give us your feedback.

All references in this report to 'Vodacom', 'the Group', 'the Company', 'our' and 'we' refer to Vodacom Group Limited and our operations.

The scope of our report includes all our operating subsidiaries, unless otherwise stated. Where we only have data for our South African operation, we've shown that with '(#)'. South Africa represents 85.8% of service revenue and 95.4% of EBITDA. We've used '(*)' for reporting growth at constant currency and excluding trading foreign exchange.

Our report is made up of two books:

Book 1 (integrated report) has been revamped to give you a comprehensive, integrated view of our business, strategy, performance and prospects. Notably, our operating reviews are now structured according to five strategic priorities. Also, the information material to how we create value, typically covered under sustainability, is now fully integrated into Book 1. We have not produced a separate sustainability report, although a lot more sustainability information is available on our website.

Our integrated report was guided by King III, the Integrated Report Committee's Framework for Integrated Reporting and the Integrated Report released in January 2011, and best practice.

Book 2 (consolidated annual financial report) fulfils financial reporting requirements, while also providing detailed financial and operational commentary.

Our consolidated annual financial statements are prepared according to International Financial Reporting Standards ('IFRS').

Our integrated reporting journey

The King Report on Governance for South Africa 2009 ('King III') puts South Africa at the forefront of global developments in corporate governance. King III has been written into the JSE Listings Requirements, making this a regulated requirement.

Thanks to King III, South African listed companies have the opportunity to lead the charge in accountability, transparency and inclusiveness. We think this can only be good for our business, not least in building greater trust with our stakeholders.

King III calls for integrated reporting. For us, this came at exactly the right time. With a new Executive Committee at the helm, we were in the process of refocusing our business and refreshing our brand. So we were able to overhaul how we look at ourselves, manage our business, engage with our stakeholders and tell our story, all at the same time.

The journey started with our Board. They approved the integrated reporting project and nominated the Chairman of our Audit, Risk and Compliance ('ARC') Committee, as its champion. We formed an integrated reporting project team with sustainability management, finance, strategy, stakeholder relations, investor relations, commercial, technology, risk management and governance all represented.

The project team held a workshop to review our key risks and opportunities. They also looked at our risk management, strategic planning, stakeholder engagement and reputation management processes. Finally they identified the issues most important to Vodacom's ability to create and sustain value.

How to get the most out of our integrated report

We don't want to waste your time repeating the same information, so we have cross referenced as much as possible. Less paper, more exercise turning pages.

pg Book 1 pg Book 2

Tells you where you can find related information in both reports.

In line with the principle of transparency, we've challenged ourselves to provide a really 'warts and all' look at our performance.

Will help you quickly spot the areas where we are doing well, and where we're not so you can look out for improvements in future reports.

Our Executive Committee took the process further. They agreed on five strategic priorities for creating value over the short, medium- and long-term. This involved integrating our business, risk, sustainability and stakeholder engagement strategies. The ARC Committee approved the integrated strategy and related key performance indicators. We're now coming up with detailed plans for each priority.

For us integrated reporting has not been a skin-deep, box ticking exercise. It has really helped us to manage our business better.

We still have work to do to align our internal reporting processes to the five strategic priorities. We're redesigning our monthly Executive Committee reports and quarterly Board reports to make sure our material sustainability objectives are tracked along with our financial and operational objectives. We're also looking at introducing the new measures to performance-related remuneration.

This process has confirmed a belief that's been central to our business since it began. Vodacom, as a leading mobile communications provider, has a valuable role to play in our communities and countries. Our sustainability is closely linked to the contribution we can make to their socioeconomic development.

We're really excited about our future and we hope you will be too after reading our report.

Assurance

Our integrated report has not been independently assured as a whole this year. We have just started working out our combined assurance model. We're assessing all internal and external assurance already in place and matching it to our risk management. We expect to be done by early 2012. Ernst & Young visited Vodacom as part of providing assurance for the Vodafone Group Sustainability Report. They reviewed the integration of sustainability into our businesses, the systems and processes supporting data quality and stakeholder engagement, but provided no assurance to us. We aim to achieve full assurance by March 2013.

94 for more information on assurance.

Global Reporting Initiative ('GRI') declaration

We have benchmarked our sustainability reporting against the guidelines of the GRI, and self assess our application as a B level.

for our GRI content index visit the sustainability section on **vodacom.com**.

Forward-looking statements

108 for important information on forward-looking statements.

This report is dated 30 June 2011.

Feedback

We need your feedback to make sure we're covering the things that matter to you. Go to **vodacom.com** or email to **investorrelations@vodacom.co.za** for the feedback form, or scan the barcode alongside with your smartphone.

Tells you where you can find more information online on vodacom.com.

We'll be updating our website at least quarterly so please register to be notified when new information is uploaded on **vodacom.com/inv_nr_news_alert.php**.

We're part of a much bigger family (one of the world's largest mobile communications companies based on revenue).

Tells you where to find more information on our parent's website, Vodafone Group Plc vodafone.com.

We've introduced barcode links to information that is suitable to view on your smartphone, like video clips or our feedback form. Download an application for your phone, take a picture of the barcode link and the relevant page will open in your browser window. We know Bakodo or i-nigma for iPhone, QR Code Scanner Pro for BlackBerry® and Barcode Scanner for Android all work well.

Tells you there's information available to view on your smartphone.

We've tried really hard to avoid jargon in writing our report, and to make it as understandable as possible. But where we've had to use business-speak, we've provided a Glossary.

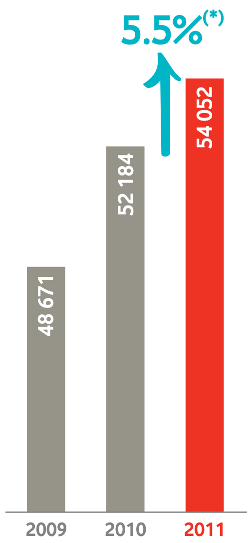
Tells you a term is explained in the Glossary starting on page 109 in Book 2.

Snapshot of performance

We delivered growth across the board, in line with our medium-term guidance.

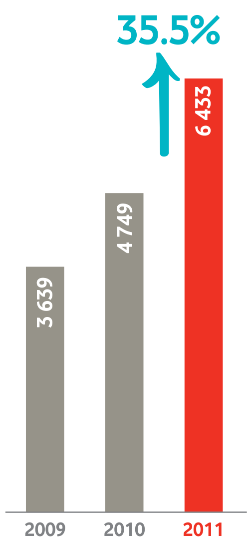
Service revenue

Rm



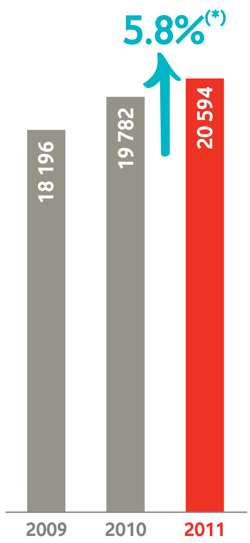
Data revenue

Rm



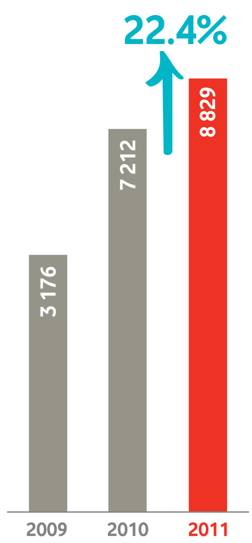
EBITDA

Rm



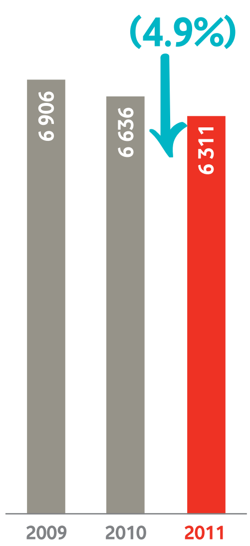
Free cash flow

Rm



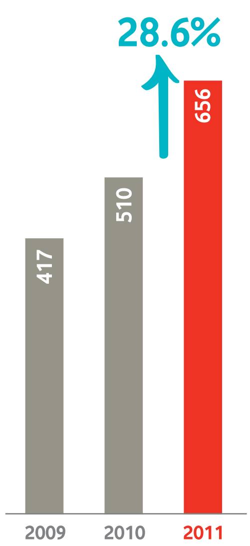
Capital expenditure

Rm



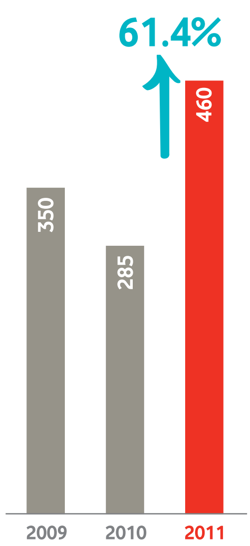
HEPS

cents



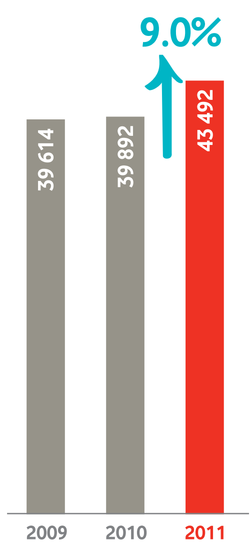
DPS

cents



Customers

thousand



some of these financial measures are defined on page 109 in Book 2.

We also made good progress on our strategic priorities.

Priority	2013 goal	2011 performance	Reference
Grow passionate promoters by dramatically improving the customer experience	**No 1** in NPS in all our markets across all customer touchpoints	No 1 overall in all countries where Net Promoter Score ('NPS') is measured.	30
Actively create an environment for our people to excel and grow	**>80%** in the Engagement index from our People Survey	73% Engagement index score, dropped from 77% last year.	38
Put the power of the internet in people's hands	**25m** data customers across our footprint	10.2 million data customers, up 39.4% on prior year.	46
Together drive operational excellence	**+5ppt** a year improvement in the speed and simplicity scores in our People Survey	Simplicity score up 3ppt. Speed score down 2ppt.	
	5% a year reduction in carbon footprint[1]	Ranked 6th of JSE Top 100 companies in the 2010 Carbon Disclosure Project.	
	Optimise opex[2] to service revenue	Opex to service revenue stable at 24.1%[(*)] on last year. Cost-efficiency programme delivered.	54
Proactively partner with our stakeholders	**No 1** achieve best-in-class reputation in all markets	No 1 in all countries for 'likelihood to recommend' measure in our Reputation Survey across all stakeholders.	62

1. The measurement of our carbon footprint for the year ended 31 March 2011 was not available at time of print. Our performance against this target will be published in July 2011 on vodacom.com.
2. Operating expenses, excluding direct expenses and foreign exchange.

What we do

Customers

We have 43.5 million Group customers.

- We offer mobile voice and data prepaid or contract services to consumers and businesses.
- We offer services, including converged services, to businesses from small-office-home-office and small and medium enterprises to corporates and multinationals.
- 87.9% of our customers, including consumer and business customers, are prepaid customers and the remainder are contract customers.

Network

Our network has 8 394 sites in South Africa and 2 311 in our International operations.

- Our mobile operations use GSM 2G technology at least and 4 699 of our Group base stations are 3G enabled. 3G is available in South Africa, Tanzania, Mozambique and Lesotho.
- Our network in South Africa is being upgraded for improved routing and quality of voice and data traffic. Our radio access networks ('RAN') are being upgraded with single RAN HSPA+ capability, our transmission networks with metro Ethernet and self-provided microwave and fibre links, and our core networks, IT and billing systems with new architecture.

Distribution

Our distribution reach gives us a competitive advantage, with over 100 000 points of sale.

- We distribute our products and services through independent dealers, franchisees, national chains, independent service providers, informal distribution channels including wholesale dealers, our online channel and call centres.
- Vodacom Business has a large direct sales team that sells mobile voice, data products and converged services to business customers.

Devices

In the past year we sold 8.7 million handsets.

- We offer a wide range of devices such as mobile handsets, mobile broadband modems, routers, tablets, netbooks and laptop computers.
- Through Vodafone, we get access to the latest smartphones and to lower-cost devices.

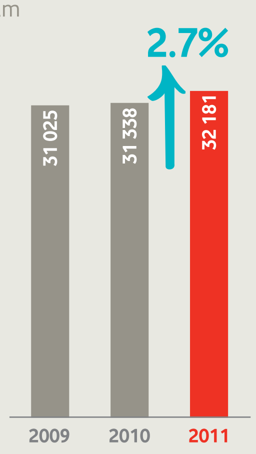
Voice

We offer a wide range of voice pricing plans on prepaid, top-up or contract options often bundled with SMS and data services.

- We charge mobile customers outgoing voice fees when they make calls.
- Vodacom 4 Less, a dynamic pricing plan offered in South Africa, gives discounts of up to 100% based on network capacity.
- Voice services include national and international services.

Group outgoing voice revenue

Rm



(59.5% of service revenue)

Outgoing voice minutes up

25.1%

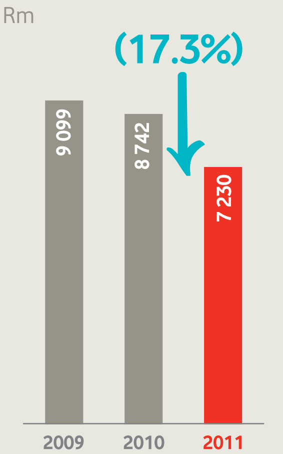
to 31.2 billion

Interconnect

We provide interconnect services to other fixed and mobile network operators when their customers call ours.

- Other operators pay us fees based on nationally regulated or agreed termination rates.
- Fixed-to-mobile substitution is reducing fixed line interconnect traffic.
- Termination rates were reduced in South Africa and Mozambique in the year.

Group interconnect revenue



(13.4% of service revenue)

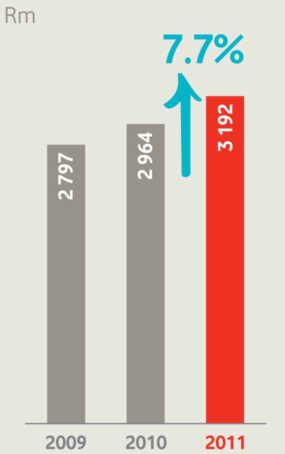
Incoming voice minutes up
1.7%
to 8.9 billion

Messaging

We offer messaging services, including a free Please Call Me SMS service.

- Basic SMS as well as SMS bundles.
- MMS allows customers to send pictures, music, sound and video messages.
- Please Call Me allows customers to request a call using SMS from another mobile user for free (with daily limits).
- Voicemail 2 SMS allows customers to get English voicemail messages as SMS.

Group messaging revenue



(5.9% of service revenue)

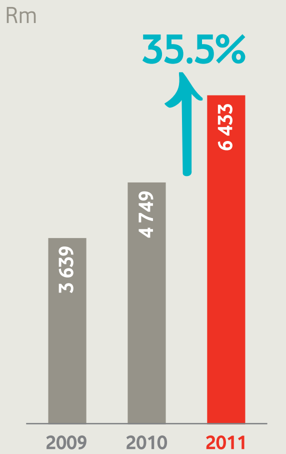
SMS users up
12.9%
to 18.1 million

Data

We offer high-speed data connectivity for access to email, internet and corporate connectivity on laptops, notebooks, tablets or on mobile handsets.

- Mobile data bundles on modems, handsets and tablets.
- BlackBerry services in most of our markets.
- Multi-data SIMs to our contract customers.
- Routers, including Mi-Fi (five devices sharing a mobile data connection on Wi-Fi).
- Vodacom M-Pesa, the money transfer service, in South Africa and Tanzania.

Group data revenue



(11.9% of service revenue)

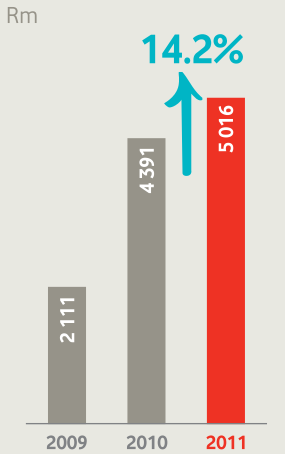
Data customers up
39.4%
to 10.2 million

Other services

We provide other communication services such as national roaming to other mobile operators, connectivity to other carriers across Africa and converged business services.

- Access services such as wireless, fixed line and mobile solutions, including ADSL, fibre and leased lines.
- Dedicated internet solutions for enterprises such as managed national and international VPN solutions, VOIP and PBX.
- Hosted services for enterprises include applications, data storage, hosting and security solutions.

Group other service revenue



(9.3% of service revenue)

Vodacom Business revenue up
43.3%
to R1.0 billion

Where we operate

Vodacom is an African mobile communications company providing voice, messaging, data and converged services to just over 43 million customers. From our roots in South Africa, we have grown our operations to include networks in Tanzania, the Democratic Republic of Congo ('DRC'), Mozambique and Lesotho. We also provide carrier and business services to customers in over 70 countries.

Vodacom is majority owned by Vodafone, one of the world's largest mobile communications companies by revenue. We're listed on the JSE Limited and our head office is in Johannesburg, South Africa.

South Africa
26.5 million customers
93.75% shareholding

Tanzania
8.9 million customers
65% shareholding

DRC
4.2 million customers
51% shareholding

Mozambique
3.1 million customers
85% shareholding

Lesotho
0.9 million customers
80% shareholding

South Africa

- Vodacom started in South Africa in 1994.
- We are the country's largest mobile network operator by customers and revenue.
- South Africa has a population of 50 million people with mobile SIM penetration of 107%.

	Year ended 31 March		% change
	2011	2010	10/11
Mobile customers (000)	26 535	26 262	1.0
Service revenue (Rm)	46 392	44 324	4.7
EBITDA (Rm)	19 653	18 578	5.8
EBITDA margin (%)	36.8	36.8	
Capital expenditure (Rm)	5 100	4 573	11.5
Free cash flow (Rm)	10 296	9 237	11.5

- Customers up 1.0% to 26.5 million.
- Total ARPU is reported as 18.9% higher to R157 mainly due to the disconnection of 3.3 million inactive SIMs at the beginning of the year.
- Service revenue up 4.7% despite a decline in interconnect revenue.
- EBITDA up 7.0%(*) mainly due to an improved contribution margin.
- Capital expenditure up 11.5% to R5 100 million (9.6% of revenue) with 948 new 3G base stations added.

International

- We operate mobile networks in Tanzania, DRC, Mozambique and Lesotho.
- We provide carrier and business services to customers through Gateway Carrier Services and Vodacom Business Africa.
- Our International mobile operations cover a population of 142 million with blended mobile SIM penetration of 26%.

	Year ended 31 March		% change
	2011	2010	10/11
Mobile customers (000)	16 957	13 630	24.4
Service revenue (Rm)	7 957	8 071	(1.4)
EBITDA (Rm)	840	1 176	(28.6)
EBITDA margin (%)	10.2	14.0	
Capital expenditure (Rm)	1 208	2 067	(41.6)
Free cash flow (Rm)	(658)	(886)	25.7

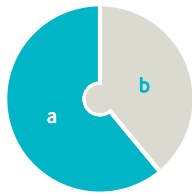
- Customers up 24.4% with 3.3 million net additions in the year.
- Service revenue up 11.6%(*) supported by strong growth in voice traffic.
- International EBITDA down 20.7%(*) to R840 million, mainly due to lower margins in Gateway.
- Capital expenditure down to R1 208 million (14.7% of revenue) mainly as a result of last year's large investment in our Tanzanian network.

ARPU and other industry terms are defined on page 109 in Book 2.

FY 2011 Contribution

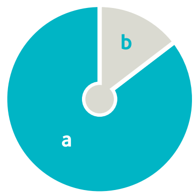
%

Customers



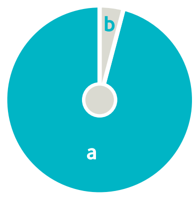
a SA 61.0%
b International 39.0%

Service revenue



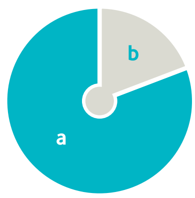
a SA 85.8%
b International 14.7%

EBITDA



a SA 95.4%
b International 4.1%

Capital expenditure



a SA 80.8%
b International 19.1%

Note: The sum of these amounts do not equal 100% due to corporate and eliminations being excluded.

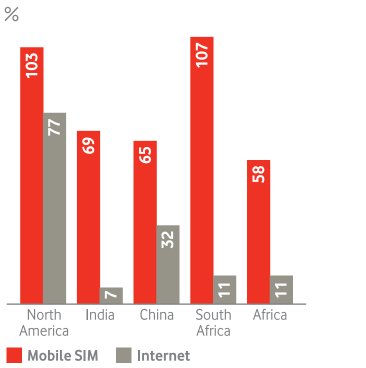
9 11 for more country indicators.

Where our industry is heading

Mobile communications have evolved at an astonishing rate. Penetration and usage has peaked in some countries, leading to industry consolidation as operators look for economies of scale to keep their businesses viable.

Major trends and what they mean for us

Mobile penetration



Economic growth

Mobile communications are a key contributor to economic growth. Industry stakeholders need to work together to lower costs so that everyone has access, and economic benefits are maximised.

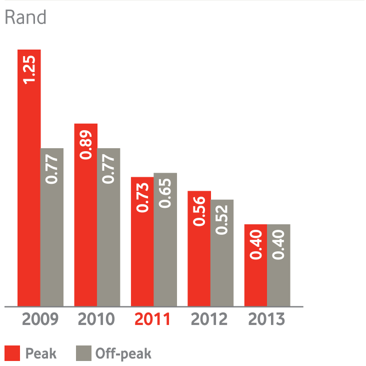
Economic growth in sub-Saharan Africa is expected to grow by over 5% in 2011, although sharp increases in food and fuel prices may curb this forecast.

Mobile SIM penetration is 107% in South Africa, compared to 26% blended SIM penetration in the rest of our markets. Further penetration of mobile services in our International markets is expected to boost their sustainable rate of economic growth. In addition, the average population in these countries is forecast to grow by an estimated 18 million people over the next five years.

Broadband penetration is only 1% in our International operations and 11% in South Africa. But it is expected to grow rapidly across the entire continent for at least the next five years.

The lack of fixed line infrastructure means there are limited alternatives to mobile for access data services.

Interconnect rates(#)



Regulation

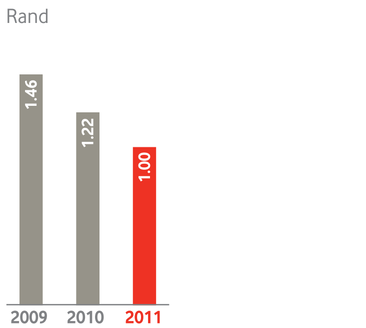
Regulatory changes have been mainly focused on interconnect and customer registration. Spectrum is the next big focus area.

Industry regulators continue to lower interconnect rates. In South Africa we reduced the cost to terminate peak calls on our network by 18.0% this year. Interconnect revenue now accounts for 13.4% of Group service revenue.

Mandatory customer registration has been a feature in most of our markets. It has meant some extra cost and red tape for the industry and customers. We have had to adapt our distribution networks to meet the challenges of registration.

Spectrum is a scarce resource. Ideally, new spectrum would help us to serve customers more efficiently and accelerate the rollout of broadband services. The Independent Communications Authority of South Africa ('Icasa') is preparing to auction spectrum in the 2.6GHz and 3.5GHz bands. Current regulations governing the auction indicate that licensees must be at least 30% owned by historically disadvantaged individuals, a big challenge for us.

Effective price per outgoing minute



Competition

The competitive environment in sub-Saharan Africa is getting more intense. Price competition has been fierce in Tanzania and DRC and prices have fallen as low as US$0.02 per minute in Tanzania.

Competitive pressure has contributed to an 18.0% a year decline in our effective price per minute across the Group. But this has been partly offset by an increase in the minutes of use.

We saw new players enter the mobile data market. Competition and increased investment have led to lower data prices in most of our markets.

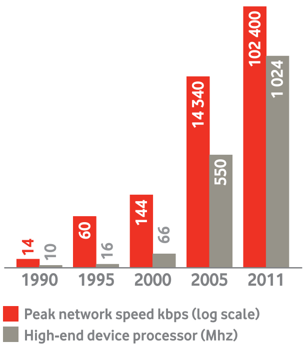
New forms of competition are coming from the likes of handset manufacturers, internet companies and software providers, as well as systems integrators in the converged communications space.

Competition will keep on driving prices lower and increasing the focus on network capacity and service quality.

Industry data has been sourced from Internet World Stats, Wireless Intelligence, Informa Telecoms & Media.

Most of our markets are still some years from reaching voice saturation. Data use is still limited and its huge potential to transform economies is fundamental to our growth strategy, especially as voice revenue slows.

Network and device speeds



Technology

The capability and speeds of network equipment and customer devices are developing at a remarkable rate, while their cost continues to come down.

Investing in existing 3G technology and improving our backhaul capacity have resulted in faster network speeds.

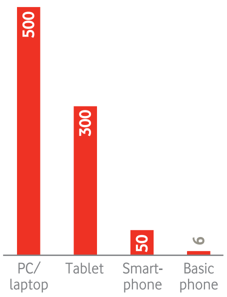
We are in the process of deploying new Long-term Evolution ('LTE') capable radio networks, which is now a commercial reality in some markets. This will deliver the next step change in the customer experience.

LTE can achieve download speeds that are much higher than 3G and should enable much faster browsing and video streaming. LTE is also likely to be far more efficient in its use of spectrum and offers meaningful savings to operators. However such efficiency requires adequate spectrum allocation.

for explanations of technical terms, including 3G and LTE.

Mobile data usage per device

MB of use estimates (Vodacom)[(a)] per month



Devices

Consumer demand for new handsets remains strong both at the top end of the market (smartphones) as well as for low-cost entry level devices.

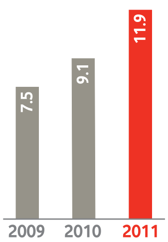
21% of the handsets sold globally in 2010 were smartphones, compared to 8% in 2006.

In South Africa almost a quarter of the record 8.1 million devices we sold this year were smartphones. In our other countries the take-up of smartphones is limited but growing. In this year we plan to launch a Vodafone branded smartphone at less than R1 000.

We have been making the internet more affordable and accessible to all. In South Africa we introduced the Vodafone WebBox, an internet connection device that works with any television set. We plan to launch it in Mozambique and Lesotho in this year.

Data revenue

% of service revenue



Services

A higher percentage of service revenue is now coming from new services other than voice, interconnect and messaging.

Currently 78.8% of service revenue comes from core mobile services such as voice, interconnect and messaging, whereas 11.9% comes from fast-growing mobile data services.

Devices like tablets, smartphones and notebooks have driven data growth over the last three years.

The huge increase in applications is driving demand for smartphones. These devices consume more data than basic voice/text phones. At the end of 2010, there was an estimated 500 000 applications available globally, more than double the year before.

Innovative services, such as Vodacom M-Pesa, are important for customer convenience and satisfaction. In Tanzania, Vodacom M-Pesa now has more than one million active users. We introduced Vodacom M-Pesa in South Africa in 2010. Although take-up was slow at first, it increased towards the end of the year.

The people who keep us in business

Building trust, respect and credibility among our stakeholders is vital to our sustainability. King III goes even further, emphasising the importance of including the views of stakeholders in how a business is managed.

We're working hard at improving our engagement with all our stakeholders, including customers, employees, business partners, suppliers, investors, policymakers, the media, non-governmental organisations ('NGOs') and the public. We need to deepen our dialogue with them and speak openly on important industry issues. Taking this a step further, we've taken their views into account in formulating our five strategic priorities. We've also made it a specific strategic priority to proactively partner with them.

★ New initiatives in 2011

Stakeholder	What matters most to them	Ways we engage
Customers 30 46	• Better value offerings • Faster data networks and wider coverage • Making it simpler and quicker to deal with us • Converged solutions for business customers	Call centres and outlets. Extensive focus groups and customer interviews. ★ Active Twitter and Facebook customer engagement ★ New online portal with greater customer self-service capability ★ Monthly Net Promoter Score interviews done in most markets
Employees 38	• Clear career paths • More knowledge sharing across the Group • Building the coaching capability of leaders • Better understanding of reward structures	Weekly emails, intranet, top management/CEO roadshows, webcasts and dedicated employee call centres. ★ Yammer, an internal conversation platform, launched ★ People Survey conducted across the Group ★ New Vodacom Buzz magazine
Business partners 69	• Fair treatment across the board • Top management involvement with customers • A consistent customer experience • Making it simpler and quicker to deal with us	Dedicated call centres, trade bulletins, allocated business managers, annual business partner conference. ★ Top management one-on-one meetings with key distribution partners
Suppliers 56 69	• Timely payment and favourable terms • Improving health and safety standards • Partnering on environmental solutions • Broad-based Black Economic Empowerment ('BBBEE') compliance	Supplier forums, industry conferences and exhibitions, tender processes and anonymous fraud hotline. ★ 12 key suppliers now transact with Vodafone Procurement Company ★ Monthly and quarterly supplier forums
Government and regulators 67	• Licensing and compliance • Quality of service and network performance • Wider access to broadband communications • Meaningful partnerships in health and education • Investment in disadvantaged communities	Routine engagements by dedicated government relations and regulatory department, formal responses on policy and regulations. ★ Consultation forums ★ Share international best practice through Vodafone relationship
Investors 22	• Manage impacts of growing data business • Scope for higher dividends • Risks and opportunities of expanding in Africa • Transparent executive remuneration	Results presentations, webcasts, conference calls, dedicated website portal, local and international roadshows. ★ Investor day to engage with key executives ★ Independent non-executive Chairman investor roadshow on sustainability, governance and executive compensation
Communities 36 42 67	• Access to mobile communities • Access to basic services such as finance, health and education • Investment in infrastructure • Responsible expansion of infrastructure	Vodacom regional teams, Vodacom Foundations, via local governments and associations. ★ Vodacom Change the World, a CSI project with customer volunteers ★ Vodacom Red Alert, SMS based fund raiser

The benefit of more meaningful engagement with the people that keep us in business is clear. By integrating what they think into our decision-making, we're able to be more responsive to their concerns and open to the opportunities they point out. Stakeholder engagement is an important agenda item for our Board and Executive Committee. While this critical function is managed by Group Corporate Affairs, the relevant units in our operating companies interact directly with their stakeholders.

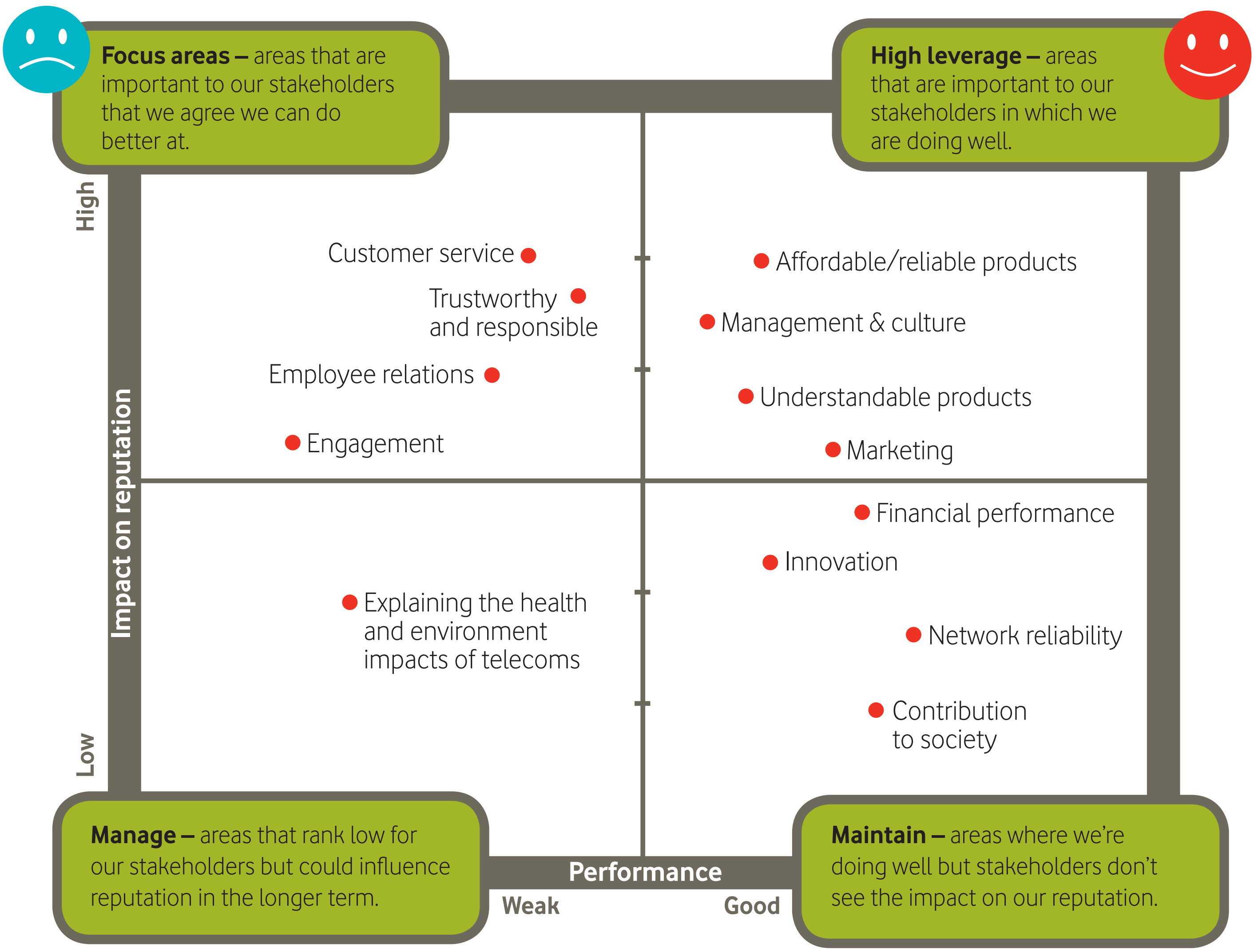
We communicate with stakeholders on an ongoing basis and in the most appropriate ways given our diverse stakeholder relationships.

for details on the mechanisms available to stakeholders should any disputes arise visit the sustainability section on **vodacom.com**.

In 2011 we contracted Globescan and Ipsos Markinor to conduct a comprehensive Reputation Survey. It was very broad and detailed, covering all the countries in which we operate. Approximately 2 600 questionnaires were submitted, including 1 800 members of the general public (some of whom are our customers), and 500 Vodacom employees. Key business accounts and partners, suppliers, franchisees, distributors, regulators, NGOs, financial analysts and investors were also part of the sample.

The study helped us to understand our stakeholders' concerns and deal with them more effectively. It showed us where we need to focus our attention in the year ahead. It also indicated what our stakeholders consider our reputational value drivers to be. Our performance against each driver is shown below.

Stakeholder perceptions of our performance against key reputation value drivers



for the list of the questions posed in our Reputation Survey see the sustainability section on **vodacom.com**.

What we live for

Red is refreshed refocused reorganised

To become a Purpose Based Organisation we've designed one simple and clear framework that says WHY we exist, WHERE we are going, WHAT we need to do and HOW we need to do it. We've refreshed our brand, refocused our strategy and reorganised our business according to this framework.

We've gone from cool blue to red hot.


WHERE we are going
OUR VISION
To make every customer smile
We've turned our vision around to focus on our customers – we've got lots to do to make our new vision real but we're concentrating on doing exactly that.
Everyone should know why they get up in the morning. Here's our reason.
OUR PURPOSE
WHY we exist
Connecting YOU
Creating possibilities
Changing lives
This is everything we are doing boiled down to five simple points.
OUR CULTURE
the Vodacom Way
Speed, Simplicity & Trust
HOW we need to do it
OUR STRATEGY
• Grow passionate promoters by dramatically improving the customer experience
• Actively create an environment for our people to excel and grow
• Put the power of the internet in people's hands
• Together drive operational excellence
• Proactively partner with our stakeholders
WHAT we need to do
This is the antidote to bureaucracy, if something fails this test, we find another solution.

How we're managed

Good governance is the foundation from which we build and sustain value.

It's about an evolving system with an unchanging objective – to ensure ethical management and responsible control. It's about carefully weighing up risk and reward. It's about balancing the interests of our stakeholders but always fulfilling our obligations. It's about understanding that our licence to operate is a privilege and not a right.

Ethics

We choose to be an ethical company. Our code of conduct sets out our business principles and provides guidance to employees on how to apply them. Our business principles clearly state what is expected from us, forming the basis for the Vodacom Way.

Key developments

- We established ethics committees in all our mobile operations.
- We continued our ethics training programme.
- We completed our ethics risk survey for South Africa.
- We launched our new code of conduct.

73 for our business principles.

Governance

Good governance is fundamental to business sustainability. We continue to make sure that our governance structures support effective decision-making and robust control, and are aligned to changing requirements as well as local and international best practice.

Key developments

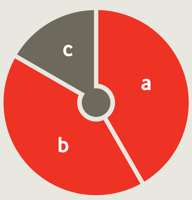
- We conducted a detailed review of the Group's King III compliance and have disclosed the areas where we don't comply in our governance report.
- Our Audit Committee revised its mandate to include risk management and became the Audit, Risk and Compliance Committee.
- The Board set-up a Social and Ethics Committee on 1 April 2011 to oversee economic development, social responsibility, consumer relations and employee-related activities.

74 for our abridged corporate governance statement.

Board structure

We have a unitary Board with 12 directors, the majority of whom are non-executive directors. Our Chairman is an independent non-executive director.

Board composition



- **a** Independent non-executive directors 5
- **b** Non-executive directors 5
- **c** Executive directors 2

Risk management

There is no opportunity without risk. We have the right structures in place to identify, monitor and manage our risks effectively. Risk is managed at three distinct levels in the Company – the line manager at operational level, the Risk Group and the Risk Management Committees.

Key developments

- We established Risk Management Committees in all our mobile operations.
- The Group Risk Management Committee, which met four times over the year, now reports into the Audit, Risk and Compliance Committee.

Our major strategic risks are:

1. Regulatory decisions and changes in regulation;
2. Increased competition;
3. Unpredictable political, economic and legal risks;
4. Customer registration; and
5. Major network and billing infrastructure failures.

78 for our risk management report.

Remuneration

Our remuneration policy aims to attract and retain leaders of the highest calibre, while making sure that our executives are compensated according to their performance. This is measured not only in terms of financial and strategic delivery but also how faithfully they apply our business principles.

Key developments

- **Guaranteed packages** – 8.5% annual increase awarded to executive directors in line with overall employee increases.
- **Short-term incentives** – one of our four targets were met; one was exceeded and the two that were not met, were still within threshold, resulting in bonus payments to disclosed executives of between 60% and 125% of guaranteed packages.
- **Long-term incentives** – share allocations to disclosed executives were based on 2010 performance and ranged between 90% and 112% of guaranteed packages.

81 for our remuneration report.

Executive Committee structure

We put a new Executive Committee structure in place to implement best practice across the Group and take out duplication.

Who governs us

Mthandazo Peter Moyo

Independent non-executive director (48)
Chairman of the Board
Appointed Chairman in May 2009.

- Financial, corporate and governance expertise
- Government relations experience
- Entrepreneurial flair

Petrus Johannes Uys

Chief Executive Officer and executive director (48)
Appointed in April 2004.

- Strategic vision
- Operational leadership experience
- Specialist technical expertise

Morten Lundal

Non-executive director (46)
Appointed in November 2008.

- Understands international best practice
- Organisational leadership experience
- Strategic commercial vision

Paolo Bertoluzzo

Non-executive director (45)
Appointed in January 2010.

- Technical insight
- Knows worldwide best practice
- Operational and strategic leadership experience

Michael Joseph

Non-executive director (65)
Appointed in May 2009.

- Understands innovation
- Strategy and business leadership experience
- Emerging markets expertise

Nicholas Jonathan Read

Non-executive director (46)
Appointed in September 2010.

- Operational best practice
- Insight into diverse multinational organisations
- Financial focus

Thoko Martha Mokgosi-Mwantembe

Independent non-executive director (49)
Appointed in May 2009.

- Technical insight
- Strategic marketing focus
- Expertise in innovation

Phillip Jabulani Moleketi

Independent non-executive director (53)
Appointed in November 2009.

- Corporate leadership
- Understands public sector relations
- Corporate and strategic leadership experience

Thomas Andrew Boardman

Independent non-executive director (61)
Appointed in February 2009.

- Corporate leadership experience
- Expertise in sustainability management
- Entrepreneurial outlook

Ronald Adrianus Wilhelmus Schellekens

Non-executive director (47)
Appointed in February 2009.

- Expertise in human resources best practice
- Understands corporate best practice
- International operational experience

Robert Andrew Shuter

Chief Financial Officer and executive director (43)
Appointed in July 2009.

- Financial expertise
- Corporate leadership experience
- High-level strategic planning

Albertinah Kekana

Independent non-executive director (38)
Appointed in May 2011.

- International financial and investment expertise
- Corporate leadership
- Knowledge of best practice in corporate governance

For full CVs of our Board of directors scan the barcode or visit **vodacom.com**.

Who leads us

Andries

Andries Daniel Jan Delport

Chief Technical Officer (46)

- 15 years at Vodacom
- In-depth technical knowledge
- Systems expertise
- Expert in product deployment

Mpho

Mpho Nkeli

Chief Human Resources Officer (47)

- Joined Vodacom in 2011
- In-depth knowledge of human resources
- Expertise in change management
- Empowerment and transformation know-how

Rob

Robert Andrew Shuter

Chief Financial Officer (43)

- Two years at Vodacom
- Financial expertise
- Corporate leadership experience
- High-level strategic planning

Pieter

Petrus Johannes Uys

Chief Executive Officer (48)

- 17 years at Vodacom
- Strategic vision
- Specialist technical expertise
- Operational leadership experience

Vuyani

Vuyani Jarana

Chief Operating Officer: Vodacom SA (40)

- 16 years at Vodacom
- Practical knowledge of markets
- Keen understanding of customers' needs
- Focus on service delivery

For full CVs of our Executive Committee scan the barcode or visit **vodacom.com**.

Johan

Johan Dennelind

Chief Executive Officer: International (41)

- Joined Vodacom in 2010
- Understands international best practice
- Emerging markets experience
- Operational leadership

Nkateko

Nkateko Nyoka

Chief Officer: Legal and Regulatory (48)

- Four years at Vodacom
- Legal and regulatory expertise
- Public sector insight
- Stakeholder relations

Portia

Romeo

Romeo Kumalo

Chief Commercial Officer (39)

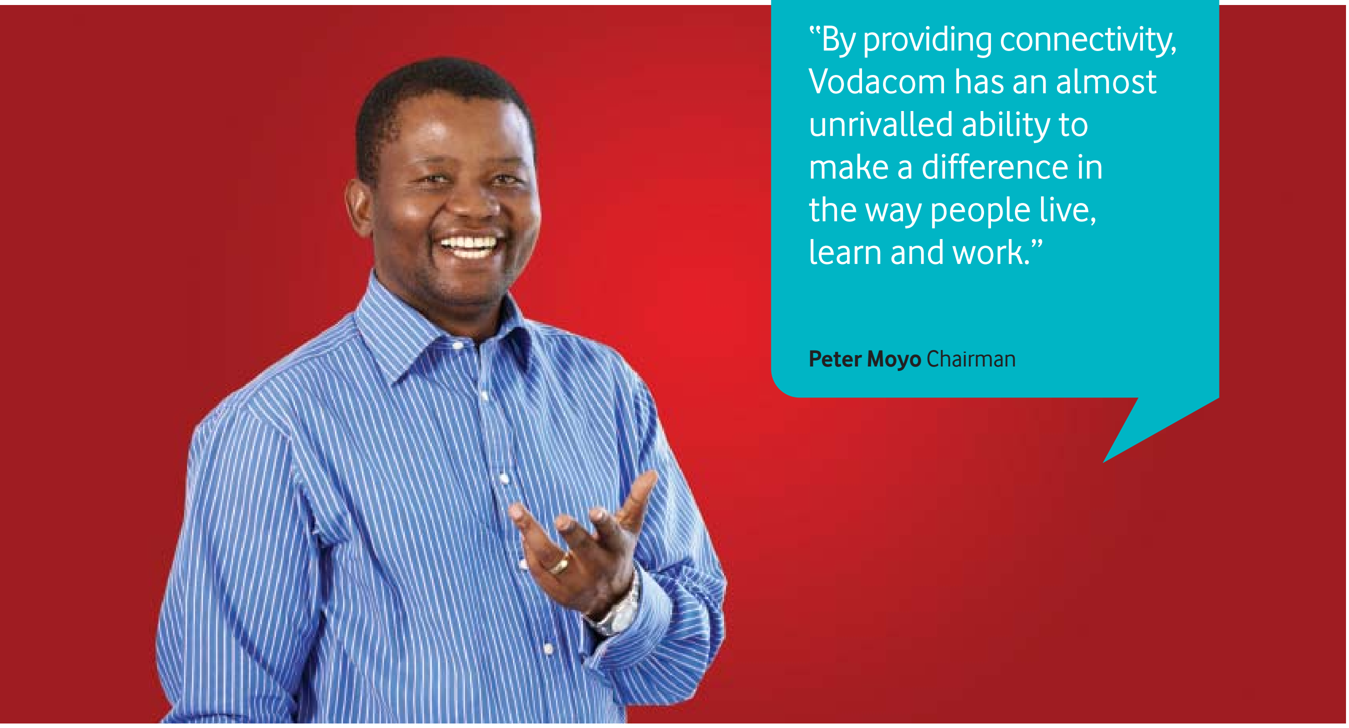
- Seven years at Vodacom
- ICT sector expertise
- Insight into other emerging African markets
- Understands customer needs

Portia Maurice

Chief Officer: Corporate Affairs (46)

- Joined Vodacom in 2010
- Business, entrepreneurial and public sector experience
- Media and ICT sector expertise
- Reputation and brand management

Chairman's statement



"By providing connectivity, Vodacom has an almost unrivalled ability to make a difference in the way people live, learn and work."

Peter Moyo Chairman

Over the past year we expanded coverage and increased network capacity, rolled out new products and services to the benefit of all customer groups, and at the same time managed to reduce prices and offer greater value.

A reporting revolution

You are reading our first integrated report. It has been produced according to King III's reporting recommendations and represents a revolution in corporate reporting. I say this because it is the end result of a fundamental shift in Vodacom's strategic process. Stakeholder concerns and sustainability issues now inform and guide management's decisions and actions, rather than being seen as somehow separate to doing business and delivering returns to shareholders.

Strategy and operational performance

While the process of integrated reporting evolves at Vodacom, it is appropriate that the Company's performance for the 12 months to March 2011 is measured according to the strategic focus areas outlined in last year's annual report. Overall performance was strong, with headline earnings per share increasing 28.6% to 656 cents and dividends growing 61.4% to 460 cents per share.

Buoyed by improved economic growth and consumer confidence, the Group made good progress in growing the core mobile business. Total mobile customers were up 9.0% to 43.5 million. The South African business, which makes up 95.4% of Group EBITDA, performed well with service revenue up 4.7%. Through targeted promotions such as Night Shift (free calls from 12am to 5am) and the R29 recharge voucher, we reduced the effective price per minute in South Africa by 11.3%.

The Group also delivered strong growth in mobile data. Revenue for this segment rose 35.5% despite the effective price per MB decreasing 17.4%. The number of customers using data increased 39.4% to 10.2 million.

Vodacom's international strategy has two legs. These are to improve the performance of existing operations and to investigate sub-Saharan expansion opportunities. The steps taken to improve returns, which included the appointment of Johan Dennelind as CEO for the International operations, were largely successful with growth resuming. Limited progress was made in resolving the shareholder issues in DRC. Although we examined a number of opportunities for expansion, none met the Group's investment criteria.

Meaningful contribution

In the mid-1990s, Vodacom partnered with the South African Government to deliver access to telecommunications to as many people as possible. Thanks to the foresight of Government and the dedication of Vodacom employees, this partnership proved very successful with more than 100% mobile SIM penetration achieved this year in South Africa.

We are now at similar crossroads with data. Access to connectivity has the potential to transform education and healthcare, and accelerate economic growth and job creation. By investing in our networks to widen data coverage and introducing low-cost internet capable handsets and revolutionary devices like the Vodafone WebBox (which brings the internet to any television), Vodacom is realising the potential of mobile connectivity. However, as the experience of the mid-1990s taught us, co-operating deeply with governments and tailoring our activities to support national development goals can take our contribution to an even higher level.

The other side of this is to communicate openly with governments about the factors that restrict our ability to deliver on the promise of mobile connectivity. Foremost among these are access to sufficient spectrum and processes that slow the installation of new base stations.

Introspection and rejuvenation

By the time this report is published, Vodacom will have completed one of the most momentous changes in its 17-year history. The familiar blue and green logo has been replaced with new, but also familiar, red branding adopted from Vodafone. There are obvious benefits to aligning our branding and leveraging Vodafone's global presence, but for Vodacom the benefits and changes run much deeper than simply changing colour.

During the year the Board and management closely examined how we operate and how we want to operate. For the Board, this meant bringing in an outside expert to review our effectiveness and the performance of individual members. The review found that certain issues, such as succession planning, need more attention. On this score we have changed our approach to make sure a more robust process is in place.

We also completed a thorough review of our compliance with King III. One outcome was to create a Social and Ethics Committee tasked with monitoring sustainability progress. In addition we developed a new code of conduct, aligned to Vodafone, which sets out our business principles and provides practical guidelines for employees.

The management team took on an even more ambitious transformation programme during the year, which examined organisational culture and identified barriers to performance. They then mapped out a process to take the Group from its current makeup to one that more truly represents wider society, especially in South Africa.

The Group's Executive Committee has also been restructured. It now has seven functional heads serving both the South African and International operations. This change reflects the wider process throughout the Company to simplify reporting lines, remove unnecessary layers and create clear accountability.

The brand alignment with Vodafone also highlights the value of this relationship for Vodacom. The benefits include sharing ideas and best practice, gaining purchasing leverage, promoting employee mobility, benchmarking against our global peers and making sure that we retain our lead in technology.

Due credit

It takes a special organisation to reinvent itself while retaining the energy and drive that made it successful in the first place. The credit for this belongs in large part to the management team. It is therefore with some sadness that we say goodbye to Shameel Joosub. Shameel's promotion to CEO of Vodafone Spain demonstrates how our ties with Vodafone open up new possibilities. We'll watch his progress with pride. In addition to thanking Pieter Uys and his team for piloting Vodacom through a time of great change, I'd also like to thank my colleagues on the Board for their guidance and support. This year we said goodbye to Phuti Malabie and Richard Snow, and welcomed Albertinah Kekana and Nick Read.

Looking forward

Mobile communication has given way to a new era of mobile connectivity. This has the potential to power a new wave of development everywhere we operate. It's entirely fitting that in the face of the mobile revolution we have fundamentally shifted the way we do business and how we report to our stakeholders. Over the next year, Vodacom will focus on delivering against the five strategic priorities set out in this integrated report and by doing this will make sure the change to red is anything but cosmetic.

I am confident that, thanks to the changes set in motion this year, we will demonstrate to the people who keep us in business – from customers and employees to legislators and communities – that their goals and aspirations are indeed fully aligned with those of our shareholders.

Interview with the CEO

"Under the skin of our brand refresh are sweeping changes happening at every level of the organisation."

Pieter Uys CEO

We've taken a good hard look at what we need to do to improve the customer experience. We've restructured, refocused, and reorganised to regain the agility and creativity that made us successful. Every single one of us has a common purpose that gets us up in the morning. Together, we're doing what we need to do to make every customer smile.

Q Walk us through the year – what were the highlights and what didn't exactly go to plan?

A I've been with Vodacom since the beginning in the early 1990s and I don't think we've ever had a year quite like this.

Operationally and financially I think we've got lots to be proud of. Customer numbers increased 9.0% to 43.5 million, data revenue grew a huge 35.5%, and free cash flow was up 22.4%. I'm very pleased with the increase of more than 60% in dividends. This supported total shareholder returns of 51%, the best in the industry. At the same time, we invested R6.3 billion in our networks. In South Africa, we have replaced a third of our old radio equipment and added 577 new base station sites. The cherry on top was delivering on our R500 million cost-efficiency programme.

In any normal year, this activity alone would have been more than enough to keep us busy. But we also managed to plan and pull off a massive brand refresh, which touched just about every area of the company. Supporting the brand refresh, we also kicked off wide-ranging internal changes to improve our network, the customer experience and the value we offer.

The positives this year far outweighed the negatives, but I would have liked to have seen more progress in finding a solution in DRC and better returns from Vodacom Business Africa, which is a spin-off from the Gateway acquisition. Our mobile money transfer service, Vodacom M-Pesa, while successful in Tanzania, hasn't yet gained the critical mass that we're looking for in South Africa, but we're taking steps to fix this.

Transformation is another area where we need to make serious progress. Vodacom isn't yet representative enough of the wider society we operate in, so we've started a programme at all levels of the business to change this. Each and every department has completed a plan with specific transformation targets, and bonuses are now tied to performance against these plans. This process won't be done in a year but I do expect to report significant progress by next year.

Q How do your five strategic priorities tie in with your old four-pillar strategy?

A Most businesses, Vodacom included, have historically managed stakeholder and sustainability issues separately to what was seen as the core activity – making money and keeping shareholders happy. In fact, we managed to make things more complicated with separate strategies for business, sustainability, risk management and stakeholder engagement.

Looking at it now, it clearly seems confusing and over-complicated when all these things are actually interrelated. What good is a sound approach to business if you put stakeholder issues on the backburner and don't pay enough attention to government or community issues? Can we really continue to create and sustain value if we don't respond proactively to the longer-term risks threatening society and the environment? Does it really make sense to have a separate annual report and sustainability report if sustainability is fundamental to our business strategy?

These were the kind of questions we asked ourselves before deciding to change our approach to strategy and reporting, the end result of which is the report you're reading now. The starting point of this process was to identify the most important issues across all stakeholder groups. These were then grouped into five strategic priorities.

Our five strategic priorities:

- **Grow passionate promoters by dramatically improving the customer experience**
- **Actively create an environment for our people to excel and grow**
- **Put the power of the internet into people's hands**
- **Together drive operational excellence**
- **Proactively partner with our stakeholders**

see **vodacom.com** for a CNBC interview with Pieter on the year's performance.

Q
What keeps you awake at night?

A The only thing affecting my sleep is all the energy and excitement around the changes we're making. I also spend a lot of time thinking about how we can use our technology innovatively to support meaningful development in important areas like education and healthcare. This isn't about philanthropy; it makes good business sense. The future of our business depends on a healthy and well-educated customer base and a growing economy.

If the question is what concerns me most, I have to say that access to additional spectrum and the planning issues holding up the expansion of our network are probably top of my list. We've also got to do more on the cost savings front to offset at least some of the revenue impact of lower mobile termination rates.

Q Surely it's hard to change if you're still the same company with the same people?

A Implementing real change is tough, which is why the integrated approach to strategy and reporting is only a small step in a much bigger change. Just 17 years ago, Vodacom was starting up. Today we've got over 43 million customers. Somewhere along the way we got too bureaucratic and complicated and started losing some of the characteristics that made us successful.

With the advent of mobile data, smartphones, tablets, social media and email, the world has changed fundamentally and so has our business. It's not just about making a call anymore; it's about providing connectivity that creates possibilities and changes lives. We're seeing stellar growth in data use and we need to regain that start-up mentality to ride this next wave.

Vodacom is full of really good people and we need to let them get on and do their jobs. We've started removing the shackles that are stifling our creativity and agility. We're changing policies and procedures, taking out management layers and cleaning up reporting lines. We're empowering each and every employee to solve problems for customers, whether they are customer facing or not. Above all, we're making sure that everything we do is aligned with our values of speed, simplicity and trust.

These changes start from the top. We've restructured the Executive Committee to include seven functional heads supporting both our South African and International operations. This has cut down on duplication and means I get unfiltered input. In addition to the commercial, operations, finance and technology functions, we've added our corporate affairs, strategy, legal and human resources heads to the table. We've also recruited an experienced CEO to focus on our International operations and make sure they perform to their potential.

Q Was it really necessary to change the logo and colour? Why not spend that money on something customers really want?

A There's absolutely no doubt in my mind that refreshing our brand identity was the right call. In 2011 Vodafone was ranked most valuable global telecoms brand and fifth most valuable brand in the world according to Brand Finance plc. We can now capitalise on this brand strength, besides the other huge advantages that come with the relationship. So whether you're watching Formula 1, IPL or Super Rugby, the familiar logo will remind you we're very much part of a global family.

But the reasons for the change run deeper than this. We also needed to signal to our customers that the new Vodacom means sweeping changes across our network, customer service and value offering. Likewise, our employees needed a tangible break from the past and a high-impact start to a new way of doing things. It's already a customary refrain in the office when an old practice is being challenged: "This is the new Vodacom!".

Since we launched the new Vodacom, we've rolled out a double-speed 43.2 Mbps network in South Africa, enabling 2 000 base stations by the end of May 2011. We've also reduced average effective data prices across the Group by 17.4%. This is just the beginning of what our customers will experience as we go from cool blue to red hot.

Q Where do you go from here?

A We'll continue to roll out coverage and give everyone possible a decent connection. So we're increasing our capital expenditure to R7.7 billion over the next year. This will support the roll out of new 3G base stations and high-speed transmission to most of these sites. We'll also be upgrading more sites to 43.2 Mbps to increase capacity and speed.

We also need to put the power of smartphones that are capable of running an ever growing library of applications within everyone's reach. Thanks to our ties with Vodafone we hope to be able to offer fully functional touchscreen Android smartphones for less than R1 000.

By providing connectivity at the right price, we really do believe we can change the lives of our customers.

Scan the barcode to watch our 'Vodacom is Red' video or visit **youtube.com/vodacomtv**.

Interview with the CFO

"We wholeheartedly subscribe to the old adage that you can't manage something if you can't measure it."

Rob Shuter CFO

The move to integrated reporting has given us a whole new set of measurement and reporting challenges. But at the same time it has presented us with a great opportunity to partner with the rest of the business. Thanks to the changes set in motion this year, we're developing new tools to manage – in real time – areas of the business historically only touched on periodically or not at all.

Q What were the outstanding features of this year's results?

A The main stories were the good South African performance, some disappointment from the International operations, and the strong data performance.

The South African business had a lot to deal with this year. RICA, price competition, a complex network build specifically for the FIFA World Cup, lower MTRs, a new competitor and the brand refresh all came together. To deliver the results they did was commendable. In particular I was pleased to see the growth in customers, improved contribution margin and very strong growth in free cash flow.

The International operations didn't perform so well, with Gateway the biggest disappointment. Tanzania and Mozambique improved but DRC remains a challenge. Here the economy, regulatory environment and our shareholder relationships have all been difficult.

While voice demand approaches saturation in some areas, data penetration is still low in all of our markets. This year's 35.5% data revenue growth was a real high point and demonstrates its role as an engine for growth. It is not simple to execute well in this area, but we think our combination of brand, network, distribution and product portfolio gives us a unique advantage.

Q Do you think you can sustain positive growth in revenue?

A Yes. Our medium-term guidance is that we expect to see Group service revenue growth in the low single digits. So unpacking the main drivers of revenue growth, you'll see the reduction in interconnect rates and a lower volume of calls from fixed lines took a R1.5 billion bite out of revenue. The main item offsetting this loss in interconnect revenue was data revenue growth of R1.7 billion. While PC connectivity revenue accounted for three-quarters of data revenue, smartphone data revenue is a fast growing contributor. We also benefited from decent growth in mobile voice, with customer growth and increased usage offsetting lower prices. SMS usage increased, helping to drive messaging revenue growth of 7.7%.

Q Can you deliver further cost savings on top of those achieved this year?

A The team did a great job to deliver on the cost-efficiency programme this year. It's not easy to manage operating expenses down to inflation levels in our business, especially when there is high volume growth on the network in terms of minutes, data and customers.

Two-thirds of our costs sit in direct expenses and to manage this we focus on the contribution margin (revenue less direct expenses as a percentage of revenue). By optimising our customer acquisition and distribution costs we've managed to improve this margin in South Africa and for the Group as a whole. This is where the lion's share of the cost-efficiency programme came from. We had also set ourselves the target of keeping the headcount stable and in fact managed to reduce headcount slightly, with a resulting increase in employee expenses of 6.9%[*]. Optimising our publicity spend by reducing the number of sponsorship properties and increasing our promotional advertising spend resulted in the publicity spend as a percentage of revenue remaining flat (excluding the cost of the brand refresh). Delays in rolling out fibre-optic cables resulted in missing our target for transmission savings, although we still expect to see these savings in the new financial year.

Overall, we aim to steadily improve our EBITDA margin and have various programmes in place to drive operational excellence across the business, but a lot will still come from the direct expenses.

Q Why did you have to impair Gateway a second time?

A The Carrier Business is performing relatively well compared to their plans, but we have taken a more conservative view on long-term growth rates given the pricing trends in that market. We therefore reduced the valuation of that business. On the Vodacom Business Africa side, the valuation was affected by the current trading performance, particularly in Nigeria where price competition has been a major factor. We are left with a net asset value of US$72 million for Gateway, which we think is reasonably conservative.

Q Was there not room to set a higher dividend payout ratio?

A This year we had free cash flow of R8.8 billion, most of which was distributed to shareholders. We completed a R1 billion share repurchase in the first half of the year, which was as much as we could do given the size of the free float. On top of this we declared a total dividend of approximately 70% of headline earnings per share, or R6.8 billion. Total shareholder returns were 51.0% , well ahead of the ALSI Top 40 of 15.4%.

Despite our capital expenditure of R6.3 billion this year, we reduced our net debt by R2.7 billion. This leaves us with net debt to EBITDA falling from 1.0 times two years ago to the current level of 0.5 times. The positive side of deleveraging the 'balance sheet' (now called the statement of financial position) has been a big reduction in finance charges.

The dividend payout ratio has picked up relatively quickly over 18 months, moving from 40% to 60% and then paying 80% in the second half. So we have changed our target from 'approximately 60%' to 'at least 70%' of headline earnings per share. This gives us more flexibility in the medium-term. Ideally we would like to maintain the gearing we've got and if there was M&A (although our appetite is currently not matched with opportunities) or a share buyback opportunity, we would gear up again. We don't want to set a target that we would have to pull back from.

The pages that follow explain our progress on these objectives.

What we want to achieve

- Create a culture that empowers employees to make every customer smile
- Build wider, deeper, faster, better, smarter networks
- Provide more value
- Excellent service across all touchpoints
- Build trust by protecting our customers and partnering with them to do good

Grow passionate promoters by dramatically improving the customer experience

Why this is so important to us

Holding on to our customers is vital to our sustainability, especially in a highly competitive industry. We want all our customers to keep on doing business with us and to recommend us to others. This means we have to deliver an excellent experience. We have to provide our customers with a super-connected global network, great value and excellent service. When customers interact with us we must delight them, even surprise them, never disappoint them.

How we measure our performance?

Our most important measure is what we call our Net Promoter Score ('NPS'). Vodafone uses this to monitor customer happiness in most of its markets. It is simply a measure of how likely our customers are to recommend us to their family, friends and colleagues – and how likely they are to recommend our competitors. We implemented NPS in South Africa and DRC in 2011. In the year ahead we'll implement it in the other markets we operate in.

The great stuff we did this year

- Number one in NPS in all markets we measured
- Involved our executives in customer focus groups and customer days
- Improved our customer touchpoints
- Established active engagement with our customers on Twitter and Facebook
- Offered more value, bringing the effective price per minute down 18.0% across the Group
- Added 3.6 million new customers to bring Group customers to 43.5 million
- Launched Vodacom Change the World and Vodacom Red Alert initiatives with customers

The stuff we didn't do well this year

- Delayed network rollout in some countries due to slow approvals and equipment deliveries
- Second place in Vodafone voice quality tests
- Limited progress in encouraging customers to dispose of handsets responsibly

Our 2013 goal

We aim to be

No 1

in NPS in all our markets across all customer touchpoints.

Create a culture that empowers employees to make every customer smile

This year was a revolutionary one for us. We made great strides in fundamentally changing our business. We put our customers at the heart of our business, aiming to listen better and really understand what they want from us.

What customers want is a much better experience in the quality of our network, the value we offer and the service we deliver. Underlying this is our ability to build trusting relationships with our customers. Protecting our customers and partnering with them to make the societies they live in better, is a great way to build trust.

To get all of these things right starts with our people, at every level of the business. This year we started actively involving all our employees in understanding our customers better. Our customer experience management team hosted several employee workshops in South Africa. They shared customer insights and recommended new ways of pleasing customers. Our executives also got involved, dealing with customers directly.

We now have customer days every month, which our executives take part in. Dealing with customers helps them understand, first-hand, what our customers want and how they experience us. We also launched an employee hotline in South Africa aimed at solving customer issues on the spot.

38 for more information on all the things we're doing to help our employees make every customer smile.

Build wider, deeper, faster, better, smarter networks

First of all, we need to make sure our customers have mobile network coverage. In some countries simply providing basic access to voice services is a big challenge. In others, the challenge is to provide sophisticated high-speed data services that put the power of the internet in people's hands.

This year we spent R6.3 billion on widening our voice and data coverage and increasing capacity. In South Africa we spent R5.1 billion, 11.5% more than the year before. We spent most of this on building our data networks. But we also invested to improve the quality and expand the coverage of our voice network. We added 577 new base station sites to a total of 8 394, slightly increasing coverage to 99.5% of the population. While there are isolated communities in South Africa that still do not have access to mobile communications, we connect more of them every year.

In our International operations blended mobile penetration is still low at an estimated 26%. We spent R1.2 billion, adding 177 new base station sites. This allowed us to widen our coverage in Mozambique and Lesotho and to increase capacity in DRC and Tanzania.

A great story

The rural community of Gogogo in Limpopo province is home to about 800 people who have until now had no telecommunication services. Most don't have cars or access to transport and so felt cut off from the rest of the world. That all changed when Vodacom put up 2G and 3G base stations this year and connected the primary school to the internet.

Now people are able to run businesses from their homes and the youngsters of the community are learning about the world of opportunity out there.

Scan the barcode for the full story or visit **vodacom.com**.

Scan the barcode for a short YouTube video on how mobile networks work or visit youtube.com/vodacomtv.

When customers make a call or log on to the internet, either from their mobile handsets or modems on their computers, they expect an uninterrupted connection. We're obsessed about network quality; every day we measure how well our networks perform. We measure network availability, how easy it is to make a call (call setup success) and how often the call is lost or dropped (call retention rate).

The main factors that affect network availability are transmission and electricity supply. For both of these we often have to rely on third parties. This year we invested in providing more of our own transmission infrastructure and in replacing our radio access network ('RAN') with the latest technologies. This will improve our network quality and increase network data speeds. It will also bring down costs and reduce our environmental impact. We have swapped out a third of our base station sites in South Africa and plan to do more in the year ahead. Unfortunately, during the replacement of old equipment, network quality sometimes takes a short-term dip while reoptimisation is in progress.

We measure our network quality against our competitors in all our countries. In South Africa and Tanzania we get independent quarterly network quality tests done. In South Africa we take part in the annual Vodafone network quality exam. This measures our voice and data network quality relative to our competitors. **On data performance we were first in three out of four categories, but in voice we were placed second.** Although this had a lot to do with the RAN upgrade, we were still disappointed with the results. We plan to upgrade a lot more sites in the year ahead, so monitoring and optimising voice quality during the process will be an ongoing challenge.

46 for more information on how we're putting the power of the internet in people's hands by building wider, deeper, faster, better and smarter networks.

Provide more value

Being part of Vodafone we can buy handsets at the lowest possible price. We work with colleagues in countries like India and Turkey to specify new handset requirements from suppliers. This allows us to make sure that they are affordable and relevant to our customers' needs. This year Vodacom sold a record 8.7 million handsets across the Group, up 35.7% on the year before. We provided cheap handsets for basic voice and SMS services, as well as the latest smartphones. This pushed equipment revenue up 15.2% to R6.4 billion. Thanks to our sophisticated supply chain, we are able to get devices into the hands of most customers in South Africa within 48 hours of receiving orders.

Some 14.2 million of our 24.1 million prepaid customers use our Vodacom 4 Less product in South Africa. By offering discounts, in some cases up to 100%, we made calls even more affordable. Contract customers were offered more free minutes on weekends and at night. In Lesotho, we lowered prices in August and November 2010, while in the highly competitive Tanzanian market we cut prices throughout the year.

Product focus: Top selling devices

Vodafone 345 – ULCH

- QWERTY type handset with basic functionality
- Retail selling price was R199 (incl VAT)

Vodafone 250 – ULCH

- Colour screen, FM, Torch
- Retail selling price was R99 (incl VAT)

BlackBerry 8520

- Retail selling price was R1 999 (incl VAT)

This year we focused on offering our customers more value, not only through lower prices but through many promotions. This resulted in the effective price per minute across the Group coming down by 18.0%. In Tanzania, the effective price per minute has plummeted by almost 60% over the last 18 months.

We offer a free Please Call Me service in most of our mobile operations. Across the Group, more than 700 million Please Call Me messages are sent monthly. Combine this with a SIM that can be bought for R1(#), and a voice connection is as close to zero cost as it has ever been.

In March 2010 and March 2011 interconnect rates were reduced in South Africa. This was in line with agreements with the regulator. In effect we lowered what we charge other operators to terminate peak calls on our network by 18.0%.

Historically, we have been weak in the youth market. Although Vodacom is an aspirational brand, we were not seen as affordable enough for young people. So this year we launched Vodacom Color for customers under 25. It offers them far more value through a bundle of relevant services. It has enjoyed strong take-up with over 360 000 registered customers at 31 March 2011. We were really excited to be named by the youth as the top telco brand in the Sunday Times Generation Next 2011 Brand Survey.

Excellent service across all touchpoints

Customer delight means ensuring an excellent experience no matter how people choose to interact with us. The challenge is that we don't control every touchpoint that customers use. Customers can sign up with us or buy airtime at thousands of different outlets. When they buy content from a third-party content provider, their bill comes from us. If there's a problem, we are their point of contact.

Service improvements to make every customer smile:

Sign on

After signing a new contract, customers often leave our stores not knowing how their devices work, and then struggle to get connected.

We'll be working to change this. We're going to have highly trained technicians available in some of our busiest Vodacom shops so our smartphone and laptop customers can go on their way properly connected and knowing exactly how their devices and services work.

Walk in

We have over 400 Vodacom branded stores of which 278 are in South Africa.

When a handset or modem is faulty, customers look to us to help them, not the equipment vendor. That's why we started Vodacom Repair (previously called Vodacare) with 40 centres across South Africa. This has been a great success story for us, setting us apart from our competitors.

We now offer our contract customers a loan phone when their handsets go for repair and replace faulty modems for free. We're also revamping our Vodacom Shop experience.

Call in

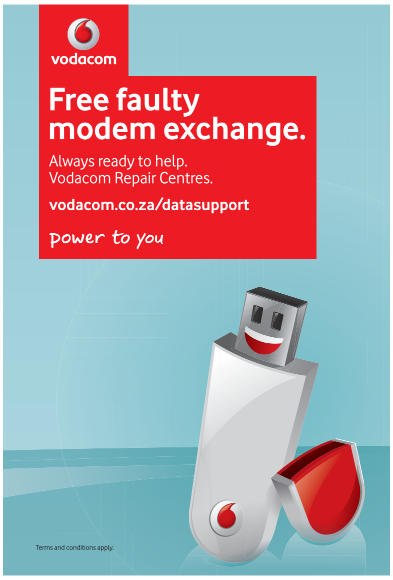
An important touchpoint for our customers is our call centres. We need to make sure we provide a faultless call centre system, expert advice and a high rate of first-call resolution.

Our call centres take more than 16 million(#) calls every month. We are always looking at improving our interactive voice recognition ('IVR') services and set ourselves tougher first-call resolution targets. We have upgraded the IVR in most of our countries. We also employed more experts to improve the standard of technical advice we give to customers.

Log in

An increasing number of our customers want self-service options, which are most easily delivered online. We have too many online platforms – somewhere between 20 and 30. Not surprisingly, this confuses customers. We planned to launch a single integrated platform for easier-to-access information and services early in 2011. Unfortunately we missed our deadline.

We finally launched our new online customer service channel in June 2011. This gives customers the option to purchase our services and access care through our website.



We're looking at a number of ways to make sure we can keep our promise of dramatically improving our customers' experience, while giving them the convenience of connecting with us wherever and however they choose. We've got a long way to go, but we're making progress in important areas like our direct interactions with customers, engaging with them through social media and making self-service channels available.

Twitter conversations

sayswho 11 hours
@Vodacom 111 I love this random allocation of free airtime. Thank you!

Vodacom111 19 hours
@rafeeka Hi Rafeeka. Please DM the cell phone number in question so that we may investigate the matter. ^RF

MissSmart
@vodacom: Not a great start to Friday – apologies to everyone affected. Service is being restored in the affected areas. ~» thank u!!!!

PaulBryant 20 hours
@Vodacom111 Hi Mate.. please call me as my problems will require more than 140 characters!

degrumpys
@vodacom Decided to go with #Vodacom, purely based on the fact that they sent me a tweet offering assistance.

mrcool
One thing I have to compliment @Vodacom111 and @vodacom on is the speed of response to queries.

A great story

Twitter & Facebook

Seven days a week, a dedicated social media team tweet and post to tens of thousands of online customers in South Africa. They tell them what the company is up to, new deals, share fun stuff and respond directly to questions and complaints. Scan the barcode to learn how and why Vodacom is using Twitter and Facebook to connect with our customers in a brand new way.

Build trust by protecting our customers and partnering with them to do good

Besides providing our customers with a super-connected global network, great value and excellent service, there are other important ways in which we gain their trust.

Protecting our customers
Customer information is confidential and it's our responsibility to protect it. Our responsibility extends to protecting children from adult content and preventing fraudsters from preying on our customers. We have well-developed systems and procedures in place to protect our customers on all these fronts.

In South Africa, to discourage the theft of mobile phones, we blacklist all Vodacom handsets reported as stolen so they can't be used on other mobile networks.

In South Africa, our customers can bar adult content on most handsets by dialling *111*123# from the phone concerned. To unblock, customers need to visit a store with their identity document.

A great story

Helping out where we're needed

In 2008, the Inhambane province in Mozambique was affected by severe floods that destroyed crops. We stepped in and helped out with over 1 000 kg of seeds, which helped recover some losses. We also sponsored training sessions to improve the technical knowledge of local farmers. We were so pleased by the results we decided to sponsor the 2010 harvest too. The project benefited 400 farmers and their families.

Partnering with customers to do good

Another way of building strong relationships with our customers is to work with them to help communities. We invested R77 million across our operations in 2011 making a difference hand-in-hand with our customers. We spent most of this on using the power of mobile technology to change lives.

Some of our projects are:

Vodacom Change the World

We gave ten customer volunteers a stipend of R120 000 each to work for an NGO for six months. We gave each NGO another R120 000 to cover expenses. Volunteers are tasked with transferring their skills to the NGO they choose. After Vodacom Change the World got widespread publicity, attorneys Cliffe Dekker Hofmeyr offered free legal advice to the participating NGOs.

Vodacom Red Alert

The Vodacom Red Alert programme was launched in Tanzania and South Africa in 2010. This allows the public to donate money to the victims of natural disasters by SMS.

Together with our customers, we gave R1 million towards the Rescue SA Team of volunteer experts, to help the victims of the Haiti earthquake in January 2010.

We issued other Vodacom Red Alerts in early 2011 in the wake of flooding in the Northern Cape and the major earthquake and tsunami that struck Japan in March 2011. Together with our customers, we gave more than R500 000 to the SA Red Cross to assist victims.

Connect for Change

This initiative connects our sports sponsorships with social investment projects supported by the Vodacom Foundation. Tries for Smiles (rugby) allows customers to donate money for facial surgery. Goals for Miracles (soccer) and Birdies for Kiddies (golf) allow them to raise money for heart, facial and cataract surgery for those who can't afford it.

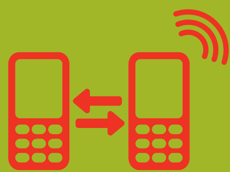
67 for information on our social development projects in health and education.

Reducing our customers' environmental footprint

Our products and services help customers to live and work more efficiently and flexibly. They can also help us all to lessen our impact on the environment.

Customers can drop off their handsets at Vodacom stores to be recycled free of charge. During the year we collected over 165 000[#] handsets, making limited progress in encouraging customers to dispose of handsets responsibly.

We use millions of sheets of paper a year to print bills, so we encourage customers to switch to paperless billing. 50.9% of our contract customers get their bills via email or online, up from 43.0% a year ago.



Some of our customers have raised concerns about the potential health effects of **radiofrequency fields ('RF')**. Mobile phones use RF to send and receive information. Many other everyday items also generate RF, such as TVs, radios and baby monitors. All our mobile phones and base stations are designed to operate within the guidelines for exposure to RF set by the International Commission for Non-Ionizing Radiation Protection (**www.icnirp.de**). In fact, exposure to RF from our base stations is typically hundreds or even thousands of times lower than the guidelines.

65 for more information on radiofrequency fields.

the sustainability section of **vodacom.com** has a lot of information on this topic.

A great story

Vodacom millionaires

Every week almost 8 million people watch a TV programme in which Vodacom gives away prizes worth hundreds of thousands of rands.

In five years 3.5 million customers have won prizes worth R164 million. This year Vodacom Millionaires made eight people millionaires overnight and paid for computer centres, worth R120 000 each, at 48 schools.

One woman leading a small team at Vodacom are responsible for helping people who become rich overnight to use their windfalls to keep living their dreams. Find out why Paula Carvalho-Malekane believes she has the best job in the Vodacom Group.

Scan the barcode for the full story or visit **vodacom.com**.

Making 2012 the year of the customer

In 2011 we made good progress in putting the customer at the heart of our business. We've got lots more to do, but being number one in NPS where we measure it, means we're starting from a firm foundation. But we can't be complacent. We take NPS so seriously that performance on this score is an important measure in deciding management bonuses.

Below is our to-do list of things we're going to do to make every customer smile in the year ahead:

- make sure they leave our stores with their internet, app store and email working properly on their smartphones, tablets or laptops;
- have shorter call times when customers call our call centres and try to resolve their problems on their first call;
- offer more value to customers that sign up for voice and data services;
- shorten the time it takes to open a new account during busy times; and
- offer even lower-cost smartphones.

What we want to achieve

- Build a customer-focused culture that celebrates innovation, success and diversity
- Encourage honest dialogue and work together more effectively
- Radically improve how we do things to put our customers first
- Give fair, competitive and transparent reward and recognition
- Encourage, coach and grow talented leaders
- Develop people's capabilities
- Create a safer place to work

The pages that follow explain our progress on these objectives.

Actively create an environment for our people to excel and grow

Why this is so important to us

We strive to make it easy and exciting for our employees to delight our customers. We're putting more effort into developing talent, which is vital in an increasingly competitive industry. We're also investing more in developing the technical skills we need for a more data-focused future.

How we measure our performance?

We do an annual People Survey that tracks how engaged, well-managed and included our employees feel. Independent consultants do the survey and compare our scores to a high-performing peer group and to Vodafone. We use the Engagement index measure from the survey to check if, overall, we're creating the right environment or not.

The great stuff we did this year

- Restructured the Executive Committee
- Ran the People Survey in all our operations and boosted participation
- Implemented the Vodafone Talking Talent programme
- Spent 22.4% more than last year on training and development

The stuff we didn't do well this year

- Our Engagement index score dropped from 77% last year to 73%
- Limited improvement in diversity measures
- Three fatalities and a high level of contractor safety incidents

Our 2013 goal

We aim to score

>80%

in the Engagement index from our People Survey.

To roll out the new **Vodacom strategy**

our CEO visited ten cities in South Africa, Tanzania, Lesotho and Mozambique.

A great story

In their thousands they came, they saw and they were blown away. Vodacom Group CEO Pieter Uys hit the road to tell employees about going red and about the new Vodacom strategy.

There were lights, cameras, loads of action and plenty of laughs as Pieter and MC Robin Banks had audiences on their feet, air punching and shouting out loud. Vodacom had never seen anything like it.

Scan the barcode for the full story or visit **vodacom.com**.

Build a customer-focused culture that celebrates innovation, success and diversity

Vodacom is a great place to work. Our employees focus on delivering over and above what is expected of them and mediocrity is not an option. But while our business has grown rapidly over the last 17 years, it has also become too complex. This affects our agility and makes open channels of communication more of a challenge.

To fix this we're building speed, simplicity and trust into our culture. First we have to trust that each of us is taking responsibility for making every customer smile. Then we have to simplify our business by questioning our policies and processes and getting rid of those that aren't working. Once that's done, speed will follow. So we've incorporated these three values into the Vodacom Way, which guides the way we do things. It sets out the values and behaviours we need to be admired for by our customers, stakeholders and employees. And that's essential to our continued success.

32 for more information on the Vodacom Way and how we're empowering our employees to make every customer smile.

Our employees' performance and potential are assessed against the standards in the Vodacom Way. These standards are captured in the Manager index of our People Survey. In the latest survey we scored 69% across the Group. This was in line with last year but below Vodafone's average score. We're confident we can improve on this in the year ahead.

We're also changing the way we approach transformation. Building a fully inclusive culture is fundamental to our sustainability as the more representative our people are, the better they'll understand our diverse customer base. Vodafone's appreciation for the benefits of diversity has been of great benefit in adapting our diversity strategy.

In South Africa our diversity strategy has focused on increasing racial representation and women in leadership. Recently we've also focused on increasing local representation in our International operations by recruiting and developing local talent.

In South Africa we started a focused transformation and diversity leadership programme this year. Almost all our managers had attended workshops by the end of November 2010. Action plans, with clear executive responsibilities, have been formulated and approved. The key measures we use to track our diversity progress are shown below.

We measure our success in diversity by the Diversity and Inclusion index in our People Survey. We scored 69% in the latest survey, making no progress on last year and a long way behind Vodafone. This means that we have a lot of work to do to make our people feel that they are treated with respect and valued for their diversity.

73 for our business principles, which are contained in our code of conduct.

In the latest People Survey, 75% of employees agreed that they are treated fairly regardless of gender, background, age or belief.

	Year ended 31 March		
	2011	**2010**	**2009**
Diversity and Inclusion index from People Survey	**69**	69	n/m
Women in senior management (%)[1]	**22.6**	23.5	24.9
Black representation in senior management (%)[(#)]	**44.0**	41.3	38.5
Vacant positions filled by black employees (%)[(#)]	**82.1**	69.1	69.0
Ratio of average basic salary of men to women (times)	**1.4**	1.4	1.4

Note:
1. Excludes Gateway.

for the legal definition of black see page 109 of book 2.

for disclosure of employees by race in South Africa and for our performance on employee representation against the dti's BBBEE Codes visit the sustainability section of **vodacom.com**.

Encourage honest dialogue and work together more effectively

High levels of employee engagement depend on regular, open and consistent communication. So we've done a lot to improve our communication channels in the last year.

Our Group CEO encourages direct communication with him via email and has moved into an open-plan office to be more accessible. Our employee magazine, which is published every two months, now covers all our operations. We also launched Yammer, a hybrid of Facebook and Twitter. Like Facebook, Yammer enables employees to create profiles and connect with colleagues across the company. Like Twitter, Yammer lets them post short updates. However, unlike both of these platforms, messages are never made public.

In South Africa our employees use our intranet to access information on salary, leave, and policies as well as online learning modules and our corporate library. We are busy developing a new Group intranet, which will be available to all our operations. Each section will be customised to include local content and language translations, as needed, over the next year.

A great story

Mrs Mapaseka Maphathe, a Vodacom employee in Maseru, Lesotho, realised that customers were frustrated at having to phone the call centre to find out about their top-ups. She recommended sending customers an SMS to notify them when the service had been activated. This far quicker and easier solution was implemented in February 2011.

Scan the barcode for the full story or visit www.vodacom.com.

Our employees have access to our shared services and employee call centre for routine issues. When they need specialised help, they can turn to a dedicated HR business partner. We have consultative committees in most of our markets, allowing manager and employee representatives to get together on matters that affect the work environment. Some 17.4% (2010: 12.3%) of our permanent employees in South Africa are members of trade unions. There is no union representation in our International operations, except for DRC. There are no bargaining agreements in place with unions and no industrial action took place during this year.

In November 2010 our People Survey covered all our operations for the first time. 84.1% of our employees took part, up four percentage points from last year. We achieved an overall employee Engagement index of 73%, down four percentage points from last year. We believe this was mainly due to the changes in the organisation with new leadership. Although 73% is a healthy score, we aim to improve this score to above 80% by March 2013.

The People Survey highlighted employees' need for:

- More clarity on career paths and career development options
- More knowledge sharing and information across the Group to keep everyone up to date on the business
- Better coaching from managers
- More communication on our reward policy and practices

We partner with employees by getting them involved in our social initiatives, organised through our employee volunteer programme, Vodacom Volunteers (previously known as Yebo Heroes). They can give money through payroll giving where they can choose a beneficiary. They give time by participating in projects like the annual Mandela Day. And they can give items like blankets, non-perishable food and toys that are then distributed to deserving organisations.

Radically improve how we do things to put our customers first

To align our organisation to our new vision, we found ways to simplify our management structures and our ways of doing things. This has made us more efficient and able to serve our customers better.

At Group level we formed a new Executive Committee to make it easier to adopt best practice across all operations and to take out duplication. The Executive Committee now includes a technology officer and commercial officer responsible for making sure our standards are consistent across all our operations. We also recruited a CEO for our International operations in December 2010 who has extensive experience in emerging markets.

We made some changes in our structures to better service our customers. For example, we moved customer care under our operations division in South Africa so that the teams are better able to address network queries and find solutions.

Most of our operating companies took out management layers and widened areas of management control.

This has resulted in flatter management structures. We're now changing how authority is delegated within the Group.

We involved our employees in finding ways to cut red tape and make us more efficient through the Red Card initiative in South Africa and Lesotho. Some 39 policies and procedures were 'red carded' and done away with.

Overall we reduced Group employees by 162 positions to 7 481 (2.1% lower) mainly in Tanzania where we outsourced our network management and call centres. This resulted in higher employee turnover at 11.0% (2010: 6.0%), excluding Gateway. Employee expenses increased 3.8% to R4 024 million, with employee expenses as a percentage of revenue stable at 6.6%.

	Year ended 31 March			% change	
Number of employees	**2011**	**2010**	**2009**	**10/11**	**09/10**
South Africa	**5 302**	5 327	5 165	**(0.5)**	3.1
International	**1 965**	2 083	2 086	**(5.7)**	(0.1)
Corporate head office	**214**	233	300	**(8.2)**	(22.3)
Group	**7 481**	7 643	7 551	**(2.1)**	1.2

Give fair, competitive and transparent reward and recognition

We reward our employees based on their performance, potential and contribution to the success of the business. We aim to provide fair and competitive pay and benefits in each of our markets. All employees receive guaranteed packages and short-term incentives based on individual performance, which are aligned to business strategy and performance targets.

81 for our remuneration policy for executives.

We encourage all our managers to have regular performance discussions with their people. Annual performance discussions, which determine performance and potential ratings, are compulsory. They are the basis for reward and development planning. They help employees to define their goals, track their performance and assess their behaviour according to the Vodacom Way. This year we took performance reviews a step further. We had frank and open discussions across the Group on employee performance ratings to make sure the rating process is fair and truly recognises performance.

Employees who perform exceptionally are also recognised by programmes like Vodacom Heroes, CEO Awards, MD's Roll of Honour and On the Spot awards. In 2012 we plan to consolidate these awards into a re-energised Vodacom Heroes programme, where top Heroes are nominated for the Vodafone Global Heroes awards. Two of our employees are now part of the final 25 Vodafone Global Heroes.

A great story

Shameel Joosub joined Vodacom Group as an accountant when we started in 1994. He made his way through the ranks until he became the MD of our South African operation. Now he has been appointed CEO of Vodafone Spain. Read how the **Vodafone International Mobility Programme** is helping us to develop the careers of high-flyers like Shameel.

Scan the barcode for the full story or visit **vodacom.com**.

Encourage, coach and grow talented leaders

We're building a strong base of talented leaders and employees. We're also developing a pipeline of leaders for the future. Development plans and coaching for selected employees is an important part of these objectives. Developing talent is also a key driver of diversity.

We implemented the Vodafone Talking Talent Programme to help us identify the potential of our senior leaders for succession planning purposes. The programme begins with one-on-one discussions about their individual aspirations during yearly performance discussions. Each senior leader's potential is assessed in terms of learning agility, ability to engage effectively, problem solving, dealing with change and achieving results in challenging conditions. This feeds into talent reviews at local, regional and global levels within Vodafone. High-potential leaders are identified, skills are matched to business needs and development goals are set. There is a specific focus on developing women leaders.

Our other leadership development programmes:

- The Vodacom Advanced Executive Programme, run in partnership with the University of the Witwatersrand, is aimed at strengthening our leadership pipeline. 25 employees completed the programme in 2011, up from 19 last year.
- The Succession Development Programme identifies and develops leaders in middle management on a two- to three-year development course. In 2011, 35 employees participated in the programme compared to 43 the year before.
- The Young Achievers Programme(#) aims to develop young employees with business and leadership acumen at an early stage in their career. 80 employees entered the programme this year, the same as last year's intake.
- In 2011 we had 23 people on our graduate training programme, Discover.

Develop people's capabilities

We invested R71 million across the Group in training and development in 2011, up 22.4% on last year. This included online learning programmes, local training events, global development programmes, bursaries and internships.

Our most important learning and development initiatives:

- A virtual learning centre is available to all employees, with 676 employees completing courses during the year. We launched a new e-learning 3G module in 2011, which is now being used by Vodafone India. We also have access to Vodafone e-learning courses.
- Vodacom partners with the Information Systems Electronics and Telecommunications Technologies Sector Education and Training Authority in South Africa by hosting learners and interns. This forms part of our contribution to national skills development. During the year we hosted 381 learners.

- The Vodacom Bursary Programme(#) gives permanent employees in the Group the opportunity to advance their careers and develop specific ICT skills. During the year we funded 889 employees compared to 777 last year.
- The Vodacom Foundation bursary scheme(#), which sponsors high-achievers from disadvantaged backgrounds, provided 110 bursaries compared to 131 the year before.

[Access to Vodafone gives us access to a diverse group of markets and helps us develop relevant, forward-thinking training. For instance in developing critical ICT and internet protocol ('IP') skills to support the sustainable growth of our data business.]

for disclosure of our skills development performance against the dti's BBBEE Codes in South Africa see the sustainability section on **vodacom.com**.

The key measures we use to track our training progress are shown below.

	Year ended 31 March		
	2011	2010	2009
Training as a percentage of staff expenses (%)	**1.8**	1.5	1.6
Average training spend per employee (R)	**9 359**	7 570	7 593
Percentage of women in internships (%)[1]	**54.9**	57.0	55.3

Note:
1. Excluding Gateway.

Create a safer place to work

Employee health, safety and wellness are a priority. We face some tough challenges in this area in all our markets. In 2011 we aligned our health and safety reporting procedures with Vodafone and increased our scope of reporting to include contractors.

[We deeply regret the three fatalities and unacceptable number of incidents in the Group in the year. We've taken urgent steps to improve health and safety performance in all our companies and that of our contractors and suppliers.]

for full disclosure of work-related safety incidents and our absolute rules see the sustainability section on **vodacom.com**.

In June 2010 we launched a new Health and Safety ('H&S') strategy in all our companies. The Fatality Prevention Plan has already resulted in a reduction in incidents.

The Fatality Prevention Plan's four main elements are:

- **Absolute Rules** – six rules that must be obeyed to prevent accidents;
- **Leadership workshops on H&S** – national roadshows were led by senior leadership;
- **H&S in supplier and contractor relations** – as most accidents involve suppliers and contractors, we organised four global and national supplier governance forums in each country, and drew up new supplier management standards and contract specifications focused on H&S. We terminated one high-risk supplier and suspended five suppliers who did not meet a minimum H&S score; and
- **A stronger H&S management system** – we developed Fatality Prevention Plans for each of our operations and changed the management structure for H&S.

We provided a comprehensive range of employee wellness benefits during the year at a cost of R8 million(#) (2010: R9 million). These aim to promote physical and psychological health, with the end result of reducing absenteeism. The absenteeism rate for the Group dropped from 1.3% in 2010 to 1.2% in 2011 with an estimated cost of R22 million (2010: R23 million).

All our employees have access to a free HIV/Aids programme. In 2011, 65% of employees went for voluntary testing. Those taking part get confidential counselling as well as free treatment and support should they need it. The infection rate among our employees is estimated at 1.0% and 59 of our employees are being treated under the programme.

What we want to achieve

- Build wider, deeper, faster, better, smarter networks
- Provide affordable devices and services that meet customers' needs
- Make internet usage simpler and more affordable
- Work with partners to develop relevant content
- Develop and refine our data support model

The pages that follow explain our progress on these objectives.

Put the power of the internet in people's hands

Why this is so important to us

Access to mobile data services puts a world of opportunity in people's hands through the power of the internet, wherever they are. As was the case with voice, mobile data is set to play a vital role in driving economic growth, creating jobs and improving the quality of life in underdeveloped countries. Because mobile data use in sub-Saharan Africa is tiny compared to other regions, this is a huge opportunity for Vodacom. And a revolution we intend to lead.

How we measure our performance?

We measure our success by the number of data customers we have, how good their experience is and whether we have the cheapest devices, best network and most relevant content.

The great stuff we did this year

- Reached 10.2 million data customers
- Sold over 1.6 million(#) smartphones
- Grew our Group data revenue by 35.5% to R6.4 billion
- Invested in 1 086 more 3G base stations across the Group
- Launched new value offerings such as Night Owl
- Launched Internet Starter Pack and Vodafone WebBox in South Africa
- 1.3 million active Vodacom M-Pesa customers in Tanzania
- 2010 Broadband Provider of the Year in South Africa in the MyBroadband Awards

The stuff we didn't do well this year

- Slow roll out of the Vodacom M-Pesa money transfer service in South Africa
- Fibre link rollouts fell short of targets in South Africa

Our 2013 goal

We aim to reach

25 million

data customers across our footprint.

Build wider, deeper, faster, better, smarter networks

"Wider, deeper, faster, better, smarter" is the slogan that underpins our aim to be the leader in coverage as well as network quality and speed. We invested R6.3 billion in our networks this year of which R5.1 billion was spent in South Africa. A large portion of this was for building new 3G radio networks and transmission to support the quality of both our data and voice services.

By putting the power of the internet into the hands of people at prices they can afford, we are contributing directly to the growth and sustainability of the countries we operate in, as well as our own.

Studies show that a 10% increase in broadband internet access adds 1.3% to a country's GDP growth. This is a massive opportunity in countries that have critical development challenges. We're committed to helping our countries to realise this opportunity to grow their economies and improve the lives of all their people.

Part of our commitment to changing people's lives through connectivity is to work closely with governments to connect schools and other learning institutions to the power of the internet.

67 for more information on our partnerships with governments on health and education.

109 for technical terms we can't avoid in this section.

Building wider and deeper networks

In South Africa we expanded our 3G network by a third, adding 948 new 3G base stations to a total of 4 290. We also increased our EDGE capability substantially. We now have about 74% of the population covered with 3G. Besides building new base stations, 3G and EDGE coverage was also improved by upgrading our radio access network to the latest technologies (the 'RAN swap'). We now have swapped a third of our network. We plan to complete the whole RAN swap in the next two to three years.

In our International operations we've rolled out 3G networks in Tanzania and Lesotho and recently, Mozambique. In all our International operations, we have GPRS across the networks and we deploy EDGE and 3G where there is sufficient demand.

The world has adopted mobile communications faster than any other technology in history. In less than two decades, mobile has dramatically changed the way we exchange information and stay in touch.

The Broadband Commission, established by Unesco and the International Telecommunications Union, describes making broadband available to all as 'a game-changer in addressing rising healthcare costs, delivering digital education for all and mitigating the effects of climate change'.

Informed commentators and researchers agree that mobile broadband is the most important tool the world has at its disposal to make the UN's Millennium Development Goals for 2015 a reality. It costs much less to bring mobile broadband to people than it does to implement fixed broadband.

for the full report see the outcomes section of **broadbandcommission.org**.

The Vodafone 2011 Social Impact of Mobiles report says affordable internet access will be achieved by mobile technology through innovative pricing and relevant local content. The wide coverage of mobile and the growing number of low-cost smartphones means that data services will be primarily accessed via mobile, especially in emerging markets. As a result there is a risk of over investment in the deployment of fixed-line fibre access networks. Sufficient spectrum must be available to support growth and lower the cost of roll out.

This Vodafone report concludes that the most effective way to provide affordable internet access to the majority of people in emerging economies is to extend the reach and capability of mobile networks, and deliver content and services valued by customers. This will continue to drive the demand for data services and increase business opportunities.

for the full report see the public policy section under About Vodafone on **vodafone.com**.

Building faster, better, and smarter networks

In South Africa, we aim to provide our customers the experience of at least 1 Mbps download speeds in urban areas, 512 kbps in sub-urban areas and 256 kbps in rural areas. We also aim to provide EDGE capability at least wherever there is voice coverage. All 3G sites in South Africa are now capable of theoretical maximum speeds of at least 14.4 Mbps, with more than half being 21.6 Mbps capable. We intend to increase the number of 21.6 Mbps capable 3G base stations substantially in the next year.

We have also introduced dual carrier HSPA+ technology to 2 000 sites in South Africa, which enables peak theoretical speeds of 43.2 Mbps. The download speeds we got at our launch demonstrations mean that our average customers should be able to increase their speeds significantly as the deployment of 43.2 Mbps sites grows.

Every year Vodafone does independent drive tests of its networks around the world. Our South African network ranked fifth in the Vodafone stable for data download speeds and was the fastest in South Africa. Beside our clear lead in providing data services to our customers we were also named Broadband Provider of the Year in 2010 by MyBroadband, the leading online broadband news and forum site.

Improving our network speeds makes for a better customer experience. The table below gives an indication of the typical customer experience provided by various technologies when using popular applications. The LTE speeds are indicative only with multiple antenna terminals and full spectrum allocation of 2 x 20 MHz.

South African customers regularly complain about their 3G coverage. We've been collecting and analysing data on where the complaints are coming from and, where we can get the permits, have rolled out more 3G base stations in these areas. We also launched a system to communicate network upgrades to customer care agents so this information can be passed on to customers.

Making our networks faster is not just about upgrading to the latest technologies. It's also about faster and more reliable transmission. Getting this right allows us to reduce our longer-term operational costs and support growth in data traffic, which is likely to be substantial.

In South Africa we've completed our fibre rings in the major metros and no longer have to rely on third parties for broadband transmission in our core network. We're also in the process of providing our own transmission (fibre or microwave) to our 3G base stations where data traffic volumes are high.

We did not do as well on our plans to get our base stations connected to fibre optic cable in South Africa. But we managed to compensate with the roll out of IP microwave transmission in the interim. We had planned to lay fibre to 1 000 sites but now have under 300 connected. We had difficulty with getting permissions with the halting of all trench digging during the FIFA World Cup as well as our own internal resource limitations. We have now strengthened our project management capability, and are confident we can catch up quickly. We're also in the process of building a national fibre network with MTN and Neotel. In Tanzania, DRC and Lesotho we provide most of our own transmission. In Mozambique we've invested a lot in transmission this year to improve network uptime and quality. We completed more than 3 000 km connecting Maputo, Beira, Tete and Nampula.

Our investment in our own fibre also allows us the opportunity to sell quality connectivety to corporates.

We've also invested in the West Africa Cable System ('WACS'), which is expected to be running by mid-2012. This will increase the available capacity connecting Africa to the rest of the world and ultimately lower the cost of carrying international data traffic.

Technology	GPRS	EDGE	HSPA 14.4	HSPA +21.6	HSPA +43.2	LTE
Theoretical peak speed	80 kbps	250 kbps	14.4 Mbps	21.6 Mbps	43.2 Mbps	100+ Mbps
Practical peak download	~70 kbps	~200 kbps	~5.3 Mbps	~10 Mbps	~20 Mbps	
Average download speed	~40 kbps	~130 kbps	~3.5 Mbps	~5 Mbps	~10 Mbps	40 Mbps
Web visit	~ 1 minute	~ 15 seconds	~ 1 second	~ immediately	~ immediately	~ immediately
Download 5 MB music	~ 20 minutes	~ 6 minutes	~ 12 seconds	~ 8 seconds	~ 4 seconds	~ 1 second
Download 25 MB video	~ 1.5 hours	~ 45 minutes	~ 1 minute	~ 40 seconds	~ 20 seconds	~ 5 seconds
Download 750 MB movie	~ 45 hours	~ 15 hours	~ 30 minute	~ 20 minutes	~ 10 minutes	~ 2.5 minutes
Download HD video	~ 12 days	~ 4 days	~ 3.5 hours	~ 2.5 hours	~ 1.25 hours	~ 15 minutes

Hot!

Not too bad!

Zzzzz!

Yawn!

Provide affordable devices and services that meet customers' needs

We offer a wide range of devices that customers can use to access the internet, such as smartphones, mobile broadband modems, tablets, netbooks, Wi-Fi routers and laptop computers. Through Vodafone, we are able to make both the latest smartphones and lower-cost handsets available.

Mobile broadband devices

More than two-thirds of our data revenue is generated from mobile broadband devices. This is largely because of limited fixed-line alternatives. We work with Vodafone to get hold of the lowest-cost modems, routers and Wi-Fi devices. We have over a million(#) mobile broadband connectivity devices on our network, up 47.8% on last year. In South Africa we recently launched our Multi Data SIM offer which allows customers to use the same data bundle for up to five SIMs.

Smartphones

Vodacom is the home of the smartphone. We sold 8.7 million handsets across the Group this year, compared to 6.4 million last year. Of the 8.1 million phones we sold in South Africa this year, 20.6% were smartphones. We now have 3.6 million(#) active smartphones on our network, up 84.2% from last year.

We offer the BlackBerry service, on a contract and prepaid basis, in all our countries at very affordable prices. The Vodafone 845 was the cheapest touchscreen Android phone on the market, but we will soon launch the new Vodafone smartphone at under R1 000.

Internet starter pack

We launched a prepaid Internet Starter Pack in November 2010 to make internet access hassle free. It was aimed at entry-level customers who need basic access for email and web browsing. It bundles a 3G USB modem, 100 MB of data every 30 days for a year and a prepaid SIM card, for a once-off price of just R399.

Vodafone WebBox

The Vodafone WebBox was designed to get more people connected to the internet. It turns a TV set into a data device with internet access, games, email, SMS and FM Radio by just plugging in a keyboard with a built-in mobile SIM. We have just launched the product in South Africa and have sold over 2 000. We plan to launch it in Mozambique later in 2011. We are working with distributors and governments to deliver internet access to poorer communities through the Vodafone WebBox.

Scan the barcode to watch our 'Vodafone WebBox' video or visit youtube.com/vodacomtv.

In the enterprise market we offer corporates and SMEs a portfolio of data connectivity, device management, security and physical and virtual hosting services. Our key global corporate accounts benefit from being part of Vodafone Global Enterprises ('VGE').

Tablets, notebooks and netbooks

We offer lots of different data bundles and finance deals for tablets, notebooks and netbooks.

We are partnering with business customers to find opportunities for machine-to-machine ('M2M') connections. Basically M2M helps to make business processes more efficient through automation. The M2M market is growing strongly in South Africa as well as internationally, as it allows companies to cut costs, improve service delivery and provide managed services.

We have 694 000[(#)] M2M devices on our network. We recently launched a M2M SIM, packaged in a standard Very Thin Quad Flat Narrow 8 pin ('VQFN-8') semiconductor chip. The SIM is soldered onto the customer's printed circuit board during manufacturing, which makes it impossible to remove and reduces the risk of fraud. The operating system has a long lifespan. It is vibration resistant for highly mobile applications and rough terrain and its operating temperature range means it works in harsh environments. The SIM can be used in a variety of applications such as monitoring and control, fleet and asset management, security and surveillance, and metering.

SME offerings

Vodacom Business has launched unique affordable solutions that put converged voice, data, and mobility services, with all the related hardware, in the hands of small businesses, start ups, home offices and consultants. Customers can get a laptop, printer, smartphone, email service and 3G modem bundled in 24 month contracts. Products like this together with hosted services, security and cloud computing, allow Vodacom to be the 'virtual Chief Information Officer' for the SME market. We also have the advantage of our extensive national distribution channels to service this segment.

A great story

Cloud computing might sound esoteric to some but it is a viable, cost-effective way of giving cash-strapped people the power of the internet.

Vodacom is partnering with a company called CloudWare to give the public access to computing on devices that have no operating system or storage requirements, through the connecting power of 3G. We are now trialling cloud computing powered by Vodacom at several sites across South Africa. One of these sites, in Mamelodi, is being driven by a go-getting entrepreneur who has already established a sustainable business that serves his community.

Make internet usage simpler and more affordable

Besides offering a wide range of devices at more affordable prices, we're also looking at ways to provide more value to our data customers. The launch of prepaid data bundles in all our countries is driving the take-up of data services. We offer smaller bundles for mobile internet users, even daily bundles, in most of our International operations.

[In most of our countries, we dramatically reduced our data prices this year.]

In South Africa, we increased the amount of data in most of our data bundle products. We also launched Night Owl, which provides a free allocation of data between midnight and 5am depending on the customer's data bundle. These resulted in a 13.5% reduction in the effective price per megabyte. Just after our year end we launched our '2GB + 2GB' mobile broadband promotion with pricing as low as 3.6c per MB. The promotion offers customers a 2GB data contract, a 7.2 Mbps HSPA modem and an additional 2GB of 'Night Owl' data for R149 per month. Customers also get free technical set-up support and a mailbox with 5GB of storage space.

In Mozambique we cut data prices by an effective 48.3% and launched low-cost prepaid data bundles, and in Lesotho the effective price came down by 33.3%.

Another service that helps our customers connect is a unique Vodacom email address, which we offer at no charge. We have over 1.4 million(#) email users in South Africa and also offer the service in Lesotho and Tanzania. We are planning to launch it in Mozambique later in the year.

We give customers the tools to use our data networks more successfully and more cost effectively.

In South Africa 1.8 million people have downloaded our Opera Mini browsers,

which compress content resulting in seven times faster downloads, saving customers up to 90% of the per-page cost. In Tanzania, the combination of simple daily bundles and Vodafone Opera Mini helped us double our mobile data customers.

Work with partners to develop relevant content

[We've just started out towards our objective of delivering content that really helps our customers improve their quality of life. We don't want to get too involved in developing content but we want to play the role of aggregator – connecting our customers to services that really matter to them.]

In South Africa we have had limited involvement in content development, instead giving Wireless Application Service Providers incentives to grow data traffic through content services.

Social networking is the biggest driver of mobile internet traffic and we help new customers to connect via social media. Even entry-level smartphones now come preloaded with Facebook and Twitter.

Vodacom launched Mobi Jobs in February 2011, a service available to all our customers in South Africa. It gives them access to over 20 000 jobs on their mobile phones, allowing them to create a mini resume, browse jobs and subscribe to the Vodacom Mobi Jobs SMS alerts.

Our partnership with the music industry allows customers to download from a fast growing library of tracks.

"I think it's great that Vodacom is investing in music content considering digital is the new medium."
Slikour, a local hip hop artist.

"With mobile technology gaining momentum, what better way of getting my music out there."
DJ Kent, South Africa's popular House DJ.

Scan the barcode to watch our 'Vodacom M-Pesa' video or visit **youtube.com/vodacomtv**.

In September 2010 we launched Vodacom M-Pesa with Nedbank in South Africa. The mobile money-transfer service has been a success in Tanzania where we now have over a million customers who generated transactions worth US$169 million in the month of March 2011 alone. Take-up of Vodacom M-Pesa in South Africa, on the other hand, has been disappointing with fewer than 100 000 registered customers at 31 March 2011. We plan to launch Vodacom M-Pesa in Lesotho and Mozambique in the next year.

Develop and refine our data support model

Data is more complex for customers to understand, especially at entry-level. We're improving our customer care, retail presence and online services to ensure customers get the best data experience with Vodacom. We're trying to make it easier for our customers to connect whether it's on a laptop or on a mobile handset. When a customer activates a SIM, our network will automatically detect whether the network settings are correct. If not, we will push the settings to the handset to ensure the customer can connect to the internet quickly and painlessly.

Connecting people is not just about affordability, we also need to make technology more user-friendly. We're busy rolling out 'tech zones with tech geeks', starting with our high-traffic stores.

These will have skilled technicians who will help customers with queries and make sure that everyone buying a new internet device leaves the shop fully connected to the internet and email, understanding exactly how the device works.

We offer home support for an hour when customers purchase a laptop/netbook from us. We also offer free modem replacement for faulty modems. Our call centres in all our countries have dedicated data specialists and we've made big investments in training our data experts. We also service customers through Twitter and Facebook. Increasingly we are investing in e-care and m-care allowing customers to access help online.

What we want to achieve

- The best turnaround times on all our key customer interactions
- Streamline, simplify and integrate our systems and processes
- Drive efficiency and reduce cost
- Minimise our environmental impact

The pages that follow explain our progress on these objectives.

Together drive operational excellence

Why this is so important to us

Operational excellence is about innovating, finding new ways to do things better and faster to benefit our customers. Importantly, it's also about balancing this with responsible behaviour, especially in protecting the environment and the health and safety of our employees and contractors. Operational excellence also means getting good returns on the capital we use to deliver our products and services.

How we measure our performance?

We measure our operational performance by how effective and efficient our systems and processes are, and how good we are at helping customers. We measure our environmental footprint and how effective we are in reducing it. Lastly, we aim to keep our financial checks in place to make sure our operating expenses ('opex')[1] relative to service revenue and our total return on capital are respectable.

The great stuff we did this year

- Delivered on our R500 million cost efficiency programme
- Completed a third of our base station sites under the RAN swap[(#)]
- Focused initiatives to simplify business processes
- Set medium-term targets for reducing our carbon footprint
- Ranked sixth out of the top 100 JSE-listed companies in the Carbon Disclosure Project
- Group opex[1] to service revenue was stable at 24.1%

The stuff we didn't do well this year

- Delays in launching our self-service customer website in South Africa
- Missed our planned transmission savings targets in South Africa

1. Operating expenses excluding direct expenses and trading foreign exchange.

Our 2013 goal

We aim to improve the speed and simplicity scores in the People Survey by

5ppt

a year

Reduce our carbon footprint by

5% a year

Optimise

opex[(#)] to service revenue

The best turnaround times on all of our key customer interactions

We try measuring everything that really matters; how long it takes to answer a call, to repair a phone or deliver one. We set targets to improve in all these areas, knowing we can always do better. We're busy taking a good look at how we can simplify and speed up the way we do things, as this will ultimately benefit our customers.

Continually improving the way we do things requires ongoing innovation, which is sparked by sharing ideas and experiences across our mobile operations and also the entire Vodafone group.

To drive this process, we've appointed a Customer Experience Managing Executive who reports to the Chief Commercial Officer. The new role is focused on getting the best turnaround times in all our customer interactions across the Group, and setting new standards and targets in all our operational excellence measures.

Streamline, simplify and integrate our systems and processes

The power of the internet is as much of an opportunity for us as it is for our customers.

We've identified the online channel as a strategic opportunity to drive operational excellence both in improving our customers' interactions with us and fulfilling their needs.

We're part of Vodafone's Online Acceleration programme, which aims to provide a world-class online customer experience by:

- Meeting customer needs by creating a consistent, convenient and engaging customer experience across all online channels
- Developing a more effective digital marketing, distribution and service channel
- Driving efficiencies and cost reductions across the business through simplified and automated processes

Over time our website became far too complicated for customers to use quickly and easily, no matter what their needs may be. One of the challenges we faced was to make sure our website works on all devices, continually adapting for models being released all the time.

We expect to relaunch our new website shortly.

Our new online platform will integrate all our customer portals into one, serving individuals and businesses. Customers will be able to access all our services with a single login, including buying handsets, signing up for contracts, getting upgrades and accessing other value-added services. They will be able to view account information both on their phones and online, which will reduce the need to call the contact centre to get package details, balances and SIM information.

Another huge benefit of being part of Vodafone is the access it gives us to their global procurement muscle. Vodafone has strategic agreements with some of the world's leading companies to deliver innovative products and services, including Samsung, Google® and Microsoft®. Handsets, network and IT equipment are for the most part negotiated and bought centrally through the Vodafone Procurement Company ('VPC'). We make use of these centralised benefits wherever we can but with due consideration of local procurement requirements and targets, such as those included under BBBEE in South Africa.

Besides the pricing power that comes with Vodafone's scale, other benefits of VPC include:

- Access to world-class methods and standards that help us to continually improve our processes
- Less administration as some of our global suppliers are managed directly by VPC
- A stronger focus on working with our suppliers as strategic partners

Since we started our supplier performance programme, we have seen real improvements in the service we've had from global suppliers managed by VPC. In South Africa, 12 of our key suppliers have migrated to VPC. Our focus will be on Vodacom SA suppliers followed by those in our other countries. In line with our objective to consolidate our supplier base and optimise the procurement process, we're planning to improve Vodacom SA's supply chain capabilities so it can service all our operations from a central point.

Drive efficiency and reduce costs

Lower MTRs in South Africa meant a loss of R519 million in EBITDA for the year. To some extent a lower licence fee offset the loss, although this benefit had already been accounted for last year. So we needed to save some R500 million in costs to ease the impact of the lost earnings.

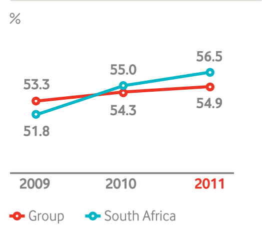
[We launched a cost efficiency programme focused on our four key cost categories. We were pleased with the results and reached our target.]

More than two-thirds of our total operating expenses of R40 638 million (excluding depreciation, amortisation and impairment losses) are direct expenses, so most of the savings we made were in this category.

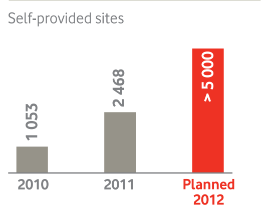
The table below discusses our cost-efficiency actions in each of the four areas and plots our performance in each case.

	Background and objective	Delivery on objective
1	We aim to steadily improve our contribution margin. Our direct expenses are all variable such as customer acquisition and distribution expenses and regulatory fees. They also include interconnect expenses of R6 072 million (2010: R6 929 million).	Group direct expenses, excluding the impact of MTRs in South Africa, were up 6.7%. The Group contribution margin increased slightly to 54.9% while South Africa improved its contribution margin from 55.0% to 56.5% due to lower net contribution from interconnection and reduced customer and distribution expenses.
2	We aimed to contain other operating cost growth below revenue growth. Our other operating expenses are mainly the costs for running our network and buildings such as site rentals, maintenance, electricity and transmission. Although our total number of sites increased by 7.6%, we looked at ways to bring down average site costs.	Group other operating expenses went up 11.0%(*) to R6 928 million which was faster than revenue growth mainly due to Gateway. Cost savings came from ongoing plans to provide our own transmission, although not to the extent we'd hoped. Transmission expenses growth remained high because of the strong growth in data traffic.
3	We aimed to keep our headcount stable, except where we needed to invest in resourcing growth areas like Vodacom Business and Vodacom M-Pesa.	We brought down our headcount from 7 643 to 7 481. This was from natural attrition and outsourcing some activities, like network management in Tanzania. Group staff expenses remained stable at 6.6% of revenue. This was a good result given wage inflation.
4	We set a target of reducing our publicity expenses as a percentage of revenue. Our publicity expenses include sponsorships and advertising. We also aimed to rebalance our spending away from sponsorships to raising awareness of our different value promotions.	On the face of it, our publicity expenses as a percentage of revenue went up from 3.2% to 3.4%. But if the once-off brand refresh expenses are excluded we achieved our objective of slightly reducing publicity expenses as a percentage of revenue from 3.2% to 3.0%, mainly by reducing some sponsorship properties.

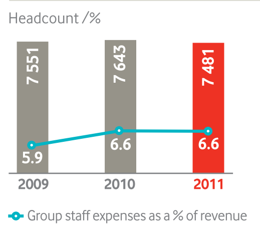
1 **Improved contribution margin**



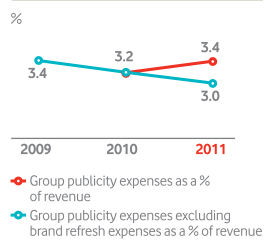
2 **Network savings delayed**



3 **Group headcount reduced**



4 **Reduced sponsorship exposure**



Minimise our environmental impact

We understand that any reduction in our carbon footprint has an overall positive effect on the environment. It also helps us save on operating expenses as we continually look for newer technologies and more efficient processes.

One of the best ways we can contribute to protecting the environment is to work with our stakeholders, such as customers and suppliers, to help them reduce their own carbon footprint. Through machine-to-machine ('M2M') connections, our business customers can drastically improve their efficiency and cut CO_2 emissions.

www. **vodafone.com/sustainability** for Vodafone's Carbon Connection report, which looks at the role of mobile in tackling climate change.

36 51 for our initiatives to enable businesses and consumers to transition to low carbon ways of operating, working and living.

Measuring our footprint

We took part in the Carbon Disclosure Project ('CDP') for the first time in 2010. Although our submission was a challenge given the limited measurement of electricity and fuel consumption in some of our countries, we were ranked 6th out of the top 100 JSE-listed companies for our disclosure in 2010. We are busy collecting data for the 2011 CDP, which we expect to have finalised in July 2011.

Our goal in 2012 is to put mechanisms in place to reliably measure electricity consumption in all buildings and network sites possible. Complete and reliable data will allow us to measure the energy savings realised from our various initiatives against our targets.

Scan the barcode to register for email alerts when we update information on our website. The CDP information, which was not available at the time of printing this report, will be made available on our website.

CO_2 emissions (per 2010 CDP submission)

	Year ended 31 March 2009*		
tonnes	**Scope 1**	**Scope 2**	**Total**
South Africa	5 629	322 765	328 394
International	21 278	16 697	37 975
Group	26 907	339 462	366 369

* Given the timing of our submission to the 2010 CDP, the latest data available was for the year ended 31 March 2009.

To put our Scope 1 and Scope 2 carbon dioxide (CO_2) emissions into context, it is worth noting that they were far less than many companies, some of which run into the millions of tonnes of CO_2 emissions.

The Greenhouse Gas ('GHG') Protocol defines three scopes of emissions:

Scope 1

Direct GHG emissions are those from sources that are owned or controlled by the company. For example, emissions from combustion in owned or controlled boilers, furnaces and vehicles.

Scope 2

GHG emissions from the generation of purchased electricity by the company.

Scope 3

An optional reporting category that allows for the treatment of all other indirect emissions. They are a consequence of the activities of the company, but occur from sources not owned or controlled by the company such as business travel.

In South Africa, Tanzania and Mozambique, we are increasing the number of sites where we measure our energy consumption. In South Africa we have energy meters at 2 200 base stations and plan on installing more this year. Where consumption is not metered, we use billing information to come up with an estimate.

	Year ended 31 March		
	2011	**2010**	**2009**
Network electricity (GWh)(#)	**195.8**	154.2	188.6
Building electricity (GWh)(#)	**101.8**	118.9	80.6
Fuel (diesel and petrol) (million litres)(#)	**2.1**	2.5	2.2
CO_2 emissions (tonnes CO_2)[1(#)]	**n/a**	n/m	328 394

Note:

1. Not available at time of print, will be made available on the sustainability section on **vodacom.com** in July 2011.

The increase in network electricity is due to the substantial increase in network capacity, from the addition of 948(#) more 3G base stations as well as an increase in the number of sites. Once the RAN swap is concluded we expect to realise savings.

Our mobile networks span five sub-Saharan countries as well as urban and rural areas. Our networks require energy to operate and we produce electronic waste when we maintain and upgrade them. Electronic waste also results from the sale of hundreds of thousands of new mobile handsets each year, particularly in South Africa.

Reducing our carbon footprint

We set ourselves the goal of reducing our Scope 1 and 2 emissions of 366 369 tonnes of CO_2 emissions at 31 March 2009 by an estimated 73 000 tonnes, or about 20% by 31 March 2013 (assuming no growth in number of sites). We aim to do this by investing in new technologies, free cooling, and using alternative energy sources such as generator-battery power hybrid units, and wind and solar generation for remote base station sites.

We are part of the Vodafone Green Energy trial, which is a three-year strategic roadmap aimed at significantly reducing fossil fuel and electricity consumption. The plan aims to save costs and lower CO_2 emissions related to network infrastructure. Based on these trials, we calculated we can realise up to 70% savings in energy consumption at 3G base stations, and 40% at 2G base stations.

We're proud to say that we're deploying the technologies that we and our suppliers have developed. It is now possible to build a site powered by renewable energy that makes economic sense. This allows us to service undeveloped areas not on the electricity grid, with the bare minimum environmental footprint.

Investment in new technologies

We are running two networks in parallel in all our countries (except DRC) – 2G and 3G networks.

Single RAN solutions, which integrate 2G, 3G and LTE technologies, deliver further efficiency gains.

We have started with the RAN swap process in South Africa, Tanzania, DRC and Lesotho, to upgrade our networks and replace them with more cost and energy-efficient components. In South Africa a third our network has been upgraded and we plan to complete this over the next two to three years. The annualised electricity savings from the base station sites already swapped is 33 GWh.

Free cooling

Free cooling means that we upgrade our network components to withstand higher temperatures and install individual battery coolers rather than cooling the whole facility. In South Africa, almost a third of our sites make use of free cooling, which has resulted in annualised energy savings of an estimated 11 GWh. In 2012 we plan to implement free cooling at another 1 000 sites.

Alternative energy sources

Diesel is used in powering some of our base stations. This is mostly in our International operations, where base stations are often not connected to the national grid, or where diesel is used for providing backup power. Converting to generator-battery hybrid power units can help us reduce diesel consumption. Intelligent controls monitor and control power from the electricity grid, batteries and generator by utilising the most effective source available. In South Africa, all off grid generators are being converted to hybrid systems to reduce fuel consumption and extend the generator life by as much as four times.

Alternative energy sources have been more widely used in our International operations, but we have started rolling this out in South Africa to boost energy savings. We now have 13 of these units and are planning to roll out at least another 100 in the next year.

We have looked at reducing diesel consumption even further by adding wind power to our hybrid sites. We have a pilot site in South Africa and if it proves effective we will roll it out to more sites this year. These will all be in coastal areas where there is enough wind. We are also looking at solar-powered base stations in rural areas where the sites are off the national grid. Solar panel theft remains a challenge though, so we only have three of them in place at the moment.

We also make use of fuel cells (using either pure hydrogen or methanol-water) as alternative energy sources for our base stations. We have 90[#] sites using pure hydrogen fuel cells instead of generators for backup power, and are using methanol-water fuel cells at two sites.

Infrastructure sharing

Wherever possible we share our network sites with other operators, which helps to reduce our CO_2 emissions and operating expenses. It also eases pressure on planning authorities as they need to do fewer site reviews. We've reviewed network sharing opportunities in all our markets. We share more than half of our sites with other network operators in South Africa. Most of these are passive sharing agreements where we share sites and infrastructure but not network equipment. In South Africa and Tanzania we share our networks with other operators under roaming agreements.

Making our buildings and operations greener

Buildings account for 43.3% of our total CO_2 emissions (based on our 2010 CDP calculations for Scope 2 emissions).

We are a registered member of the Green Building Council of South Africa and we've started making our buildings more energy-efficient, fitting automatic switches that turn off lights and air conditioners outside working hours. We also use sensors that switch off lights when a room is vacant for a set time and energy-efficient light bulbs. Our head office makes use of sunlight deflection to stay cool.

We also aim to reduce our consumption of water and paper. Last year we reduced the number of water ponds on our campuses and eliminated the fountain sprays, reducing our water usage. The increase in water consumption this year is largely as a result of improved measurement.

We encourage greater use of video and audio conferencing to reduce our CO_2 emissions from travelling.

36 for information on ebilling.

A great story

Free cooling

We're using free cooling to save electricity and carbon emissions at thousands of cellular masts.

This technology can cut the amount of power needed to cool equipment at these sites by almost a fifth, as it uses air to do the cooling whenever the outside temperature falls below 20° C. Now our technicians are working on free cooling systems that will work even when the outside temperature is 30° C. Read about how we're using cutting-edge technology to become even greener.

Scan the barcode for the full story or visit **vodacom.com**.

Our network makes up the biggest portion of our environmental impact, and is therefore the focus of our energy saving initiatives. But we realise that small changes in buildings and operations can have a positive effect that over time makes a big difference.

	Year ended 31 March		
	2011	2010	2009
Water per employee (kl)(#)	**47.2**	39.2	43.0
Water total (kl)(#)	**250 903**	209 576	216 721
Paper per employee (avg kg)(#)	**26.0**	39.6	34.6
Paper (kg)(#)	**138 260**	211 797	174 497

Working with suppliers

We're working with suppliers to develop innovative alternative energy solutions, such as sites that run on a combination of battery and renewable power, and low-energy 'no frills' base stations for use in rural areas. We're working with Vodafone to create the Vodafone Site Solution Innovation Centre in South Africa where our technology teams will work with external partners. We plan to open the centre in time for the COP 17 UN Climate Conference in Durban in November 2011.

E-waste

We are committed to reuse or recycle as much of the waste from our network operations as is practical.

Handset recycling and managing e-waste from our networks is challenging in some of our markets, which lack facilities for recycling and responsible disposal of e-waste. During the year Vodafone commissioned research to assess the systems for managing network waste in Ghana, India, Mozambique and South Africa, to explore how they can assist in building recycling capacity in these regions.

We aim to dispose of e-waste in an environmentally responsible manner by using accredited suppliers. They collect and dispose of our IT equipment, base station waste, old handsets and accessories old handsets, accessories and old batteries. Data on our network waste is sourced from network contractors, suppliers and service providers. We obtain safe disposal certificates and our Health, Safety and Environment department audits our suppliers to make sure waste is not dumped illegally.

In South Africa the amount of network waste we recycled in 2011 increased to 609 tonnes, compared to 208 tonnes the year before. This was mainly as a result of the RAN swap where old equipment is no longer used in other parts of the network but rather disposed of.

Our Vodacom Repair outlets (previously Vodacare) and our accredited recycling agency deal with recycling and scrapping of old handsets.

36 for more information on handset recycling.

Compliance with environmental laws

In the past we have made use of external service providers to perform environmental audits. This compliance evaluation will now form part of our Group Internal Audit responsibility. Due to this transition, we didn't have an environmental compliance audit in the year. South Africa and Tanzania are ISO 14001 certified.

What we want to achieve

- Take the lead on industry issues
- Work with governments on health and education
- Work with distribution partners to make every customer smile
- Partner with suppliers to drive innovation, efficiency and sustainability
- Build a reputation as a company that all our stakeholders want to deal with

The pages that follow explain our progress on these objectives.

Proactively partner with our stakeholders

Why this is so important to us

Our operations impact directly on our stakeholders, and they in turn impact directly on everything we do. They are the people that keep us in business and they're all vitally important to us. Responding to what our stakeholders want from us, we will be taking a more active lead on industry issues and building meaningful long-term partnerships.

How do we measure our performance?

During 2010 we commissioned a Reputation Survey across all our key stakeholder groups in all our mobile operations. The survey asked what people thought of us on a variety of issues. We use the 'likelihood to recommend' question to measure our progress and benchmark it against our competitors and other leading brands. The Reputation Survey will be repeated yearly.

The great stuff we did this year

- Completed our first comprehensive Reputation Survey across the Group
- Number one in 'likelihood to recommend' measure in all our mobile operations
- Spent R12.5 billion on BBBEE accredited suppliers
- Three of our nine planned 21st Century Educator centres are up and running
- R14 million investment in the Wits Sexual and Reproductive Health Institute, an HIV/Aids advisory centre.
- First overall telecommunications brand and second best brand for community upliftment in South Africa (Markinor Sunday Times Survey)

The stuff we didn't do well this year

- Missed our targets on BBBEE skills development in South Africa
- Spent less than our 50% target on training of black women

Our 2013 goal

To maintain the

No 1

spot in all countries for 'likelihood to recommend' measure in our Reputation Survey across all stakeholders.

Take the lead on industry issues

In 2011 we engaged with stakeholders more often and more intensively than ever before. We wanted to know what mattered most to them, and to show that we are willing to take the lead on tackling their concerns.

Our Reputation Survey of approximately 2 600 stakeholders showed us two important things. Our stakeholders want us to share our opinion on key industry issues more openly, and to partner with them on providing service to more people and improving the customer experience.

In taking more of an active lead on industry issues we stand to benefit from our relationship with our global parent. Vodafone is at the forefront of the industry globally and regularly releases policy papers that deal with prevalent issues.

vodafone.com/about_us/policies/policy_papers for Vodafone's most recent policy papers.

70 for a selection of quotes from our stakeholders, drawn from our recent Reputation Survey.

In the table below we go through the most important issues for our stakeholders and our response to them.

Issue	Response
Access to communications	To expand access into remote areas, we work with suppliers to build networks that function effectively at low-cost. We also add more value to our offerings, both in voice and data services. We led the market in driving down the cost of entry-level handsets, as well as for smartphones, notebooks and modems through our relationship with Vodafone. In South Africa, in line with agreements with the regulator, we cut interconnect rates (what we charge other operators for calls to our network). We also want to make sure that disabled and elderly customers get the benefit of access. We already offer a range of products to customers who are blind or visually impaired, deaf or hard of hearing, or elderly. This year we launched two new speaking phones that translate text to speech. 30 for details on how we are making mobile more accessible. 46 for details on how we are making the internet more accessible.
Diversity and localisation	We're not only concerned with racial diversity. In South Africa we have fundamentally changed the way we think about transformation. We see greater race, gender, age, culture and religious diversity as strengths that help us understand and serve our customers better. This is equally true in our other countries, where localisation is an important feature of how we do business. 40 to find out more about what we're doing to create a culture that celebrates diversity. 66 for an assessment of our BBBEE performance.
Sharing infrastructure	Sharing infrastructure is a good way for all players in our industry to lower our environmental impacts. We share infrastructure wherever possible and in South Africa we currently share more than half of our sites with other operators. Most of the fibre rings we use are leased or were built in partnership with other operators. We are co-operating with MTN and Neotel on the National Long-distance Fibre project, laying fibre optic cables between major metropolitan areas. Sharing infrastructure is not always an easy option, given that network coverage and quality can be an important competitive advantage.

Issue	Response
Protecting our customers	We have a range of policies and measures in place to protect our customers, including their information and privacy. We protect vulnerable groups, like children, from inappropriate content and have measures in place to combat fraud. We also try to make sure content providers abide by standards geared to protecting our customers. The Consumer Protection Act ('CP Act'), which is a wide-ranging piece of legislation covering the relationships between consumers and businesses, came in to force on 31 March 2011. Our CP Act task team made extensive preparations including implementing changes to things like contracts, packaging and products themselves. When the final regulations were published, one area that differed considerably from the draft regulations sent out four months earlier was the section on contract cancellation penalties. We are currently finalising our approach on this issue. for more information on the steps we've taken to protect our customers. see the sustainability section on **vodacom.com**.
Radiofrequency fields ('RF')	Some of our customers have raised concerns about the potential health effects of radiofrequency fields ('RF'). Mobile phones use RF to send and receive information, as do other everyday items like televisions and radio. All our mobile phones and base stations are designed to operate within the guidelines for exposure to RF set by the International Commission for Non-Ionising Radiation Protection (www.icnirp.de <http://www.icnirp.de>). In fact, exposure to RF from base stations is typically many times lower than the ICNIRP guidelines. The latest WHO fact sheet published in May 2010, concluded that to-date no adverse health effects had been established for mobile phone use. See http://www.vodafone.com/content/index/about/sustainability/mpmh/scientific_research/who_advice.html. In May 2011, a body of the WHO classified the cancer hazard posed by radio frequency signals as 'possibly carcinogenic' to humans. The full findings will be published in 2012. for more information on RF see the sustainability section on **vodacom.com**.
Environmental responsibility	We need to balance the need to provide voice and data access to more people as fast as possible, with community and environmental concerns. As we lay cables and put up base stations, we comply with environmental legislation. In August 2010, the regulations governing rights of way were eased in South Africa. We do not, however, impose our infrastructure on communities. We consult widely with community groups, residents associations and local authorities, among other stakeholders. 58 for more information on our environmental impact.
Spectrum	On 31 March 2011 ICASA published the radio frequency spectrum regulation which consolidates and replaces several regulations such as the Radio Regulations of 1979, High Demand spectrum regulations and the Licence Exempt spectrum regulations. The minimum criterion for participation in the licensing process for high demand spectrum is that applicants must have at least 30.0% ownership by historically disadvantaged individuals ('HDIs'). The Group's current low ownership by HDIs could preclude it from participating in future licensing process for high demand spectrum such as the 2.6 GHz and 800 MHz digital dividend bands. 66 for an assessment of our BBBEE performance.

24 for details of key regulatory matters.

Black Economic Empowerment

BBBEE is an important industry issue for Vodacom. Not only is BBBEE a legal requirement for South African businesses, it is vital to our ability to grow and compete effectively. It is a business necessity that allows us to fulfil our licence conditions and enables us to access scarce resources controlled by Government, such as spectrum. And we acknowledge that BBBEE is a key contributor to addressing the social and economic imbalances created by South Africa's past.

We're working hard to improve our performance against the requirements of the Department of Trade and Industry's Codes of Good Practice for Broad-based Black Economic Empowerment ('BBBEE Codes'). In some instances we had set ourselves ambitious targets, which we've fallen short of. Below we summarise our performance in each of the seven elements of the BBBEE scorecard.

Summary scorecard

Element	Weighting %	Score 2011	2010	2009	
Equity Ownership	20.00	**5.30**	6.13	6.19	The points we earn in this element relate to our R7.5 billion BBBEE deal completed in October 2008. Our score dropped from last year, mainly due to the funding structure in the scheme.
Management Control	10.00	**7.94**	6.56	6.94	Our efforts here have paid off, improving from last year. This was mainly due to restructuring the Vodacom SA Board, increasing black representation and improving governance.
Employment Equity	15.00	**10.26**	10.16	9.53	Our score was disappointing, showing little improvement from last year and falling short of our internal target. Although more than 80% of all appointments in 2011 were black employees, our challenge is retaining employees from designated groups. We have comprehensive plans in place to improve race and gender representation.
Skills Development	15.00	**11.38**	12.00	12.00	The drop in this score was because we failed to spend a minimum of 50% on training black women.
Preferential Procurement	20.00	**15.96**	14.72	13.69	We're proud of our performance here. We doubled our internal target, spending R12.5 billion out of a total of R16.1 billion on procurement from BBBEE accredited suppliers. We spent R985 million with qualifying small and exempt micro-enterprises, R456 million with 51% black-owned businesses and R209 million with 30% black women-owned businesses.
Enterprise Development	15.00	**15.00**	15.00	15.00	We scored maximum points on this element mainly due to the support we provide to our community services operators and BEE-owned franchises.
Socioeconomic Development	5.00	**5.00**	5.00	5.00	Our socioeconomic development contributions, including our contributions to the universal services fund, currently amounting to R413 million, earned us full points for this element of the scorecard.
	100.00	**70.84**	69.56	68.35	

Vodacom SA is independently verified as a Level 4 contributor according to the BBBEE Codes, with a score of 70.84, a slight improvement on last year.

Definition on BBBEE and the legal definition of black.

for our full BBBEE scorecard see the sustainability section on vodacom.com.

Work with governments on health and education

We work closely with technology companies, NGOs and all levels of government (local, provincial and national) to find innovative ways to apply our technology and expertise in accelerating and broadening the delivery of health and educational training, services and solutions. We're also helping public-sector planners to realise the goal of 'the connected citizen'. We continue to work closely with all relevant government departments to make sure we understand what they want to achieve so we can come up with solutions that meet the needs of both government and citizens.

Education

In Gauteng, we started rolling out a programme to give 2 400 school principals wireless connectivity in the year. This allows them to interact with the authorities, their school communities and each other using applications hosted on BlackBerry devices.

In Mpumalanga, one of the South African provinces with poor matric exam results in 2009, Vodacom employees volunteered to give extra lessons in English, maths, science, economics and business studies to the 2010 matric class. The headmaster of the ZB Kunene Secondary School later said that the extra tuition was directly responsible for a 64% improvement in the pass rate.

Our customers contributed directly to providing 48 computer centres at schools in 2011. Some R2 million this year was raised from SMSs sent by entrants to our popular Vodacom Millionaires TV competition. The full value of these SMSs went to pay for the computer centres, each making ten computers, a server, software and training materials available to learners.

21st Century Educator project

In 2011 we piloted our 21st Century Educator project in partnership with the National Department of Basic Education, Microsoft®, Cisco, Mindset and Intel. The project aims to establish nine teacher-training resource centres, one in each province in South Africa. The first three are up and running in Pretoria (Gauteng), Ganyesa (North West), and Emalahleni (Mpumalanga). The department provides and maintains the buildings and the private-sector partners provide connectivity, hardware and software and learning materials. Vodacom committed R3 million to the 21st Century Educator project in the year.

The 21st Century Educator project will give 20 maths and science teachers laptops loaded with training software, modems and SIM cards at each centre. These will allow them to access training remotely and communicate with the resource centres and with each other. Using Microsoft® Communicator, teachers will be able to do peer education through voice contact and sharing images and video on the same screen. Each resource centre will be equipped with 50 workstations. When not being used by teachers, the resource centres will be used to train unemployed youths.

Scan the barcode for the full story or visit vodacom.com.

Health

Broadening access to quality healthcare is a priority for all governments in the countries we operate in. Traditionally, the Vodacom Foundations in each country were responsible for our contributions to this critical national objective. Although we're still very involved in healthcare through our social investment initiatives, we're also developing commercial solutions for the industry that use the power of mobile connectivity and ICT services to improve healthcare delivery.

In 2011 the Vodacom Foundation co-invested in the Wits Sexual and Reproductive Health Institute, an HIV/Aids advisory centre. The centre is located in the old General Hospital building in Hillbrow, which is currently being extensively renovated. It offers advice and training on HIV and other sexually transmitted diseases to residents of inner city Johannesburg and further afield. A state-of-the-art research facility will be housed in the same building. We spent R14 million on the centre.

We worked with the National Department of Health in South Africa to roll out a mobile health ('mHealth') programme that uses mobile communications to address HIV/Aids.

SMS messages are sent to customers with information on prevention, and details on where to get support. The Young Africa Live portal, sponsored by our partner, the Praekelt Foundation, is hosted on Vodafone live! and aims to get young people discussing health, sex and lifestyle issues. mHealth text alerts also remind customers about follow-up appointments and help them to adhere to their treatment schedules. We spent R5 million on this mHealth project in 2011.

Using the newest technology to connect healthcare providers across different countries, devices and networks, we are able to provide solutions that are making healthcare delivery more effective.

Vodacom Business built an mHealth platform, hosted in a secure data centre, which allows pharmaceutical companies, hospitals, pathology laboratories and medical aids to collaborate and manage the flow of sensitive data between them.

Our mHealth solutions also assist and support healthcare professionals and companies in the following ways.

Community care

Easy to use monitoring and evaluation solution that allows community-based care services to be recorded, analysed, improved and reported to relevant stakeholders. For example, our 'Nompilo' project, developed with Geomed, allows community caregivers in South Africa to input and access patient information by mobile.

Risk assessment

Mobile solution that allows medical risk to be assessed, prioritised, interventions scheduled and third-party providers notified.

Workforce monitor

Two-way communication solution that allows cost effective workforce management, quality data collection, improved performance and better customer service.

Stock control

Mobile stock level reporting that allows automated notifications and support systems to avoid running out of stock at dispensary level. For example, our 'SMS for Life' project in Tanzania, is a supply chain management solution which helps clinics manage supplies of malaria dugs.

Vodacom Business will continue to find new ways to create value by improving healthcare and economic outcomes, based on an understanding of the needs of our partners, regulators and customers. We believe we're only scratching the surface of the potential of our technology to drive healthcare quality and access.

A great story

CCBRT changes lives through
Vodacom M-Pesa services

The Vodafone Foundation partnered with Vodacom and the Comprehensive Community Based Rehabilitation ('CCBRT') charity hospital in Tanzania to increase the number of fistula repairs performed every year. The CCBRT hospital uses Vodacom M-Pesa to help transport some of the poorest and most desperate women in the country to access corrective surgery.

Scan the barcode for the full story or visit **vodacom.com**.

Work with distribution partners and suppliers to make every customer smile

Our distribution partners are critical to our success. In the South African prepaid market we rely on informal wholesalers who make up the majority of our over 100 000 distribution channels. We're confident that our brand refresh in 2011 and changes to the way we do things will reinvigorate all our sales channels.

By engaging with our distribution partners regularly we aim to create a shared understanding that the sustainability of our business – and of theirs – is built on delighting customers.

We also try to maintain a consistently excellent customer experience through our service consultants who visit all our outlets regularly, and 'mystery shoppers' who pose as real customers to assess customer service levels. We recognise excellence among our distribution partners through our Yebo Excellence Awards.

In 2010 we identified a need to be more active in helping franchised store-owners and managers to meet the service standards we expect of them. We've decided that key franchised stores will have a Vodacom-employed manager working with them.

We engage on various levels with our distribution partners, through:

- The Vodacom Academy, where distributors and their staff are trained on our latest products and services and customer service improvements
- Our e-learning platform
- Our business partner conferences, where we share market updates, trends and developments
- A dedicated call centre for trade partners

Partner with suppliers to drive innovation, efficiency and sustainability

We work closely with our suppliers on innovative products and services to improve customers' lives and their experience of Vodacom. As much as we expect the highest standards from our suppliers and partners, they have the right to expect the same from us. It is vital that we are known as fair, ethical and easy to deal with. In this way we attract the best suppliers who help us make sure we offer quality and innovation to our customers. In most of our countries we work with suppliers to continually lower our environmental impact and reduce running costs. We also work with Vodafone Procurement Company on innovative and sustainable solutions with all key network and device suppliers.

To cement long-term relationships with our suppliers, which benefit them as well as us, we are rolling out a code of ethical purchasing ('CEP'). The CEP sets out what Vodacom expects from its supply chain, including respect for customers' privacy, responsible data management, no bribery or corruption, and promoting the health and safety of employees and communities. The CEP binds us to meeting these principles, as much as suppliers are expected to abide by them. All suppliers are expected to formally agree to the CEP.

Scan the barcode for the full story or visit **vodacom.com**.

A great story

Silulo **Ulutho**

A small entrepreneurial business is putting the power of the internet into the hands of tens of thousands of township residents in the Western province.

Silulo Ulutho's business is all about giving people, even the poorest, the tools and knowledge they need to get connected. Now Vodacom is working with Silulo to exploit mobile's potential to connect everyone.

Build a reputation as a company that all our stakeholders want to deal with

Our Group-wide Reputation Survey was the most wide-ranging analysis of stakeholder perceptions we've ever done. We commissioned independent research companies to engage with key stakeholder groups, including employees, the general public, regulators, government officials and politicians, the media, analysts and investors, business customers, NGOs, franchisees, distributors and suppliers.

The survey results were in-depth and covered many viewpoints to do with our reputation, and the way we do things. We will repeat the survey every year as a key part of our strategic planning and stakeholder engagement process.

The Reputation Survey measured our reputation and how people perceive our performance in relation to competitors and other large companies. It showed that in all our countries we were rated ahead of our competitors and other leading non-telecoms brands – but only slightly in some cases. The survey helped us identify focus areas that will guide management decision-making and action in the year ahead.

A selection of stakeholder views from the Reputation Survey

"They have the most extensive network in South Africa, the best network quality."
– Analyst

"They still offer a better deal than their competitors, they are very visible with their sponsorships and community projects."
– Franchisee

"They have integrity; they have their customers at heart, offer a clean deal with no hidden agendas."
– Franchisee

The GOOD

"Vodacom typically repairs a phone within a week, [a competitor] up to a month. Customers know this... if you speak to the average consumer, he knows Vodacom is the best."
– Independent Distributor

"People don't understand what is involved in service delivery – I have worked there, with Vodacom, integrity has always been in their environment."
– Large Supplier

"My involvement with Vodacom has been more to do with global tender processes concerning communication in our region, but it appears to be sound and meets required standards."
– Large Supplier

"They won't promise something they can't deliver."
– Independent Distributor

"I believe that the transparency in their business is better than their competitors. You must believe that they apply what they stand for."
– Analyst

"With Vodacom there is a lot of involvement with community work. They are doing a lot regarding disabled people and children, and the campaign they have now is Change the World and that is keeping them ahead of [a competitor]."
– Franchisee

The BAD

"Vodacom is still perceived to be a really white top company."
– Supplier

"I don't think that top management is involved enough on the ground level. A lot of decisions are made by management without anticipating the consequences so if they were more involved it will make a difference."
– Franchisee

"There is an element of worry because of the majority shareholding – a worry only from a minority perspective – conflict between minorities and the parent potentially. You have Vodafone holding the majority and might think that their ambitions, desires might deviate from minority views, mainly because they are looking at a global telecom company and Vodacom is only a piece of it so there might be a conflict of interests on strategy."
– Investor

"Vodafone is an obstacle, South African companies don't like to be dictated to by the rest of the world."
– Franchisee

The suggestions

... on being sustainable

"Consumer activism is on the rise so it is becoming increasingly important. Previously things could be done and companies could get away with it e.g. Vodacom needs to be aware of where they put a base station or mast and how it affects the community and environment." – Analyst

"ISO standards indicate that if you have a perspective beyond five years you need to move in this [environmental] direction. You need to be conscious of your ecological footprint. If you want foreign investment you need to consider this. Customers want cheap prices but also want to know about what impact they have on the environment." – Government

...on building trust

"They [need to be] absolutely clear in explaining the risk of electro-magnetic radiation from cell phones and cell phone towers to the general public. People still have a lot of question marks because it is not being communicated to them in a way that makes them believe it." – Other Interest Group

...on being a leader

"In one sense [being a leader] would be being a market leader. But then, within the company itself, it would centre around the management, the company culture...." – Government

"Strong people with strong skills developing solutions and focusing on service management. Leadership through people at all levels in the company to deliver best service to the customer." – Large supplier

...on opportunity

"Stick to your core business – innovation and customer service. Customer service is the opportunity to sustain growth and development." – Investor

Business principles

Red is speed simplicity trust

The Vodacom Way is to be ethical, well run, responsible, fair, open and accountable. It is to move with speed, to simplify the way we do things and to build relationships with all our stakeholders based on trust. The Vodacom Way is to learn, to listen, to lead for the long term.

So if blue was a bit we-know-better, then red is a more let's-get-it-right-together.

"The Vodacom business principles guide our decisions and actions at every level of our organisation. They explain what is expected of us in following the Vodacom Way.

Our code of conduct explains our business principles and provides practical guidance on how they should be applied. During the year we revised our code of conduct to align to our parent, Vodafone. We are in the process of getting our employees up to speed on the new code."

Thomas Beale, Chief Ethics and Compliance Officer

for a copy of our code of conduct see the sustainability section on **vodacom.com**.

Business principle	Summary
Complying with all relevant laws, standards and principles	How we should act to achieve compliance with all relevant laws.
Basing business decisions on economic, social and environmental criteria and maintaining financial integrity	How we spend company money, keep accurate records, manage contracts, consider health and safety when contracting suppliers and minimise our impact on the environment.
Voicing our opinions on industry issues while taking an apolitical stance	How we are proactive and are thought leaders in our engagement with governments and other stakeholders; but do not make political party contributions.
Communicating openly with our stakeholders while maintaining commercial confidentiality	How we communicate clearly and promptly, with guidelines on protecting and sharing confidential information, dealings with competitors and receiving unsolicited business information.
Valuing our customers' trust and safeguarding their personal information	How we respect and protect customer privacy and guard against inappropriate or unwanted communication or spam.
Basing employee relationships on respect for individuals and their human rights	How we provide equal opportunities, forbid harassment and bullying, prohibit alcohol and drugs in the workplace, and protect employee privacy.
Protecting the environment and improving the environmental and social benefits of our products and services	How we require employees to be familiar with environmental laws, look for opportunities to reduce waste and dispose of materials carefully, limit travelling and make the most of online options.
Building trust in our communities and investing in social upliftment	How we are sensitive to the needs of communities, listen to and actively communicate with them and get involved in social development through the Vodacom Foundation in each country we operate in.
Protecting the health and safety of our customers, employees, partners and communities	How we require all employees to comply with the Vodacom Absolute Rules, report all infringements and act quickly to investigate and recommend improvements.
Acting with honesty, integrity and fairness in all our dealings	How we avoid conflicts of interest, manage gifts and hospitality and extend our business principles to our business partners and suppliers.
Ensuring adherence to the Vodacom Way and code of conduct	How employees make sure their own and others' actions are in accordance with our values and business principles and report violations of the code of conduct.

Abridged corporate governance statement

"We are committed to integrity, ethical values and professionalism in all our activities. An essential part of this commitment is our Board's support for the highest standards of corporate governance.

The Board recognises the need to govern the Group according to the principles of the King Code of Corporate Practices and Conduct ('King III')."

Sandi Linford, Company Secretary

The Board governs according to the principles of discipline, independence, responsibility, fairness, social responsibility, transparency and accountability of directors to all stakeholders. These principles are reflected in the Group's business principles, internal controls and policies. The Board is satisfied that every effort has been made in 2011 to comply in all material aspects with King III. Where we do not comply, this is stated and explained.

Board

Vodacom has a unitary Board of 12 directors. Five directors, including the Chairman, are independent non-executive directors. Five are non-executive directors and two are executive directors. Although the majority are non-executive directors, half of our non-executive directors are not independent as recommended by King III, as they represent Vodafone. However, the Board is satisfied that the balance of power and objectivity on the Board is sufficient and does not require additional independent voices.

A Board charter sets out the responsibilities of the Board, which include:

- oversight of the Group's strategic direction;
- approving major capital projects, acquisitions or divestments;
- exercising objective judgement on the Group's business affairs independent of management;
- ensuring that appropriate governance structures, policies and procedures are in place;
- ensuring the effectiveness of the Group's internal controls;
- reviewing and evaluating the Group's risks;
- approving the annual budget and business plans;
- approving annual and interim financial results and shareholder communication; and
- approving the senior management structure, responsibilities and succession plans.

Accountability

The Board takes overall responsibility for Vodacom's success. Its role is to exercise leadership and sound judgement in directing the Group to achieve sustainable growth and to act in the best interests of stakeholders.

In line with best practice, the roles of Chairman and Chief Executive Officer are separate. The Chairman is responsible for leading the Board and the Chief Executive Officer for the operational management of the Group.

Directors

Our directors have wide-ranging expertise and experience in finance, commerce and the mobile communications industry.

Vodacom's articles of association specify that non-executive directors have no fixed term of appointment. Executive directors are subject to standard terms and conditions of employment, and a six-month notice period. Directors are also subject to retirement by rotation and re-election by shareholders at least once every three years. Any director appointed to fill a vacant position during the year must retire and stand for re-election at the first annual general meeting following his/her appointment.

The articles of association require the Board to re-elect the Chairman yearly, in line with King III. Peter Moyo was re-elected on the anniversary of his appointment in May 2011.

23 for appointments and resignations of directors.

Independent advice

The Board recognises that there may be occasions where directors consider it necessary to take independent professional advice. This is done at the Company's expense according to agreed procedure.

Board meetings

The Board holds a minimum of four meetings, three teleconferences and a strategy session every year. Special Board meetings are convened when necessary. A special meeting was held on 21 April 2010 to approve a trading update.

The table below records the attendance of directors at these meetings.

Name of director	Special 21.4.10	13.5.10	Telecon 28.5.10	Telecon 20.7.10	14.9.10	4.11.10	Telecon 2.2.11	10.3.11
MP Moyo	√	√	√	√	√	√	√	√
PJ Uys	√	√	√	√	√	√	√	√
MS Aziz-Joosub	√	√	x	√	√	√	√	√
P Bertoluzzo	√	√	√	√	√	√	√	√
TA Boardman	√	√	√	√	√	√	√	√
M Joseph	√	√	x	x	√	√	√	√
M Lundal	√	√	x	√	√	√	√	√
P Malabie[1]	√	√	x	√	√	√	–	–
TM Mokgosi-Mwantembe	√	√	√	√	√	√	√	√
PJ Moleketi	√	√	√	√	√	√	√	X
NJ Read[2]	–	–	–	–	√	√	√	√
RAW Schellekens	√	√	x	√	√	√	√	√
RC Snow[3]	x	√	√	√	–	–	–	–
RA Shuter	√	√	√	√	√	√	√	√

Notes:
1. P Malabie resigned on 4 November 2010.
2. NJ Read was appointed on 13 September 2010.
3. RC Snow resigned on 13 September 2010.

Board committees

The non-executive directors play a pivotal role on the Board's committees. All committees operate under Board-approved terms of reference, which are updated from time to time to stay abreast of developments in corporate law and governance best practice.

Executive Committee

During the year, the Executive Committee was expanded to include the Chief Executive Officer (Chairman), Chief Financial Officer, Chief Commercial Officer, Chief Human Resources Officer, Chief Officer: Corporate Affairs, Chief Executive Officer: International, Chief Technical Officer, Chief Strategic Officer, Chief Operating Officer: South Africa, Chief Officer: Legal and Regulatory and the Managing Director: South Africa. The Chief Strategic Officer and the Managing Director: South Africa begin working at Vodacom after the release of this report.

This committee is responsible for managing the Group's operations, developing strategy and policy proposals for the Board's consideration and implementing the Board's directives. It has a properly constituted mandate and terms of reference.

The committee's responsibilities include:

- leading executives, management and employees;
- developing the annual budget and business plans for the Board's approval; and
- developing, implementing and monitoring policies and procedures, internal controls, governance, risk management, ethics and authority levels.

Audit, Risk and Compliance Committee

Current members: TA Boardman (Chairman), PJ Moleketi, A Kekana.

During the year, the Audit Committee revised its mandate to include risk management and is now known as the Audit, Risk and Compliance Committee.

26 for details on the activities of the Audit, Risk and Compliance Committee.

Remuneration Committee

Current members: TM Mokgosi-Mwantembe (Chairman), TA Boardman, NJ Read, RAW Schellekens.

Members of the Remuneration Committee during the year included:

TM Mokgosi-Mwantembe (Chairman), TA Boardman, M Lundal, RAW Schellekens.

Morten Lundal stepped down from the committee in March 2011 and was replaced by Nick Read.

The membership of the Remuneration Committee does not comply fully with King III, which advocates a majority of independent non-executive directors. Of the non-executive directors on the committee, only half are independent.

Thoko Mokgosi-Mwantembe, the Chairman of the committee, and Tom Boardman are independent non-executive directors. The Board is satisfied that Vodafone's representation on this committee is appropriate given the valuable contribution of the Vodafone directors.

The Remuneration Committee, in consultation with executive management, ensures that our directors and senior executives are fairly rewarded for their individual contributions to Group performance in line with Vodacom's remuneration policy.

In the year, the Remuneration Committee met five times with attendance as follows:

Name of director	Telecon 11.5.10	27.5.10	13.9.10	4.11.10	10.3.11
TM Mokgosi-Mwantembe	√	√	√	√	√
TA Boardman	√	√	√	√	√
M Lundal	√	√	√	√	√
RAW Schellekens	√	√	√	√	√

81 for further details on the activities of the Remuneration Committee.

Nomination Committee
Current members: MP Moyo (Chairman), TM Mokgosi-Mwantembe, NJ Read, RAW Schellekens.

Members of the Nomination Committee during the year included: MP Moyo (Chairman), TM Mokgosi-Mwantembe, M Lundal, RAW Schellekens.

Morten Lundal stepped down from the committee in March 2011 and was replaced by Nick Read.

The membership of the Nomination Committee does not comply fully with King III, which advocates a majority of independent non-executive directors. Of the non-executive directors on the committee, only half are independent. Peter Moyo, the Chairman of the committee, and Thoko Mokgosi-Mwantembe are independent non-executive directors. The Board is satisfied that Vodafone's representation on this committee is appropriate given the valuable contribution of the Vodafone directors.

The committee's responsibilities include:

- identifying and evaluating suitable candidates for appointment to the Board. The authority to appoint directors remains a Board function;
- identifying and evaluating suitable candidates for the position of Chief Executive Officer and Chief Financial Officer;
- making recommendations on Board composition in terms of skills mix, size and the number of committees required; and
- reviewing and approving executive succession.

A comprehensive Board evaluation, managed by an independent service provider, was conducted during the year.

Although the evaluation identified no significant weaknesses, the Board agreed to:

- devote more time to develop a common understanding of the internal climate and culture following Vodacom's alignment with its parent, Vodafone;
- balance the Board's time between operational oversight and strategy; and
- obtain briefings from management in between meetings.

In the year, the Nomination Committee met three times with attendance as follows:

Name of director	13.9.10	4.11.10	10.3.11
MP Moyo	√	√	√
TM Mokgosi-Mwantembe	√	√	√
M Lundal	√	√	√
RAW Schellekens	√	√	√

Social and Ethics Committee
The Board established a Social and Ethics Committee with effect from 1 April 2011.

Current members: PJ Moleketi (Chairman), MP Moyo, RAW Schellekens, PJ Uys.

In line with the Companies Act, 2008 (as amended) and King III, this committee will oversee and monitor Vodacom's activities in relation to:

- social and economic development, including the principles of the UN Global Compact, Broad-based Black Economic Empowerment, Employment Equity and the OECD's recommendations on corruption;
- good corporate citizenship, including the promotion of equality, prevention of unfair discrimination, corporate social responsibility, ethical behaviour and managing environmental impacts;
- consumer relations; and
- labour and employment, including skills development.

Company Secretary

All directors have access to the advice and services of the Company Secretary, Sandi Linford, who is responsible for ensuring the Board complies with all applicable procedures, statutes and regulations. For the Board to function effectively, all directors have full and timely access to relevant information that helps them do their duties properly. This includes corporate announcements and investor communication, and developments that may affect Vodacom and its operations. Directors have full access to management as required.

The Company Secretary is responsible for director training. The Company Secretary and Chief Executive Officer induct new directors, which includes briefings on their fiduciary and statutory responsibilities as well as on the Group's operations as required.

Shareholder relations

Vodacom maintains a proactive dialogue with shareholders to communicate its strategy and activities. This is done though a planned investor relations programme, which includes:

- formal presentations of interim and annual results;
- briefing meetings with major institutional shareholders after the release of results; and
- hosting investor and analyst sessions.

Risk management

Management develops and enhances its risk and control procedures on an ongoing basis, aiming to continuously improve risk identification, assessment and monitoring. The directors consider business risks when setting strategies, approving budgets and monitoring progress against budgets.

A division reporting to the Chief Risk Officer assists in identifying, assessing and recording the strategic risks facing the Group, and where appropriate, monitors mitigating actions.

Risk is managed at three distinct levels, namely Risk Management Committees, the Risk Group and line management.

Effective risk management is integral to our ability to create and sustain value over the short, medium- and long-term.

78 for the risk management report, which contains the major strategic risks identified in the year.

Internal control

Management adopts internal controls, including policies, procedures and processes, to provide reasonable assurance in safeguarding assets, preventing and detecting errors, the accuracy and completeness of accounting records, and the reliability of financial statements. Internal audit provides independent, objective assurance of the internal control systems within the Group.

Code of conduct

Vodacom has a detailed code of conduct requiring all executives and employees to maintain the highest ethical standards. The code of conduct aims to ensure that Vodacom's business practices are conducted in a manner that is beyond reproach.

Vodacom strives to provide an internal environment that fosters open communication and mutual trust. During the year we established ethics committees in all our operating companies and completed an ethics risk survey across the Group. We also continued our ethics training programmes, with 81.9% of management and 64.8% of other employees having been trained. We have an anonymous whistle blowing as well as an ethics advisory contact number. During the year we received 39 anonymous reports related to employees, who were then disciplined.

73 for more information on our business principles.

Share dealings

Vodacom has a share dealing policy requiring all directors, senior executives and the Company Secretary to obtain prior written consent from either the Chairman or Chief Executive Officer to deal in Vodacom Group shares. The Chairman of the Board is required to obtain prior written consent from the Chairman of the Audit, Risk and Compliance Committee. Closed periods are implemented as per the JSE Listings Requirements. During these periods, the Group's directors, executives and employees are not allowed to deal in Vodacom Group shares. Additional closed periods are enforced should Vodacom be subject to any corporate activity requiring a cautionary announcement.

Information technology governance

As an ICT company, technology is core to our business. We spend a lot of time on keeping abreast of the latest developments.

[Technology governance is vital to striking the right balance between holding on to our technology lead and managing our costs.]

In line with King III, technology governance forms an important part of our governance structures, policies and procedures. It is also fully integrated into our strategic and business processes, and is managed by our Chief Technical Officer.

Our technology governance framework includes:

- aligning technical strategy and business needs;
- delivering value and managing performance;
- information security;
- information management; and
- business continuity management.

for the full corporate governance report see the sustainability section on **vodacom.com**.

Risk management report

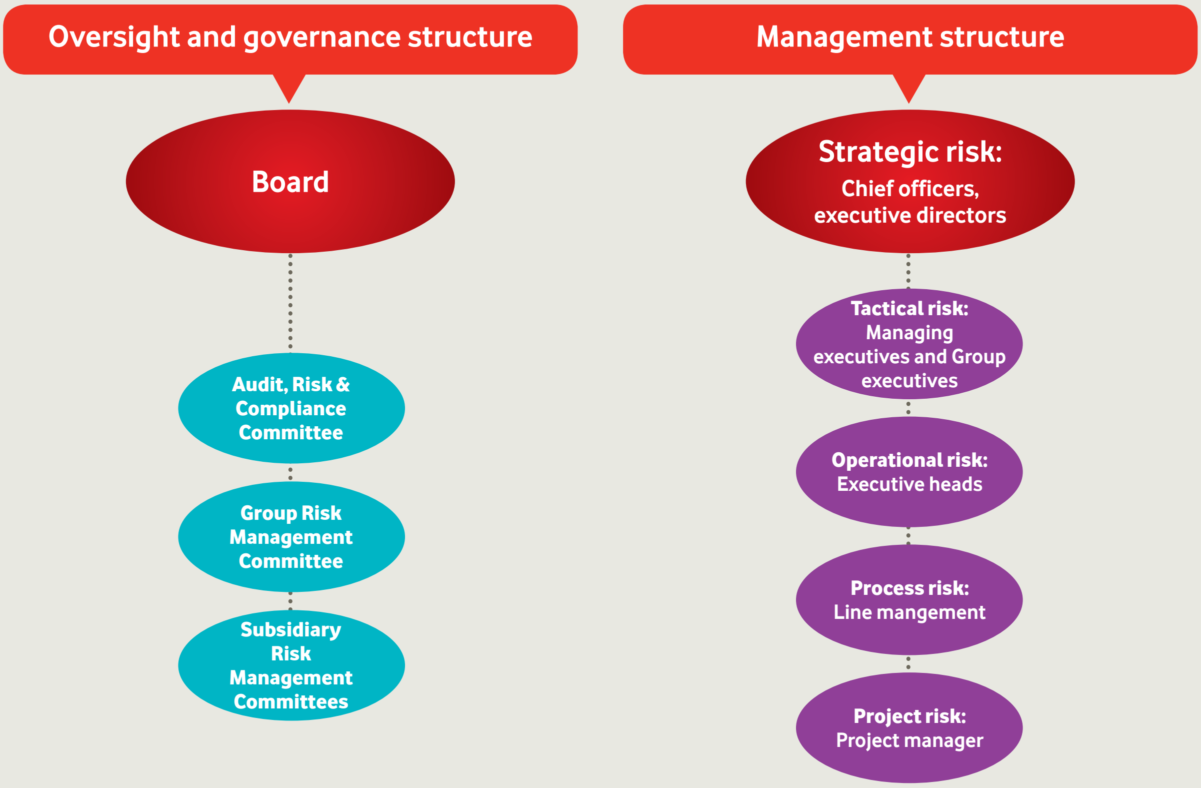
> We all take risks every day – whether it's getting in the car in the morning or walking down a flight of stairs. Without taking risks we wouldn't be able to innovate or grow.
>
> The challenge for Vodacom is to make sure that we have identified the risks we're taking, mitigated potential mishaps, and above all to make sure that we never cross the line between having a healthy appreciation of risk and becoming reckless.

Johan van Graan, Chief Risk Officer

Management develops and enhances its risk and control procedures on an ongoing basis. This is aimed at continuously improving the identification, assessment and monitoring of risk. Directors consider our strategic risks when they formulate strategy, approve budgets and monitor progress against business plans.

We have a dedicated Risk Group that reports to the Chief Risk Officer. The unit is tasked with helping to embed risk management within the Group, to assist in identifying, assessing and recording strategic risks and to monitor procedures aimed at mitigating them. This year we established Risk Management Committees in Tanzania, DRC, Mozambique and Lesotho. The committees are chaired by the respective Managing Directors and include the executive committee of each country. Their mandates are identical to that of the Group Risk Management Committee ('GRMC'), which is set out in the risk policy, detailing the objectives, scope, approach and roles and responsibilities.

How we manage risk



The GRMC meets four times a year and is chaired by the Chief Financial Officer. Current membership comprises the Group Executive Committee members, the Chief Risk Officer and the Managing Directors of each operating company. The GRMC also acts as the Risk Management Committee for Vodacom SA.

The main functions of the GRMC are to:

- approve the list of high and critical strategic risks that are presented to the Group Board yearly; and
- oversee and monitor the structures and projects aimed at managing specific risks.

Risks are managed by three main structures, namely the Risk Management Committees; the Risk Group; and line management. Risks are identified at five different levels, namely project, process, operational, tactical and strategic levels. Risks are regularly reviewed and updated.

For strategic risks, a filtering process and clear reporting lines ensure that critical and high risks are reported to the Risk Management Committees and escalated to the various boards in each operating company.

The Group Board reviews the list of strategic and critical risks regularly as required by King III. The Board also approves the Company's risk tolerance yearly.

26 for more details on the activities of the Audit, Risk and Compliance Committee.

The process we follow

Our process of defining, assessing, classifying and monitoring risks is set out below.

Defining the risks

- Various levels of management in each operating company define risks at project, process, operational, tactical and strategic levels. The Board sets the levels of risk tolerance yearly.

Assessing the impact of the risks on the organisation should they happen

- Risks are assessed based on their potential impact on the business (customers, business systems, employees), financial position and reputation. A level 1 risk is seen as insignificant and level 5 is catastrophic. For example, if more than half of our customers would be impacted by the risk, it would be classified as level 5.

Assessing the likelihood of the risks happening

- Risks are assessed based on the likelihood of them happening after taking into account controls in place to mitigate them. Again we use a scale from 1 to 5, where 1 is 'never' and 5 is 'almost certain'. When we rate a risk '5', it means the controls in place will not prevent the risk from happening due to factors outside our control.

Classifying the risks

- We classify risks as critical, high, medium and low based on their impact and likelihood of them occurring. So where a risk has a high likelihood of occurring and the impact on our business, financial position or reputation is high it would be considered critical.

Monitoring and reporting the risks

- We capture well over 2 000 operational, tactical and strategic risks across the Group in our risk system, Cura. We manage risks continually and review them quarterly. We also involve internal audit and report back to the Group's Audit, Risk and Compliance Committee and the Board quarterly.

Major strategic risks

Risk	Context	Mitigating factors
Regulatory decisions and changes in regulation	We comply with a wide range of requirements that regulate the licensing, construction and operation of our networks in the countries we operate in. In particular, the decisions of regulators on granting spectrum licences as well as wholesale and retail tariffs may affect us negatively.	• We have specialist regulatory and government relation teams that understand legislation and regulation. • We participate actively in written submissions and formal hearings on legislative and regulatory changes. • We have access to best practice and international debate through Vodafone. • We conduct detailed scenario planning on an ongoing basis.
Increased competition	We are facing intense competition in all our markets. Our ability to compete effectively depends on network quality, capacity and coverage, pricing of services and devices, quality of customer services, developing new and improved products and services in response to customer demands, new technologies, reach and quality of sales and distribution channels, and capital resources. In particular, pushing down prices to stay competitive along with increased capital investment to support growth in traffic, may impact our financial performance negatively.	• We continue to invest in network coverage and quality. • We continue to expand distribution. • We're focused on dramatically improving the customer experience across all customer touchpoints. • We offer a wide range of devices at competitive prices. • We continue to offer more value to customers through promotions and discounts.
Unpredictable political, economic and legal risks	Political, economic and legal risks in some of our markets may be less predictable than in countries with more developed institutional structures. The value of our investments in these markets may be negatively affected by political, economic and legal developments beyond our control. In particular, the mobile communications industry can often be subject to unpredictable, higher direct and indirect taxes in these countries.	• We have a comprehensive stakeholder relations strategy in place in all the countries we operate in. • We have a specialised tax management capability and seek expert tax advice as needed. • We will consider litigation to enforce compliance with legislation.
Customer registration	Customer registration is a requirement in South Africa, Tanzania, DRC and Mozambique. Implementing customer registration requirements in our markets is costly and may negatively affect our ability to connect customers easily. We may also be required to disconnect customers that do not register.	• We have specialist regulatory and government relation teams that understand legislation and regulation. • We continue to invest in educating our customers on these requirements. • We offer incentives to customers to register in good time.
Major network and billing infrastructure failures	We operate complex mobile networks that rely on third parties to provide power or transmission. In certain countries, like Mozambique and Lesotho, we have limited redundancy in our master switching centres. Network and billing infrastructure may also be damaged by natural disasters or terrorism. In particular, network outages may impact customer usage and revenue negatively.	• We have comprehensive business continuity and disaster recovery plans in place. • We invest in maintaining and upgrading our networks on an ongoing basis. • We are self-providing transmission links on critical routes in our networks to reduce reliance on external parties. • We are making investments to ensure adequate redundancy capabilities where feasible. • We have comprehensive insurance in place. • We continue to consider dual generator and alternative energy supply solutions where feasible.

Remuneration report

"We pay at or above market levels to make sure that we get the best people, and we then rigorously tie remuneration to performance.

This year we built on the sound remuneration governance platform already established. We implemented international best practices from Vodafone after adapting them for our markets. We also continued to apply the King III governance principles."

Thoko Mokgosi-Mwantembe, Chairman of the Remuneration Committee

Introduction

This report explains Vodacom's remuneration policy for non-executive directors and executive directors.

The Board recommends the fees for non-executive directors to shareholders for approval at the annual general meeting ('AGM'). The Group's Remuneration Committee ('RemCo') determines the policy for remunerating executive directors on the same basis as other Group executives.

In line with the principles of King III, we have disclosed the individual remuneration of our executive directors and the three most highly paid executives (non-directors) working in South Africa ('disclosed employees') based on their remuneration for the 2011 financial year.

Remuneration Committee

Role of RemCo

Our Board is responsible for the Group's remuneration policy and applies it with RemCo's assistance. RemCo operates according to a charter approved by the Board in February 2009. The charter is reviewed regularly.

RemCo's roles and responsibilities include:

- determine, agree and develop the Group's remuneration policy;
- determine and agree the remuneration packages for the Chief Executive Officer, Chief Financial Officer and any other executive director on the Board;
- ensure competitive reward to facilitate the recruitment, motivation and retention of high performance employees at all levels in support of corporate objectives and to safeguard stakeholder interests;
- determine and recommend to the Board the level of fees for non-executive directors;
- review and recommend to the Board the relevant performance measures for executives;
- consider other special benefits or arrangements of a substantive financial nature;
- review promotions, transfers and termination of employment policies; and
- ensure compliance with applicable laws and codes.

The RemCo Chairman reports to the Board after each RemCo meeting and attends the AGM to take questions from shareholders on RemCo's areas of responsibility.

External advisers

In 2011 PwC advised RemCo on fee levels for non-executive directors and general remuneration.

Key developments

During the year, RemCo completed the following:

- reviewed developments in local and global best practice;
- approved increases and adjustments for executives and senior management, as well as all other employees;
- approved STI;
- approved LTI award levels and performance target;
- approved fee levels for non-executive directors; and
- set performance conditions for STI and LTI for 2012.

Remuneration policy

We aim to attract, retain and motivate executives of the highest calibre, while at the same time aligning their remuneration with shareholder interests and best practice. Our approach to reward is holistic, balanced across the following elements:

- a guaranteed package;
- variable pay in the form of short- and long-term incentives;
- performance management;
- individual growth and development; and
- a stimulating work environment.

Our policy is to reward our executives for their contributions to our strategic, operating and financial performance. To thrive in our industry we need to develop and retain top talent, critical skills and intellectual capital.

Our yearly review of director and employee remuneration is benchmarked to the market and then is awarded according to individual performance and potential. This is determined through our talent and performance management processes. The outcome influences the award of short- and long-term incentives.

44 for more information on talent management.

The short-term incentive, a yearly cash bonus, is linked to achieving financial, operational and strategic objectives. The pool available for short-term incentives is determined by the performance against targets. The proportion paid to individual directors and senior management depends on their performance against the operational and strategic objectives in their performance contract. The individual is also assessed in relation to the principles of the Vodacom Way.

The long-term incentive, a yearly share allocation, helps to retain valued staff. It is designed to align executive performance to shareholders' interests. Participants receive dividends from the award date and the shares can be realised after a three-year vesting period.

Summary of executive remuneration structure

Element	Type	Objective
Guaranteed package ('GP')	Fixed	Reflects the scope and nature of the role, experience required and performance expected.
Short-term incentive ('STI')	Variable	Motivates and rewards achievement of performance objectives.
Long-term incentive ('LTI')	Variable	Helps to retain key skills by linking to long-term value creation.

RemCo reviews the total pay mix of executives every year. It decides on the proportion of total remuneration paid as part of the GP, or as STI and LTI. Each of these elements is linked to creating shareholder value and the strategic progress made in the year.

To make sure we remunerate executives competitively, we use industry and country benchmarks. Fair and competitive reward is vital to being an employer of choice. RemCo sets the total remuneration and the GPs of executives by looking at peer group data from the JSE telecommunications sector and other listed companies of similar market capitalisation and revenue. The peer group excludes financial services and foreign companies, which apply a very different pay mix. The peer group comparison helps to lower the risk of losing skilled executives to competitors in the industry as well as to other large corporates due to uncompetitive remuneration packages.

RemCo's policy is to set GPs for executives at the 60th percentile relative to peer group companies. This has been consistently applied across the Company with key and scarce skills also benchmarked at the 60th percentile, and other staff at the median. The higher level of GP for key employees helps to attract and retain the best available talent in the market. This is most important in South Africa where certain skills are scarce. Attracting and retaining the best available talent helps to create a stable workforce able to deliver long-term shareholder value.

In 2012 we plan to align with the Vodafone policy with respect to pay levels in relation to the market. For executives the proposed pay level is the 66th percentile for GP and the upper quartile for total target cash (GP plus on-target STI). For other employees, the benchmark is the median for GP and 66th percentile for total target cash. The target range for all remuneration is 80% to 120% of the relevant benchmark.

No other material changes to our remuneration policy have been proposed for the 2012 financial year.

Guaranteed package

All employees, including executive directors, receive a GP based on their roles, individual performance and Group performance. Contributions to retirement and insured benefits are included in the GP.

All permanent employees, including executive directors, have to join the Vodacom Group Pension Fund, a defined contribution pension scheme. Executives also participate in the Vodacom Group Executive Provident Fund, a defined contribution provident scheme.

Normal retirement age is 60 for executive directors and other executives. For all other employees it is 65. Employees can choose to participate in a nominated medical aid scheme. We do not offer post-retirement medical benefits and have no such liabilities.

Increases for executive directors and other employees are based on a review of market data, business affordability and consideration of their individual performance and potential. When the package is reviewed it is done so in the context of individual and Company performance, internal relativities, criticality of the individual to the business, experience and the scarcity or otherwise of talent with the relevant skill set. Macroeconomic data, such as current and expected inflation is also considered.

Guaranteed package

	At 31 March		% change
R	2011	2010	10/11
PJ Uys	**6 862 500**	6 325 000	**8.5**
MS Aziz Joosub[1]	**5 800 000**	4 900 000	**18.5**
RA Shuter	**4 882 500**	4 500 000	**8.5**

Note:
1. MS Aziz Joosub received an increase of 8.5% to R5 316 500, in line with the other executive directors. He subsequently received a further increase of 9.1% to R5 800 000, as a result of his appointment as CEO of Vodafone Spain (which will be recovered from Vodafone Spain).

The pay review date for executives was changed from 1 April to 1 July for the 2011 financial year. The average increase in the GPs paid to executives was 8.5%. This was made up of a 7.0% increase in line with the Company average and 1.5% as a result of the later review date.

RemCo approved increases of 4.3% from 1 July 2011 for executives, compared to the average salary increase to be paid to all employees of 5%.

No changes were made to the GP policy in 2011.

Short-term incentives

All employees, including executive directors but excluding employees on a commission or quarterly or bi-annual bonus structure, participate in a yearly STI plan. STI payments are discretionary and depend on financial performance and individual contribution. Payments are made in cash during June each year.

Where annual targets are achieved in full, 100% of the bonus will be paid. In instances where target goals are exceeded, the cash bonus is capped at a percentage of the GP. Where the bonus targets are not achieved in full, a *pro rata* bonus is paid only if the threshold performance level has been achieved.

Payments to executives at target and stretch levels are as follows:

Position	% of GP at target	% of GP at stretch
Executive directors[1]	75	200
Disclosed employees	60	180

Note:
1. Includes the CEO.

The STI for executives for 2011 was based on financial targets, set by RemCo, of:

- service revenue (30% weighting)
- EBITDA (20% weighting)
- operating free cash flow (20% weighting)
- competitive performance (30% weighting)

The weightings aligned the STI paid to our strategic focus on service revenue growth and market performance. For executives, targets are split between the relevant operating company and the Group.

There is some overlap between financial targets for the STI and LTI incentives. Both include competitive performance, which is critical to our business in the short- and long-term.

Executives' STI are based on business performance and individual targets. Two of the four targets were met, of which one was exceeded and two were missed but still well above threshold.

STI

R	Year ended 31 March 2011	% increase 10/11	% of GP 2011
PJ Uys	6 445 123	55.2	93.9
MS Aziz Joosub	7 233 817	51.8	124.7
RA Shuter	5 419 282	108.5	111.0
Disclosed employee 1	1 734 000	(41.3)	60.0
Disclosed employee 2	3 474 939	(14.0)	91.9
Disclosed employee 3	3 116 148	4.0	92.6

The same measures will be used in 2012, with a 25% weighting for service revenue and EBITDA, 20% for operating free cash flow and 30% for competitive performance.

Long-term incentives

These incentive plans aim to retain key skills and motivate executives over the long term, which is essential to sustainable performance.

Forfeitable Share Plan ('FSP')

The FSP, introduced in 2009, is our main LTI plan. Although it is focused on executives, other employees may be selected to participate. Non-executive directors are not eligible to participate in the FSP.

Shareholders adopted the FSP at the AGM on 31 July 2009. Its purpose is to give executives the opportunity to own shares in Vodacom through yearly grants of forfeitable share awards. This means they receive shares (with dividends and voting rights) on the date of award, subject to restrictions and the risk of forfeiture during a three-year vesting period. For executives, 50% of the award depends on meeting business and individual targets. If the targets are not met, this portion is forfeited.

FSP awards were granted on 1 July 2010, 8 November 2010 and 11 March 2011. A portion of these shares depend on meeting targets for EBITDA less capital expenditure and South African revenue market share from 1 April 2010 to 31 March 2013. Equal weighting is applied to these targets. For executives, 50% of the awards granted in the prior year is subject to similar performance conditions for the prior three-year period.

RemCo considers the targets to be in line with Group strategy and market conditions.

The vesting of awards with performance conditions is on a sliding scale of 20% vesting at threshold performance, 60% at target and up to 100% at maximum performance.

The standard expected value of FSP awards, as a percentage of the GP at target level is shown below.

Individual	Expected value as % of GP
CEO	90
Other executive directors	48
Disclosed employees	31 – 33

The standard awards are multiplied by 0% to 200% according to individual performance and potential. Executive participation in the FSP is shown below.

	Awarded in 2011		Balance at 31 March 2011
	Number	**Value % of GP**	**Number**
PJ Uys	**138 822**	**90**	**337 823**
MS Aziz Joosub	**101 508**	**94**	**269 200**
RA Shuter	**107 570**	**112**	**230 524**
Disclosed employee 1	**40 287**	**78**	**108 366**
Disclosed employee 2	**22 551**	**34**	**76 423**
Disclosed employee 3	**38 412**	**36**	**117 310**

Awards higher than the policy level include instances where share awards were made due to the conversion of the termination benefit discussed in 'Executive contracts and policies: Service contracts'.

Only one performance target will be used in our 2012 financial year, which is cumulative operating free cash flow over the three year performance period. Awards are expected to be made in June 2011.

Deferred bonus incentive scheme ('the scheme')
All permanent employees were eligible for the scheme prior to 1 April 2009. The allocations were subject to a three-year vesting period with a further three years in which to exercise them. The exercise price was based on the Group's consolidated operating profit after adjusting for certain items.

No share allocations have been granted under the scheme since 1 April 2009. Unvested and unexercised allocations remain in effect and will be settled in cash by 2014.

The YeboYethu Employee Participation Trust ('the trust')
In July 2008 YeboYethu acquired 3.44% of Vodacom SA in our R7.5 billion BBBEE transaction. All permanent South African employees were able to participate in the trust. Some 75% of the 1.875 billion units available to the trust were allocated to employees in September 2008. The remaining 25% was set aside for future employees on a sliding scale over the next six years. The allocation is weighted 70/30 in favour of black employees. The trust's seven-year maturity period ends in August 2015. In March 2016 the allocated units will be converted into YeboYethu shares after taking into account the notional vendor financing provided by Vodacom SA. We aim to then facilitate the sale of these shares to members of the black public.

Executive contracts and policies

Service contracts
Prior to November 2009 executives had two-year rolling contracts entitling them to one year's GP for every four years of service up to a maximum of 16 years on termination of employment. This benefit was subject to a 12-month notice period.

The benefits accrued up to 26 November 2009 and were based on the number of years of service payable on termination of employment. Apart from money market interest, no further termination benefits accrued after this date. In consideration of this amendment, executives were granted an additional number of shares under the FSP (with no Company performance conditions) in November 2009 and July 2010.

Executives now have contracts of permanent employment with six-month notice periods.

Restraint of trade agreements
A restraint of trade and sign-on bonus was paid to Rob Shuter on his appointment in July 2009. He was required to remain in the employment of the Group for two years following the payment, and would be required to repay a *pro rata* portion of the payment if he does not serve the full period.

Non-executive directors

Our business benefits from active non-executive directors who do a lot more than attend meetings.

Non-executive directors therefore get a yearly fee for their services on the Board and committees rather than a fee for meetings attended.

The Board considered the King III recommendation that fees for non-executive directors consist of a base fee as well as a fee per meeting. In light of the attendance record of our current non-executive directors, it was decided not to change the policy of a set annual fee. This policy will be reviewed yearly with due consideration of attendance records.

In the case that non-executive directors are requested to resign there is no contractual compensation for loss of office. Non-executive directors do not receive STI or LTI. RemCo reviews their fees in line with market benchmarks and recommends fee levels to the Board. Our articles of association state that shareholders must approve these fees at the AGM. The current fee level was approved on 30 July 2010.

Two separate sub-committees of the Nomination Committee reviewed non-executive director fees to make sure no one reviewed their own remuneration. With the Board fully constituted for a full financial year as a listed company, the committee requested a detailed benchmarking exercise against an appropriate peer group in setting the fee level for the 2012 financial year.

PwC conducted the benchmarking study early in 2011. The peer group included companies with a market capitalisation and revenue similar to ours. The mid to 66th percentile was set as the target range for fees.

116 for fees proposed for approval at the AGM.

The annual fee paid to the Chairman of the Board includes all committee fees. No additional fees are paid for any special Board meetings held.

Shareholdings

24 for details of the beneficial interests of directors and disclosed employees in Vodacom ordinary shares.

Funding of share plans and dilution

All awards granted under the FSP are settled through the purchase of treasury shares or shares purchased in the market and not by newly issued shares.

59 for details of the shares used for the FSP and the related dilution.

Payments to executive directors and disclosed employees

The remuneration of executive directors and disclosed employees for the years ended 31 March 2010 and 2011 is disclosed below:

Remuneration (actual and accruals[1])

R	Guaranteed package	Other[2]	Restraint and sign-on bonus	Short-term incentive[3]	Total
2011					
PJ Uys	6 728 125	17 578	–	6 445 123	**13 190 826**
MS Aziz Joosub	3 985 210	18 808	–	5 588 867	**9 592 885**
MS Aziz Joosub[4] (as CEO of Vodafone Spain)	1 348 040	997 436	–	1 644 950	**3 990 426**
RA Shuter	4 786 875	25 989	–	5 419 282	**10 232 146**
Disclosed employee 1	2 836 225	367 817	–	1 734 000	**4 938 042**
Disclosed employee 2	3 780 000	5 944	–	3 474 939	**7 260 883**
Disclosed employee 3	3 297 625	14 027	–	3 116 148	**6 427 800**
2010					
PJ Uys	6 325 000	223 674	–	4 151 897	10 700 571
MS Aziz Joosub	4 520 833	165 010	–	4 766 842	9 452 685
RA Shuter	3 200 000	6 434	8 400 000	2 599 448	14 205 882
J van der Watt[5]	775 000	117 450	–	1 010 275	1 902 725
Disclosed employee 1	2 674 900	17 803	–	2 953 920	5 646 623
Disclosed employee 2	3 448 750	1 727 668	–	4 041 100	9 217 518
Disclosed employee 3	3 100 000	27 926	–	2 994 982	6 122 908

Notes:
1. The table above excludes settlement of long-term incentives and accrued termination benefits as disclosed on the following pages.
2. 'Other' includes leave encashment, mobile phone benefit, subsistence allowance, employee gifts, acting allowances and relocation allowances.
3. The STI amounts relate to the year ended 31 March payable in June.
4. MS Aziz Joosub was assigned to Vodafone Spain effective 8 January 2011. The other allowance includes his relocation and assignment allowance. The GP, STI, allowances and costs are recovered from Vodafone Spain.
5. J van der Watt served as a director from 1 April 2009 to 30 June 2009 (three months' data reflected).

Long-term incentives and accruals

Details of the accrued termination benefits and LTI granted under the deferred bonus incentive scheme, the FSP, and YeboYethu units held by executive directors and disclosed employees at 31 March 2011 are disclosed below.

	Opening number	Number allocated in the year	Number settled in the year	Closing number	Grant price R	Cash settlement unit value R	Settlement date	Cash settlement value R	Current unit value R	Current estimated value R
PJ Uys										
Accrued termination benefit[1]										**27 720 917**
Deferred bonus incentive scheme				**20 516**						**8 502 912**
2004	3 055	–	(3 055)	–	544.99	821.82	1 April 2010	2 510 660	–	–
2005	5 583	–	–	5 583	698.58	–	–	–	693.46	3 871 587
2006	5 015	–	–	5 015	897.35	–	–	–	494.69	2 480 870
2007	5 064	–	–	5 064	1 096.01	–	–	–	296.03	1 499 096
2008	4 854	–	–	4 854	1 257.85	–	–	–	134.19	651 358
FSP – no company performance conditions				**151 829**						**12 052 186**
2010	102 379	–	–	102 379	58.69	–	–	–	79.38	8 126 845
2011	–	49 450	–	49 450	62.45	–	–	–	79.38	3 925 341
FSP – with company performance conditions				**185 994**						**6 156 790**
2010	96 622	–	–	96 622	29.46	–	–	–	26.99	2 607 828
2011	–	89 372	–	89 372	34.55	–	–	–	39.71	3 548 962
YeboYethu units				**1 701 701**						**243 343**
2009	1 701 701	–	–	1 701 701	1.00	–	–	–	0.143	243 343
Total								**2 510 660**		**54 676 148**
MS Aziz Joosub										
Accrued termination benefit[1]										**21 126 149**
Deferred bonus incentive scheme				**9 381**						**2 034 050**
2004	2 725	–	(2 725)	–	544.99	821.82	1 April 2010	2 239 460	–	–
2005	5 153	–	(5 153)	–	698.58	668.23	1 April 2010	3 443 389	–	–
2006	4 513	–	(4 513)	–	897.35	469.46	1 April 2010	2 118 673	–	–
2007	4 790	–	–	4 790	1 096.01	–	–	–	296.03	1 417 984
2008	4 591	–	–	4 591	1 257.85	–	–	–	134.19	616 066
FSP – no company performance conditions				**181 273**						**14 389 451**
2010	127 770	–	–	127 770	58.69	–	–	–	79.38	10 142 383
2011	–	53 503	–	53 503	62.45	–	–	–	79.38	4 247 068
FSP – with company performance conditions				**87 927**						**2 983 774**
2010	39 922	–	–	39 922	29.46	–	–	–	26.99	1 077 495
2011	–	48 005	–	48 005	34.55	–	–	–	39.71	1 906 279
YeboYethu units				**2 628 498**						**375 875**
2009	2 628 498	–	–	2 628 498	1.00	–	–	–	0.143	375 875
Total								**7 801 522**		**40 909 299**

Note:
1. Accrued termination benefit up to 26 November 2009 plus interest as explained under Service contracts on page 84.

	Opening number	Number allocated in the year	Number settled in the year	Closing number	Grant price R	Cash settlement unit value R	Settlement date	Cash settlement value R	Current unit value R	Current estimated value R
RA Shuter										
Accrued termination benefit[1]										**466 493**
FSP – no company performance conditions				**152 219**						**12 083 144**
2010	88 735	–	–	88 735	58.69	–	–	–	79.38	7 043 784
2011	–	63 484	–	63 484	62.45	–	–	–	79.38	5 039 360
FSP – with company performance conditions				**78 305**						**2 674 226**
2010	34 219	–	–	34 219	29.46	–	–	–	26.99	923 571
2011	–	44 086	–	44 086	34.55	–	–	–	39.71	1 750 655
YeboYethu units				**1 339 074**						**191 488**
2010	1 339 074	–	–	1 339 074	1.00	–	–	–	0.143	191 488
Total										**15 415 351**
Disclosed employee 1										
Accrued termination benefit[1]								**7 106 765**	**–**	**–**
Deferred bonus incentive scheme				**3 438**						**749 258**
2007	1 779	–	–	1 779	1 096.01	–	–	–	296.03	526 637
2008	1 659	–	–	1 659	1 257.85	–	–	–	134.19	222 621
FSP – no company performance conditions				**82 343**						**6 536 387**
2010	53 096	–	–	53 096	58.69	–	–	–	79.38	4 214 760
2011	–	29 247	–	29 247	62.45	–	–	–	79.38	2 321 627
FSP – with company performance conditions				**26 023**						**842 789**
2010	14 983	–	–	14 983	29.46	–	–	–	26.99	404 391
2011	–	11 040	–	11 040	34.55	–	–	–	39.71	438 398
YeboYethu units				**726 842**						**103 938**
2009	1 817 105	–	–	726 842	1.00	–	–	–	0.143	103 938
Total								**7 106 765**		**8 232 372**

Note:
1. Accrued termination benefit up to 26 November 2009 plus interest as explained under Service contracts on page 84.

	Opening number	Number allocated in the year	Number settled in the year	Closing number	Grant price R	Cash settlement unit value R	Settlement date	Cash settlement value R	Current unit value R	Current estimated value R
Disclosed employee 2										
Accrued termination benefit[1]										**15 624 517**
Deferred bonus incentive scheme				**5 732**						**1 079 262**
2007	1 916	–	–	1 916	1 096.01	–	–	–	296.03	567 193
2008	3 816	–	–	3 816	1 257.85	–	–	–	134.19	512 069
FSP – no company performance conditions				**58 566**						**4 648 969**
2010	44 493	–	–	44 493	58.69	–	–	–	79.38	3 531 854
2011	–	14 073	–	14 073	62.45	–	–	–	79.38	1 117 115
FSP – with company performance conditions				**17 857**						**589 800**
2010	9 379	–	–	9 379	29.46	–	–	–	26.99	253 139
2011	–	8 478	–	8 478	34.55	–	–	–	39.71	336 661
YeboYethu units				**1 103 806**						**157 844**
2009	1 103 806	–	–	1 103 806	1.00	–	–	–	0.143	157 844
Total										**22 100 392**
Disclosed employee 3										
Accrued termination benefit[1]										**11 453 171**
Deferred bonus incentive scheme				**9 170**						**3 764 497**
2004	1 032	–	(1 032)	–	544.99	851.82	1 April 2010	848 118	–	–
2005	2 434	–	–	2 434	698.58	–	–	–	693.46	1 687 882
2006	2 229	–	–	2 229	897.35	–	–	–	494.69	1 102 664
2007	2 281	–	–	2 281	1 096.01	–	–	–	296.03	675 244
2008	2 226	–	–	2 226	1 257.85	–	–	–	134.19	298 707
FSP – no company performance conditions				**83 885**						**6 658 791**
2010	61 534	–	–	61 534	58.69	–	–	–	79.38	4 884 569
2011	–	22 351	–	22 351	62.45	–	–	–	79.38	1 774 222
FSP – with company performance conditions				**33 425**						**1 106 436**
2010	17 364	–	–	17 364	29.46	–	–	–	26.99	468 654
2011	–	16 061	–	16 061	34.55	–	–	–	39.71	637 782
YeboYethu units				**1 287 774**						**184 152**
2009	1 287 774	–	–	1 287 774	1.00	–	–	–	0.143	184 152
Total								**848 118**		**23 167 047**

Note:
1. Accrued termination benefit up to 26 November 2009 plus interest as explained under Service contracts on page 84.

Payments to non-executive directors

Fees paid to non-executive directors for 2010 and 2011 are disclosed below.

R	Director fee	ARC Committee Chairman	ARC Committee member	RemCo Chairman	RemCo member	Nomination Committee	BEE Sub Committee	Total
2011								
MP Moyo°	1 033 333	–	–	–	–	–	–	**1 033 333**
P Bertoluzzo*°	227 999	–	–	–	–	–	–	**227 999**
TA Boardman	227 999	206 667	–	–	103 333	–	–	**537 999**
M Joseph*°	227 999	–	–	–	–	–	–	**227 999**
M Lundal*	227 999	–	–	–	103 333	39 167	–	**370 499**
P Malabie	131 332	–	59 583	–	–	–	–	**190 915**
TM Mokgosi-Mwantembe°†	227 999	–	–	180 836	–	39 167	–	**448 002**
PJ Moleketi°	227 999	–	103 333	–	–	–	52 500	**383 832**
NJ Read*	116 000	–	–	–	–	–	–	**116 000**
RAW Schellekens*	227 999	–	–	–	103 333	39 167	–	**370 499**
RC Snow*	111 999	–	–	–	–	–	–	**111 999**
2010								
MP Moyo°	870 968	–	–	–	–	–	–	870 968
P Bertoluzzo*°	55 000	–	–	–	–	–	–	55 000
TA Boardman	220 000	200 000	–	–	100 000	–	–	520 000
M Joseph*°	191 613	–	–	–	–	–	–	191 613
M Lundal*	220 000	–	–	–	100 000	25 000	–	345 000
JCG Maclaurin*°	165 000	–	–	–	–	–	–	165 000
P Malabie	220 000	–	100 000	–	–	–	–	320 000
TM Mokgosi-Mwantembe°†	191 613	–	–	87 500	37 097	25 000	–	341 210
PJ Moleketi°	91 667	–	–	–	–	–	–	91 667
RAW Schellekens*	220 000	–	–	–	100 000	25 000	–	345 000
RC Snow*	220 000	–	–	–	–	–	–	220 000

Notes:

* Fees paid to Vodafone and not the individual director.

† Appointed RemCo Chairman on 1 September 2009.

° Fees for the period served as a director.

Summary financial information

Consolidated income statement

In our consolidated income statement, there are three key trends worth noting that impacted on our growth this year.

Foreign exchange – the average rand exchange rate appreciated between 8.2% and 29.9% over the year against the functional currencies in our International operations. Therefore their revenue and profit contributions in rand were less than if the rand had been weaker. In our comments on the consolidated income statement, look out for the asterisk (*) which shows our growth assuming no year on year movement in currency translations and trading foreign exchange.

Mobile termination rates ('MTRs') – in South Africa MTRs came down significantly which resulted in a revenue loss of R1.6 billion, mainly from fixed-to-mobile calls. This was offset by growth in data revenue of almost the same amount. EBITDA was also down by R519 million from lower MTRs, but we managed to offset this by delivering on our R500 million cost-efficiency programme. Look out for the double asterisk (**) which shows growth at constant currency, excluding the impact of lower MTRs.

Non-cash items – our earnings looked better this year partly because of loan remeasurements and the derecognition of DRC's deferred tax asset in the prior year, as well as lower impairment losses compared to last year all discussed in detail on page 2 in Book 2.

	Year ended 31 March		% change
Rm	**2011**	**2010**	**10/11**
Service revenue	**54 052**	52 184	3.6
Revenue	**61 197**	58 535	4.5
EBITDA	**20 594**	19 782	4.1
Operating profit before impairment losses	**15 204**	14 608	4.1
Impairment losses	**(1 508)**	(3 370)	(55.3)
Operating profit after impairment losses	**13 696**	11 238	21.9
Net finance charges	**(1 058)**	(2 272)	(53.4)
Loss from associate	**–**	(21)	–
Profit before tax	**12 638**	8 945	41.3
Taxation	**(4 659)**	(4 745)	(1.8)
Net profit	**7 979**	4 200	90.0
Attributable to:			
Equity shareholders	**8 245**	4 196	96.5
Non-controlling interests	**(266)**	4	< (200.0)
HEPS (cents)	**656**	510	28.6
Weighted average shares in issue (million)	**1 468**	1 486	(1.2)

*5.5% growth and **8.3% growth

*5.8% growth and **8.2% growth

We were really disappointed about this further impairment on Gateway but the business performed below expectations.

Net finance charges were down a lot as our average debt reduced by R4.2 billion.

Net profit almost doubled, mainly because of lower impairment losses, growth in EBITDA and reduced finance charges.

If we adjust for non-cash items, adjusted HEPS climbed 15.1%.

We used some of our excess cash to buy back our shares.

Scan the barcode for our latest results presentation or visit **vodacom.com**.

Consolidated statement of financial position

Traditionally known as the balance sheet, our consolidated financial position stayed relatively stable. A notable difference was that the value of our International operations was lower in rand terms. This was because of the stronger closing exchange rate of the rand against our other currencies.

	As at 31 March		
Rm	**2011**	**2010**	**Movement**
Assets			
Property, plant and equipment ('PPE')	**21 577**	21 383	194
Intangible assets	**5 215**	6 673	(1 458)
Other non-current assets	**1 190**	1 075	115
Current assets	**13 453**	12 560	893
Total assets	**41 435**	41 691	(256)
Equity and liabilities			
Total equity	**16 180**	14 636	1 544
Borrowings	**10 063**	13 025	(2 962)
Other liabilities	**15 192**	14 030	1 162
Total equity and liabilities	**41 435**	41 691	(256)
Net asset value per share (cents)	**1 099**	985	

Although net additions was up by R5.5 billion, it was offset by depreciation of R4.3 billion and foreign currency translation of R738 million.

This is where we see the impact of the Gateway impairment on our financial position, lowering the value of our intangible assets.

Borrowings came down as we repaid some debt.

Our net asset value rose by 11.6%.

Consolidated free cash flow

This is a slightly different way of looking at our cash flow compared to the consolidated statement of cash flows in the consolidated annual financial statements. Our free cash flow is the amount of money that is ultimately available for investments or distributions to shareholders.

	Year ended 31 March		% change
Rm	**2011**	**2010**	**10/11**
Cash generated from operations	**21 385**	19 711	8.5
Net additions to property, plant and equipment and intangible assets	**(6 548)**	(6 222)	5.2
Operating free cash flow	**14 837**	13 489	10.0
Tax paid	**(4 982)**	(4 764)	4.6
Finance income received	**85**	108	(21.3)
Finance costs paid	**(1 111)**	(1 621)	(31.5)
Free cash flow	**8 829**	7 212	22.4

This was driven by EBITDA growth and improvements in working capital.

This is an important number as our short- and long-term remuneration depends on it – we exceeded our target for 2011.

We spent about R1.0 billion on buying back our shares, paid R5.3 billion in dividends and repaid net debt of R2.8 billion.

2 for full commentary on our financial performance and position.

Integrated performance indicators

		Year ended 31 March			% change
		2011	**2010**	**2009**	**10/11**
Financial					
Service revenue	Rm	**54 052**	52 184	48 671	**3.6**
EBITDA	Rm	**20 594**	19 782	18 186	**4.1**
Operating free cash flow	Rm	**14 837**	13 489	8 694	**10.0**
Free cash flow	Rm	**8 829**	7 212	3 176	**22.4**
Headline earnings per share	cents	**656**	510	417	**28.6**
Economic					
Distributed to employees[1]	Rm	**4 049**	3 884	3 268	**4.2**
Capital expenditure	Rm	**6 311**	6 636	6 906	**(4.9)**
Distributed to governments[1]	Rm	**5 027**	4 255	4 032	**18.1**
Distributed to providers of finance[1]	Rm	**6 076**	3 233	6 659	**87.9**
BBBEE score(#)	%	**70.84**	69.56	68.35	
BBBEE procurement spend(#)	Rm	**12 537**	6 526	6 647	**92.1**
BBBEE enterprise development spend(#)	Rm	**1 308**	1 070	778	**22.2**
Social – Employees					
Total number of employees		**7 481**	7 643	7 551	**(2.1)**
Engagement index – People Survey	%	**73.0**	77.0	n/m	
Manager index – People Survey	%	**69.0**	69.0	n/m	
Diversity and Inclusion index – People Survey	%	**69.0**	69.0	n/m	
Employee turnover[2]	%	**11.0**	6.0	8.4	
Women representation in senior management[2]	%	**22.6**	23.5	24.9	
Black representation in senior management(#)	%	**44.0**	41.3	38.5	
Total training spend	Rm	**71**	58	53	**22.4**
Average training spend per employee per annum	R	**9 359**	7 570	7 593	**23.6**
Ratio of average basic salary of men to women(#)	times	**1.4**	1.4	1.4	
Social – Communities					
Mobile customers	thousand	**43 492**	39 892	39 614	**9.0**
Data customers	thousand	**10 168**	7 294	n/m	**39.4**
Total contributions from our foundations	Rm	**77**	83	n/m	**(7.2)**
Environment					
Number of sites(#)		**8 394**	7 817	7 492	**7.4**
Total number of shared sites(#)		**4 739**	4 317	4 005	**9.8**
M2M connections(#)	thousand	**694**	604	n/m	**14.9**
Network electricity(#)	GWh	**195.8**	154.2	188.6	**27.0**
Building electricity(#)	GWh	**101.8**	118.9	80.6	**(14.4)**
Fuel (diesel and petrol)(#)	million litres	**2.1**	2.5	2.2	**(16.0)**
Network equipment and handsets reused or recycled[3]	tonnes	**611**	213	n/m	**186.9**
Water consumption(#)	kl	**250 903**	209 576	216 721	**19.7**
Paper utilised(#)	kg	**138 260**	211 797	174 497	**(34.7)**
CO_2 emissions(#)[4]	tonnes	**n/a**	n/m	328 394	**–**
CO_2 emissions[4]	tonnes	**n/a**	n/m	366 369	**–**

Notes:

1. Refer to value-added statement on page 93.
2. Excluding Gateway.
3. This year we replaced a large portion of our network with new equipment which substantially increased the waste we disposed of for recycling.
4. The information will be published on our website in July 2011 (excluding Gateway).

Consolidated value-added statement

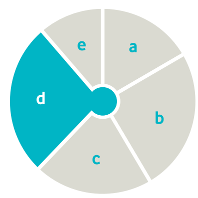
Rm	2011	2010	2009
	for the year ended 31 March		
Value created			
Value created by operating activities	**24 280**	22 849	19 670
Revenue	**61 197**	58 535	55 442
Expenses[1]	**(36 917)**	(35 686)	(35 772)
Finance income	**109**	103	89
	24 389	22 952	19 759
Value distributed			
Distributed to employees[1]	**4 049**	3 884[2]	3 268
Salaries, wages, medical and other benefits	**3 845**	3 716	3 117
Pension and retirement fund contributions	**179**	162	151
Dividends	**25**	6	–
Distributed to providers of finance	**6 076**	3 233	6 659
Finance costs	**864**	1 602	1 459
Dividends	**5 212**	1 631[3]	5 200
Distributed to governments	**5 027**	4 255	4 032
South African current tax	**4 317**	3 821	3 103
Secondary tax on companies	**531**	171	523
Foreign current tax	**179**	263	406
Value reinvested	**6 495**	9 017	4 808
Depreciation and amortisation	**5 355**	5 157	4 683
Impairment losses	**1 508**	3 370	112
South African deferred tax	**(99)**	5	189
Foreign deferred tax	**(269)**	485	(176)
Value retained	**2 742**	2 563	992
Net profit (adjusted for dividends)	**3 008**	2 559[2]	889
Non-controlling interests	**(266)**	4	103
	24 389	22 952	19 759

Notes:
1. Refer to Note 23 of the consolidated annual financial statements for reclassifications of certain items in prior years.
2. The dividend of R6 million relating to the forfeitable share plan has been reclassified from value retained to value distributed to employees.
3. A final dividend was declared after the reporting period and is not included in the value distributed.

Rm	2011	2010	2009
Expenses			
Direct expenses[1, 2]	**(27 600)**	(26 764)	(27 228)[2]
Publicity expenses[1]	**(2 086)**	(1 848)	(1 875)
Other operating expenses[1]	**(6 928)**	(6 280)	(6 271)
Net loss on remeasurement and disposal of financial instruments	**(303)**	(794)	(398)
	(36 917)	(35 686)	(35 772)

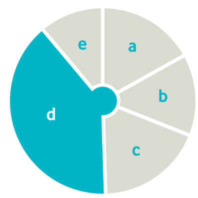
Notes:
1. Refer to Note 23 of the consolidated annual financial statements for reclassifications of certain items in prior years.
2. Included in direct expenses is a BBBEE charge of R1 315 million.

Value distributed 2011



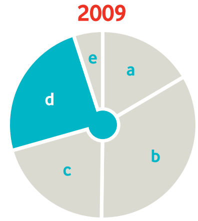
a Employees 16.6%
b Finance providers .. 24.9%
c Government 20.6%
d Reinvested 26.6%
e Retained 11.3%

Value distributed 2010



a Employees 16.9%
b Finance providers .. 14.1%
c Government 18.5%
d Reinvested 39.4%
e Retained 11.1%

Value distributed 2009



a Employees 16.5%
b Finance providers .. 33.7%
c Government 20.4%
d Reinvested 24.4%
e Retained 5.0%

Assurance

The data in our report has been assured to the extent set out below. We know this limited assurance is not ideal but our approach to combined assurance is at an early stage. The combined assurance model, as proposed by King III, envisages robust assurance by coordinating the efforts of management, internal assurance providers and external assurance providers. We are assessing our internal and external assurance and matching it to our risk management. Based on a full understanding of who is assuring what and for whom, we will be able to evaluate both the quality of our assurance and identify any gaps.

This process will take some time to complete but it is important for us to get it right. We should be done in early 2012. We aim to have full assurance in place by the time we report on the 2013 financial year. Our ARC Committee has approved this approach.

Extent of assurance in this report

Financial information

Our consolidated annual financial statements were audited by our external auditors, Deloitte & Touche. The scope of their audit was limited to the information in the consolidated annual financial statements and did not include any financial or operating indicators in the integrated report. Their report can be found on page 19 of Book 2.

Non-financial information: Sustainability

No assurance was obtained on our sustainability measures. Certain sustainability-related data were reviewed by Ernst & Young as part of their global assurance of Vodafone's sustainability report. No opinion or assurance was provided to Vodacom.

Non-financial information: BBBEE

The South African Broad-based Black Economic Empowerment information was verified by Empowerlogic.

Non-financial information: ISO/OHSAS

Our South African operations are ISO 9001, ISO 14001 and OHSAS 18001 accredited by the independent certification agency Dekra. Our Gateway Nigeria and Ghana businesses are ISO 9001 certified and Tanzania is ISO 14001 certified.

Directors' responsibility statement

The Board acknowledges its responsibility to ensure the integrity of the integrated report. The Board has applied its mind to the integrated report and believes that it addresses all material issues, and presents fairly the integrated performance of the organisation and its impacts. The integrated report as been prepared in line with best practice and the recommendations of the King III Code (Principle 9.1).

The integrated report was approved by the Board on 3 June 2011 and is signed on its behalf:

MP Moyo
Chairman

PJ Uys
Chief Executive Officer

RA Shuter
Chief Financial Officer

STUDIO 5

vodacom

power to you

vodacom

Consolidated annual financial report

For the year ended 31 March 2011

Our vision is
to make every
customer
smile!

Our report is made up of two books:

Book 1 (integrated report) has been revamped to give you a comprehensive, integrated view of our business, strategy, performance and prospects. Notably, our operating reviews are now structured according to five strategic priorities. Also, the information material to how we create value, typically covered under sustainability, is now fully integrated into Book 1. We have not therefore produced a separate sustainability report, although a lot more sustainability information is available on our website.

Guided by King III, the Integrated Report Committee's ('IRC') Framework for Integrated Reporting and the Integrated Report (Discussion Paper) released in January 2011, and best practice.

Book 2 (consolidated annual financial report) fulfils financial reporting requirements, also providing detailed financial and operational commentary.

Our consolidated annual financial statements are prepared according to International Financial Reporting Standards ('IFRS').

How to get the most out of our integrated report

We don't want to waste your time repeating the same information, so we have cross referenced as much as possible. Less paper, more exercise turning pages.

pg Book 1 pg Book 2

Tells you where you can find related information in both reports.

(*) All amounts in this report marked with an '(*)' represent normalised growth excluding trading foreign exchange and at a constant currency. Also refer to the normalised growth reconciliation on page 12.

www. We're part of a much bigger family (one of the world's largest mobile communications companies based on revenue).

Tells you where to find more information on our parent's website, Vodafone Group Plc.

www.vodafone.com

We've tried really hard to avoid jargon in writing our report, and to make it as understandable as possible. But where we've had to use business-speak, we've provided a Glossary.

Tells you a term is explained in the Glossary starting on page 111 in Book 2.

Operating results

Group summary financial information

Rm	Year ended 31 March 2011	2010	2009	% change 10/11	09/10
Service revenue	**54 052**	52 184	48 671	**3.6**	7.2
Revenue	**61 197**	58 535	55 442	**4.5**	5.6
EBITDA	**20 594**	19 782	18 196	**4.1**	8.7
Operating profit	**13 696**	11 238	12 005	**21.9**	(6.4)
Net profit	**7 979**	4 200	6 192	**90.0**	(32.2)
Free cash flow	**8 829**	7 212	3 176	**22.4**	127.1
Capital expenditure	**6 311**	6 636	6 906	**(4.9)**	(3.9)
Net debt	**9 458**	12 161	17 537	**(22.2)**	(30.7)
Basic earnings per share (cents)	**561**	282	409	**98.9**	(31.1)
Headline earnings per share (cents)	**656**	510	417	**28.6**	22.3
Contribution margin (%)	**54.9**	54.3	53.3		
EBITDA margin (%)	**33.7**	33.8	32.8		
Operating profit margin (%)	**22.4**	19.2	21.7		
Effective tax rate (%)	**36.9**	53.0	39.5		
Net profit margin (%)	**13.0**	7.2	11.2		
Net debt/EBITDA (times)	**0.5**	0.6	1.0		
Capex intensity (%)	**10.3**	11.3	12.5		

The Group has reclassified certain numbers previously reported to align with reporting practices of its ultimate parent.

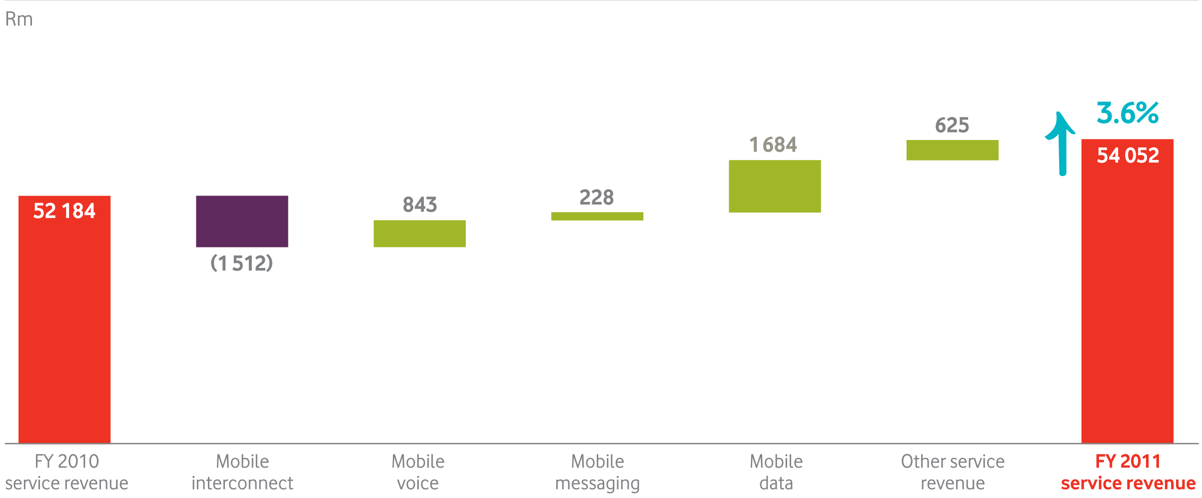
77 for full details of reclassifications.

Revenue

Service revenue

Rm	Year ended 31 March 2011	2010	2009	% change 10/11	09/10
South Africa	**46 392**	44 324	41 182	**4.7**	7.6
International	**7 957**	8 071	7 570	**(1.4)**	6.6
Corporate and eliminations	**(297)**	(211)	(81)	**(40.8)**	(160.5)
Service revenue	**54 052**	52 184	48 671	**3.6**	7.2

Group service revenue growth by category



Revenue

Rm	Year ended 31 March 2011	2010	2009	% change 10/11	09/10
South Africa	**53 371**	50 431	47 733	**5.8**	5.7
International	**8 196**	8 420	7 902	**(2.7)**	6.6
Corporate and eliminations	**(370)**	(316)	(193)	**(17.1)**	(63.7)
Revenue	**61 197**	58 535	55 442	**4.5**	5.6

Group revenue and service revenue for the year ended 31 March 2011 increased 6.4%[(*)] and 5.5%[(*)] respectively (reported 4.5% and 3.6% respectively), underpinned by continued growth in Group data and voice revenue offset by a decline in interconnect revenue from South Africa. The South African rand strengthened against all other functional currencies, negatively impacting reported revenue and service revenue of the International operations which declined 2.7% and 1.4% respectively. Revenue and service revenue from the International operations increased 10.5%[(*)] and 11.6%[(*)] respectively.

Customers increased 9.0% to 43.5 million across the Group, with South Africa contributing 61.0% of the total base. Contract customer growth remained strong, up 14.2% to 5.3 million. Prepaid customers increased 8.4% to 38.2 million, mainly from the International operations as the South Africa prepaid customer base was negatively impacted by the change in the disconnection rule.

Revenue analysis

Rm	Year ended 31 March 2011	2010	2009	% change 10/11	09/10
Mobile voice	**32 181**	31 338	31 025	**2.7**	1.0
Mobile interconnect	**7 230**	8 742	9 099	**(17.3)**	(3.9)
Mobile messaging	**3 192**	2 964	2 797	**7.7**	6.0
Mobile data	**6 433**	4 749	3 639	**35.5**	30.5
Other service revenue	**5 016**	4 391	2 111	**14.2**	108.0
Service revenue	**54 052**	52 184	48 671	**3.6**	7.2
Equipment revenue	**6 440**	5 591	5 300	**15.2**	5.5
Non-service revenue	**705**	760	1 471	**(7.2)**	(48.3)
Revenue	**61 197**	58 535	55 442	**4.5**	5.6

Group voice revenue increased 2.7% to R32 181 million, with 88.8% contributed by South Africa. Group voice traffic increased 19.0% offset by a decline in the effective price per minute of 18.0%.

Group interconnect revenue declined 17.3% to R7 230 million, largely as a result of a reduction in fixed-mobile traffic combined with the decline in mobile termination rates ('MTRs') in South Africa. International interconnect revenue declined 18.9%, due to unfavourable foreign exchange movements as well as increased price competition in DRC.

Group data revenue increased 35.5% to R6 433 million underpinned by a 39.4% growth in data customers to 10.2 million. Group data usage increased by 54.6% offset by a decline in the effective rate per MB of 17.4%.

Other service revenue increased 14.2% to R5 016 million. This resulted primarily from a higher contribution from converged services across the Group as well as a positive variance on the provision carried in connection with customer loyalty programmes. Vodacom adopted IFRIC 13: Customer Loyalty programmes ('IFRIC 13') in the prior year which resulted in an expense of R119 million being recognised in other service revenue on 1 April 2009.

Equipment revenue increased 15.2% to R6 440 million. The increase was mainly contributed by South Africa and resulted from an increase of 40.6% of units sold to 8.1 million over the year offset by a reduction in the average selling price of 18.8% over the prior year.

Non-service revenue declined 7.2% to R705 million mainly due to a significant reduction in the price of both new prepaid starter packs and contract SIM cards, offset by higher gross connections.

Operating results

Operating expenses[1]

Rm	Year ended 31 March 2011	2010	2009	% change 10/11	09/10
South Africa	**33 758**	31 850	31 590	**6.0**	0.8
International	**7 348**	7 243	5 968	**1.4**	21.4
Corporate and eliminations	**(468)**	(323)	(231)	**(44.9)**	(39.8)
Operating expenses[1]	**40 638**	38 770	37 327	**4.8**	3.9

Note:
1. Excluding BBBEE charge, depreciation, amortisation and impairment losses.

Group operating expenses increased 6.8%(*) to R40 638 million (4.8% reported). In South Africa, operating expenses increased 5.3%(*) (6.0% reported), below revenue growth of 5.8%. International operating expense growth of 16.2%(*) (1.4% reported) was mainly due to difficult trading conditions in Gateway.

Expenditure analysis

Rm	Year ended 31 March 2011	2010	2009	% change 10/11	09/10
Direct expenses	**27 600**	26 764	25 913	**3.1**	3.3
Staff expenses	**4 024**	3 878	3 268	**3.8**	18.7
Publicity expenses	**2 086**	1 848	1 875	**12.9**	(1.4)
Other operating expenses	**6 928**	6 280	6 271	**10.3**	0.1
Operating expenses	**40 638**	38 770	37 327	**4.8**	3.9
BBBEE charge	**–**	–	1 315	**–**	(100.0)
Depreciation and amortisation	**5 355**	5 157	4 683	**3.8**	10.1
Impairment losses	**1 508**	3 370	112	**(55.3)**	> 200.0
Expenditure	**47 501**	47 297	43 437	**0.4**	8.9

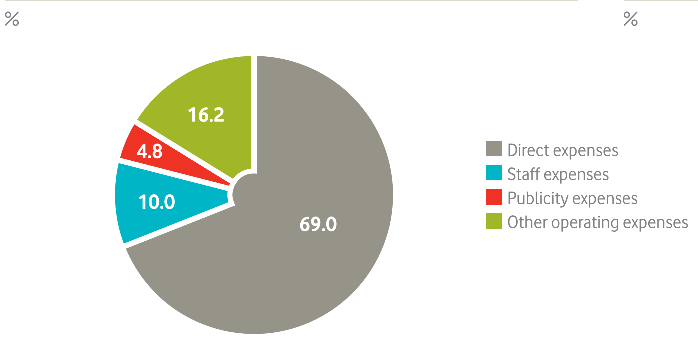
Group direct expenses, excluding the impact of MTRs in South Africa, increased 6.7%. The Group contribution margin increased slightly to 54.9% while South African contribution margin improved from 55.0% to 56.5% due to a lower net contribution from interconnect and customer and distribution costs.

Group staff expenses increased 3.8% to R4 024 million due to average increase in salaries of 7.0%, offset by a reduction in headcount from 7 643 in the prior year to 7 481 in the current year. Group staff expenses as a percentage of revenue remained stable at 6.6%.

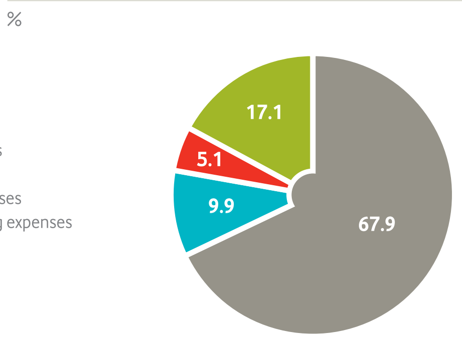
Group publicity expenses were impacted by the brand refresh expenses across all entities excluding DRC and Gateway. Excluding the brand refresh expenses, Group publicity expenses increased by 0.4% and decreased as a percentage of revenue from 3.2% in the prior year to 3.0%.

Group other operating expenses increased 10.3% to R6 928 million impacted by the net trading foreign exchange gain of R11 million (2010: R192 million gain) and additional costs incurred for links not cancelled as planned due to the delay in self-provisioning of fibre in South Africa.

FY 2010 composition of operating expenses



FY 2011 composition of operating expenses



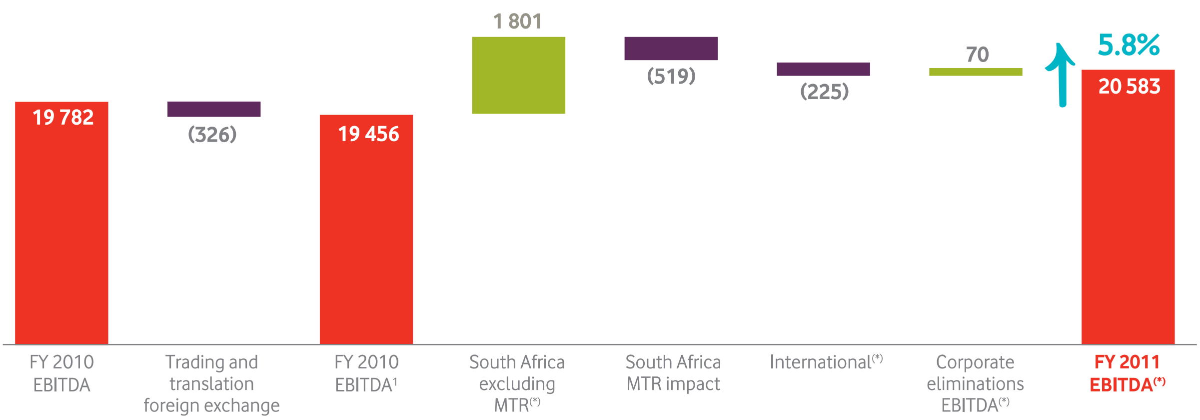
EBITDA

Rm	Year ended 31 March 2011	2010	2009	% change 10/11	09/10
South Africa	**19 653**	18 578	16 222	**5.8**	14.5
International	**840**	1 176	1 935	**(28.6)**	(39.2)
Corporate and eliminations	**101**	28	39	**> 200.0**	(28.2)
EBITDA	**20 594**	19 782	18 196	**4.1**	8.7

Group EBITDA increased 5.8%(*) (4.1% reported) to R20 594 million, and the EBITDA margin remained relatively stable at 33.7% (2010: 33.8%). South Africa contributed 95.4% (2010: 93.9%) to Group EBITDA for the year. Group EBITDA was negatively impacted by unfavourable foreign exchange movements and difficult trading conditions in Gateway. International EBITDA declined 20.7%(*) (28.6% reported) with the margin declining from 14.0% in the prior year to 10.2%. In aggregate, the International mobile operations expanded its EBITDA margin.

EBITDA

Rm



Note:
1. Restated to 2011 foreign exchange rates and excluding trading foreign exchange.

Operating profit

Rm	Year ended 31 March 2011	2010	2009	% change 10/11	09/10
South Africa	**15 522**	14 763	11 372	**5.1**	29.8
International	**(1 902)**	(3 358)	637	**43.4**	< (200.0)
Corporate and eliminations	**76**	(167)	(4)	**145.5**	< (200.0)
Operating profit	**13 696**	11 238	12 005	**21.9**	(6.4)

Operating profit increased 21.9% to R13 696 million, primarily due to a reduction in impairment losses (mainly relating to Gateway) from R3 370 million in the prior year to R1 508 million. Operating profit increased 5.0%(*), excluding the impact of impairment losses.

Operating results

Net finance charges

Rm	Year ended 31 March 2011	2010	2009	% change 10/11	09/10
Finance income	**109**	124	108	**(12.1)**	14.8
Finance costs	**(864)**	(1 602)	(1 459)	**(46.1)**	9.8
Remeasurement of loans receivable	**28**	(375)	–	**107.5**	n/a
Net (loss)/gain on translation of foreign-denominated assets and liabilities	**(131)**	(23)	39	**> 200.0**	159.0
Net loss on derivatives	**(164)**	(396)	(437)	**(58.6)**	(9.4)
Other	**(36)**	–	–	**n/a**	n/a
Net finance charges	**(1 058)**	(2 272)	(1 749)	**(53.4)**	29.9

Net finance charges reduced from R2 272 million in the prior year to R1 058 million for the year ended 31 March 2011, mainly due to lower net finance costs in the current year and the negative impact of the remeasurement of loans receivable of R375 million in the prior year. The net loss on translation of foreign-denominated assets and liabilities increased over the prior year due to the impact of the stronger rand on cash held in foreign currency, while the net loss on derivatives, mainly from the revaluation of foreign exchange contracts in South Africa, decreased 58.6%.

Finance costs for the year reduced by R738 million compared to the prior year as a result of average debt declining to R11 033 million compared to R15 200 million in the prior year coupled with the benefit of lower interest rates. The average cost of debt reduced from 9.0% to 7.7%.

Taxation

The tax expense of R4 659 million for the year declined 1.8% compared to March 2010 due to the non-recurrence of the derecognition of DRC's deferred tax asset offset by an increase in secondary tax on companies ('STC') relating to the timing of the dividend declared.

The effective tax rate declined from 53.0% to 36.9% as a result of a decrease in non-deductible impairment losses and the derecognition of a deferred tax asset in the prior year.

Group tax reconciliation

	Year ended 31 March 2011 Rm	Rate %	2010 Rm	Rate %
Profit before tax	**12 638**		8 945	
Expected income tax expense	**3 539**	**28.0**	2 505	28.0
Unproductive interest	**11**	**0.1**	98	1.1
Non-deductible interest	**90**	**0.7**	93	1.0
BBBEE charge	**18**	**0.1**	30	0.3
Secondary tax on companies	**531**	**4.2**	171	1.9
Foreign currency translations and revaluation of tax base of qualifying assets	**(69)**	**(0.5)**	(561)	(6.3)
Other	**65**	**0.5**	113	1.3
Effective tax rate (pre impairment losses and unrecognised tax assets)	**4 185**	**33.1**	2 449	27.3
Unrecognised tax assets	**171**	**1.4**	1 313	14.7
Impairment losses	**303**	**2.4**	983	11.0
Total income tax expense/effective tax rate	**4 659**	**36.9**	4 745	53.0

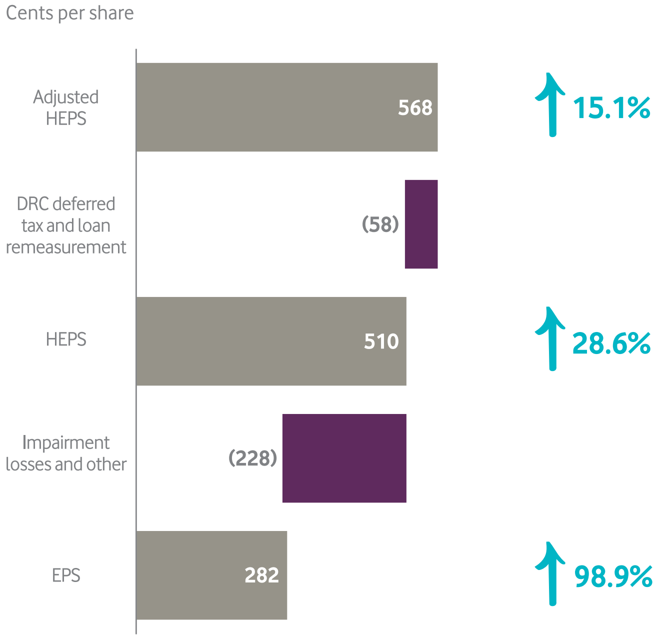
Earnings

Rm	Year ended 31 March 2011	2010	2009	% change 10/11	09/10
Adjusted headline earnings	**9 598**	8 443	7 525	**13.7**	12.2
Adjusted for:					
BBBEE charge	**–**	–	(1 315)	**n/a**	(100.0)
Derecognition of DRC deferred tax asset	**–**	(489)	–	**(100.0)**	n/a
Remeasurement of loans receivable	**28**	(375)	–	**107.5**	n/a
Headline earnings	**9 626**	7 579	6 210	**27.0**	22.0
Impairment losses and other	**(1 381)**	(3 383)	(121)	**(59.2)**	> 200.0
Earnings	**8 245**	4 196	6 089	**96.5**	(31.1)
Weighted average number of shares outstanding					
Basic ('000)	**1 468 409**	1 486 284	1 487 954		

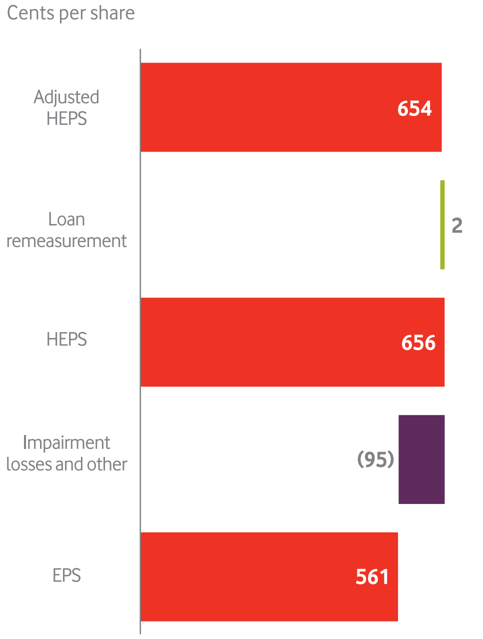
Basic earnings per share for the year increased from 282 cents per share to 561 cents per share, impacted by impairment losses and the derecognition of DRC's deferred tax asset in the prior year. Headline earnings per share, which excludes impairment losses, increased 28.6% to 656 cents per share.

Excluding the impact of several non-recurring charges in the prior year, adjusted headline earnings per share increased 15.1% from 568 cents to 654 cents per share mainly due to the growth in EBITDA and the reduction in net finance charges.

FY 2010 headline earnings per share



FY 2011 headline earnings per share



Operating results

Segment information

South Africa

Rm	Year ended 31 March 2011	2010	2009	% change 10/11	09/10
Mobile voice	**28 584**	27 422	26 083	**4.2**	5.1
Mobile interconnect	**6 755**	8 075	7 985	**(16.3)**	1.1
Mobile messaging	**2 962**	2 716	2 456	**9.1**	10.6
Mobile data	**6 180**	4 614	3 512	**33.9**	31.4
Other service revenue	**1 911**	1 497	1 146	**27.7**	30.6
Service revenue	**46 392**	44 324	41 182	**4.7**	7.6
Equipment revenue	**6 343**	5 432	5 190	**16.8**	4.7
Non-service revenue	**636**	675	1 361	**(5.8)**	(50.4)
Revenue	**53 371**	50 431	47 733	**5.8**	5.7
Direct expenses	**(23 234)**	(22 704)	(23 024)	**2.3**	(1.4)
Staff expenses	**(2 918)**	(2 619)	(2 182)	**11.4**	20.0
Publicity expenses	**(1 746)**	(1 451)	(1 427)	**20.3**	1.7
BBBEE charge	**–**	–	(1 315)	**–**	(100.0)
Other operating expenses	**(5 860)**	(5 076)	(4 957)	**15.4**	2.4
Depreciation and amortisation	**(4 091)**	(3 810)	(3 450)	**7.4**	10.4
Impairment losses	**–**	(8)	(6)	**(100.0)**	33.3
Operating profit	**15 522**	14 763	11 372	**5.1**	29.8
EBITDA	**19 653**	18 578	16 222	**5.8**	14.5
EBITDA margin (%)	**36.8**	36.8	34.0		
Operating profit margin (%)	**29.1**	29.3	23.8		

South Africa delivered a robust performance with service revenue growing 4.7% to R46 392 million. This was achieved despite a 16.3% decline in interconnect revenue following the cuts in MTRs. Service revenue growth was supported by a higher contribution from data revenue and increased voice usage stemming from value offerings.

Messaging revenue increased 9.1% supported by an increase in the number of messages sent across the network of 9.4% to 6 509 million.

Data revenue increased 33.9% to R6 180 million due to increased penetration of mobile PC connectivity and mobile internet usage, with data bundle customers increasing 76.2% to 2.6 million and overall data customers increasing 34.6% to 9.0 million. Active smartphones on the network increased 84.2% to 3.6 million and PC connectivity devices increased 47.8% to 1.1 million. During the year greater value was added to data bundles and we were successful in signing up more smartphone customers with data bundles.

Non-service revenue declined 5.8% to R636 million due to the substantial reduction in selling prices of starter packs and contract SIM connections, offset by the growth in gross connections after the implementation of the Regulation of Interception of Communications and Provision of Communication-Related Information Act ('RICA').

Customers increased 1.0% to 26.5 million with gross connections of 11.6 million reaching our pre-RICA levels. Excluding the impact of the change in the disconnection rule in April 2010, 3.5 million customers were added, of which 2.9 million were prepaid customers, bringing the total reported prepaid customers to 21.4 million for the year. Contract customer growth remained strong, up 14.0% to 5.1 million, adding 629 000 for the year. Vodacom has registered 84.9% of the customer base for RICA at 31 March 2011.

Total ARPU is reported as 18.9% higher year on year to R157 largely due to the disconnection of 3.3 million SIM cards, the increase in average minutes of use to 102 minutes, offset by a reduction in the average effective price per minute of 11.3% and lower interconnect revenue.

The South Africa EBITDA increased 7.0%[*] (5.8% reported growth) and the EBITDA margin increased 0.4[*] percentage points (reported stable at 36.8%) due to the improved contribution margin which resulted from a lower net contribution from interconnect and a reduction in customer and distribution costs per connection.

Staff expenses increased 11.4% to R2 918 million compared to 20.0% in the prior year, largely due the annual salary increase of 7.0%, new business developments and changes made to the short-term and long-term incentives to align with the Group's ultimate parent.

Publicity expenses were contained to 3.3% of service revenue. Excluding the brand refresh expenses, publicity expenses increased by 5.2% (reported 20.3%).

Other operating expenses increased by 10.9%(*) (15.4% reported), primarily impacted by additional operational costs incurred for links not cancelled as planned due to the delay in the self-provisioning of fibre.

Key performance indicators

	Year ended 31 March			% change	
Rm	**2011**	**2010**	**2009**	**10/11**	**09/10**
Customers (thousand)[1]	**26 535**	26 262	27 625	**1.0**	(4.9)
Prepaid[2]	**21 409**	21 765	23 679	**(1.6)**	(8.1)
Contract	**5 126**	4 497	3 946	**14.0**	14.0
Gross connections (thousand)	**11 591**	9 328	13 064	**24.3**	(28.6)
Prepaid[2]	**10 698**	8 523	12 359	**25.5**	(31.0)
Contract	**893**	805	705	**10.9**	14.2
Churn (%)[3]	**46.0**	38.4	40.1		
Prepaid[2]	**54.8**	43.7	45.2		
Contract	**9.8**	8.8	9.9		
Traffic (millions of minutes)[4]	**30 233**	26 675	24 383	**13.3**	9.4
Outgoing	**22 160**	18 792	16 582	**17.9**	13.3
Incoming	**8 073**	7 883	7 801	**2.4**	1.1
MOU per month[5]	**102**	80	79	**27.5**	1.3
Prepaid[2]	**78**	55	52	**41.8**	5.8
Contract	**202**	220	240	**(8.2)**	(8.3)
Total ARPU (rand per month)[6]	**157**	132	134	**18.9**	(1.5)
Prepaid[2]	**87**	70	70	**24.3**	–
Contract	**404**	447	474	**(9.6)**	(5.7)
Messaging (million)[7]	**6 509**	5 949	5 410	**9.4**	10.0
Number of employees[8]	**5 302**	5 327	5 165	**(0.5)**	3.1
Estimated mobile SIM penetration (%)	**107**	100	108		
Estimated mobile customer market share (%)	**50**	53	53		

Notes:

1. Customers are based on the total number of mobile customers registered on Vodacom's network, which have not been disconnected, including inactive customers, at the end of the period indicated.
2. South Africa changed its disconnection policy for call-forward SIMs from 13 months inactivity to seven months during the quarter ended 30 June 2010. Prior year numbers have not been restated.
3. Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly total reported mobile customer base during the period.
4. Traffic comprises of total traffic registered on Vodacom's mobile network, including bundled minutes, promotional minutes and outgoing international roaming calls, but excluding national roaming calls, incoming international roaming calls and calls to free services.
5. Minutes of use ('MOU') per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly total reported mobile customer base during the period.
6. Total ARPU is calculated by dividing average monthly service revenue by the average monthly total reported mobile customer base during the period. Prepaid and contract ARPU only includes service revenue generated from Vodacom customers.
7. Messaging includes SMS, MMS and premium rate SMS/MMS.
8. Number of employees has been aligned to the reporting practices of the Group's ultimate parent and includes permanent employees, fixed term contractors, assignees, learners and graduates.

Operating results

Segment information (continued)

International

Rm	Year ended 31 March 2011	2010	2009	% change 10/11	09/10
Mobile voice	**3 597**	3 916	4 942	**(8.1)**	(20.8)
Mobile interconnect	**582**	718	1 132	**(18.9)**	(36.6)
Mobile messaging	**230**	248	341	**(7.3)**	(27.3)
Mobile data	**253**	134	126	**88.8**	6.3
Other service revenue	**3 295**	3 055	1 029	**7.9**	196.9
Service revenue	**7 957**	8 071	7 570	**(1.4)**	6.6
Equipment revenue	**124**	197	128	**(37.1)**	53.9
Non-service revenue	**115**	152	204	**(24.3)**	(25.5)
Revenue	**8 196**	8 420	7 902	**(2.7)**	6.6
Direct expenses	**(4 664)**	(4 297)	(2 984)	**8.5**	44.0
Staff expenses	**(851)**	(888)	(789)	**(4.2)**	12.5
Publicity expenses	**(333)**	(387)	(434)	**(14.0)**	(10.8)
Other operating expenses	**(1 500)**	(1 671)	(1 761)	**(10.2)**	(5.1)
Depreciation and amortisation	**(1 244)**	(1 308)	(1 191)	**(4.9)**	9.8
Impairment losses	**(1 506)**	(3 227)	(106)	**(53.3)**	> 200.0
Operating (loss)/profit	**(1 902)**	(3 358)	637	**43.4**	< (200.0)
EBITDA	**840**	1 176	1 935	**(28.6)**	(39.2)
EBITDA margin (%)	**10.2**	14.0	24.5		
Operating (loss)/profit margin (%)	**(23.2)**	(39.9)	8.1		

Vodacom's International operations reported revenue and service revenue declines of 2.7% and 1.4% respectively due to the impact of foreign currency. International revenue and service revenue increased 10.5%[*] and 11.6%[*] respectively, supported by a higher contribution from carrier services followed by an increase in voice and data revenue.

Voice revenue increased 5.7%[*] due to strong voice traffic growth of 40.9% as a result of lower prices and several promotions reducing the effective price per minute by 38.1%. Data revenue increased 122.4%[*] to R253 million mainly due to data promotions and strong growth in Vodacom M-Pesa active users to 1.3 million in Tanzania.

Total ARPU declined 21.2% to R26 as the International operations recorded customer growth of 24.4% to 17.0 million, adding approximately 3.3 million customers in the year. The ARPU was further impacted by the lower average tariffs due to increased price competition across all operations.

The International EBITDA declined 20.7%[*] (28.6% reported decline) to R840 million largely as a result of declining margins in Gateway. Various cost-efficiency programmes, such as efforts to reduce site operating and maintenance costs have been put in place to adjust business structures in the mobile operations in order to support lower tariffs. In aggregate, the International mobile operations expanded its EBITDA margin during the year.

The International segment's operating profit was negatively impacted by the recognition of impairment losses relating largely to Gateway.

51 for further information on impairment losses.

Key performance indicators

Rm	Year ended 31 March 2011	2010	2009	% change 10/11	09/10
Customers (thousand)[1]	**16 957**	13 630	11 989	**24.4**	13.7
Tanzania	**8 861**	7 270	5 667	**21.9**	28.3
DRC	**4 155**	3 353	4 170	**23.9**	(19.6)
Mozambique	**3 082**	2 329	1 634	**32.3**	42.5
Lesotho	**859**	678	518	**26.7**	30.9
Gross connections (thousand)	**11 354**	9 315	7 860	**21.9**	18.5
Tanzania	**5 273**	4 488	3 584	**17.5**	25.2
DRC	**3 469**	2 567	2 773	**35.1**	(7.4)
Mozambique	**2 269**	1 986	1 290	**14.2**	54.0
Lesotho	**343**	274	213	**25.2**	28.6
Churn (%)[2]					
Tanzania	**44.4**	45.3	43.1		
DRC	**72.8**	83.0	50.5		
Mozambique	**56.4**	61.8	69.0		
Lesotho	**21.0**	19.3	19.8		
MOU per month[3]					
Tanzania	**56**	54	53	**3.7**	1.9
DRC	**61**	35	46	**74.3**	(23.9)
Mozambique	**39**	34	29	**14.7**	17.2
Lesotho	**32**	37	36	**(13.5)**	2.8
Total ARPU (rand per month)[4]					
Tanzania	**21**	29	49	**(27.6)**	(40.8)
DRC	**36**	37	63	**(2.7)**	(41.3)
Mozambique	**22**	30	43	**(26.7)**	(30.2)
Lesotho	**60**	67	70	**(10.4)**	(4.3)
Total ARPU (local currency)[4]					
Tanzania (TZS)	**4 238**	5 044	6 943	**(16.0)**	(27.4)
DRC (USD)	**5.0**	4.7	7.2	**6.4**	(34.7)
Mozambique (MZN)	**106**	109	121	**(2.8)**	(9.9)
Estimated mobile SIM penetration (%)					
Tanzania	**37**	34	30		
DRC	**16**	13	16		
Mozambique	**29**	23	17		
Lesotho	**49**	41	30		
Estimated mobile customer market share (%)					
Tanzania	**51**	50	46		
DRC	**37**	38	37		
Mozambique	**45**	45	44		
Lesotho	**83**	81	80		
Number of employees[5]	**1 965**	2 083	2 086	**(5.7)**	(0.1)

Notes:
1. Customers are based on the total number of mobile customers registered on Vodacom's network, which have not been disconnected, including inactive customers, as at the end of the period indicated.
2. Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly total reported mobile customer base during the period.
3. Minutes of use ('MOU') per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly total reported mobile customer base during the period.
4. Total ARPU is calculated by dividing average monthly service revenue by the average monthly total reported mobile customer base during the period.
5. Number of employees has been aligned to the reporting practices of the Group's ultimate parent and includes permanent employees, fixed term contractors, assignees, learners and graduates.

Operating results

Reconciliation of normalised growth

	Year ended 31 March 2011				
	Reported %	Trading foreign exchange ppt	Translation foreign exchange ppt	Impairment losses ppt	Normalised %
Voice revenue					
International	(8.1)	–	13.8	–	5.7
Data revenue					
International	88.8	–	33.6	–	122.4
Service revenue					
Group	3.6	–	1.9	–	5.5
International	(1.4)	–	13.0	–	11.6
Revenue					
Group	4.5	–	1.9	–	6.4
International	(2.7)	–	13.2	–	10.5
Operating expenses					
Group	4.8	(0.5)	2.5	–	6.8
South Africa	6.0	(0.7)	–	–	5.3
International	1.4	0.4	14.4	–	16.2
EBITDA					
Group	4.1	0.7	1.0	–	5.8
South Africa	5.8	1.2	–	–	7.0
International	(28.6)	8.7	(0.8)	–	(20.7)
Operating profit					
Group	21.9	(0.4)	1.3	(17.8)	5.0
Capital expenditure					
International	(41.6)	–	12.1	–	(29.5)

Exchange rates

	Average for 31 March			% change		Closing at 31 March			% change	
	2011	2010	2009	**10/11**	09/10	**2011**	2010	2009	**10/11**	09/10
USD/ZAR	**7.19**	7.83	8.84	**(8.2)**	(11.4)	**6.77**	7.38	9.64	**(8.3)**	(23.4)
ZAR/MZN	**4.78**	3.68	2.83	**29.9**	30.0	**4.57**	4.35	2.84	**5.1**	53.2
ZAR/TZS	**206.17**	171.29	142.67	**20.4**	20.1	**221.65**	184.29	139.52	**20.3**	32.1
EUR/ZAR	**9.50**	11.05	12.46	**(14.0)**	(11.3)	**9.61**	9.89	12.75	**(2.8)**	(22.4)

Financial position and resources

Statement of financial position

Rm	As at 31 March 2011	2010	Movement 10/11
Property, plant and equipment	**21 577**	21 383	**194**
Intangible assets	**5 215**	6 673	**(1 458)**
Other non-current assets	**1 190**	1 075	**115**
Current assets	**13 453**	12 560	**893**
Total assets	**41 435**	41 691	**(256)**
Equity attributable to owners of the parent	**15 622**	13 738	**1 884**
Non-controlling interests	**558**	898	**(340)**
Total equity	**16 180**	14 636	**1 544**
Borrowings	**10 063**	13 025	**(2 962)**
Non-current	**7 280**	9 786	**(2 506)**
Current	**2 783**	3 239	**(456)**
Tax liabilities	**782**	1 254	**(472)**
Other non-current liabilities	**768**	753	**15**
Other current liabilities	**13 642**	12 023	**1 619**
Total liabilities	**25 255**	27 055	**(1 800)**
Total equity and liabilities	**41 435**	41 691	**(256)**

Non-current assets

Property, plant and equipment

Property, plant and equipment increased to R21 577 million from R21 383 million a year ago. The increase resulted predominantly from net additions of R5 548 million, offset by depreciation charges of R4 294 million and unfavourable foreign exchange movements of R738 million.

Intangible assets

At 31 March 2011 our intangible assets were R5 215 million (2010: R6 673 million) with software comprising the largest element at R2 426 million (2010: R2 271 million) followed by goodwill at R1 970 million (2010: R2 952 million). The decrease in intangible assets was primarily as a result of an impairment loss of R1 500 million being recognised in the current year, relating to Gateway. During the year the Group capitalised R915 million net additions, comprising mainly of computer software and recognised amortisation of R1 061 million in profit and loss.

51 for further information on impairment losses.

Capital expenditure

The Group's capital expenditure for the year was R6 311 million, 4.9% less than a year ago. Capital expenditure of R1 208 million (14.7% of revenue) in the International operations was 29.5%(*) lower (reported 41.6% lower) mainly due to a reduction in capital expenditure in DRC and Tanzania following last year's significant network investment in Tanzania.

We continued to make substantial investments in the South African network, particularly to enhance quality and support the 48.9% growth in data traffic. South Africa's capital expenditure of R5 100 million, 9.6% of revenue, was largely allocated to building a wider and faster data network with 948 new 3G sites bringing the total to 4 290 sites. We enhanced the network with the latest technologies, by upgrading over a third of our base station sites to the next generation Long-term Evolution ('LTE') ready equipment and more than two thousand dual-carrier sites are now live. The long-distance national fibre build and our own project to self-provide fibre to our base stations have been slower than planned due to delays in obtaining right of way approvals and the build freeze during the World Cup.

Other non-current assets

Other non-current assets include financial assets, trade and other receivables, finance lease receivables and deferred tax. The increase in other non-current assets from R1 075 million at 31 March 2010 to R1 190 million in the current year is primarily due to a higher deferred tax asset resulting from an increase in unrealised foreign exchange losses relating to foreign-denominated loans to subsidiaries and the recognition of a deferred tax asset by a new subsidiary in the South African segment. The increase in other non-current assets is partially offset by a decrease in finance lease receivables relating to computer equipment and handsets.

Financial position and resources

Current assets

Current assets consist of financial assets, inventory, trade and other receivables, finance lease receivables, tax receivable and cash and cash equivalents. At 31 March 2011 current assets increased R893 million to R13 453 million compared to the prior year. Included in this variance is an increase in trade and other receivables of R749 million mainly relating to revenue growth, an increase in finance lease receivables of R200 million largely relating to computer equipment, an increase of R120 million in financial assets due to the recognition of restricted cash for our money transfer services, offset by a reduction in the tax receivable of R77 million.

Total equity

Total equity increased from R14 636 million at 31 March 2010 to R16 180 million at 31 March 2011, as a result of the R7 979 million net profit for the year being offset by dividends of R5 283 million, an increase in the repurchase of shares of R962 million and a R559 million unfavourable foreign currency translation movement. Included in the unfavourable foreign exchange movement is a R350 million loss (2010: R848 million loss), net of tax, relating to foreign-denominated loans to subsidiaries classified as part of the net investments in these foreign operations.

Borrowings

Total borrowings decreased from R13 025 million at 31 March 2010 to R10 063 million at 31 March 2011. The decrease is attributed to the partial capital repayment of R1 159 million on a facility raised in the previous year to refinance debt issued to DRC, R1 000 million repayment of promissory notes to fund capital expenditure and working capital and a reduction in bank borrowings classified as financing activities of R777 million.

Tax liabilities

Tax liabilities decreased from R1 254 million in the prior year to R782 million at 31 March 2011. Deferred tax liabilities decreased by R356 million resulting from the impairment of customer bases in Gateway Carrier Services and Vodacom Business Africa as well as a decrease in the deferred tax liability of Tanzania as the company incurred tax losses in the current year. The decrease in current tax liabilities of R116 million is primarily as a result of a decrease in the Tanzania capital allowances exposure and as a result of higher second provisional payments effected on 31 March 2011.

Other non-current liabilities

Other non-current liabilities comprising of trade and other payables and provisions remained in line with the prior year.

Other current liabilities

Other current liabilities increased from R12 023 million at 31 March 2010 to R13 642 million at 31 March 2011 largely due to an increase in current trade and other payables of R1 291 million and an increase in bank overdrafts of R221 million. Current trade and other payables increased mainly as a result of higher equipment creditors due to increased stock levels in South Africa and changes in underlying creditor agreements.

Liquidity and capital resources

The major sources of Group liquidity for the 2011 and 2010 financial years were cash generated from operations and bank-funded debt. The Group's key sources of liquidity for the foreseeable future are likely to remain the same and will include committed and uncommitted bank facilities.

Where possible, surplus funds within the South African operations are transferred to the centralised treasury department through the repayment of borrowings, deposits and dividends. These are then loaned internally or contributed as equity to fund Group operations, used to repay external debt or to pay external dividends.

Net debt

	As at 31 March			Movement	
Rm	2011	2010	2009	10/11	09/10
Bank and cash balances	**870**	1 061	1 104	**(191)**	(43)
Bank overdrafts	**(331)**	(110)	(20)	**221**	90
Borrowings and derivative financial instruments	**(9 997)**	(13 112)	(16 191)	**(3 115)**	(3 079)
Net debt before dividends and STC payable	**(9 458)**	(12 161)	(15 107)	**(2 703)**	(2 946)
Dividends and STC payable	**–**	–	(2 430)	**–**	(2 430)
Net debt	**(9 458)**	(12 161)	(17 537)	**(2 703)**	(5 376)
Net debt/EBITDA (times)	**0.5**	0.6	1.0		

Net debt decreased to R9 458 million, compared to R12 161 million a year ago. The Group's financial gearing reduced slightly, with the net debt to EBITDA ratio at 0.5 times at 31 March 2011 (2010: 0.6 times). 86.7% (2010: 89.6%) of the debt[1] is denominated in rand. R3 114 million (2010: R3 349 million) of the debt[1] matures in the next 12 months and 66.2% (2010: 96.3%) of interest bearing debt (including bank overdrafts) is at floating rates.

Note:

1. Debt includes interest bearing debt, non-interest bearing debt and bank overdrafts.

Cash flow

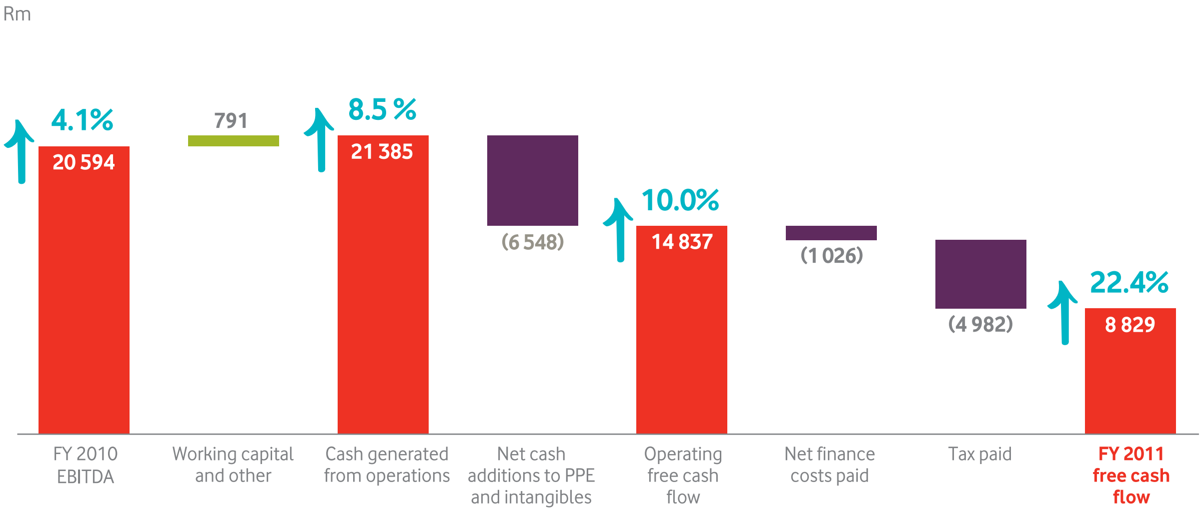
Free cash flow

Rm	Year ended 31 March 2011	2010	2009	% change 10/11	09/10
Cash generated from operations	**21 385**	19 711	15 905	**8.5**	23.9
Net additions to property, plant and equipment and intangible assets	**(6 548)**	(6 222)	(7 211)	**5.2**	(13.7)
Operating free cash flow	**14 837**	13 489	8 694	**10.0**	55.2
Tax paid	**(4 982)**	(4 764)	(4 123)	**4.6**	15.5
Finance income received	**85**	108	103	**(21.3)**	4.9
Finance costs paid	**(1 111)**	(1 621)	(1 498)	**(31.5)**	8.2
Free cash flow	**8 829**	7 212	3 176	**22.4**	127.1

Operating free cash flow increased 10.0% to R14 837 million for the year. The cash generated from operations grew by R1 674 million and was mainly due to increased EBITDA, coupled with an improvement in working capital. Net cash additions to property, plant and equipment and intangible assets increased from R6 222 million to R6 548 million. Group free cash flow increased 22.4% to R8 829 million.

Net cash flows utilised in financing activities increased from R8 548 million to R10 119 million. This resulted from an increase in debt repayments compared to the prior year, R984 million cash outflow (2010: R385 million) relating to the share repurchase programme, an increase of R1 375 million in dividends paid and reduced interest payments due to lower interest rates and average debt.

Free cash flow



Outlook

This has been a positive year in which good progress was made on the Group's strategic objectives, particularly driving growth in data, and the results were in line with our medium-term guidance. The changes instituted in the latter half of the year, culminating in the brand refresh, have placed Vodacom in a unique position to capitalise on the changing mobile communications landscape.

Looking forward we aim to sustain service revenue growth in the low single digits as we work our way through two more years of MTR reductions in South Africa. We have a strategy focused on operational excellence and aim to make small improvements each year in our EBITDA margin.

We have substantially increased our capital expenditure for the next year to R7.7 billion (excluding the non-cash impact of R1.1 billion from the accounting of our 'RAN swap'), but this is within our overall Group guidance of maintaining capital expenditure between 11% and 13% of revenue.

We remain committed to increasing total shareholder returns. We have changed our dividend policy from approximately 60% of headline earnings per share to at least 70% of headline earnings per share.

Five-year historic review

		2011	2010	2009	2008	2007	Compound growth %
Summarised income statement (Rm)							
Revenue	3	**61 197**	58 535	55 442	48 334	41 266	10.4
Operating profit	5	**13 696**	11 238	12 005	12 491	10 860	6.0
Net finance charges	6	**(1 058)**	(2 272)	(1 749)	(424)	(463)	22.9
Profit before tax		**12 638**	8 945	10 237	12 067	10 396	5.0
Taxation	6	**(4 659)**	(4 745)	(4 045)	(4 109)	(3 836)	5.0
Net profit		**7 979**	4 200	6 192	7 958	6 560	5.0
Non-controlling interests		**(266)**	4	103	147	218	n/a
EBITDA	5	**20 594**	19 782	18 196	16 463	14 227	9.7
Summarised statement of financial position (Rm)							
Non-current assets	13	**27 982**	29 131	35 224	24 468	20 844	7.6
Current assets		**13 453**	12 560	12 135	9 707	7 626	15.2
Equity and reserves		**16 180**	14 636	15 098	11 806	9 647	13.8
Non-current liabilities		**8 743**	11 590	10 430	4 787	3 812	23.1
Current liabilities		**16 512**	15 465	21 831	17 582	15 011	2.4
Net debt	14	**9 458**	12 161	17 537	8 663	6 027	11.9
Capital expenditure		**6 311**	6 636	6 906	5 916	6 748	(1.7)
Summmarised statement of cash flows (Rm)							
Cash generated from operations		**21 385**	19 711	15 905	16 022	13 528	12.1
Tax paid		**(4 982)**	(4 764)	(4 123)	(4 721)	(3 303)	10.8
Net cash flows from operating activities	15	**16 403**	14 947	11 782	11 301	10 225	12.5
Net cash flows utilised in investing activities	15	**(6 581)**	(6 329)	(12 646)	(7 431)	(6 542)	0.1
Net cash flows (utilised in)/from financing activities	15	**(10 119)**	(8 548)	1 171	(3 013)	(5 609)	15.9
Net (decrease)/increase in cash and cash equivalents		**(297)**	70	307	857	(1 926)	(37.3)
Cash and cash equivalents at end of the year		**539**	951	1 084	837	(108)	n/a
Performance per ordinary share (cents)							
Basic earnings per share	7	**561**	282	409	525	426	7.1
Headline earnings per share		**656**	510	417	528	426	11.4
Diluted headline earnings per share		**654**	509	417	528	426	11.3
Net asset value per share		**1 099**	985	1 015	793	648	14.1
Dividends per share		**355**	110	350	399	363	(8.6)
Profitability and returns (%)							
EBITDA margin	5	**33.7**	33.8	32.8	34.1	34.5	
Operating profit margin	5	**22.4**	19.2	21.7	25.8	26.3	
Effective tax rate	6	**36.9**	53.0	39.5	34.1	36.9	
Net profit margin		**13.0**	7.2	11.2	16.5	15.9	
Return on equity[1]		**56.2**	30.2	47.9	75.0	71.2	
Return on capital employed[2]		**61.6**	43.4	70.7	85.5	77.6	
Liquidity and debt leverage (times)							
Interest cover[3]		**15.9**	7.0	8.2	18.3	29.4	
Net debt to EBITDA		**0.5**	0.6	1.0	0.5	0.4	
Current ratio[4]		**0.8**	0.8	0.6	0.6	0.5	
Quick ratio[5]		**0.8**	0.8	0.5	0.5	0.5	

Notes:
1. Return on equity is calculated by dividing net profit attributable to equity shareholders by shareholders' equity.
2. Return on capital employed is calculated by dividing net profit by average net assets less goodwill.
3. Interest cover ratio is calculated by dividing earnings before interest and tax for the year by finance costs for the year.
4. The current ratio is calculated by dividing current assets by current liabilities.
5. The quick ratio is calculated by dividing current assets, excluding inventory by current liabilities.

Five-year historic review per segment

	2011	2010	2009	2008	2007	Compound growth %
South Africa						
EBITDA margin (%)	**36.8**	36.8	34.0	34.4	34.9	
Capex intensity (%)	**9.6**	9.1	9.7	9.9	13.3	
Customers (thousand)	**26 535**	26 262	27 625	24 821	23 004	3.6
Number of employees[1]	**5 302**	5 327	5 165	n/m	n/m	n/a
Total ARPU (rand per month)	**157**	132	134	128	128	5.3
Estimated mobile SIM penetration (%)	**107**	100	108	94	84	6.2
Estimated mobile customer market share (%)	**50**	53	53	55	58	(3.5)
International						
EBITDA margin (%)	**10.2**	14.0	24.5	28.6	29.7	
Capex intensity (%)	**14.7**	24.5	30.6	28.1	37.9	
Customers (thousand)	**16 957**	13 630	11 989	9 173	7 146	24.1
Number of employees[1]	**1 965**	2 083	2 086	n/m	n/m	n/a
Total ARPU (rand per month)						
Tanzania	**21**	29	49	48	51	(20.3)
DRC	**36**	37	63	60	74	(16.5)
Mozambique	**22**	30	43	31	30	(7.3)
Lesotho	**60**	67	70	74	76	(5.9)
Total ARPU (local currency per month)						
Tanzania (TZS)	**4 238**	5 044	6 943	8 289	9 201	(17.6)
DRC (USD)	**5.0**	4.7	7.2	8.4	10.5	(16.9)
Mozambique (MZN)	**106**	109	121	111	112	(1.4)
Estimated mobile SIM penetration (%)						
Tanzania	**37**	34	30	20	16	
DRC	**16**	13	16	12	9	
Mozambique	**29**	23	17	16	14	
Lesotho	**49**	41	30	26	17	
Estimated mobile customer market share (%)						
Tanzania	**51**	50	46	52	55	
DRC	**37**	38	37	41	47	
Mozambique	**45**	45	44	40	35	
Lesotho	**83**	81	80	80	80	

Note:
1. The definition of employees was aligned to the Group's ultimate parent. The numbers for 2007 and 2008 were not measured on the basis of the new definition.

Directors' statement of responsibility

The directors are responsible for the preparation, integrity and fair presentation of the consolidated annual financial statements of Vodacom Group Limited, its subsidiaries, joint venture, associate and special purpose entities ('the Group').

The consolidated annual financial statements have been audited by the independent accounting firm Deloitte & Touche which was given unrestricted access to all financial records and related data, including minutes of meetings of shareholders, the Board and committees of the Board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. The report of the auditors is presented on the next page.

The consolidated annual financial statements for the year ended 31 March 2011 presented on pages 20 to 94 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), the AC 500 standards as issued by the Accounting Practices Board ('APB') and in compliance with the JSE Listings Requirements and the Companies Act of 1973, as amended. They are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgements, including judgements involving estimations. The going concern basis has been adopted in preparing the consolidated annual financial statements. The directors have no reason to believe that the Group will not be a going concern in the foreseeable future based on forecasts and available cash resources.

The directors are also responsible for the Group's system of internal controls. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the consolidated annual financial statements and to adequately safeguard, verify and maintain accountability of assets. These controls are monitored throughout the Group by management and employees with the necessary segregation of authority and duties. Processes are in place to monitor internal controls, to identify material breakdowns and implement timely corrective action.

The consolidated annual financial statements were approved by the Board on 3 June 2011 and are signed on its behalf by:

MP Moyo
Chairman

PJ Uys
Chief Executive Officer

RA Shuter
Chief Financial Officer

Certificate by the Company Secretary

In terms of Section 268G(d) of the Companies Act of 1973, as amended, I certify that, to the best of my knowledge and belief, Vodacom Group Limited has lodged with the Registrar of Companies for the financial year ended 31 March 2011, all such returns as are required of a public company in terms of the Companies Act of 1973, as amended, and that all such returns are true, correct and up to date.

SF Linford
Company Secretary
3 June 2011

Independent auditors' report on the consolidated annual financial statements

To the members of Vodacom Group Limited

We have audited the consolidated annual financial statements of Vodacom Group Limited, which comprise the consolidated statement of financial position as at 31 March 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 20 to 94.

Directors' responsibility for the consolidated annual financial statements

The directors are responsible for the preparation and fair presentation of these consolidated annual financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, the AC 500 standards as issued by the Accounting Practices Board, the JSE Listings Requirements and in the manner required by the Companies Act of 1973, as amended, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated annual financial statements present fairly, in all material respects, the consolidated financial position of Vodacom Group Limited as at 31 March 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of 1973, as amended.

Deloitte & Touche
Registered Auditors
Per PJ Smit
Partner
Johannesburg, South Africa
3 June 2011
Buildings 1 and 2, Deloitte Place
The Woodlands, Woodlands Drive
Woodmead, Sandton

National Executive: GG Gelink *(Chief Executive)*, AE Swiegers *(Chief Operating Officer)*, GM Pinnock *(Audit)*, DL Kennedy *(Risk Advisory)*, NB Kader *(Tax & Legal Services)*, L Geeringh *(Consulting)*, L Bam *(Corporate Finance)*, JK Mazzocco *(Human Resources)*, CR Beukman *(Finance)*, TJ Brown *(Clients)*, NT Mtoba *(Chairman of the Board)*, MJ Comber *(Deputy Chairman of the Board)*.

A full list of partners and directors is available on request.

Directors' report

for the year ended 31 March

Nature of business

Vodacom Group Limited ('the Company') is an investment holding company. Its principal subsidiaries are engaged in the provision of a wide-range of communications products and services including but not limited to voice, messaging, converged services, broadband and data connectivity.

There have been no material changes to the nature of the Group's business from the prior year.

Financial results

Earnings attributable to equity holders of the Group for the year ended 31 March 2011 were R8 245 million (2010: R4 196 million; 2009: R6 089 million) representing basic earnings per share of 561.5 cents (2010: 282.3 cents; 2009: 409.2 cents).

The Group has recognised impairment losses of R1 506 million relating to its International reportable segment. In the prior year a goodwill impairment loss of R3 039 million was recognised in respect of the combined Gateway cash-generating unit. Full details of the impairment losses are included in Note 2.

Full details on the financial position and results of the Group are set out in these consolidated annual financial statements.

Dividends

Dividend distribution

An ordinary dividend of R5 282 million (2010: R1 637 million; 2009: R5 200 million) was declared for the year (Note 8). Details of the final dividend are included under 'Events after the reporting period' in this directors' report.

Rm	2011	2010	2009
Declared 11 September 2008 and paid 6 October 2008	–	–	3 000
Declared 30 January 2009 and paid 8 April 2009	–	–	2 200
Declared 5 November 2009 and paid 7 December 2009	–	1 637	–
Declared 14 May 2010 and paid 5 July 2010	**2 604**	–	–
Declared 5 November 2010 and paid 6 December 2010	**2 678**	–	–
	5 282	1 637	5 200

Dividend policy

The Company intends to pay as much of its after tax profits as will be available after retaining such sums and repaying such borrowings owing to third parties as shall be necessary to meet the requirements reflected in the budget and business plan, taking into account monies required for investment opportunities. However, there is no assurance that a dividend will be paid in respect of any financial period and any future dividends will be dependent upon the operating results, financial condition, investment strategy, capital requirements and other factors. It is envisaged that interim dividends will be paid in December and final dividends in July of each year. There is no fixed date on which entitlement to dividends arises and the date of payment will be determined by the Board or shareholders at the time of declaration, subject to the JSE Listings Requirements.

On 11 May 2011, the Board approved a change in the dividend target from a pay out of approximately 60% of headline earnings per share to at least 70% of headline earnings per share. The Company declared dividends of 460 cents (2010: 285 cents) per share during the year ended 31 March 2011, representing 70% (2010: 60%) of headline earnings for the year ended 31 March 2011.

Net current liability position

The Group is in a net current liability position, however, management believes that based on its operating cash flows, the Group will be able to meet its obligations as they fall due and that it is in compliance with all covenants contained in material borrowing agreements.

Depending on market conditions, the Group will continue to seek longer-term funding opportunities which will reduce the net current liability position.

Share capital

The authorised and issued share capital are as follows:

Stated capital

- Authorised – 4 000 000 000 ordinary shares of no par value; and
- Issued – 1 487 954 000 ordinary shares of no par value amounting to R100.

Full details of the authorised and issued share capital of the Company are contained in Note 15.

Share capital (continued)

Repurchase of shares

Shareholders approved a special resolution granting a general authority for the repurchase of ordinary shares by the Group, to a maximum of 20.0% (2010: 20.0%) of shares in issue, at the annual general meeting held on Friday 30 July 2010, subject to the JSE Listings Requirements and the provisions of the Companies Act of 1973, as amended. In terms of this general authority, 15 880 043 (2010: 120 456) ordinary shares were repurchased during the year at an average price of R60.14 (2010: R57.92) per share. These shares are held as treasury shares by wholly-owned subsidiary, Wheatfields Investments 276 (Pty) Limited ('Wheatfields'). Approval to renew this general authority will be sought at the forthcoming annual general meeting on Thursday 4 August 2011.

In the 2010 financial year, Wheatfields also acquired 2 426 471 shares at R56.61 per share in terms of an odd-lot offer and a specific share repurchase.

Treasury shares held by Wheatfields do not carry any voting rights.

Forfeitable share plan ('FSP')

During the year the Group allocated 3 242 476 (2010: 4 722 504) shares out of treasury shares to eligible employees under its FSP. Further details on the FSP may be found in the 'Remuneration report' on page 81 of the integrated report as well as in Note 16.

Shareholder analysis

The Group's shareholder analysis as at 31 March 2011 was as follows:

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 100 shares	10 166	24.62	425 847	0.03
101 – 1000 shares	26 015	62.99	8 294 071	0.56
1 001 – 10 000 shares	3 986	9.65	11 834 359	0.80
10 001 – 50 000 shares	567	1.37	13 303 186	0.89
50 001 – 100 000 shares	245	0.59	17 228 297	1.16
100 001 – 1 000 000 shares	273	0.66	78 067 901	5.25
1 000 001 shares and above	48	0.12	1 358 800 339	91.31
	41 300	**100**	**1 487 954 000**	**100**
Distribution of shareholders				
Close corporations	128	0.31	206 209	0.01
Collective investment schemes	350	0.85	65 903 474	4.43
Custodians	126	0.31	52 381 381	3.52
Foundations & charitable funds	67	0.16	676 807	0.05
Hedge funds	6	0.01	208 109	0.01
Holding company	2	0.00	967 170 100	65.00
Individuals	37 644	91.16	24 022 705	1.61
Insurance companies	62	0.15	6 008 165	0.40
Investment partnerships	232	0.56	380 466	0.03
Medical aid funds	30	0.07	1 122 728	0.08
Organs of state	14	0.03	81 858 030	5.50
Other corporations	100	0.24	208 238 788	13.99
Personal liability companies	3	0.01	6 030	0.00
Private companies	221	0.54	17 085 156	1.15
Public companies	25	0.06	11 139 778	0.75
Public entities	2	0.00	100 132	0.01
Retirement benefit funds	369	0.89	39 584 060	2.66
Scrip lending	23	0.06	5 373 046	0.36
Stockbrokers & nominees	20	0.05	834 906	0.06
Trusts	1 864	4.51	5 650 883	0.38
Unclaimed assets	12	0.03	3 047	0.00
	41 300	**100**	**1 487 954 000**	**100**

Directors' report

for the year ended 31 March

Share capital (continued)

Shareholder analysis (continued)

Non-public and public shareholders	Number of shareholdings	%	Number of shares	%
Non-public shareholders	19	0.05	1 190 461 901	80.01
Directors and associates	13	0.02	842 235	0.06
Wholly-owned subsidiaries	2	0.01	15 402 046	1.04
Strategic holdings (more than 10.0%)	2	0.01	207 047 520	13.91
Holding company	2	0.01	967 170 100	65.00
Public shareholders	41 281	99.95	297 492 099	19.99
	41 300	**100**	**1 487 954 000**	**100**
Geographical holdings by owner				
United Kingdom	83	0.20	977 186 066	65.67
South Africa	40 904	99.04	453 559 992	30.48
United States	93	0.23	50 515 950	3.40
Europe	66	0.16	4 659 995	0.31
Other	154	0.37	2 031 997	0.14
	41 300	**100**	**1 487 954 000**	**100**

Beneficial shareholders holding 5% or more of the issued capital	Total shareholding	% of shares in issue
Vodafone Group	967 170 100	65.00
South African Government	207 047 520	13.91
Government employees' pension fund	79 821 738	5.36
	1 254 039 358	**84.27**

Share price performance	2011	2010
Opening price 1 April 2010/18 May 2009	**R55.60**	R59.50
Closing price 31 March	**R79.38**	R55.60
Closing high for the year/period	**R79.95**	R59.00
Closing low for the year/period	**R53.39**	R51.55
Number of shares in issue	**1 487 954 000**	1 487 954 000
Volume traded during year/period	**365 746 139**	581 075 914
Ratio of volume traded to shares issued (%)	**24.58**	39.05

Subsidiaries, associate company and other investments

Particulars of the Group's principal subsidiaries are provided in Addendum A, while particulars of the associate company and other investments are provided in Note 11. The attributable interest in the net profit or losses of subsidiaries before eliminations for the year ended 31 March 2011 is as follows:

Rm	2011	2010	2009
Aggregate amount of profit after tax	**12 798**	11 429	8 007
Aggregate amount of losses after tax	**(1 625)**	(9 425)	(696)
	11 173	2 004	7 311

Borrowings

The Standard Bank of South Africa Limited/Rand Merchant Bank

The loan with a nominal value of R2 500 million was partially repaid in April 2010 using short-term borrowings amounting to R1 159 million.

Citibank syndicated loans

The Group increased its Citibank syndicated loans by TZS40 350 million and US$20 million during the year. The loans will be utilised for capital expenditure and general corporate requirements in Tanzania, and are repayable in six bi-annual instalments commencing on 16 June 2011.

Asset Backed Arbitraged Securities (Pty) Limited

The promissory notes with a nominal value of R1 000 million were repaid in December 2010 using short-term borrowings.

Capital expenditure and commitments

Details of the Group's capital expenditure are set out in Notes 9 and 10, and commitments are set out in Note 24.

Special resolutions

No special resolutions relating to capital structure, borrowing powers or any other material matter that affects the understanding of the Group were passed by subsidiary companies during the year under review.

Directorate and secretary

Movements in the directorate during the year under review:

Appointments

13 September 2010	NJ Read^

Resignations

13 September 2010	RC Snow^
4 November 2010	P Malabie
31 March 2011	MS Aziz Joosub

Withdrawn

31 January 2011	HM Mahmoud (alternate)#

Movements in the directorate after 31 March 2011:

Appointments

12 May 2011	A Kekana

In terms of the Company's articles of association, Mr NJ Read^ and Ms A Kekana, having been appointed since the last annual general meeting of the Company, retire at the forthcoming annual general meeting to be held on Thursday 4 August 2011. In terms of the articles of association, Messrs MP Moyo, RAW Schellekens• and Ms TM Mokgosi-Mwantembe retire by rotation. All retiring directors are eligible and available for re-election. Their profiles appear in the 'Notice of annual general meeting' on page 111.

As at the date of this report, the directors of the Company were as follows:

Independent non-executive

MP Moyo (Chairman), TA Boardman, A Kekana, TM Mokgosi-Mwantembe, PJ Moleketi

Non-executive

M Lundal~, P Bertoluzzo@, M Joseph*, RAW Schellekens•, NJ Read^, TJ Harrabin (alternate)^

Executive

PJ Uys (Chief Executive Officer), RA Shuter (Chief Financial Officer)

The Company Secretary is SF Linford and her business and postal address appear on the 'Corporate information' sheet on page 107.

^ British, # Egyptian, ~ Norwegian, @ Italian, * American, • Dutch

Directors' report

for the year ended 31 March

Interests of directors

As at 31 March 2011, the directors of the Company held direct and indirect beneficial interests in 842 235 (2010: 494 335) of its issued ordinary shares as set out below:

	2011	2011	2010	2010
Shares	**Direct**	**Indirect**	**Direct**	**Indirect**
Executive				
PJ Uys	**338 723**	**–**	199 901	–
RA Shuter	**230 524**	**–**	122 954	–
MS Aziz Joosub	**269 200**	**–**	167 692	–
Independent non-executive				
MP Moyo	**250**	**2 415**	250	2 415
PJ Moleketi	**643**	**480**	643	480
	839 340	**2 895**	491 440	2 895

There have been no changes in beneficial interests that occurred between the end of the reporting period and the date of this report.

Holding company and ultimate holding company

The Group is ultimately controlled by Vodafone Group Plc which owns 65.0% of the issued shares through:

- Vodafone Holdings SA (Pty) Limited; and
- Vodafone Investments SA (Pty) Limited.

Vodafone Group Plc is incorporated and domiciled in the United Kingdom.

Audit, Risk and Compliance Committee ('ARC Committee')

In terms of Section 270A(f) of the Companies Act of 1973, as amended ('the Act'), the ARC Committee discharged all of those functions delegated to it in terms of its mandate, the Act and the JSE Listings Requirements. Further details on the role and function of the ARC Committee may be found on page 26.

The auditors' business and postal address appear on the 'Corporate information' sheet on page 107.

Regulatory matters

Electronic Communications Act ('EC Act')

Universal service obligations ('USOs')

The Independent Communications Authority of South Africa ('ICASA') and the Universal Service and Access Agency of South Africa are in the process of reviewing the licensing terms relating to USOs. It is anticipated that this review process, which will result in the promulgation of the new USO policy framework, will be finalised during the next financial year. The Group is participating in the consultative process.

Facility leasing

The EC Act now requires that facility leasing agreements be filed with ICASA in line with the new electronic communications facilities regulations. In compliance with the new regulations, the Group has filed the required agreements with ICASA.

Customer registration

The Group's operations in South Africa, Mozambique, Tanzania and the Democratic Republic of Congo are subject to mobile customer registration legislation in their respective countries of operation. Significant progress has been made to register customers and to minimise disruptions to customer acquisitions as a result of registration.

Interconnect rates

On 29 October 2010 ICASA published the call termination regulations, in terms of which the peak interconnect rate has further been reduced from R0.89 to R0.73 and the off-peak rate from R0.77 to R0.65 in March 2011. The regulations stipulate further reductions in the peak and off-peak rates to R0.56 and R0.52 respectively in March 2012, and a flat rate of R0.40 for both in July 2013. In terms of the regulations, asymmetrical interconnect rates may also be payable to licensees who meet specific criteria on the basis of spectrum or market share. The Group continues to actively engage with ICASA in the implementation of the regulations.

Regulatory matters (continued)

Consumer Protection Act ('CP Act')

The Group's South African operation is subjected to the CP Act which came into effect on 31 March 2011. The CP Act seeks to, *inter alia,* prohibit certain unfair marketing and business practices, as well as promoting responsible consumer behaviour. The Group is proactively assessing the impact which the CP Act will have on its South African operation.

Spectrum fees regulations

On 27 August 2010 ICASA published spectrum fees regulations in terms of which all licensees will now pay the same fees. The regulations, which will be implemented from 1 April 2012, are expected to result in an overall reduction in the spectrum fees incurred by the Group.

Radio frequency spectrum regulation

On 31 March 2011 ICASA published the radio frequency spectrum regulation which consolidates and replaces several regulations such as the Radio Regulations of 1979, High Demand spectrum regulations and the Licence Exempt spectrum regulations. The minimum criterion for participation in the licensing process for high demand spectrum is that applicants must have at least 30.0% ownership by historically disadvantaged individuals ('HDIs'). The Group's current low ownership by HDIs precludes it from participating in the licensing process for high demand spectrum such as the 2.6 GHz and 800 MHz digital dividend bands.

Companies Act of 2008

On 20 April 2011 the Companies Amendment Act was signed by the president of South Africa, putting into legal force the Companies Act of 2008 ('the new Act') with effect from 1 May 2011. The new Act ushers in a new dispensation for corporate South Africa and is expected to improve the environment for business operation. The Group is adequately resourced to ensure that its South African operations fully comply with the new Act.

Other significant matters

Vodacom Congo (RDC) s.p.r.l. ('Vodacom Congo')

The Group continues to participate in the International Chamber of Commerce arbitration with Congolese Wireless Network s.p.r.l. ('CWN'), the other shareholder in Vodacom Congo. The arbitration relates to various funding and operational agreements and co-operation in the manner in which the Vodacom Congo business is run. Notwithstanding the arbitration, the Group continues to pursue an amicable and constructive resolution with CWN. A possible resolution may include an exit from this investment and NM Rothschild was appointed in December 2010 to explore commercial options, including a sale, on behalf of both shareholders of Vodacom Congo.

Namemco, an entity which provided certain services to the Group in 2007, including assistance in negotiating with CWN, brought a claim of approximately US$41 million against the Group for alleged consulting fees due. The claim was initially brought in South African courts, and then subsequently in the Congolese commercial court, in which a unilateral order was granted for the attachment of the Group's shares in Vodacom Congo to satisfy the claim. The Group has, in addition to filing a robust defence in the action of the merits before the Congolese commercial court, brought an ancillary action for the annulment of the *ex parte* order on grounds that Namemco's claim was wholly unsubstantiated.

Events after the reporting period

Final dividend

A final dividend of R4 166 million (280 cents per ordinary share) was declared for the year ended 31 March 2011, payable on Monday 4 July 2011 to shareholders recorded in the register at the close of business on Friday 1 July 2011.

Other matters

The Board is not aware of any matter or circumstance arising since the end of the reporting period, not otherwise dealt with in the consolidated annual financial statements, which significantly affects the financial position of the Group as at 31 March 2011 or the results of its operations or cash flows for the year then ended, other than those disclosed in Note 27.

Auditors

Deloitte & Touche continued in office as the Group's auditors. At the annual general meeting of Thursday 4 August 2011, shareholders will be requested to appoint Deloitte & Touche as the Group's auditors for the 2012 financial year and it will be noted that PJ Smit will be the individual registered auditor who will undertake the audit.

Report of the Audit, Risk and Compliance Committee

Mandate and terms of reference

The Group's Audit, Risk and Compliance Committee ('ARC Committee') has adopted a mandate and terms of reference that has been approved by the Board. During the 2011 financial year, the ARC Committee revised its mandate to include risk management.

The ARC Committee's responsibilities include the following:

- Reviewing the Group's consolidated preliminary results, interim results and annual financial statements;
- Monitoring compliance with statutory and JSE Listings Requirements;
- Reporting to the Board on the quality and acceptability of the Group's accounting policies and practices, including, without limitation, critical accounting policies and practices;
- Considering the appointment and/or termination of the external auditors, including their audit fee, independence and objectivity and determining the nature and extent of any non-audit services;
- Receiving and dealing appropriately with any complaints (internally and externally) relating either to the accounting practices and internal audit or to the content or auditing of all entities within the Group's annual financial statements or related matters;
- Monitoring the risk management framework and assessing the significant risks facing the Group; and
- Monitoring the effectiveness of the processes to create awareness and develop an understanding of relevant legislation and regulation to ensure compliance by management.

Membership

Members: TA Boardman (Chairman), PJ Moleketi, A Kekana

Members of the ARC Committee during the financial year included the following independent non-executive directors:

TA Boardman (Chairman)
P Malabie
PJ Moleketi

Ms P Malabie resigned from the Board on 4 November 2010 and was replaced on 12 May 2011 by Ms A Kekana.

The Chief Executive Officer and Chief Financial Officer attend ARC Committee meetings by invitation, as well as the head of internal audit, the Chief Risk Officer and the external auditors. The primary role of the ARC Committee is to ensure the integrity of the financial reporting, the audit process and that a sound risk management and internal control system is maintained. In pursuing these objectives the ARC Committee oversees relations with the external auditors and reviews the effectiveness of the internal audit function.

The internal and external auditors have unlimited access to the Chairman of the ARC Committee. The internal audit department reports directly to the ARC Committee and is also responsible to the Chief Financial Officer on day-to-day administrative matters.

Four ARC Committee meetings plus one teleconference are scheduled per financial year. Additional committee meetings may be convened when necessary. During the 2011 financial year, four committee meetings and one teleconference were convened.

Attendance was as follows:

Name of member	11.5.2010	27.5.2010[3]	10.9.2010	3.11.2010	4.3.2011
TA Boardman	√	√	√	√	√
P Malabie[1]	√	√	√	√	–
PJ Moleketi[2]	–	√	√	√	√

Notes:
1. P Malabie resigned on 4 November 2010.
2. PJ Moleketi appointed on 13 May 2010.
3. Teleconference.

Statutory duties

In terms of Section 270A(f) of the Companies Act of 1973, as amended ('the Act'), the ARC Committee discharged all of those functions delegated to it in terms of the ARC Committee mandate, the Act and the JSE Listings Requirements:

- Considered and satisfied itself that the external auditors are independent;
- Determined the fees paid to the external auditors for the 2011 financial year;
- Confirmed the non-audit services which the external auditors performed during the year under review;
- Nominated the external auditors for appointment for the 2011 financial year;
- Approved the internal audit plan for the year;
- Held separate meetings with management and the external auditors to discuss any reserved matters;
- Ensured that the ARC Committee complied with the membership criteria as set out in the Act;
- Considered the appropriateness and experience of the Chief Financial Officer as required by the JSE Listings Requirements; and
- Reviewed the consolidated and Company annual financial statements of Vodacom Group Limited.

Internal control

Internal controls comprise methods and procedures adopted by management to provide reasonable assurance in safeguarding assets, prevention and detection of error, accuracy and completeness of accounting records, and reliability of annual financial statements of all entities within the Group. The internal audit function serves management and the Board by performing independent evaluations of the adequacy and effectiveness of the Group's controls, financial reporting mechanisms and records, information systems and operations, and provides additional assurance in safeguarding of assets and financial information.

Vodafone is required to comply with Section 404 of the Sarbanes-Oxley Act ('SOx') due to their listing on the NASDAQ stock exchange. Vodafone has identified specific processes that had to be in scope for Vodacom South Africa. In order to be SOx compliant, the processes or systems and controls identified are reviewed for adequacy and tested to prove the effectiveness and ongoing operation thereof. Management has concluded that the internal control over financial reporting as at 31 March 2011 was effective. The ARC Committee was also responsible for oversight of the Group's compliance activities in relation to SOx.

Risk management

Detailed reviews of the Group's risk management, ERM programmes, business continuity, forensic services and health & safety are performed by the Group's Risk Management Committee which reports to the ARC Committee through the auspices of the Chief Risk Officer. Critical and high level strategic risks which are ranked in relation to a scale from catastrophic to negligible are presented to the ARC Committee which risks are then reported to and considered by the Board. Further details of the Group's key risks are reported in the 'Risk management report' on page 78 of the integrated report.

Integrated reporting

During the year under review, management appointed an external service provider to assist the Group with the implementation of integrated reporting. This included the determination of material issues and the way in which the Group would report internally each month. The Chairman of the ARC Committee was nominated by the Board as the Group's champion for integrated reporting.

The ARC Committee recommended the 2011 integrated report and consolidated annual financial report for approval by the Board on 2 June 2011.

Tom.

TA Boardman
Chairman
Audit, Risk and Compliance Committee

Consolidated income statement

for the year ended 31 March

Rm	Notes	2011	2010	2009
Revenue	1	**61 197**	58 535	55 442
Direct expenses	23	**(27 600)**	(26 764)	(25 913)
Staff expenses	23	**(4 024)**	(3 878)	(3 268)
Publicity expenses	23	**(2 086)**	(1 848)	(1 875)
Broad-based black economic empowerment charge	16	**–**	–	(1 315)
Other operating expenses	23	**(6 928)**	(6 280)	(6 271)
Depreciation and amortisation	9,10	**(5 355)**	(5 157)	(4 683)
Impairment losses	2	**(1 508)**	(3 370)	(112)
Operating profit	3	**13 696**	11 238	12 005
Finance income	4	**109**	124	108
Finance costs	5	**(864)**	(1 602)	(1 459)
Net loss on remeasurement and disposal of financial instruments	3,6	**(303)**	(794)	(398)
Loss from associate	11	**–**	(21)	(19)
Profit before tax		**12 638**	8 945	10 237
Taxation	7	**(4 659)**	(4 745)	(4 045)
Net profit		**7 979**	4 200	6 192
Attributable to:				
Equity shareholders		**8 245**	4 196	6 089
Non-controlling interests		**(266)**	4	103
		7 979	4 200	6 192

Cents	Notes	2011	2010	2009
Basic earnings per share	8	**561.5**	282.3	409.2
Diluted earnings per share	8	**560.4**	282.0	409.2

Consolidated statement of comprehensive income

for the year ended 31 March

Rm	Note	2011	2010	2009
Net profit		**7 979**	4 200	6 192
Other comprehensive income	7	**(449)**	(2 665)	379
Foreign currency translation differences, net of tax		**(502)**	(2 665)	405
Fair value adjustments on available-for-sale financial assets, net of tax		**–**	–	(17)
Gain on hedging instruments in cash flow hedges, net of tax		**53**	–	–
Other, net of tax		**–**	–	(9)
Total comprehensive income		**7 530**	1 535	6 571
Attributable to:				
Equity shareholders		**7 739**	1 645	6 437
Non-controlling interests		**(209)**	(110)	134
		7 530	1 535	6 571

Consolidated statement of financial position

as at 31 March

Rm	Notes	2011	2010	2009
Assets				
Non-current assets		**27 982**	29 131	35 224
Property, plant and equipment	9	**21 577**	21 383	21 844
Intangible assets	10	**5 215**	6 673	11 794
Financial assets	11	**189**	181	303
Trade and other receivables	13	**264**	231	241
Finance lease receivables	14	**307**	408	259
Deferred tax	7	**430**	255	783
Current assets		**13 453**	12 560	12 135
Financial assets	11	**273**	153	203
Inventory	12	**799**	707	653
Trade and other receivables	13	**10 773**	10 024	9 843
Finance lease receivables	14	**462**	262	268
Tax receivable		**276**	353	64
Cash and cash equivalents	22	**870**	1 061	1 104
Total assets		**41 435**	41 691	47 359
Equity and liabilities				
Fully paid share capital	15	*****	*	*
Treasury shares	15	**(1 384)**	(422)	–
Retained earnings		**17 864**	14 832	12 265
Other reserves	16	**(858)**	(672)	1 752
Equity attributable to owners of the parent		**15 622**	13 738	14 017
Non-controlling interests		**558**	898	1 081
Total equity		**16 180**	14 636	15 098
Non-current liabilities		**8 743**	11 590	10 430
Borrowings	17	**7 280**	9 786	8 316
Trade and other payables	18	**258**	317	388
Provisions	19	**510**	436	365
Deferred tax	7	**695**	1 051	1 361
Current liabilities		**16 512**	15 465	21 831
Borrowings	17	**2 783**	3 239	7 875
Trade and other payables	18	**13 005**	11 714	10 938
Provisions	19	**298**	193	238
Tax payable		**87**	203	549
Dividends payable		**8**	6	2 211
Bank overdrafts	22	**331**	110	20
Total equity and liabilities		**41 435**	41 691	47 359

Note:

* Fully paid share capital of R100.

Consolidated statement of changes in equity

for the year ended 31 March

Rm	Notes	Fully paid share capital	Treasury shares	Forfeitable share plan reserve	BBBEE reserve[1]	Retained earnings
1 April 2008		*	–	–	–	11 393
Total comprehensive income		–	–	–	–	6 080
Net profit		–	–	–	–	6 089
Other comprehensive income	7	–	–	–	–	(9)
Dividends	8	–	–	–	–	(5 200)
Business combinations	21	–	–	–	–	(4)
Share-based payment expense	16	–	–	–	1 382	–
Transfer to contingency reserve	16	–	–	–	–	(4)
31 March 2009		*	–	–	1 382	12 265
Total comprehensive income		–	–	–	–	4 196
Net profit		–	–	–	–	4 196
Other comprehensive income	7	–	–	–	–	–
Dividends	8	–	–	–	–	(1 631)
Repurchase of shares	15	–	(422)	–	–	–
Share-based payment expense	8,16	–	–	24	105	–
Transfer from contingency reserve	16	–	–	–	–	2
31 March 2010		*****	**(422)**	**24**	**1 487**	**14 832**
Total comprehensive income		**–**	**–**	**–**	**–**	**8 245**
Net profit		**–**	**–**	**–**	**–**	**8 245**
Other comprehensive income	7	**–**	**–**	**–**	**–**	**–**
Dividends	8	**–**	**–**	**–**	**–**	**(5 212)**
Partial disposal of interests in subsidiaries	21	**–**	**–**	**–**	**–**	**–**
Repurchase of shares	15	**–**	**(962)**	**–**	**–**	**–**
Share-based payment expense	8,16	**–**	**–**	**98**	**65**	**–**
Transfer to contingency reserve	16	**–**	**–**	**–**	**–**	**(1)**
31 March 2011		*****	**(1 384)**	**122**	**1 552**	**17 864**

Notes:
1. Broad-based black economic empowerment reserve.
2. Includes foreign exchange losses of R350 million (2010: R848 million), net of tax, relating to foreign-denominated loans to subsidiaries classified as part of the net investments in these foreign operations.

* Fully paid share capital of R100.

		Other comprehensive income					
Contingency reserve	Disposal of interests in subsidiaries	Foreign currency translation reserve	Investment revaluation reserve	Cash flow hedge reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
17	–	(25)	17	–	11 402	404	11 806
–	–	374	(17)	–	6 437	134	6 571
–	–	–	–	–	6 089	103	6 192
–	–	374	(17)	–	348	31	379
–	–	–	–	–	(5 200)	(13)	(5 213)
–	–	–	–	–	(4)	34	30
–	–	–	–	–	1 382	522	1 904
4	–	–	–	–	–	–	–
21	–	349	–	–	14 017	1 081	15 098
–	–	(2 551)	–	–	1 645	(110)	1 535
–	–	–	–	–	4 196	4	4 200
–	–	(2 551)[2]	–	–	(2 551)	(114)	(2 665)
–	–	–	–	–	(1 631)	(73)	(1 704)
–	–	–	–	–	(422)	–	(422)
–	–	–	–	–	129	–	129
(2)	–	–	–	–	–	–	–
19	**–**	**(2 202)**	**–**	**–**	**13 738**	**898**	**14 636**
–	**–**	**(559)**	**–**	**53**	**7 739**	**(209)**	**7 530**
–	**–**	**–**	**–**	**–**	**8 245**	**(266)**	**7 979**
–	**–**	**(559)[2]**	**–**	**53**	**(506)**	**57**	**(449)**
–	**–**	**–**	**–**	**–**	**(5 212)**	**(71)**	**(5 283)**
–	**156**	**–**	**–**	**–**	**156**	**(60)**	**96**
–	**–**	**–**	**–**	**–**	**(962)**	**–**	**(962)**
–	**–**	**–**	**–**	**–**	**163**	**–**	**163**
1	**–**	**–**	**–**	**–**	**–**	**–**	**–**
20	**156**	**(2 761)**	**–**	**53**	**15 622**	**558**	**16 180**

Consolidated statement of cash flows

for the year ended 31 March

Rm	Notes	2011	2010	2009
Cash flows from operating activities				
Cash receipts from customers		**60 214**	58 717	53 789
Cash paid to suppliers and employees		**(38 829)**	(39 006)	(37 884)
Cash generated from operations	20	**21 385**	19 711	15 905
Tax paid		**(4 982)**	(4 764)	(4 123)
Net cash flows from operating activities		**16 403**	14 947	11 782
Cash flows from investing activities				
Additions to property, plant and equipment and intangible assets		**(6 643)**	(6 306)	(7 254)
Proceeds on disposal of property, plant and equipment and intangible assets		**95**	84	43
Business combinations, net of cash acquired	21	**(24)**	–	(5 348)
Finance income received		**85**	108	103
Loans granted and equity investments		**(24)**	(193)	(173)
Other investing activities		**(70)**	(22)	(17)
Net cash flows utilised in investing activities		**(6 581)**	(6 329)	(12 646)
Cash flows from financing activities				
Borrowings incurred		**412**	3 177	10 161
Borrowings repaid		**(3 250)**	(5 811)	(1 810)
Finance costs paid		**(1 111)**	(1 621)	(1 498)
Dividends paid – equity shareholders		**(5 211)**	(3 830)	(6 190)
Dividends paid – non-controlling interests		**(72)**	(78)	(14)
Repurchase of shares		**(984)**	(385)	–
Partial disposal of interests in subsidiaries, net of cash disposed	21	**98**	–	–
Non-controlling interests		**(1)**	–	522
Net cash flows (utilised in)/from financing activities		**(10 119)**	(8 548)	1 171
Net (decrease)/increase in cash and cash equivalents		**(297)**	70	307
Cash and cash equivalents at the beginning of the year		**951**	1 084	837
Effect of foreign exchange rate changes		**(115)**	(203)	(60)
Cash and cash equivalents at the end of the year	22	**539**	951	1 084

Notes to the consolidated annual financial statements

for the year ended 31 March

Basis of preparation

The consolidated annual financial statements of the Group have been prepared in accordance with IFRS as issued by the IASB and comply with the AC 500 standards as issued by the Accounting Practices Board, the JSE Listings Requirements and the Companies Act of 1973, as amended.

The preparation of the consolidated annual financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. For a discussion on the Group's critical accounting judgements, see 'Critical accounting judgements' on page 44. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The consolidated annual financial statements are presented in South African rand, which is the parent company's functional and presentation currency.

The significant accounting policies are consistent in all material respects with those applied in the previous period, except as disclosed on page 42.

Significant accounting policies

Accounting convention

The consolidated annual financial statements are prepared on a historical cost basis, except for certain financial instruments which are measured at fair value or at amortised cost.

Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of Vodacom Group Limited, its subsidiaries, joint venture, associate and special purpose entities up to 31 March 2011.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree, if any, over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.

Where applicable, the consideration transferred includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Changes in fair value that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Changes in fair value that do not qualify as measurement period adjustments are adjusted prospectively, with the corresponding gain or loss being recognised in profit or loss.

Non-controlling interests in the acquiree may initially be measured either at fair value or at the non-controlling interest's proportion of the net fair value of the identifiable assets acquired, liabilities and contingent liabilities assumed. The choice of measurement basis is made on an acquisition-by-acquisition basis.

The difference between the proceeds and the carrying amount of the net assets and liabilities disposed of, adjusted for any related carrying amount of goodwill, is recognised as the profit or loss on disposal of subsidiaries. The same principle applies to joint ventures.

Business combinations prior to 1 April 2010 were accounted for in accordance with the previous version of IFRS 3: Business Combinations.

Accounting for subsidiaries

A subsidiary is an entity controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries are included in profit or loss from the effective date of acquisition up to the effective date of disposal. Where necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with those of the Group.

Notes to the consolidated annual financial statements

for the year ended 31 March

Consolidation (continued)

Accounting for subsidiaries (continued)

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Transactions with non-controlling interests

In transactions with non-controlling interests that do not result in a change in control, the difference between the fair value of the consideration paid or received and the amount by which the non-controlling interest is adjusted is recognised in equity. Where control is lost, any interest retained by the Group is remeasured to fair value. The profit or loss on disposal is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- The previous carrying amounts of the assets, including goodwill, and liabilities of the subsidiary, reduced by any non-controlling interests.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in the consolidated annual financial statements from the date on which the Group has significant influence up to the date on which it ceases to have significant influence, using the equity method of accounting.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of the investment. Losses of an associate in excess of the Group's interest in that associate are not recognised. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

The Group's share of intra-group unrealised profits or losses, between Group companies and associate entities is eliminated upon equity accounting of the associate entities.

Intangible assets

The following are the main categories of intangible assets:

Intangible assets with an indefinite useful life

Goodwill is initially recognised at cost and subsequently stated at cost less accumulated impairment losses, if any. Goodwill is not amortised, but is tested for impairment on an annual basis.

Goodwill is held in the currency of the acquired entity and translated to the closing rate at each reporting date.

Intangible assets with finite useful lives

Intangible assets with finite useful lives are stated at cost, less accumulated amortisation and accumulated impairment losses, if any.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life, and commences when the intangible asset is available for use and ceases at the earlier of the date the asset is classified as held for sale or the date it is derecognised.

Useful lives and amortisation methods are reviewed on an annual basis with the effect of any changes in estimate accounted for on a prospective basis.

The Group's intangible assets with finite useful lives are as follows:

- Licences;
- Trademarks, patents and other;
- Customer bases; and
- Computer software.

Intangible assets (continued)

Intangible assets with finite useful lives (continued)

Expenditure incurred to develop, maintain and renew internally generated trademarks and patents is recognised as an expense in the period it is incurred.

Computer software that is not considered to form an integral part of any hardware equipment is recorded as an intangible asset.

The difference between the proceeds and the carrying amount of an intangible asset is recognised as the profit or loss on disposal.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land is not depreciated and is stated at cost less accumulated impairment losses, if any.

Land and buildings in which the Group occupies more than 25.0% of the floor space or for which the primary purpose is the service and connection of customers are classified as property, plant and equipment.

Assets in the course of construction are carried at cost, less any impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

The cost of property, plant and equipment includes directly attributable costs incurred in the acquisition and installation of such assets, as well as the present value of the estimated cost of dismantling, removal or site restoration costs if applicable, so as to bring the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

The cost of small parts as well as repairs and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life and ceases at the earlier of the date the asset is classified as held for sale or the date it is derecognised. Depreciation is not ceased when assets are idle.

Useful lives, residual values and depreciation methods are reviewed on an annual basis with the effect of any changes in estimate accounted for on a prospective basis.

Property, plant and equipment acquired in exchange for non-monetary assets is measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

The difference between the proceeds and the carrying amount of an item of property, plant and equipment is recognised as the profit or loss on disposal.

Impairment of assets

An impairment loss is recognised immediately in profit or loss if the recoverable amount of an asset is less than its carrying amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows from continuing use and ultimate disposal of the asset are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Assets that do not generate cash inflows largely independent of those from other assets are grouped at the lowest levels for which there are separately identifiable cash flows, know as cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit *pro rata* on the basis of the carrying amount of each asset in the unit.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss. Goodwill impairment losses are not reversed.

Assets with an indefinite useful life and intangible assets not yet available for use

Goodwill and intangible assets not yet available for use are tested annually for impairment and when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Property, plant and equipment and intangible assets with finite useful lives

The Group annually reviews the carrying amounts of its property, plant and equipment and intangible assets with finite useful lives in order to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amounts of the assets are estimated in order to determine the extent, if any, of the impairment loss.

Notes to the consolidated annual financial statements

for the year ended 31 March

Revenue recognition

Revenue is recognised to the extent the Group has delivered goods or rendered services under an agreement, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is measured at the fair value of the consideration received or receivable, exclusive of sales taxes and discounts.

The Group principally obtains revenue from providing the following telecommunication services: access charges, airtime usage, messaging, interconnect fees, data services and information provision, connection fees and the sale of equipment. Products and services may be sold separately or in bundled packages.

Revenue for access charges, airtime usage and messaging by contract customers is recognised as services are performed, with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

Revenue from interconnect fees is recognised on the usage basis.

Revenue from data services and information provision is recognised when the Group has performed the related service.

Customer connection revenue is recognised together with the related equipment revenue to the extent that the aggregate equipment and connection revenue does not exceed the fair value of the equipment delivered to the customer. Any customer connection revenue not recognised together with related equipment revenue is deferred and recognised over the period in which services are expected to be provided to the customer.

Revenue from the sale of equipment is recognised when the equipment is delivered to the end-customer and the sale is considered complete. For equipment sales made to intermediaries, revenue is recognised if the significant risks and rewards of ownership are transferred and the intermediary has no general right of return. If the significant risks and rewards of ownership are not transferred, revenue recognition is deferred until sale of the equipment to an end-customer by the intermediary or the expiry of the right of return.

In revenue arrangements including more than one deliverable, the arrangements are divided into separate units of accounting. Deliverables are considered separate units of accounting if the following two conditions are met:

- The deliverable has value to the customer on a stand-alone basis; and
- There is evidence of the fair value of the undelivered item.

The arrangement consideration is allocated to each separate unit of accounting based on its relative fair value on a stand-alone basis as a percentage of the aggregated fair value of the individual deliverables.

Other income

Dividends from investments are recognised when the Group's right to receive payment has been established.

Interest is recognised on a time proportion basis with reference to the principal amount receivable and the effective interest rate applicable.

Presentation: gross versus net

The Group invoices its independent service providers for the revenue billed by them on behalf of the Group.

Where the Group's role in a transaction is that of principal, revenue is recognised on a gross basis. This requires revenue to comprise the gross value of the transaction billed to the customer, after trade discounts, with any related administrative fees charged as an operating cost.

Where the Group's role in a transaction is that of an agent, revenue is recognised on a net basis, with revenue representing the margin earned.

Commissions

Intermediaries are given cash incentives by the Group to connect new customers and upgrade existing customers.

For intermediaries who do not purchase products and services from the Group, such cash incentives are accounted for as an expense. Cash incentives to intermediaries who purchase products and services from the Group are also accounted for as an expense if:

- The Group receives an identifiable benefit in exchange for the cash incentive that is separable from sales transactions to that intermediary; and
- The Group can reliably estimate the fair value of that benefit.

Commissions (continued)

Cash incentives for products delivered to customers are expensed as incurred and those paid for services delivered to customers are expensed over the period that the related revenue is recognised.

Distribution incentives paid to service providers and dealers for exclusivity are deferred and expensed over the contractual relationship period.

Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out method and comprises direct materials and those overheads that have been incurred in bringing the inventories to their present location and condition.

Leases

Lease classification

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

A lease of land and buildings is classified by considering the land and buildings elements separately. Minimum lease payments are allocated between the land and buildings elements in proportion to the relative fair values of the leasehold interest in the land and buildings elements of the lease at inception of the lease.

Group as lessee

Finance leases

Assets held under finance leases are recognised at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in profit or loss.

Operating leases

Operating lease payments, including benefits received and receivable as an incentive to enter into the lease, are expensed on a straight-line basis over the lease term. Early termination penalties are expensed in the period in which the termination occurs.

Group as lessor

Finance leases

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Operating leases

Operating lease income is recognised in profit or loss on a straight-line basis over the lease term. Leased assets are included under property, plant and equipment and depreciated in accordance with its accounting policy.

Foreign currencies

Transactions and balances

The consolidated annual financial statements are presented in South African rand, which is the parent company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the foreign exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency of the entity at the rates prevailing at the reporting date. Exchange differences on the settlement or translation of monetary assets and liabilities identified as being part of operating activities are included in operating profit, while exchange differences on the settlement or translation of monetary assets and liabilities which are not considered as being part of operating activities are included in net loss on remeasurement and disposal of financial instruments in profit or loss in the period in which they arise.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items measured at historical cost in a foreign currency are not retranslated. When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, any exchange component of that gain or loss is recognised directly in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Notes to the consolidated annual financial statements

for the year ended 31 March

Foreign currencies (continued)

Foreign operations

For the purpose of presenting consolidated annual financial statements, the assets and liabilities of entities with a functional currency other than rand are expressed in rand using exchange rates prevailing on the reporting date. Income and expense items and cash flows are translated at the foreign exchange rates on the transaction dates or the average exchange rates for the period and exchange differences arising are recognised directly in other comprehensive income. On disposal of a foreign operation, the cumulative amount previously recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated accordingly.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, being monetary items receivable from or payable to foreign entities for which settlement is neither planned nor likely to occur in the foreseeable future, are recognised in other comprehensive income. Taxation on the foreign currency translation reserve relates only to monetary items that form part of the Group's net investment in foreign operation.

Expenses

Expenses are recognised as they are incurred. Prepaid expenses are deferred and recognised in periods to which they relate.

Restraint of trade payments are made to limit an executive's post-employment activities and are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets.

Borrowing costs for all eligible assets for which construction commenced on or after 1 April 2009 are capitalised and those relating to construction projects that commenced prior to 1 April 2009 are expensed.

Other borrowing costs are expensed as they are incurred.

Employee benefits

Post-employment benefits

The Group contributes to defined contribution funds for the benefit of employees and these contributions are expensed as they fall due. The Group is not liable for contributions to the medical aid of retired employees.

Short-term and long-term benefits

The cost of all short-term employee benefits, such as salaries, employee entitlements to leave pay, bonuses, medical aid and other contributions, are expensed in the period in which the employee renders the related service.

Long-term employee benefits payable to eligible employees are expensed in the period in which the employee renders the related service. During the 2010 financial year, the Group amended the terms of the benefits payable, resulting in a significant decrease in remeasurement uncertainties. In financial years prior to 2010, the Group's liability was based on actuarial valuations whereby actuarial gains and losses were accounted for through profit or loss in the period in which they arose.

Deferred compensation benefits

Employees of wholly-owned subsidiaries, including executive directors were, up to 31 March 2009, eligible for compensation benefits under a deferred bonus incentive scheme. The benefit is recorded at the present value of the expected future cash outflows.

Share-based payments

The Group has share-based payment compensation plans for certain eligible employees.

Equity-settled share-based payments

Equity-settled shared-based payments are measured at the grant date fair value of the equity instruments granted, and are expensed on a straight-line basis over the vesting period, with a corresponding increase in equity. The annual expense is based on the Group's estimate of the shares that will eventually vest, adjusted for the effect of non-market vesting conditions.

Cash-settled share-based payments

Cash-settled share-based payment liabilities are initially measured at fair value and subsequently remeasured to fair value at each reporting date as well as at the date of settlement, with any changes in fair value recognised in profit or loss. The expense is recognised on a straight-line basis over the vesting period, with a corresponding increase in the liability.

Broad-based black economic empowerment ('BBBEE') transaction

Where equity instruments are issued to a BBBEE partner at less than fair value, these are accounted for as share-based payments.

The difference between the fair value of the equity instruments issued and the consideration received is accounted for as an expense in profit or loss on the transaction date, with a corresponding increase in equity. No service or other conditions exist for BBBEE partners. A restriction on the BBBEE partner to transfer the equity instrument subsequent to its vesting is not treated as a vesting condition, but is factored into the fair value determination of the instrument.

Taxation

Taxation represents the sum of current tax and deferred tax.

Tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the tax is also recognised directly in other comprehensive income.

Tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they either relate to income taxes levied by the same tax authority on either the same taxable entity or on different taxable entities which intend to settle the tax assets and liabilities on a net basis.

Current tax

Current tax payable or receivable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because some items of income or expense are taxable or deductible in different years or may never be taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition, other than in a business combination, of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are not recognised to the extent they arise from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and adjusted to reflect changes in the probability that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the reporting date.

Exchange differences arising from the translation of foreign tax assets and liabilities of foreign entities where the functional currency is different to the local currency are classified as a deferred tax expense or income.

Secondary tax on companies ('STC')

STC is provided for at the prevailing rate on the amount of the net dividend declared by Vodacom Group Limited. It is recorded as a tax expense when dividends are declared.

STC credits on dividends received are recorded as assets in the period that they arise, limited to the amount recoverable based on the reserves available for distribution.

Financial instruments

Financial assets and liabilities, in respect of financial instruments, are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at fair value, including transaction costs except for those classified as at fair value through profit or loss which are initially measured at fair value, excluding transaction costs.

The fair value of a financial instrument on initial recognition is normally the transaction price unless the fair value is evident from observable market data.

Notes to the consolidated annual financial statements

for the year ended 31 March

Financial instruments (continued)

Financial assets, excluding derivative financial instruments

Financial assets are recognised and derecognised on trade date where the purchase or sale of the financial asset is under a contract whose terms require delivery of the instrument within the timeframe established by the market concerned.

Subsequent to initial recognition, these instruments are measured as follows:

- Financial assets at fair value through profit or loss and available-for-sale are subsequently stated at fair value. Where securities are held for trading, gains and losses arising from changes in fair value are included in profit or loss. For available-for-sale financial assets, gains and losses arising from changes in fair value are recognised directly in other comprehensive income, until the security is disposed of, it is determined to be impaired or the equity interest is increased, resulting in the asset no longer being accounted for as an available-for-sale financial asset, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss. The net gain or loss recognised in profit or loss incorporates any gains or losses on remeasurement transferred from other comprehensive income to profit or loss, dividends and finance income on the financial asset.
- Loans receivable are subsequently stated at amortised cost using the effective interest rate method, less any impairment losses. The terms of loans granted are renegotiated on a case-by-case basis if circumstances required renegotiation.
- Trade receivables (excluding assets created by statutory requirements, prepayments, deferred cost and operating lease receivables) do not carry any interest and are subsequently stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.
- Other receivables are subsequently stated at their nominal values.
- Finance lease receivables are subsequently stated at amortised cost using the effective interest rate method, less any impairment losses.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date.

Certain categories of financial assets, such as trade receivables, that are assessed not to be impaired individually, are subsequently assessed for impairment on a collective basis.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, with the exception of trade and other receivables, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For trade and other receivables, the amount of the impairment loss is the irrecoverable amount estimated by management.

The carrying amount is reduced directly by the impairment loss, with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed, either directly or by adjusting the allowance account, through profit or loss. The carrying amount of the financial asset at the date the impairment loss is reversed will not exceed what the amortised cost would have been had the impairment loss not been recognised.

Available-for-sale financial assets

Where there is objective evidence that a decline in the fair value of an available-for-sale financial asset that has been recognised directly in other comprehensive income is as a result of impairment, the cumulative loss is removed from other comprehensive income and recognised as an impairment loss in profit or loss. The amount of the cumulative loss removed is the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in profit or loss.

A reversal of previously recognised impairment losses on available-for-sale equity investments is recognised directly in other comprehensive income.

Financial liabilities, excluding derivative financial instruments, and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the applicable definitions. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities and includes no obligation to deliver cash or other financial asset.

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issuance costs.

Financial instruments (continued)

Financial liabilities, excluding derivative financial instruments, and equity instruments (continued)

Subsequent to initial recognition, these instruments are measured as follows:

- Borrowings are subsequently stated at amortised cost, using the effective interest rate method. Any difference between the proceeds net of transaction costs and the settlement or redemption of borrowings is recognised over the term of the borrowings.
- Trade and other payables (excluding liabilities created by statutory requirements, revenue charged in advance, deferred revenue and reduced subscriptions) as well as dividends payable are not interest bearing and are subsequently stated at their nominal values.

Derivative financial instruments

The Group's activities expose it to the financial risks of changes in foreign exchange rates and interest rates. The Group's principal derivative financial instruments are option contracts, interest rate swaps and foreign exchange forward contracts.

The use of derivative financial instruments is governed by the Group's policies approved by the Board, which provide written principles consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on contract date and are subsequently remeasured to fair value at each reporting date. Changes in fair value are recorded in profit or loss as they arise unless the derivative is designated and effective as a hedging instrument, in which event the timing of recognition in profit or loss depends on the nature of the hedge relationship. Changes in values of all derivatives of a financing nature are included within net loss on remeasurement and disposal of financial instruments in profit or loss.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives unless the risks and characteristics are closely related to those host contracts and the host contracts are carried at fair value with changes in fair value recognised in profit or loss.

Derivatives are classified as current assets or current liabilities if the remaining maturity of the instruments is less than 12 months and is expected to be realised or settled within 12 months.

Hedge accounting

The Group designates certain interest rate swaps as cash flow hedges to hedge its exposure to variability in cash flows that is attributable to changes in interest rates.

The effective portion of changes in the fair value of the designated interest rate swaps is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and included in net loss on remeasurement and disposal of financial instruments.

Amounts previously recognised in other comprehensive income are reclassified to profit or loss in the periods when the hedged item is recognised in profit of loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

Put options

A put option which is a contract that contains an obligation for the Group to purchase its own equity instrument for cash or another financial asset gives rise to a financial liability and is accounted for at the present value of the redemption amount. On initial recognition its fair value is reclassified directly from equity. Subsequent changes in the liability are included in profit or loss. On expiry or exercise of the option the carrying amount of the liability is reclassified directly to equity.

Offset

Where a legally enforceable right of offset exists for recognised financial assets and liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, net of bank overdrafts, all of which are available for use by the Group unless otherwise stated.

Cash on hand is initially recognised at fair value and subsequently stated at its face value.

Deposits held on call are classified as loans and receivables by the Group and carried at amortised cost. Due to the short-term nature of these deposits, the amortised cost normally approximates fair value.

Notes to the consolidated annual financial statements

for the year ended 31 March

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect of the time value of money is material.

Operating segments

The Group discloses its operating segments according to the entity components regularly reviewed by the Group Executive Committee. The components comprise of operating segments located in South Africa and internationally.

Segment information is prepared in conformity with the measure that is reported to the Group Executive Committee and has been reconciled to the consolidated annual financial statements. The measure reported by the Group is in accordance with the significant accounting policies adopted for preparing and presenting the consolidated annual financial statements.

Segment revenue excludes value-added tax and includes intra-group revenue. Net revenue represents segment revenue from which intra-group revenue has been eliminated. Sales between segments are made on a commercial basis. Segment profit or loss from operations represents segment revenue less segment operating expenses. Segment expenses include direct and operating expenses.

The segment assets and liabilities comprise all assets and liabilities of the different segments that are employed by the segment and that either are directly attributable to the segment, or can be allocated to the segment on a reasonable basis.

Capital expenditure in property, plant and equipment and intangible assets has been allocated to the segments to which it relates.

Comparatives

Certain comparative figures were reclassified in order to align with the classifications and presentation of the Group's ultimate parent (Note 23).

New accounting pronouncements

Accounting pronouncements adopted

The Group adopted all the new, revised or amended accounting pronouncements as issued by the IASB, which were effective for the Group from 1 April 2010. The adopted accounting pronouncements, which had an impact on the Group or were reviewed for possible impact, are as follows:

IFRS 3: Business Combinations (Revised) ('IFRS 3')

The Group now accounts for business combinations in terms of the revised IFRS 3, which introduced the following changes:

- Acquisition-related costs are now expensed as incurred; and
- Entities now have two measurement bases to choose from when measuring the non-controlling interest on acquisition date.

The revisions to IFRS 3 impact the amount of goodwill recognised as well as the reported results. The change in accounting policy did not have a significant impact on the Group's financial results for the year.

IAS 27: Consolidated and Separate Financial Statements (Amended) ('IAS 27')

The Group has adopted the amendment to IAS 27 which requires that when accounting for transactions with non-controlling interests in Group entities that do not result in a change in control, the difference between the consideration paid or received and the amount by which the non-controlling interest is adjusted is recognised in equity. In cases where control is lost, any interest retained by the Group is remeasured to fair value, with the difference between fair value and the previous carrying amount being recognised immediately in profit or loss.

A further amendment to IAS 27 is that total comprehensive income is now attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The change in accounting policy had a favourable impact on the Group's headline earnings per share for the current year.

New accounting pronouncements (continued)

Accounting pronouncements not yet adopted

IFRS 9: Financial Instruments ('IFRS 9')

IFRS 9, which will replace IAS 39: Financial Instruments: Recognition and Measurement, is not yet finalised and the proposed effective date is 1 January 2013. The Group is currently assessing the impact the standard will have on its results, financial position and cash flows.

Other new accounting pronouncements

The Group has not yet adopted the following pronouncements, which have been issued by the IASB. The Group does not currently believe the adoption of these pronouncements will have a material impact on its results, financial position or cash flows.

- Amendment to IFRS 1: First-time Adoption of International Financial Reporting Standards, limited exemption from comparative disclosures of IFRS 7: Financial Instruments – Disclosures for first-time adopters, effective for annual periods beginning on or after 1 July 2010;
- Amendment to IFRS 1: First-time Adoption of International Financial Reporting Standards, severe hyperinflation and removal of fixed dates for first-time adopters, effective for annual periods beginning on or after 1 July 2011;
- Amendments to IFRS 7: Financial Instruments – Disclosures, derecognition disclosures, effective for annual periods beginning on or after 1 July 2011;
- Amendment to IAS 24: Related Party Disclosures – state-controlled entities and the definition of a related party, effective for annual periods beginning on or after 1 January 2011;
- Improvements to IFRS issued in May 2010 are effective over a range of dates, with the earliest being for annual periods beginning on or after 1 July 2010;
- Amendment to IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, prepayments on a Minimum Funding Requirement, effective for annual periods beginning on or after 1 January 2011; and
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments, effective for annual periods beginning on or after 1 July 2010.

Notes to the consolidated annual financial statements

for the year ended 31 March

Critical accounting judgements including those involving estimations

The Group prepares its consolidated annual financial statements in accordance with IFRS as issued by the IASB, the application of which often requires management to make judgements when formulating the Group's financial position and results. Judgements, including those involving estimations, made in the process of applying the Group's accounting policies are discussed below. Management considers these judgements to have a material effect on the consolidated annual financial statements.

The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience, current and expected economic conditions. Although estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from these estimates. Accounting estimates and the underlying assumptions are reviewed on an ongoing basis.

The discussion below should also be read in conjunction with the Group's disclosure of 'Significant accounting policies', which is provided on page 33.

Management has presented its critical accounting judgements and associated disclosures to the Board.

Impairment reviews

Management undertakes an annual impairment test for goodwill and intangible assets not yet available for use. For assets with finite useful lives impairment testing is performed if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying amounts of assets can be supported by the higher of their fair value less costs to sell and value in use.

The Group uses external parties with the requisite expertise to determine its assets' fair value less costs to sell.

Value in use is calculated as the net present value of future cash flows derived from assets using cash flow projections which have been discounted at appropriate discount rates. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- Growth in EBITDA, calculated as earnings before interest, taxation, depreciation, amortisation, impairment losses, BBBEE charge, profit/loss on disposal of property, plant and equipment, intangible assets and investment properties;
- Timing and quantum of future capital expenditure;
- Long-term growth rates; and
- The selection of appropriate discount rates to reflect the risks involved.

Details of the basis for determining values assigned to key assumptions are provided in Note 2.

The Group prepares and annually approves formal five-year management plans for its operations, which are used in the value in use calculations. In certain developing markets the fifth year of the management plan is not indicative of the long-term future performance as operations may not have reached maturity. For these operations, the Group extends the plan data for an additional five-year period.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and consequently its results.

The Group's review includes a sensitivity analysis of the key assumptions related to the cash flow projections as disclosed in Note 2.

Revenue recognition and presentation

Revenue arrangements including more than one deliverable

In revenue arrangements including more than one deliverable, the deliverables are assigned to one or more separate units of accounting and the arrangement consideration is allocated to each unit of accounting based on its relative fair value.

Determining the fair value of each deliverable can require complex estimates due to the nature of the goods and services provided. The Group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a stand-alone basis, after considering volume discounts where appropriate.

Presentation: gross versus net

Determining whether the Group is acting as a principal or as an agent requires judgement and consideration of all relevant facts and circumstances. When deciding the most appropriate basis for presenting the revenue or related costs, both the legal form and substance of the agreement between the Group and its independent service providers are reviewed to determine each party's respective role in the transaction.

Taxation

The Group's tax charge on ordinary activities is the sum of the current income and deferred tax charges. The calculation of the Group's total taxation charge necessarily involves judgements, including those involving estimations, in respect of certain items whose tax treatment cannot be finalised until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The resolution of some of these items may give rise to material profits, losses and/or cash flows.

The complexity of the Group's structure, considering its geographic presence, makes the degree of judgement more challenging. The resolution of issues is not always within the Group's control and it is often dependent on the efficiency of the legal processes in the relevant tax jurisdictions in which the Group operates. Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result, there can be substantial differences between the taxation charge in the consolidated income statement and tax payments.

Significant items on which the Group has exercised judgement include various matters disclosed in Note 25; disclosed amounts are based on the Group's best estimates. Due to the inherent uncertainty surrounding the outcome of these items, eventual resolution could differ from the accounting estimates and therefore impact the Group's results and cash flows.

Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is probable that taxable profits will be available in the future, against which the deductible temporary differences can be utilised. Management therefore exercises judgement in assessing the future financial performance of the particular entity or tax group in which the deferred tax asset is to be recognised.

Fair values

The determination of the fair value of assets and liabilities often requires complex estimations and is based, to a considerable extent, on management's judgement.

Business combinations

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the consideration transferred to the fair value of the identifiable assets acquired and the liabilities assumed.

The Group uses external parties with the requisite expertise to determine the acquisition-date fair values of certain identifiable assets acquired.

The fair value of assets is determined by discounting estimated future net cash flows generated by the assets, where no active market for the assets exists. The use of different discount rates as well as assumptions for the expectation of future cash flows would change the valuation of the asset.

Allocation of the consideration transferred affects the Group's results as property, plant and equipment as well as intangible assets with finite useful lives are respectively depreciated and amortised, whereas land and goodwill are not. This could result in differing depreciation and amortisation charges based on the allocation.

Financial instruments

The fair value of financial instruments, excluding derivative instruments, not traded in active, liquid and organised financial markets is determined using a variety of valuation methods and assumptions that are based on market conditions and risks existing at the reporting date, including independent appraisals and discounted cash flow methods.

BBBEE transaction

The fair value of the BBBEE transaction was measured using the Monte-Carlo option pricing valuation model. The use of different assumptions as set out in Note 16 would have resulted in a different fair value for the transaction.

Forfeitable share plan

The share-based payment expense relating to awards of performance shares to the Group's executive directors and selected employees is based on the achievement of financial performance and customer targets. The probability of these financial performance targets being achieved is estimated using the Monte-Carlo simulation model.

Intangible assets with finite useful lives

Intangible assets with finite useful lives include licences, customer bases, computer software, trademarks, patents and other. These assets arise from both separate purchases and from acquisition as part of business combinations.

The relative size of the Group's intangible assets with finite useful lives makes the judgements surrounding the estimated useful lives critical to the Group's financial position and performance.

At 31 March 2011, intangible assets with finite useful lives amounted to R3 245 million (2010: R3 721 million; 2009: R4 364 million) and represented 7.8% (2010: 8.9%; 2009: 9.2%) of the Group's total assets.

Notes to the consolidated annual financial statements

for the year ended 31 March

Intangible assets with finite useful lives (continued)

Estimation of useful lives

The useful lives used to amortise intangible assets relate to the future performance of the assets acquired and management's judgement of the period over which economic benefits will be derived from the assets. The residual values of intangible assets are assumed to be zero.

The basis for determining the useful lives for the various categories of intangible assets is as follows:

Licences

The estimated useful life is, generally, the term of the licence, unless there is a presumption of renewal at a negligible cost. The licence term reflects the period over which the Group will receive economic benefits. For technology-specific licences with a presumption of renewal at a negligible cost, the estimated useful life reflects the Group's expectation of the period over which the Group will continue to receive economic benefits from the licence.

Trademarks, patents and other

The estimated useful life represents management's view of the expected period over which the Group will receive economic benefits from the trademarks, patents and other intangible assets.

Customer bases

The estimated useful life principally reflects management's view of the average economic life of the customer base and is assessed by reference to, *inter alia,* customer churn rates or obtained through an independent actuarial valuation. An increase in churn rates may lead to a reduction in the estimated useful life and an increase in the amortisation charge.

Computer software

For computer software licences, the useful life represents management's view of the expected period over which the Group will receive benefits from the software, but not exceeding the licence term. For unique software products controlled by the Group, the life is based on historical experience with similar products as well as anticipation of future events, which may impact the life, such as changes in technology.

The estimated useful lives of intangible assets with finite useful lives are as follows:

Years	2011	2010	2009
Licences	**8 – 30**	8 – 30	8 – 30
Trademarks, patents and other	**5 – 14**	5 – 14	10 – 12
Customer bases	**2 – 10**	4 – 10	8
Computer software	**3 – 10**	3 – 10	2 – 8

Historically, changes in useful lives have not resulted in material changes to the Group's amortisation charge.

Property, plant and equipment

Property, plant and equipment also represent a significant proportion of the Group's asset base, being 52.1% (2010: 51.3%; 2009: 46.1%) of the Group's total assets. Therefore, the estimates and assumptions made to determine their carrying amounts and related depreciation are critical to the Group's financial position and performance.

Property, plant and equipment (continued)

Estimation of useful lives and residual values

The charge in respect of periodic depreciation is derived after estimating an asset's expected useful life and the expected residual value. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the consolidated income statement.

The Group assesses the residual value of every item of property, plant and equipment annually. In determining residual values, the Group uses historical sales and management's best estimate for residual values below 10.0% of cost and third-party confirmation for those above 10.0% of cost. Management has determined that there is no active market for the following assets within the network infrastructure and equipment category: radio, transmission, switching, SIM centres and community services, and therefore these assets have no residual value. At the end of the useful life, the value of the asset is expected to be nil or insignificant in respect of the abovementioned assets.

The estimation of useful lives is based on certain indicators such as historical experience with similar assets as well as anticipation of future events, which may impact the lives, such as changes in technology. The useful lives will also depend on the future performance of the assets as well as management's judgement of the period over which economic benefits will be derived from the assets.

Network infrastructure is only depreciated over a period that extends beyond the expiry of the associated licence under which the operator provides telecommunications services if there is a reasonable expectation of renewal or an alternative future use for the asset.

The estimated useful lives of depreciable property, plant and equipment are as follows:

Years	2011	2010	2009
Buildings, included in land and buildings	**15 – 50**	15 – 50	15 – 50
Leasehold improvements, included in land and buildings	**Shorter of lease term and 50**	Shorter of lease term and 50	Shorter of lease term and 50
Network infrastructure and equipment	**5 – 25**	1 – 25	1 – 25
Other assets	**1 – 25**	1 – 25	2 – 25

Historically, changes in useful lives and residual values have not resulted in material changes to the Group's depreciation charge.

Contingent liabilities

The Group exercises judgements in measuring the exposure to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities (Note 25). Judgements, including those involving estimations, are necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement.

Foreign operations

The Group exercises judgements in determining whether monetary items receivable from or payable to foreign entities form part of the Group's net investment in foreign operations. Judgements, including those involving estimations, are necessary in assessing whether settlement of the monetary items receivable or payable is likely to occur in the foreseeable future. Included in other comprehensive income are exchange losses of R350 million (2010: R848 million; 2009: RNil), net of tax, relating to foreign-denominated loans to subsidiaries classified as net investments in foreign operations.

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1. Segment analysis

The Group's reportable segments are business units that offer comparable business products and services, which are separately managed as the mobile telecommunication and data communication businesses are located in South Africa and other countries, as well as business units that offer business products and services that are not comparable.

The Group has three reportable segments being Corporate, South Africa and International. The segments offer a variety of telecommunication and data communication services and products.

Corporate comprises the holding companies of the Group which do not relate to specific operating segments.

South Africa comprises the segment information relating to the South African-based cellular network, service provider and other business segments.

International comprises the segment information relating to the non-South African-based cellular networks in Tanzania, Mozambique, Lesotho and the Democratic Republic of Congo as well as the operations of Vodacom International Limited, Vodacom Business Africa and Gateway Carrier Services.

During the year, the Gateway reportable segment, which comprised of the segment information relating to the carrier services and business network solutions, was restructured and divided into two separate cash-generating units, being Gateway Carrier Services and Vodacom Business Africa. This restructuring was undertaken to create more focus on the two main areas of the business, being carrier services and business services. The cash-generating units were incorporated under the Group's International reportable segment post restructuring.

Transactions between reportable segments are charged at arm's length prices.

Rm	2011	2010	2009
Reconciliation of segment results			
EBITDA	**20 594**	19 782	18 196
Depreciation, amortisation and impairment losses	**(6 863)**	(8 527)	(4 795)
Broad-based black economic empowerment charge	**–**	–	(1 315)
Other	**(35)**	(17)	(81)
Operating profit	**13 696**	11 238	12 005
Net finance charges	**(1 058)**	(2 272)	(1 749)
Finance income	**109**	124	108
Finance costs	**(864)**	(1 602)	(1 459)
Net loss on remeasurement and disposal of financial instruments	**(303)**	(794)	(398)
Loss from associate	**–**	(21)	(19)
Profit before tax	**12 638**	8 945	10 237
Taxation	**(4 659)**	(4 745)	(4 045)
Net profit	**7 979**	4 200	6 192

Rm	Corporate	South Africa	International[1]	Eliminations	Total
1. Segment analysis (continued)					
2011					
Segment revenue (including inter-segment)	**507**	**53 371**	**8 196**	**(877)**	**61 197**
Total segment revenue	**507**	**54 302**	**8 891**	**–**	**63 700**
Intra-segment revenue	**–**	**(931)**	**(695)**	**(877)**	**(2 503)**
Inter-segment revenue	**(487)**	**(178)**	**(212)**	**877**	**–**
External customers' segment revenue	**20**	**53 193**	**7 984**	**–**	**61 197**
EBITDA	**(8)**	**19 653**	**840**	**109**	**20 594**
Net finance income/(charges)	**7 802**	**(657)**	**(454)**	**(7 749)**	**(1 058)**
Taxation	**(463)**	**(4 226)**	**166**	**(136)**	**(4 659)**
Other material non-cash items included in segment profit/(loss):					
Depreciation and amortisation	**(5)**	**(4 091)**	**(1 244)**	**(15)**	**(5 355)**
Impairment losses	**(1 420)**	**–**	**(1 506)**	**1 418**	**(1 508)**
Total assets					
Reportable segment assets	**13 950**	**31 076**	**9 743**	**(13 334)**	**41 435**
Included in reportable segment assets:					
Additions to property, plant and equipment and intangible assets	**2**	**5 254**	**1 878**	**10**	**7 144**
Total liabilities					
Reportable segment liabilities	**(4 369)**	**(23 955)**	**(9 117)**	**12 186**	**(25 255)**

Note:
1. In order to align with the change in operational structure within the Group, the Gateway reportable segment has been divided into the Vodacom Business Africa and Gateway Carrier Services cash-generating units, which have been incorporated into the International reportable segment in the current year. Comparative amounts have been restated.

Notes to the consolidated annual financial statements

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Rm	Corporate	South Africa	International[1]	Eliminations	Total
1. Segment analysis (continued)					
2010					
Segment revenue (including inter-segment)	596	50 431	8 420	(912)	58 535
Total segment revenue	596	51 064	8 991	–	60 651
Intra-segment revenue	–	(633)	(571)	(912)	(2 116)
Inter-segment revenue	(577)	(141)	(194)	912	–
External customers' segment revenue	19	50 290	8 226	–	58 535
EBITDA	(14)	18 578	1 176	42	19 782
Net finance income/(charges)	8 966	(1 003)	(1 111)	(9 124)	(2 272)
Loss from associate	(21)	–	–	–	(21)
Taxation	(24)	(3 901)	(591)	(229)	(4 745)
Other material non-cash items included in segment profit/(loss):					
Depreciation and amortisation	(12)	(3 810)	(1 308)	(27)	(5 157)
Impairment losses	(5 172)	(8)	(3 227)	5 037	(3 370)
Total assets					
Reportable segment assets	16 292	28 464	11 958	(15 023)	41 691
Included in reportable segment assets:					
Additions to property, plant and equipment and intangible assets	3	4 569	2 069	(3)	6 638
Total liabilities					
Reportable segment liabilities	(4 866)	(22 748)	(9 554)	10 113	(27 055)
2009					
Segment revenue (including inter-segment)	587	47 733	7 902	(780)	55 442
Total segment revenue	587	48 324	8 196	–	57 107
Intra-segment revenue	–	(591)	(294)	(780)	(1 665)
Inter-segment revenue	(572)	(141)	(67)	780	–
External customers' segment revenue	15	47 592	7 835	–	55 442
EBITDA	94	16 222	1 935	(55)	18 196
Net finance income/(charges)	8 134	(1 118)	(392)	(8 373)	(1 749)
Loss from associate	(19)	–	–	–	(19)
Taxation	(568)	(3 285)	(206)	14	(4 045)
Other material non-cash items included in segment profit/(loss):					
Depreciation and amortisation	(18)	(3 450)	(1 191)	(24)	(4 683)
Impairment losses	(470)	(6)	(106)	470	(112)
Total assets					
Reportable segment assets	15 086	26 692	19 196	(13 615)	47 359
Included in reportable segment assets:					
Additions to property, plant and equipment and intangible assets	55	4 762	2 428	(107)	7 138
Total liabilities					
Reportable segment liabilities	(8 264)	(19 322)	(11 622)	6 947	(32 261)

Note:

1. In order to align with the change in operational structure within the Group, the Gateway reportable segment has been divided into the Vodacom Business Africa and Gateway Carrier Services cash-generating units, which have been incorporated into the International reportable segment in the current year. Comparative amounts have been restated.

Rm	2011	2010	2009

2. Impairment

Impairment losses

Impairment losses recognised are as follows:	2011	2010	2009
Intangible assets (Note 10)	**(1 500)**	(3 285)	(1)
Property, plant and equipment (Note 9)	**(8)**	(34)	(105)
Available-for-sale financial assets carried at cost (Note 11)	**–**	(8)	(6)
Investment in associate (Note 11)	**–**	(43)	–
	(1 508)	(3 370)	(112)

Included in the impairment losses is a goodwill impairment of R943 million and impairment of customer bases of R52 million relating to the Group's Vodacom Business Africa cash-generating unit and an impairment of customer bases of R503 million relating to the Group's Gateway Carrier Services cash-generating unit, as a result of increased price competition and poorer trading conditions. Both these business operations form part of the Group's International reportable segment (2010: Gateway reportable segment). In the prior year, impairment losses included goodwill impairment of R3 039 million relating to the Group's Gateway cash-generating unit, a business unit that constituted the Group's Gateway reportable segment, which was as a result of a decrease in long-term cash flow forecasts resulting from the then economic downturn and increasingly competitive environment. The remaining impairment losses are all largely due to an increasingly competitive environment.

Goodwill impairment testing

Rm	2011	2010	2009
Carrying amount of goodwill is as follows:			
Vodacom Service Provider Company (Pty) Limited	**1 739**	1 739	1 739
Gateway[1]	**–**	1 099	5 399
	1 739	2 838	7 138
Other[1,2]	**231**	114	292
	1 970	2 952	7 430

Notes:
1. During the current financial year, the aggregation of assets for identifying cash-generating units has changed. The Group's Gateway cash-generating unit was restructured and divided into two separate cash-generating units, being Gateway Carrier Services and Vodacom Business Africa, now reported in 'Other' (Note 1).
2. This constitutes the aggregate carrying amount of goodwill allocated across multiple cash-generating units of which the amounts so allocated to each cash-generating unit is insignificant compared to the total carrying amount of goodwill.

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2. Impairment (continued)

Goodwill impairment testing (continued)

The recoverable amounts of all cash-generating units are based on value in use calculations.

Key assumptions used in value in use calculations

The key assumptions, applicable to all cash-generating units, on which management has based all its cash flow projections for the period covered by the most recent forecasts are:

Key assumptions	Basis for determining values assigned to key assumptions
Forecast capital expenditure	The cash flow forecasts for capital expenditure are based on past experience, benchmarks in similar markets and include the ongoing normal capital expenditure required to roll out networks to provide enhanced voice and data products and services and to meet the population coverage requirements in terms of licences, where required. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and computer software.
Forecast EBITDA	Forecast EBITDA has been based on past experience adjusted for the following: • voice and messaging revenue which is expected to benefit from increased usage from new and existing customers, the introduction of new services and traffic moving from fixed networks to mobile networks, though these factors will be partially offset by increased competitor activity, which may result in price declines, and the trend of falling termination rates; • non-messaging data revenue which is expected to continue to grow strongly as the penetration of 3G-enabled devices rises and new products and services are introduced; and • margins which are expected to be impacted by negative factors such as an increase in the cost of acquiring and retaining customers in increasingly competitive markets and the expectation of further termination rate cuts by regulators and by positive factors such as the efficiencies expected from the implementation of Group initiatives.
Long-term growth rate	For businesses where the five-year management plans are used for the Group's value in use calculations, a long-term growth rate into perpetuity has been determined as the lower of: • the long-term nominal GDP rate for the country of operation; and • the long-term compound annual growth rate in EBITDA in years six to 10 estimated by management. For businesses where the plan data is extended for an additional five years for the Group's value in use calculations, a long-term growth rate into perpetuity has been determined as the lower of: • the long-term nominal GDP rate for the country of operation; and • the compound annual growth rate in EBITDA in years eight to 10 of the management plan.
Risk adjusted discount rate used in adjusted present value calculations (2011 and 2010)	The discount rate applied to the cash flows of each of the Group's operations is based on the risk-free rate for 10 year bonds issued by the government in the respective market, if available, and, where possible, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific Group operating company. In making this adjustment, inputs required are the equity market risk premium (that is the increased return required over and above a risk-free rate by an investor who is investing in the market as a whole), the risk adjusted beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole and where necessary, a company specific risk premium. In determining the risk adjusted discount rate, management has applied an adjustment for the systematic risk to each of the Group's operations determined using an average of the betas of comparable listed mobile telecommunications companies and, where available and appropriate, across a specific territory. Management has used a forward-looking equity market risk premium that takes into consideration both studies by independent economists, the average equity market risk premium over the past 10 years and the market risk premiums typically used by investment banks in evaluating acquisition proposals.
Risk adjusted discount rate used in discounted cash flow calculations (2009)	The discount rate applied to the cash flows of each of the Group's operations, being the weighted average cost of capital where consideration has been given to a target debt and equity mix, a market risk premium, and other factors considered with valuation methodologies.

2. Impairment (continued)

Goodwill impairment testing (continued)

Sensitivity to changes in key assumptions

In the current year, Vodacom Service Provider Company (Pty) Limited is the only cash-generating unit for which the carrying amount of goodwill allocated to that unit is significant in comparison with the Group's total carrying amount of goodwill. In the prior year the goodwill allocated to the Vodacom Service Provider Company (Pty) Limited and Gateway cash-generating units were significant.

Other than disclosed below, management believes that no reasonable possible change in any of the above key assumptions would cause the carrying amount of any cash-generating unit to which a significant amount of goodwill has been allocated, to exceed its recoverable amount.

In the prior year the estimated recoverable amount of the Gateway cash-generating unit exceeded its carrying amount by approximately R716 million (2009: R172 million).

The table below discloses the key assumptions used in the value in use calculations for Gateway and Vodacom Service Provider Company (Pty) Limited. The discount rate used in the Vodacom Business Africa value in use calculation for 31 March 2011 was 17.8%.

%	Gateway[1]	Vodacom Service Provider Company (Pty) Limited
31 March 2011		
Long-term growth rate	**n/a**	**3.1**
Risk adjusted discount rate	**n/a**	**12.6**
31 March 2010		
Forecast capital expenditure[2]	4.9 – 8.8	–
Forecast EBITDA[3]	17.9	–
Long-term growth rate	6.0	4.5
Risk adjusted discount rate[4]	14.4	16.8
31 March 2009		
Forecast capital expenditure	2.3 – 4.5	–
Forecast EBITDA	12.5	–
Long-term growth rate	4.0	6.8
Risk adjusted discount rate	13.6	13.9

Notes:

1. During the current financial year, the aggregation of assets for identifying cash-generating units has changed. The Group's Gateway cash-generating unit was restructured and divided into two separate cash-generating units, being Gateway Carrier Services and Vodacom Business Africa (Note 1).
2. Forecast capital expenditure is expressed, throughout this note, as the range of capital expenditure as a percentage of revenue in the initial 10 years of the plans for Gateway as at 31 March 2010 and 31 March 2009.
3. Forecast EBITDA is expressed, throughout this note, as the compound annual growth rates in the initial 10 years of the plans used for Gateway as at 31 March 2010 and 31 March 2009.
4. Stated in United States dollars for Gateway, in line with its reporting currency.

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for the year ended 31 March

Rm	2011	2010	2009
3. Operating profit			
The operating profit has been arrived at after crediting/(charging):			
Net loss on disposal of property, plant and equipment and intangible assets	**(35)**	(17)	(13)
Auditor's remuneration – audit fees	**(24)**	(29)	(28)
Current year audit fees	**(23)**	(28)	(28)
Prior year (under)/over provision of audit fees	**(1)**	–	1
Expenses	**–**	(1)	(1)
Auditor's remuneration – other services	**(1)**	(1)	(6)
Professional fees for consultancy services	**(302)**	(321)	(282)
Operating lease rentals	**(2 398)**	(2 090)	(1 915)
Transmission and data lines	**(1 883)**	(1 639)	(1 511)
Other	**(515)**	(451)	(404)
Writedown of bad debts, not previously provided for	**(271)**	(281)	(190)
Net foreign exchange gains	**11**	192	–[1]

Direct expenses include customer acquisition- and retention-related expenses, interconnect expenses, commissions, converged solutions expenses and various other direct expenses. Other operating expenses include network operational expenses and all administrative expenses.

Note:

1. During 2010 the Group prospectively aligned its presentation of foreign exchange gains and losses on the revaluation of foreign-denominated trading items with that of its ultimate parent, by including it in operating expenses. For 2009, the equivalent net exchange losses of R252 million are presented in 'Net loss on remeasurement and disposal of financial instruments'.

Rm	2011	2010	2009
4. Finance income			
Interest income			
Banks	**19**	24	56
Loans receivable	**25**	73	22
Tax authorities	**4**	–	4
Other	**61**	27	26
	109	124	108

Interest income on financial assets not at fair value through profit or loss amounted to R93 million (2010: R105 million; 2009: R85 million).

Rm	2011	2010	2009
5. Finance costs			
Interest expense			
Borrowings	**(897)**	(1 421)	(1 332)
Tax authorities	**46**	(149)	(88)
Other	**(13)**	(32)	(39)
	(864)	(1 602)	(1 459)

Interest expense on financial liabilities not at fair value through profit or loss amounted to R901 million (2010: R1 427 million; 2009: R1 342 million).

Rm	2011	2010	2009
6. Net loss on remeasurement and disposal of financial instruments			
Net loss on derivatives	**(164)**	(396)	(437)
Net (loss)/gain on translation of foreign-denominated assets and liabilities	**(131)**	(23)	39
Remeasurement of loans receivable[1]	**28**	(375)	–
Other	**(36)**	–	–
	(303)	(794)	(398)

Note:
1. R1 million (2010: R148 million) of the remeasurement of loans receivable relate to impairments of South African-based loans receivable and R5 million (2010: R227 million) to non-South African-based loans receivable.

Rm	2011	2010	2009
7. Taxation			
7.1 Income tax expense			
South African current tax	**(4 848)**	(3 992)	(3 626)
Current year	**(4 327)**	(3 933)	(3 111)
Adjustments in respect of prior years	**10**	112	8
Secondary tax on companies	**(531)**	(171)	(523)
Foreign current tax	**(179)**	(263)	(406)
Current year	**(140)**	(115)	(229)
Adjustments in respect of prior years	**33**	(58)	(175)
Withholding tax	**(72)**	(90)	(2)
Total current tax	**(5 027)**	(4 255)	(4 032)
Deferred tax on origination and reversal of temporary differences:			
South African deferred tax	**99**	(5)	(189)
Current year	**104**	41	(196)
Adjustments in respect of prior years	**(5)**	(46)	7
Foreign deferred tax	**269**	(485)	176
Current year	**266**	(424)	113
Adjustments in respect of prior years	**3**	(61)	63
Total deferred tax	**368**	(490)	(13)
Total income tax expense	**(4 659)**	(4 745)	(4 045)
Components of deferred tax charged to profit or loss			
Capital allowances	**(102)**	(70)	(123)
Foreign exchange	**81**	(387)	413
Tax losses	**73**	(25)	(199)
Provisions and deferred income	**167**	223	(29)
Other	**149**	(231)	(75)
	368	(490)	(13)

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Rm	2011	2010	2009
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	**(3 539)**	(2 505)	(2 866)
Adjusted for:			
Disallowed expenses	**(510)**	(1 384)	(676)
Unrecognised tax asset	**(171)**	(1 314)	(169)
Foreign currency translations	**59**	268	331
Secondary tax on companies	**(531)**	(171)	(523)
Adjustments in respect of prior years	**41**	(53)	(97)
Tax rate differences	**77**	91	115
Foreign tax, net of rebates	**(63)**	(108)	(28)
Utilisation and surrender of tax losses	**6**	14	52
Revaluation of tax base of qualifying assets	**9**	293	(153)
Other adjustments	**(37)**	124	(31)
Total income tax expense	**(4 659)**	(4 745)	(4 045)

The South African statutory tax rate is 28.0% for all reporting periods. The Group's effective tax rate is 36.9% (2010: 53.0%; 2009: 39.5%). The decrease in the effective tax rate for the current year is mainly as a result of a decrease in non-deductible impairment losses and the derecognition of a deferred tax asset in the prior year.

Rm	2011	2010	2009
7.2 Other comprehensive income, net of tax			
Foreign currency translation differences, net of tax	**(502)**	(2 665)	405
Foreign currency translation differences	**(644)**	(2 901)	417
Taxation	**142**	236	(12)
Fair value adjustments on available-for-sale financial assets, net of tax	**–**	–	(17)
Fair value adjustments on available-for-sale financial assets	**–**	–	(20)
Taxation	**–**	–	3
Gains on hedging instruments in cash flow hedges, net of tax	**53**	–	–
Gains on hedging instruments in cash flow hedges	**73**	–	–
Taxation	**(20)**	–	–
Other, net of tax	**–**	–	(9)
Other	**–**	–	(9)
Other comprehensive income, net of tax	**(449)**	(2 665)	379

Rm	2011	2010	2009
7. Taxation (continued)			
7.3 Tax charged/(credited) directly to other comprehensive income			
Current tax	**54**	53	9
Deferred tax	**68**	183	(18)
	122	236	(9)
7.4 Deferred tax			
Analysed in the statement of financial position, after offset of balances within companies, as follows:			
Deferred tax assets	**430**	255	783
Deferred tax liabilities	**(695)**	(1 051)	(1 361)
	(265)	(796)	(578)
Components			
Gross deferred tax assets and liabilities, before offset of balances within companies, are as follows:			
Capital allowances	**(1 792)**	(1 872)	(1 907)
Deferred tax assets	**37**	3 041	39
Deferred tax liabilities	**(1 829)**	(4 913)	(1 946)
Foreign exchange	**569**	356	713
Deferred tax assets	**569**	356	743
Deferred tax liabilities	**–**	–	(30)
Tax losses	**71**	–	63
Deferred tax assets	**71**	–	63
Provisions and deferred income	**1 399**	1 338	1 125
Deferred tax assets	**1 399**	1 338	1 125
Other	**(512)**	(618)	(572)
Deferred tax assets	**79**	230	6
Deferred tax liabilities	**(591)**	(848)	(578)
	(265)	(796)	(578)
Reconciliation of net deferred tax balance			
1 April	**(796)**	(578)	(321)
Foreign currency translation differences	**89**	89	47
Credited/(Charged) to profit or loss	**368**	(490)	(13)
Credited/(Charged) directly to other comprehensive income	**68**	183	(18)
Business combinations and disposal of subsidiaries	**6**	–	(273)
31 March	**(265)**	(796)	(578)

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Rm	2011	2010	2009
7. Taxation (continued)			
7.5 Factors affecting the tax charge in future years			
Total estimated tax losses	**2 707**	2 539	2 221
Utilised to reduce net temporary differences	**(246)**	–	(193)
Estimated unused tax losses	**2 461**	2 539	2 028
Tax credits	**326**	274	319

If the estimated unused tax losses are applied, the available R856 million (2010: R827 million; 2009: R649 million) would result in the current year's R265 million net deferred tax liability to be a R591 million net deferred tax asset (2010: R796 million net deferred tax liability to be a R31 million net deferred tax asset; 2009: R578 million net deferred tax liability to be a R71 million net deferred tax asset), 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	0 – 1 year	2 – 5 years	Unlimited	Total
2011				
Deductible temporary differences	**–**	**1 669**	**8**	**1 677**
Estimated unused tax losses	**550**	**1 781**	**130**	**2 461**
Unused tax credits	**–**	**326**	**–**	**326**
2010				
Deductible temporary differences	–	2 170	–	2 170
Estimated unused tax losses	164	2 210	165	2 539
Unused tax credits	–	274	–	274

Cents	2011	2010	2009
8. Earnings and dividends per share			
Basic earnings per share	**561.5**	282.3	409.2
Diluted earnings per share	**560.4**	282.0	409.2
Headline earnings per share	**655.5**	509.9	417.4
Diluted headline earnings per share	**654.3**	509.4	417.4
Dividends per share[1]	**355.0**	110.0	349.5

Note:
1. The Group declared a final dividend after the reporting period (Note 27).

8.1 Earnings per share

Earnings per share calculations are based on earnings and the weighted average number of ordinary shares outstanding as set out below:

Rm	2011	2010	2009
8.1.1 Earnings			
Headline earnings reconciliation:			
Earnings, attributable to equity shareholders, for basic and diluted earnings per share	**8 245**	4 196	6 089
Adjusted for:			
Net loss on disposal of property, plant and equipment and intangible assets (Note 3)	**35**	17	13
Impairment losses (Note 2)	**1 508**	3 370	112
Other	**–**	1	–
	9 788	7 584	6 214
Tax impact of adjustments	**(165)**	(5)	(4)
Non-controlling interests in adjustments	**3**	–	–
Headline earnings for headline and diluted headline earnings per share	**9 626**	7 579	6 210

8.1.2 Reconciliation of weighted average number of ordinary shares outstanding

Shares	2011	2010	2009
For basic and headline earnings per share	**1 468 409 301**	1 486 283 980	1 487 954 000
Effect of dilutive potential shares: FSP	**2 721 011**	1 598 895	–
For diluted and diluted headline earnings per share	**1 471 130 312**	1 487 882 875	1 487 954 000

8.2 Dividends per share

Dividends per share calculations are based on a declared dividend of R5 282 million (2010: R1 637 million; 2009: R5 200 million) and shares of 1 487 954 000 for all reporting periods. R25 million (2010: R6 million) of the dividend declared was offset against the forfeitable share plan reserve, R2 million expensed as staff costs and R43 million paid to Wheatfields, a wholly-owned subsidiary holding treasury shares on behalf of Vodacom Group Limited.

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Rm	Land and buildings	Network infrastructure and equipment	Other assets	Total
9. Property, plant and equipment				
1 April 2008	1 750	17 060	310	19 120
Cost	2 234	33 695	663	36 592
Accumulated depreciation and impairment losses	(484)	(16 635)	(353)	(17 472)
Additions	409	5 336	213	5 958
Disposals	(1)	(50)	(5)	(56)
Foreign currency translation differences	19	651	11	681
Depreciation	(97)	(3 755)	(96)	(3 948)
Business combinations (Note 21)	10	242	33	285
Impairment losses (Note 2)	(3)	(93)	(9)	(105)
Net transfer to intangible assets (Note 10)	–	(66)	–	(66)
Category and other transfers	(28)	66	(63)	(25)
31 March 2009	2 059	19 391	394	21 844
Cost	2 670	40 565	885	44 120
Accumulated depreciation and impairment losses	(611)	(21 174)	(491)	(22 276)
Additions	365	5 518	84	5 967
Disposals	(3)	(94)	(4)	(101)
Foreign currency translation differences	(36)	(1 779)	(32)	(1 847)
Depreciation	(148)	(3 933)	(102)	(4 183)
Impairment losses (Note 2)	(2)	(24)	(8)	(34)
Net transfer to intangible assets (Note 10)	–	(177)	–	(177)
Category and other transfers	(65)	(15)	(6)	(86)
31 March 2010	**2 170**	**18 887**	**326**	**21 383**
Cost	**2 900**	**42 262**	**865**	**46 027**
Accumulated depreciation and impairment losses	**(730)**	**(23 375)**	**(539)**	**(24 644)**
Additions	**434**	**5 064**	**97**	**5 595**
Disposals	**(1)**	**(41)**	**(5)**	**(47)**
Foreign currency translation differences	**(20)**	**(711)**	**(7)**	**(738)**
Depreciation	**(183)**	**(4 017)**	**(94)**	**(4 294)**
Business combinations (Note 21)	**–**	**9**	**2**	**11**
Impairment losses (Note 2)	**(11)**	**18**	**(15)**	**(8)**
Net transfer to intangible assets (Note 10)	**–**	**(311)**	**–**	**(311)**
Category and other transfers	**10**	**(14)**	**(10)**	**(14)**
31 March 2011	**2 399**	**18 884**	**294**	**21 577**
Cost	**3 314**	**45 347**	**879**	**49 540**
Accumulated depreciation and impairment losses	**(915)**	**(26 463)**	**(585)**	**(27 963)**

The net book value of network infrastructure and equipment for 2010, includes R26 million in relation to assets held under finance leases (Note 17).

The Group's South African operations pledged certain of its property, plant and equipment with a carrying amount of R472 million (2010: R910 million; 2009: R857 million) as security against borrowings with a fair value of R192 million (2010: R338 million; 2009: R526 million) (Note 17). Vodacom Tanzania Limited pledged its property, plant and equipment with a carrying amount of R2 838 million (2010: R3 418 million; 2009: R3 547 million) and its intangible assets with a carrying amount of R86 million (2010: R106 million; 2009: R152 million), in the form of an asset debenture, as security against borrowings with a fair value of R837 million (2010: R663 million; 2009: R379 million) (Note 17). The respective pledges are limited to the carrying amounts of the related borrowings.

Included in the net book value of network infrastructure and equipment and other assets for 2011, are assets in the course of construction, which are not depreciated, with a cost of R624 million and R10 million respectively.

A register with details of the cost price, cost of improvements and date of acquisition of all land and buildings is available for inspection at the registered office.

Rm	Goodwill	Licences	Trademark, patents and other	Customer bases	Computer software	Total
10. Intangible assets						
1 April 2008	1 897	210	249	104	1 764	4 224
Cost	2 426	479	445	920	3 735	8 005
Accumulated amortisation and impairment losses	(529)	(269)	(196)	(816)	(1 971)	(3 781)
Additions	–	(1)	53	180	948	1 180
Disposals	–	–	–	–	1	1
Foreign currency translation differences	11	19	–	(7)	29	52
Amortisation	–	(17)	(31)	(98)	(589)	(735)
Business combinations (Note 21)	5 522	–	16	1 437	32	7 007
Impairment losses (Note 2)	–	–	–	–	(1)	(1)
Transfer from property, plant and equipment (Note 9)	–	–	–	–	66	66
31 March 2009	7 430	211	287	1 616	2 250	11 794
Cost	7 969	514	514	2 713	4 816	16 526
Accumulated amortisation and impairment losses	(539)	(303)	(227)	(1 097)	(2 566)	(4 732)
Additions	–	2	–	–	669	671
Foreign currency translation differences	(1 297)	(29)	–	(305)	(79)	(1 710)
Amortisation	–	(16)	(28)	(189)	(741)	(974)
Impairment losses (Note 2)	(3 181)	–	(93)	(6)	(5)	(3 285)
Transfer from property, plant and equipment (Note 9)	–	–	–	–	177	177
31 March 2010	**2 952**	**168**	**166**	**1 116**	**2 271**	**6 673**
Cost	**6 646**	**425**	**514**	**2 347**	**5 525**	**15 457**
Accumulated amortisation and impairment losses	**(3 694)**	**(257)**	**(348)**	**(1 231)**	**(3 254)**	**(8 784)**
Additions	**635**	**153**	**32**	**13**	**716**	**1 549**
Disposals	**(633)**	**–**	**–**	**–**	**(1)**	**(634)**
Foreign currency translation differences	**(77)**	**(7)**	**4**	**(54)**	**(32)**	**(166)**
Amortisation	**–**	**(16)**	**(24)**	**(185)**	**(836)**	**(1 061)**
Business combinations (Note 21)	**36**	**–**	**4**	**4**	**(1)**	**43**
Impairment losses (Note 2)	**(943)**	**–**	**–**	**(555)**	**(2)**	**(1 500)**
Transfer from property, plant and equipment (Note 9)	**–**	**–**	**–**	**–**	**311**	**311**
31 March 2011	**1 970**	**298**	**182**	**339**	**2 426**	**5 215**
Cost	**6 321**	**560**	**445**	**2 267**	**6 434**	**16 027**
Accumulated amortisation and impairment losses	**(4 351)**	**(262)**	**(263)**	**(1 928)**	**(4 008)**	**(10 812)**

Refer to Note 9 for details of intangible assets pledged as security against borrowings.

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	Rm	2011	2010	2009
11.	**Financial assets**			
	Non-current			
	Loans receivable (Note 11.1)	**81**	83	165
	Available-for-sale financial assets (Note 11.3)	**108**	98	74
	Investment in associate (Note 11.5)	**–**	–	64
		189	181	303
	Current			
	Loans receivable (Note 11.1)	**57**	51	119
	Financial assets at fair value through profit or loss, classified as held for trading (Note 11.2)	**106**	102	84
	Cash held in restricted deposits (Note 11.4)	**110**	–	–
		273	153	203
11.1	**Loans receivable**			
	Mirambo Limited	**106**	88	143
	The loan granted in 2003 with a nominal value of US$14.9 million, bears interest at LIBOR plus 5.0%, shall be repaid from any cash distributions by Vodacom Tanzania Limited to Mirambo Limited, is collateralised by cession over all shareholder distributions and a pledge over 10.0% (2010: 10.0%; 2009: 16.0%) of Mirambo Limited's shares in Vodacom Tanzania Limited and was partially impaired during 2010. During 2010, US$2.5 million was advanced to Mirambo Limited, which bore interest at LIBOR plus 5.5%, was repaid in September 2010 and was unsecured.			
	WBS Holdings (Pty) Limited ('WBS')	**–**	–	117
	Loans with a nominal value of R117 million bore no interest and were repayable from predetermined cash flows of WBS, *pro rata* to the shareholder's respective claims on loan account. Loans with a nominal value of R30 million bore interest at the South African prime rate plus 2.0%. All these loans were fully impaired during 2010 and partially recovered through the sale of WBS during the current year (Note 11.5).			
	Other loans receivable	**32**	46	24
		138	134	284
11.2	**Financial assets at fair value through profit or loss, classified as held for trading**			
	Money market investments	**106**	102	84
	Fair value is determined with reference to quoted market prices of identical assets.			
11.3	**Available-for-sale financial assets**			
	Unlisted equity investments	**108**	98	74

The carrying amount of available-for-sale financial assets carried at cost, approximates its fair value. A register with details of the entities and the percentages of share capital and voting power, if different, held in each unlisted investment is available for inspection at the registered office.

Rm	2011	2010	2009
11. Financial assets (continued)			
11.4 Cash held in restricted deposits	**110**	–	–
The carrying amount approximates fair value.			
11.5 Investment in associate	**–**	–	64
Effective 6 August 2010, the Group sold its 24.9% equity interest in its associate, WBS, a wireless service provider, providing mobile data communication services in the South African market, for a consideration of R30 million which was mainly recognised as repayment of the loans granted.			
12. Inventory			
Goods held for resale	**799**	707	653
Inventory valuation allowance included above:			
1 April	**(57)**	(46)	(99)
Foreign currency translation differences	**1**	2	(1)
Credited/(Charged) to profit or loss	**6**	(13)	14
Provision utilised	**–**	–	40
31 March	**(50)**	(57)	(46)
The cost of inventories recognised as an expense during the period amounts to R7 385 million (2010: R5 848 million; 2009: R5 996 million).			
13. Trade and other receivables			
Trade receivables	**8 459**	7 851	8 058
Prepayments	**1 969**	1 947	1 440
Value-added tax	**182**	68	156
Derivative financial assets	**83**	11	24
Other	**344**	378	406
	11 037	10 255	10 084
Timing			
Current	**10 773**	10 024	9 843
Non-current	**264**	231	241
	11 037	10 255	10 084
Doubtful receivable allowance included above:			
The Group's trade receivables are stated after allowances for doubtful receivables based on management's assessment of creditworthiness, an analysis of which is as follows:			
1 April	**(130)**	(136)	(81)
Foreign currency translation differences	**7**	21	(6)
Charged to profit or loss	**(11)**	(15)	(35)
Utilised	**1**	–	–
Business combinations	**–**	–	(14)
31 March	**(133)**	(130)	(136)

Trade receivables are carried at cost which normally approximates fair value due to short-term maturity. Generally no interest is charged on trade receivables.

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Rm	2011	2010	2009
13. Trade and other receivables (continued)			
Included within derivative financial assets:			
At fair value through profit or loss, classified as held for trading:			
Interest rate swaps	**6**	8	12
Foreign exchange forward contracts	**4**	3	12
	10	11	24
Cash flow hedges:			
Interest rate swaps	**73**	–	–
	83	11	24

The fair value of foreign exchange forward contracts is determined with reference to quoted market prices for similar instruments, being the mid forward rates as at the reporting date. The fair value of interest rate swaps is determined by means of a discounted cash flow method, where the discount rates and forward floating interest rates, the latter used to determine future floating cash flows, are derived from a zero coupon yield curve as at the reporting date.

14. Finance lease receivables

The Group provides computer equipment and handsets to certain customers at an additional contractual charge. The customers retain this equipment and handsets at the end of the contract period. The interest rate inherent in these leases is between nil and 0.08% per annum for all reporting periods. The fair value of the computer equipment and handset leases is R817 million (2010: R601 million; 2009: R494 million).

The Group provides motor vehicles to its executives for their use, who may retain these assets at the end of the lease period, which is normally between three and four years. The cost of these assets is capitalised as finance lease receivables and depreciated on a straight-line basis over the period of the agreement to employee costs. The implicit interest rate is nil. During the year executives were given the option to withdraw from the scheme by buying these motor vehicles.

Rm	Within one year	Between one and five years	Total
2011			
Future minimum lease payments receivable	**557**	**341**	**898**
Unearned finance income	**(95)**	**(34)**	**(129)**
Present value of minimum lease payments receivable	**462**	**307**	**769**
2010			
Future minimum lease payments receivable	271	421	692
Unearned finance income	(9)	(13)	(22)
Present value of minimum lease payments receivable	262	408	670
2009			
Future minimum lease payments receivable	270	267	537
Unearned finance income	(2)	(8)	(10)
Present value of minimum lease payments receivable	268	259	527

R	2011	2010	2009
15. Share capital			
Authorised			
4 000 000 000 ordinary shares with no par value (2009: 100 000 ordinary shares of R0.01 each)	–	–	1 000

Rm	2011	2010	2009
Issued			
Fully paid share capital			
1 487 954 000 ordinary shares with no par value (2009: 10 000 ordinary shares of R0.01 each)	*	*	*
Treasury shares			
23 135 498 (2010: 7 264 107) ordinary shares with no par value	**(1 384)**	(422)	–
	(1 384)	(422)	*

Shares	2011	2010	2009
Movements in the number of ordinary shares outstanding:			
1 April	**1 480 689 893**	1 487 954 000	10 000
Statutory shares in issue	**1 487 954 000**	1 487 954 000	10 000
Treasury shares	**(7 264 107)**	–	–
Repurchase of shares			
Forfeitable share plan[1]	–	(4 717 180)	–
Share repurchase offers	**(15 880 043)**	(2 426 471)	–
Other	–	(120 456)	–
Forfeitable share plan – vested shares	**8 652**	–	–
31 March	**1 464 818 502**	1 480 689 893	10 000
Statutory shares in issue	**1 487 954 000**	1 487 954 000	10 000
Treasury shares	**(23 135 498)**	(7 264 107)	–
Treasury shares held by:			
Vodacom Group Limited	**2 225 312**	1 433 868	–
Subsidiaries	**20 910 186**	5 830 239	–
	23 135 498	7 264 107	–

The unissued share capital is under the control of the current shareholders and the directors do not have the authority to issue any unissued shares.

Notes:

1. Forfeitable shares held by employees are treated as treasury shares for accounting in terms of IAS 32: Financial Instruments: Presentation, since shares awarded under the forfeitable share plan have not fully vested for the purposes of IFRS 2: Share-based Payment until the potential forfeiture period has expired (Note 16).

* Fully paid share capital of R100.

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16. Other reserves

16.1 Contingency reserve

In terms of the Short-term Insurance Act ('the Act') of 1998 the Group's cell captive partner, Centriq Insurance Company Limited, is required to recognise a contingency reserve equal to 10.0% of premiums written less approved reinsurance, as defined in the Act. This reserve can be utilised only with the prior permission of the Registrar of Short-term Insurance.

16.2 Share-based payment arrangements

The following equity-settled share-based payment expense is recognised in profit or loss in terms of IFRS 2: Share-based Payment:

Rm	2011	2010	2009
Forfeitable share plan	**(125)**	(30)	–
Employee share ownership plan	**(65)**	(105)	(67)
Broad-based black economic empowerment charge	**–**	–	(1 315)
	(190)	(135)	(1 382)

16.2.1 Forfeitable share plan reserve

This share-based payment arrangement is accounted for as an equity-settled share-based payment transaction. Under the FSP, awards of performance shares are granted to executive directors and selected employees of the Group. The release of these shares is subject to continued employment, and is conditional upon achievement of performance targets, measured over a three-year period, for directors, senior management and other selected employees.

	Weighted average fair value at grant date	Number of shares	Weighted average fair value at grant date	Number of shares
	2011	2011	2010	2010
Share awards				
Movements in non-vested shares:				
1 April	**R58.69**	**4 717 180**	–	–
Granted	**R62.79**	**3 242 476**	R58.69	4 722 504
Forfeited	**R62.46**	**(217 543)**	R58.69	(5 324)
Vested	**R59.11**	**(8 652)**	–	–
31 March	**R60.30**	**7 733 461**	R58.69	4 717 180
Ordinary shares available for utilisation:				
Opening balance		**69 282 820**		74 000 000
Granted		**(3 242 476)**		(4 722 504)
Forfeited		**217 543**		5 324
Vested		**8 652**		–
31 March		**66 266 539**		69 282 820

The fair value of the share awards on grant date were measured using the quoted market price of a Vodacom Group Limited share without adjusting for expected dividends and performance conditions, as these are non-market conditions.

16. Other reserves (continued)

16.2 Share-based payment arrangements (continued)

16.2.2 Broad-based black economic empowerment reserve

This share-based payment arrangement is accounted for as an equity-settled share-based payment transaction.

In October 2008 the Group's shareholders approved a BBBEE transaction which entailed the issue and allotment of ordinary shares and 'A' ordinary shares representing, in aggregate, 6.25% of Vodacom (Pty) Limited's ('Vodacom SA') issued share capital to eligible employees who are permanent employees of Vodacom Group Limited and any of its wholly-owned South African subsidiaries from time to time, as well as Vodacom SA and its wholly-owned South African subsidiaries, including employees of the said entities who are on secondment outside of South Africa ('Employees'), broad-based black South African public ('Black Public'), black business partners ('Business Partners') and broad-based strategic partners ('Strategic Partners'). The transaction was introduced to assist the Group in meeting its empowerment objectives for its South African operations.

Components of the transaction	Notes	Percentage allocated %	Transaction value Rm	Cumulative share-based payment expense Rm	Cash received Rm	Weighted average remaining life Years
Employees: YeboYethu Employee Participation Trust ('the Trust')	16.2.2.1	**1.56**	**1 875**	**(237)**	**–**	**4.5**
Black Public and Business Partners: YeboYethu Limited	16.2.2.2	**1.88**	**2 250**	**(527)**	**360**	**4.5**
Strategic Partner: Royal Bafokeng Holdings (Pty) Limited	16.2.2.3	**1.97**	**2 366**	**(552)**	**378**	**4.5**
Strategic Partner: Thebe Investment Corporation (Pty) Limited	16.2.2.3	**0.84**	**1 009**	**(236)**	**162**	**4.5**
		6.25	**7 500**	**(1 552)**	**900**	

16.2.2.1 Employees

The Trust, an employee share ownership plan, was established for the benefit of all eligible employees. The Trust holds 'A' ordinary shares in Vodacom SA through its interest in YeboYethu Limited[1]. The 'A' ordinary shares are a separate class of shares in Vodacom SA, ranking *pari passu* with the ordinary shares except that they do not entitle the holder to dividends in cash until a notional loan is repaid.

Employees participated in the transaction by being allocated units in the Trust based on a varying percentage of their guaranteed total cost of employment per annum taking into account their employment level and racial and gender classification. Altogether 75.0% of the Trust units were allocated to the employees on or about 1 October 2008 and 25.0% was reserved for future allocations to future employees. Of the 75.0% of allocated units, 74.8% was taken up by employees in 2008. In the current financial year, 5.1% (2010: 8.9%) was allocated to new employees that joined the Group between 1 September 2009 and 30 August 2010.

The units vest annually on 1 September in five equal tranches and can be converted into YeboYethu Limited shares effective 1 March 2016.

16.2.2.2 Black Public and Business Partners

The Black Public and Business Partners hold ordinary and 'A' ordinary shares in Vodacom SA through YeboYethu Limited.

For the first five years the Black Public and Business Partners will not be entitled to sell their ordinary and 'A' ordinary shares in Vodacom SA. After the fifth anniversary until the expiry of the 10 year lock-in period they will be entitled to sell or transfer these shares to approved BBBEE parties. After the expiry of the 10 year lock-in period the Black Public and Business Partners will be entitled to freely trade the ordinary and 'A' ordinary shares.

Note:

1. Consolidated by the Group as a special purpose entity in terms of SIC 12: Consolidation – Special Purpose Entities, as issued by the IASB.

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16. Other reserves (continued)

16.2 Share-based payment arrangements (continued)

16.2.2 Broad-based black economic empowerment reserve (continued)

16.2.2.3 Strategic Partners: Royal Bafokeng Holdings (Pty) Limited and Thebe Investment Corporation (Pty) Limited

The two Strategic Partners respectively hold ordinary and 'A' ordinary shares in Vodacom SA through two wholly-owned ring-fenced private companies named Lisinfo 209 Investments (Pty) Limited[1] and Main Street 661 (Pty) Limited[1].

The Strategic Partners will not be able to trade their shares during the first seven years of the 10 year lock-in period. After the seventh anniversary and until the expiry of the lock-in period, the Strategic Partners will be entitled to trade their shares subject to Vodacom SA having a first pre-emptive right to repurchase, and other Strategic Partners, if introduced with Vodacom SA's approval, having a second ranking pre-emptive right to purchase the shares. If none of the parties exercise their right, the Strategic Partners will be entitled to sell their shares to any other party with similar or higher BBBEE rating than themselves, subject to Vodacom SA approval. After the expiry of the 10 year lock-in period the Strategic Partners will be entitled to freely trade their shares.

Note:
1. Consolidated by the Group as a special purpose entity in terms of SIC 12: Consolidation – Special Purpose Entities, as issued by the IASB.

16.2.2.4 Funding

Funding for the Trust units and for discounts given on the 'A' ordinary shares was provided by Vodacom SA on a notional funding basis. In terms of the original notional vendor finance structure, the notional funding earned notional interest at a 10.0% notional nominal annual rate compounded semi-annually ('NACS'). To simplify the matter, the notional interest is now calculated using an equivalent converted notional nominal annual rate compounded daily of 9.8% which in the absence of any cash flow would yield the same result. The change from NACS was approved by the shareholders of Vodacom SA on 2 March 2010.

The BBBEE participants receive a notional dividend on the 'A' ordinary shares, which is used as a notional payment against the notional loan. A market condition has been included in the grant of the share rights through the repurchase feature, since the growth in the market value of Vodacom SA's shares impact the variable number of shares to be repurchased. This market condition has been taken into account when estimating the fair value of the share rights granted. If the notional loan has not been fully repaid after seven years, Vodacom SA has the legal right and option to repurchase a variable number of shares from the BBBEE participants at par value. The variable number of shares will be calculated based on a specified formula which takes into account the outstanding balance of the notional loan and the underlying value of the shares held in Vodacom SA. This repurchase feature is a mechanism to redeem any outstanding notional loan balances and since there is no obligation on Vodacom SA to repurchase any shares, it does not render the share-based payment to be cash-settled, nor does it impact the vesting rights.

The notional funding closing balance for employees amounted to R1 722 million (2010: R1 697 million; 2009: R1 706 million), for Black Public and Business Partners to R1 649 million (2010: R1 645 million; 2009: R1 676 million) and for Strategic Partners R2 474 million (2010: R2 467 million; 2009: R2 513 million).

16. Other reserves (continued)

16.2 Share-based payment arrangements (continued)

16.2.2 Broad-based black economic empowerment reserve (continued)

16.2.2.5 Share rights

	2011	2010	2009
Movements in non-vested share rights:			
1 April	**282 370 223**	278 550 156	–
Granted	**3 824 531**	6 669 883	281 314 343
Forfeited	**(3 350 911)**	(2 849 816)	(2 764 187)
31 March	**282 843 843**	282 370 223	278 550 156
Vesting period of share rights granted:			
Vested	**246 845 068**	235 371 023	225 000 000
Within one year	**11 568 769**	11 474 045	10 710 031
Between one and five years	**24 430 006**	35 525 155	42 840 125
	282 843 843	282 370 223	278 550 156

Unallocated share rights amount to 17 156 157 (2010: 17 629 777; 2009: 21 449 844). No share rights are currently exercisable through the notional funding mechanism. Since the funded portion of the fair value is repaid through notional dividends on the 'A' ordinary shares issued, the exercise price at the date the share rights become exercisable can vary depending to what extent the notional amounts outstanding have been recouped.

16.2.2.6 BBBEE valuation

BBBEE credentials are not separable and cannot be valued other than by reference to the fair value of the equity instruments granted. The share-based payment expense was calculated using the Monte Carlo option pricing model, which is reflective of the underlying characteristics of the BBBEE transaction, using the following assumptions at grant dates:

	Employees: 2011 issue	Employees: 2010 issue	Employees: 2009 issue	Black Public and Business Partners	Strategic Partners
Exercise price	**–**	–	–	R25	R25
Risk-free rate (%)[1]	**5.2 – 7.9**	6.6 – 8.0	8.9 – 11.7	8.9 – 11.7	8.9 – 11.7
Expected volatility (%)[2]	**32.0**	32.0	30.0	30.0	30.0
Vesting period (years)	**5**	5	5	–	–
Contractual life (years)	**5**	6	7	7	7

Notes:

1. Determined from the bootstrapped zero-coupon perfect-fit swap curve, sourced from the Bond Exchange of South Africa.
2. Determined using the historical share prices of Vodafone Group Plc, data sourced from Bloomberg, Telkom SA Limited (pre 18 May 2009), MTN Group Limited and Vodacom Group Limited, data sourced from McGregor BFA.

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Rm	2011	2010	2009
17. Borrowings			
In terms of the articles of association of Vodacom Group Limited, the borrowing powers of the Company are unlimited.			
Non-current			
Interest bearing borrowings (Note 17.1)	**7 273**	9 780	8 310
Non-interest bearing borrowings (Note 17.2)	**7**	6	6
	7 280	9 786	8 316
Current			
Interest bearing borrowings (Note 17.1)	**2 347**	2 803	7 875
Non-interest bearing borrowings (Note 17.2)	**436**	436	–
	2 783	3 239	7 875
17.1 Interest bearing borrowings			
Dark Fibre Africa (Pty) Limited	**26**	–	–
The Group leases access transmission links under finance leases. These leases bear interest at a fixed interest rate of 6.71% and lease payments are made monthly over a lease term of 15 years per link. The finance lease liability is secured by the lessor's title to the leased assets (Note 9).			
The Standard Bank of South Africa Limited/Rand Merchant Bank	**1 354**	2 532	–
The loan with a nominal value of R1 341 million (2010: R2 500 million) was utilised to settle the loan from Standard Bank Plc and RMB International (Dublin) Limited and for general corporate requirements. It bears interest, payable quarterly, at JIBAR plus 2.15%, is ultimately repayable on 24 July 2012 and is collateralised by guarantees provided in the Group. During the year R1 159 million of the loan was repaid.			
Citibank syndicated loans	**799**	640	386
These loans with nominal values of US$60 million (2010: US$47 million; 2009: US$40 million) and TZS86 628 million (2010: TZS54 000 million) were utilised to refinance existing borrowings, for capital expenditure and for general corporate requirements. They bear interest, payable quarterly, at LIBOR plus 2.0% on US$40 million (2010: US$47 million; 2009: US$40 million), LIBOR plus 3.5% on US$20 million, the reference treasury bill rate plus 2.25% on TZS46 278 million (2010: TZS54 000 million) and the reference treasury bill rate plus 3.0% on TZS40 350 million. The loans are repayable in six remaining equal bi-annual instalments with the last instalment due on 16 December 2013. The loans are secured by an asset debenture, granted by Vodacom Tanzania Limited, and a mortgage over certain property (Notes 9 and 10).			
Absa Bank Limited capital facility	**–**	–	2 991
The loan with a nominal value of R3 000 million was utilised as bridge funding for the Gateway acquisition. It bore interest, payable quarterly, at JIBAR plus 1.5% up to 10 June 2009, 1.75% up to 10 September 2009 and 2.0% up to 10 December 2009, on which date it was repaid. The loan was collateralised by guarantees provided in the Group.			
Balance carried forward	**2 179**	3 172	3 377

Rm	2011	2010	2009
17. Borrowings (continued)			
17.1 Interest bearing borrowings (continued)			
Balance brought forward	**2 179**	3 172	3 377
Royal Bafokeng Holdings (Pty) Limited	**–**	–	401
The loan with a nominal value of R378 million was granted to Lisinfo 209 Investments (Pty) Limited, the special purpose entity that holds Royal Bafokeng Holdings (Pty) Limited's interest in Vodacom (Pty) Limited. In 2009 it bore interest at the R157 bond rate plus 5.0%, during 2010 it became non-interest bearing. The loan has no fixed terms of repayment and is unsecured (Note 17.2).			
Absa Bank Limited	**1 242**	1 242	1 246
The loan with a nominal value of R1 250 million was utilised to refinance existing borrowings, for capital expenditure and working capital requirements. It bears interest, payable quarterly, at JIBAR plus 1.25%, is repayable on 30 September 2011 and is unsecured.			
Nedbank Limited and Absa Bank Limited	**3 721**	3 724	3 738
The loan with a nominal value of R3 750 million was utilised to refinance existing borrowings, for capital expenditure and working capital requirements. It bears interest, payable quarterly, at JIBAR plus 1.5%, is repayable on 30 September 2013 and is unsecured (Note 29.4.1.2).			
Momentum Group Limited and Futuregrowth Asset Management (Pty) Limited	**447**	447	449
The loan with a nominal value of R450 million was utilised to refinance existing borrowings, for capital expenditure and working capital requirements. It bears interest, payable quarterly, at JIBAR plus 1.5%, is repayable on 30 September 2013 and is unsecured.			
Old Mutual Specialised Financing (Pty) Limited and Minervois Trading No. 2 (Pty) Limited	**992**	994	998
The loan with a nominal value of R1 000 million was utilised to refinance existing borrowings, for capital expenditure and working capital requirements. It bears interest, payable quarterly, at JIBAR plus 1.8%, is repayable on 30 September 2015 and is unsecured (Note 29.4.1.2).			
Asset Backed Arbitraged Securities (Pty) Limited	**–**	1 000	1 000
The Group issued promissory notes with a nominal value of R1 000 million and the funds were utilised to refinance existing borrowings, for capital expenditure and working capital requirements. The notes bore interest, payable quarterly, at JIBAR plus a fixed credit margin of 0.4% and a floating funding margin between 0.33% and 0.40% (2010: 0.35% and 0.40%; 2009: 0.22% and 0.50%), were repaid during the year and were unsecured.			
Balance carried forward	**8 581**	10 579	11 209

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Rm	2011	2010	2009
17. Borrowings (continued)			
17.1 Interest bearing borrowings (continued)			
Balance brought forward	**8 581**	10 579	11 209
Mirambo Limited	**124**	136	192
The loan with a nominal value of US$18 million was provided to Vodacom Tanzania Limited ('VTL'). It bears interest, payable quarterly, at LIBOR plus 5.0%. The loan shall be repaid by approval of at least 60.0% of the shareholders of VTL and is unsecured.			
Standard Bank Plc and RMB International (Dublin) Limited	**–**	–	1 735
The loan provided to Vodacom International Limited with a nominal value of US$180 million was utilised for capital expenditure. It bore interest, payable quarterly, at LIBOR plus 0.35%, was repaid on 26 July 2009 and was collateralised by guarantees provided in the Group.			
The Standard Bank of South Africa Limited	**45**	118	176
The loans were used to purchase and are collateralised by various land and buildings (Note 9). They bear interest at an effective interest rate of 13.4% per annum. Repayments are made bi-annually and the loans will be settled by 1 September 2011.			
FirstRand Bank Limited	**116**	204	324
The loans were used to purchase and are collateralised by various land and buildings (Note 9). They bear interest at fixed effective interest rates of between 12.1% and 16.9% per annum. Repayments are made monthly, quarterly or bi-annually with residual payments of R38 million (2010: R68 million; 2009: R145 million). The loans will be settled within two years (Note 29.4.1.2).			
Congolese Wireless Network s.p.r.l.	**250**	273	356
The loan with a nominal value of US$37 million, forms part of the capital structure of Vodacom Congo (RDC) s.p.r.l., bears interest at 4.0% per annum and is repayable at the discretion of the shareholders and simultaneously in proportion to their shareholding.			
Bank borrowings classified as financing activities	**489**	1 266	2 183
Other loans	**15**	7	10
	9 620	12 583	16 185

The aggregate fair value, if determinable, of interest bearing borrowings with a carrying amount of R9 246 million (2010: R12 174 million; 2009: R16 185 million) amounts to R9 225 million (2010: R12 233 million; 2009: R16 113 million) and was determined by using the discounted cash flow method, with a discount rate based on market-related interest rates. The discount rate varied between 6.9% and 9.6% (2010: 7.9% and 10.1%; 2009: 9.1% and 10.7%) for rand-denominated borrowings, varied between 3.4% and 4.9% (2010: 3.9%; 2009: varied between 1.8% and 4.1%) for United States dollar-denominated borrowings and varied between 11.4% and 12.1% (2010: 14.8%) for Tanzanian shilling-denominated borrowings.

Rm	0 – 1 year	2 – 5 years	5+ years
Maturity of finance lease liabilities:			
2011			
Future minimum lease payments payable	**2**	**11**	**29**
Future finance costs	**(1)**	**(6)**	**(9)**
Present value of minimum lease payments payable	**1**	**5**	**20**

17. Borrowings (continued)

17.1 Interest bearing borrowings (continued)

Interest rate and currency of interest bearing borrowings:

Rm	Total	Floating rate	Fixed rate
2011			
Currency			
South African rand	**8 244**	**5 154**	**3 090**
Tanzanian shilling	**391**	**391**	**–**
United States dollar	**985**	**721**	**264**
	9 620	**6 266**	**3 354**
2010			
Currency			
South African rand	11 322	11 000	322
Tanzanian shilling	293	293	–
United States dollar	968	688	280
	12 583	11 981	602
2009			
Currency			
South African rand	13 209	12 709	500
United States dollar	2 976	2 610	366
	16 185	15 319	866

Rm	2011	2010	2009
17.2 Non-interest bearing borrowings			
Royal Bafokeng Holdings (Pty) Limited (Note 17.1)	**436**	436	–
Number Portability Company (Pty) Limited	**7**	6	6
	443	442	6

Due to the absence of repayment dates, fair value is not determinable.

18. Trade and other payables

Rm	2011	2010	2009
Trade payables	**5 451**	4 087	4 909
Capital expenditure creditors	**1 817**	1 917	1 633
Value-added tax	**441**	700	346
Accruals	**1 707**	1 644	1 331
Deferred revenue	**3 359**	3 256	2 730
Derivative financial liabilities	**16**	97	53
Other	**472**	330	324
	13 263	12 031	11 326
Timing			
Current	**13 005**	11 714	10 938
Non-current	**258**	317	388
	13 263	12 031	11 326

Trade payables are carried at cost which normally approximates fair value due to short-term maturity.

	2011	2010	2009
Included within derivative financial liabilities:			
At fair value through profit or loss, classified as held for trading:			
Foreign exchange forward contracts	**16**	97	53

The fair value of foreign exchange forward contracts is determined with reference to quoted market prices for similar instruments, being the mid forward rates as at the reporting dates.

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Rm	Employee benefits provisions	Other provisions	Total
19. Provisions			
1 April 2008	723	15	738
Provision created	172	13	185
Provision utilised	(307)	(18)	(325)
Business combinations	5	–	5
31 March 2009	593	10	603
Provision created	196	(6)	190
Provision utilised	(160)	(4)	(164)
31 March 2010	**629**	**–**	**629**
Provision created	**60**	**260**	**320**
Provision utilised	**(137)**	**(4)**	**(141)**
31 March 2011	**552**	**256**	**808**

Rm	2011	2010	2009
Timing			
Current	**298**	193	238
Non-current	**510**	436	365
	808	629	603

19.1 Employee benefits provisions

Deferred bonus incentive provision

The value of bonus entitlements, relating to the deferred bonus incentive provision, are determined based upon the audited consolidated annual financial statements of the Group. Since 2009 the Group no longer issues any entitlements and all past entitlements will continue to increase in value, based on defined profit increase, until expiry. Entitlements were issued to employees, the value of which was dependent on the seniority of the employee. The participating rights of employees vest at different stages and employees are entitled to cash in their entitlements within three years after vesting. The deferred bonus incentive provision represents the present value of the expected future cash outflows of the entitlement value at the reporting dates, less the value at which the entitlements were issued, multiplied by the number of entitlements allocated to a participant. The provision is utilised when eligible employees receive the value of vested entitlements.

Other employee benefits provision

During 2010 the Group changed the terms of the employee benefit scheme resulting in a significant decrease in measurement uncertainties. The provision is measured based on the revised contractually agreed terms and is increased as the employee renders the related service. During 2009 it was measured at the present value of the expected future cash outflows payable to eligible employees. The provision is utilised when eligible employees receive the value of the benefits.

Rm	2011	2010	2009
1 April	**398**	249	225
Interest cost	**–**	13	20
Current service cost	**25**	62	30
Recognised actuarial losses	**–**	45	19
Curtailments	**–**	67	–
Net cost	**423**	436	294
Total benefit payments	**(41)**	(38)	(45)
31 March	**382**	398	249

The 2009 provision was based on an actuarial valuation as at 31 March 2009, using the projected unit credit method due to measurement uncertainties. The key assumptions were a general inflation rate of 4.1%, a discount rate of 7.6% and a salary inflation rate of 5.1%.

19. Provisions (continued)

19.2 Other provisions

Other provisions include provisions for asset retirement obligations. In the course of the Group's activities, a number of sites and other assets are utilised which are expected to have costs associated with exiting and ceasing their use. The associated cash outflows are generally expected to occur at the dates of exit of the assets to which they relate, which are long-term and short-term in nature.

Rm	2011	2010	2009
20. Cash generated from operations			
Operating profit	**13 696**	11 238	12 005
Adjusted for:			
Depreciation and amortisation (Notes 9 and 10)	**5 355**	5 157	4 683
Net loss on disposal of property, plant and equipment and intangible assets (Note 3)	**35**	17	13
Impairment losses (Note 2)	**1 508**	3 370	112
Broad-based black economic empowerment charge	**–**	–	1 315
Other non-cash flow items	**432**	451	(36)
Cash flow from operations before working capital changes	**21 026**	20 233	18 092
Increase in trade and other receivables	**(1 120)**	(912)	(1 295)
(Increase)/Decrease in inventory	**(117)**	(122)	45
Increase/(Decrease) in trade and other payables and provisions	**1 596**	512	(937)
Cash generated from operations	**21 385**	19 711	15 905
21. Business combinations and partial disposal of interests in subsidiaries			
21.1 Business combinations			
Aggregate net cash consideration paid			
Consideration transferred (including directly attributable costs)	**(52)**	–	(5 830)
Liabilities assumed (non-cash consideration)	**–**	–	338
Deferred contingent consideration	**24**	–	–
Other	**–**	–	2
	(28)	–	(5 490)
Net cash and cash equivalents acquired	**4**	–	142
	(24)	–	(5 348)

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for the year ended 31 March

Rm	2011	2010	2009
21. Business combinations and partial disposal of interests in subsidiaries (continued)			
21.1 Business combinations (continued)			
21.1.1 Gateway[1]			
Effective 30 December 2008, the Group acquired 100% of the carrier services and business network solutions businesses of Gateway Telecommunications SA (Pty) Limited. The fair values of the net identifiable assets acquired were determined as follows:			
Fair value of net identifiable assets acquired	–	–	(281)
Property, plant and equipment	–	–	283
Intangible assets	–	–	1 406
Financial assets	–	–	338
Deferred tax	–	–	85
Inventory	–	–	29
Trade and other receivables	–	–	579
Tax receivable	–	–	45
Cash and cash equivalents	–	–	101
Borrowings	–	–	(1 543)
Deferred tax	–	–	(342)
Provisions	–	–	(5)
Trade and other payables	–	–	(663)
Tax payable	–	–	(32)
Goodwill	–	–	(5 417)
Foreign exchange gain	–	–	6
Consideration transferred (including R118 million directly attributable costs)	–	–	(5 692)
Net cash and cash equivalents acquired	–	–	100
Liabilities assumed (non-cash consideration)	–	–	338
Directly attributable costs payable	–	–	54
Discounting of deferred compensation	–	–	(48)
	–	–	(5 248)
Carrying amounts of assets and liabilities immediately before the combination:			
Non-current assets	–	–	2 195
Current assets	–	–	750
Non-current liabilities	–	–	(1 589)
Current liabilities	–	–	(668)
	–	–	688

The carrying amounts of assets and liabilities immediately before the combination equalled their fair values except for intangible assets, some not previously recorded by the acquiree as they were internally generated, which had a carrying amount of R236 million (Fair value: R1 406 million) and deferred tax liabilities of R15 million (Fair value: R342 million).

A net loss of R36 million was included in the 2009 results since the acquisition date. The goodwill related to the acquisition represents future synergies and was allocated to the Gateway cash-generating unit.

Note:

1. Gateway comprised 100% of the shares in each of Gateway Telecommunications Plc, Gateway Communications (Pty) Limited, Gateway Communications Mozambique LDA, Gateway Communications Tanzania Limited and GS Telecom (Pty) Limited and their respective subsidiaries.

21. Business combinations and partial disposal of interests in subsidiaries (continued)

21.1 Business combinations (continued)

21.1.2 Storage Technology Services (Pty) Limited

Effective 1 February 2009, the Group acquired a controlling interest of 51.0% in Storage Technology Services (Pty) Limited, a managed storage services company, for a consideration of R138 million and a final settlement adjustment of R3 million. Net cash and cash equivalents of R42 million were acquired. The aggregate fair values of the identifiable assets and liabilities acquired were determined as R209 million and R142 million respectively. Goodwill of R105 million relating to this acquisition represents future synergies and was allocated to the Vodacom (Pty) Limited cash-generating unit.

If all of the above acquisitions had taken place on 1 April 2008, restated consolidated revenue would have amounted to R57 806 million and restated consolidated net profit to R5 786 million for 2009, which would have resulted in a decrease in earnings and headline earning per share of 26.3 cents per share for 2009.

21.1.3 AfriConnect Zambia Limited

Effective 30 June 2010, the Group acquired a 100% interest in AfriConnect Zambia Limited, an internet service provider company, for a consideration of R52 million. Cash and cash equivalents of R4 million were acquired. The aggregate fair values of the identifiable net assets acquired were determined as R12 million. Goodwill of R36 million relating to this acquisition represents future synergies and was allocated to the Vodacom Business Africa cash-generating unit.

21.2 Partial disposal of interests in subsidiaries

Effective 28 June 2010, the Group sold 8.28% of its stake in Vodacom Lesotho (Pty) Limited ('Lesotho') to the non-controlling party and during March 2011 the Group sold 4.0% of its stake in VM, SA.

Rm	Lesotho	VM, SA	Total
Total cash consideration	**90**	**8**	**98**
Net (assets)/liabilities disposed	**(22)**	**80**	**58**
Net gain on disposal	**68**	**88**	**156**

22. Cash and cash equivalents

Rm	2011	2010	2009
Bank and cash balances	**870**	1 061	1 104
Bank overdrafts[1]	**(331)**	(110)	(20)
	539	951	1 084

The carrying amount of cash and cash equivalents normally approximates its fair value due to short-term maturity. Included in cash and cash equivalents for 2010 is a restricted amount of R44.0 million, which was not available for use by the Group.

Note:
1. Bank overdrafts, excluding those classified as financing activities in the statement of cash flows, are regarded as part of the Group's integral cash management system.

23. Reclassifications

During the current year the Group continued to align with practices of its ultimate parent, Vodafone Group Plc. This resulted in retrospective reclassifications in the income statement. The Vodafone global alliance fee has been reclassified from direct expenses to other operating expenses, franchise fees have been reclassified from other operating expenses to publicity expenses, expenses not relating to payroll have been reclassified from staff expenses to other operating expenses and certain operating lease expenses have been reclassified from other operating expenses to direct expenses.

Rm	Balance as previously reported	Reclassification	Balance as reclassified
Reconciliation 31 March 2010			
Income statement			
Direct expenses	**(26 774)**	**10**	**(26 764)**
Staff expenses	**(4 291)**	**413**	**(3 878)**
Publicity expenses	**(1 728)**	**(120)**	**(1 848)**
Other operating expenses	**(5 977)**	**(303)**	**(6 280)**
Reconciliation 31 March 2009			
Income statement			
Direct expenses	**(26 224)**	**311**	**(25 913)**
Staff expenses	**(3 686)**	**418**	**(3 268)**
Publicity expenses	**(1 793)**	**(82)**	**(1 875)**
Other operating expenses	**(5 624)**	**(647)**	**(6 271)**

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	Rm	2011	2010	2009
24.	**Commitments**			
	Operating leases (Note 24.1)	**4 677**	4 070	3 534
	Transmission and data lines (Note 24.2)	**4 774**	6 270	6 643
	Capital expenditure contracted for but not yet incurred (Note 24.3)	**2 547**[1]	2 213[1]	2 214
	Capital expenditure approved by the Board but not yet contracted for (Note 24.3)	**8 471**[1]	6 364[1]	9 712
	Other (Note 24.4)	**3 314**	1 760	2 038
24.1	**Operating leases**			
	Future minimum lease payments under non-cancellable operating leases comprise:			
	Within one year	**980**	783	794
	Between one and five years	**2 720**	2 169	1 968
	After five years	**977**	1 118	772
		4 677	4 070	3 534

Operating leases include leases of certain transmission and data lines, offices, distribution outlets, sites, buildings, office equipment and motor vehicles. The remaining lease terms vary between one and 19 years (2010: six months and 18 years; 2009: one and 18 years) with escalation clauses that vary from an annual fixed escalation rate between 2.0% and 12.0% (2010: 3.5% and 12.0%; 2009: 3.0% and 12.0%) per annum or an annual variable consumer price index rate. Various options to renew exist.

The total of future minimum sublease payments expected to be received under non-cancellable subleases is R326 million (2010: R267 million; 2009: R356 million).

24.2 Transmission and data lines

Some of the Group's transmission and data line commitments are not classified as operating leases. The commitments are for the duration of the initial period which varies between one and five years depending on the option chosen.

24.3 Capital commitments

Capital commitments for property, plant and equipment and computer software will be financed through internal cash generation, extended supplier credit and bank credit.

24.4 Other

Other includes sport, marketing, functions, events, retention incentives, activation bonuses, activation commissions, other accommodation, licence, handset purchase and other purchase commitments.

24.5 Unquantifiable commitments

The Group has the following commitments which have not been quantified as the amounts are dependent on unknown future factors:

24.5.1 Global alliance fee

The Group pays annual fees for services provided to the Group by Vodafone Group Plc calculated as a percentage of revenue.

24.5.2 Other

The Group has various other unquantifiable commitments under service contracts and licence agreements which are in the normal course of business.

Note:
1. Capital expenditure approved for the 2012 financial year at forecasted exchange rates, limited to R8 844 million (2010: R7 375 million), was translated at the closing rates as at the reporting date.

25. Contingent liabilities

25.1 Unresolved tax matters

The Group is regularly subject to an evaluation, by tax authorities, of its direct and indirect tax filings. The consequence of such reviews is that disputes can arise with tax authorities over the interpretation or application of certain tax rules applicable to the Group's business. These disputes may not necessarily be resolved in a manner that is favourable to the Group. Additionally, the resolution of the disputes could result in an obligation to the Group.

The Group has discussions with relevant tax authorities on specific matters regarding the application and interpretation of tax legislation affecting the Group and the industry in which it operates. All reliable assessments of tax exposure identified have been quantified and accounted for as appropriate.

The Group has considered all matters in dispute with tax authorities and has accounted for any exposure identified, if required.

25.2 Various legal contingencies

The Group is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the outcome of these proceedings. Following this assessment, the Group's management has determined that no provision is required in respect of these legal proceedings as at 31 March 2011. Litigations, current or pending, are not likely to have a material adverse effect on the Group.

25.3 Guarantees

The Group issued various guarantees, relating to the financial obligations of its subsidiaries, which amounted to R53 million (2010: R48 million; 2009: R1 810 million). As at 31 March 2009, the related outstanding borrowings on the statement of financial position are R1 735 million.

Vodacom (Pty) Limited provides an unlimited guarantee for borrowings entered into by Vodacom Group Limited. The related outstanding borrowings on the statement of financial position are R1 655 million (2010: R3 593 million; 2009: R4 878 million).

26. Post-employment benefits

The Group operates a number of pension plans for the benefit of all its employees throughout the Group, which vary depending on the conditions and practices in the countries concerned. The Group's pension plans are provided through defined contribution schemes. Defined contribution schemes offer employees individual funds that are converted into benefits at the time of retirement. Current contributions to the defined contribution schemes amounted to R179 million (2010: R163 million; 2009: R151 million). South African funds are governed in terms of the Pension Funds Act of 1956. The assets in the funds are held in separate accounts and funds are raised through payments from employees and the Group.

27. Events after the reporting period

Dividend declared after the reporting period and not recognised as a liability

A final dividend of R4 166 million (280 cents per ordinary share) was declared for the year ended 31 March 2011, payable on Monday 4 July 2011 to shareholders recorded in the register at the close of business on Friday 1 July 2011. The secondary tax on companies payable on this dividend amounts to R417 million.

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28. Related parties

The Group's related parties are its parent, joint venture, associate, pension schemes (Note 26) and key management including directors (Note 28.3). In prior years, Telkom SA Limited and its subsidiaries were included in related parties since Telkom SA Limited had joint control over the Group. All transactions with related parties have been made on terms equivalent to those that prevail in arm's length transactions.

Rm	2011	2010	2009
28.1 Balances with related parties			
Accounts receivable			
Telkom SA Limited and subsidiaries	**–**	–	675
Vodafone Group Plc and subsidiaries	**277**	151	150
WBS Holdings (Pty) Limited	**–**	38	123
Other	**1**	8	1
Accounts payable			
Telkom SA Limited and subsidiaries	**–**	–	(133)
Vodafone Group Plc and subsidiaries	**(264)**	(154)	(189)
WBS Holdings (Pty) Limited	**–**	–	(1)
Balances with entities in which related parties have an interest	**(1)**	–	(2)
Dividends payable			
Telkom SA Limited	**–**	–	(1 100)
Vodafone Holdings SA (Pty) Limited	**–**	–	(658)
Vodafone Investments SA (Pty) Limited	**–**	–	(442)

These outstanding balances are unsecured and will be settled in cash in the ordinary course of business. No guarantees or provision for doubtful debts have been recognised, except for the provision for the loans granted to WBS Holdings (Pty) Limited during 2010 which was partially recovered during 2011 (Note 11.5).

Rm	2011	2010	2009
28.2 Transactions with related parties			
Telkom SA Limited and subsidiaries	**–**	775	(1 306)
Revenue	**–**	776	3 108
Direct expenses	**–**	(1)	(465)
Other operating expenses	**–**	–	(1 349)
Dividends declared	**–**	–	(2 600)
Vodafone Group Plc and subsidiaries	**(3 764)**	(1 457)	(3 106)
Revenue	**120**	138	119
Direct expenses	**(440)**	(513)	(623)
Staff expenses	**(8)**	(14)	–
Other operating expenses	**(3)**	(4)	(2)
Dividends declared	**(3 433)**	(1 064)	(2 600)
WBS Holdings (Pty) Limited	**18**	49	9
Revenue	**21**	53	11
Direct expenses	**–**	(2)	–
Other operating expenses	**(3)**	(2)	(2)
Other	**8**	(24)	(14)
Revenue	**26**	27	10
Direct expenses	**(4)**	(38)	(23)
Other operating expenses	**(14)**	(13)	(1)
Transactions with entities in which related parties have an interest	**(6)**	(6)	(60)

Rm	2011	2010	2009

28. Related parties (continued)

28.3 Key management personnel and directors' remuneration

Rm	2011	2010	2009
Key management[1]	**(12)**	(15)	(85)
Short-term employee benefits	**(9)**	(10)	(67)
Post-employment benefits	**(1)**	(2)	(6)
Other long-term employee benefits	**–**	(2)	(11)
Share-based payments	**(2)**	(1)	(1)

Note:
1. Key management includes chief officers and group executives up to 31 January 2009. The Group introduced an Executive Committee on 1 February 2009, replacing key management as previously defined.

Rm	2011	2010	2009
Directors			
Executive directors	**(63)**	(58)	(64)
Short-term employee benefits	**(39)**	(31)	(44)
Post-employment benefits[1]	**(5)**	(5)	(5)
Other long-term employee benefits	**(4)**	(19)	(15)
Share-based payments	**(15)**	(3)	–
Non-executive directors	**(4)**	(4)	(2)
Directors' fees	**(4)**	(4)	(2)
Directors' remuneration paid and accrued by:	**(67)**	(62)	(66)
Vodacom Group Limited	**(50)**	(37)	(50)
Subsidiaries	**(17)**	(25)	(16)

Note:
1. Included in 'Post-employment benefits' is an amount of R2 million (2010: R3 million; 2009: R3 million) relating to contributions to provident funds made annually from bonus allocations.

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28. Related parties (continued)

28.3 Key management personnel and directors' remuneration (continued)

Included in the aggregate directors' remuneration above are the following individual director's remunerations (further details can be found in the remuneration report):

R	Directors' fees	Salary	Retirement contributions	Other[1]
2011				
Executive directors				
PJ Uys	**–**	**5 636 117**	**1 092 008**	**8 339**
MS Aziz Joosub	**–**	**4 574 595**	**758 655**	**1 001 144**
RA Shuter	**–**	**3 775 830**	**1 011 045**	**4 348**
Non-executive directors				
MP Moyo	**1 033 333**	**–**	**–**	**–**
P Bertoluzzo*	**227 999**	**–**	**–**	**–**
TA Boardman	**537 999**	**–**	**–**	**–**
M Joseph*	**227 999**	**–**	**–**	**–**
M Lundal*	**370 499**	**–**	**–**	**–**
P Malabie	**190 915**	**–**	**–**	**–**
TM Mokgosi-Mwantembe	**448 002**	**–**	**–**	**–**
PJ Moleketi	**383 832**	**–**	**–**	**–**
NJ Read*	**116 000**	**–**	**–**	**–**
RAW Schellekens*	**370 499**	**–**	**–**	**–**
RC Snow*	**111 999**	**–**	**–**	**–**
	4 019 076	**13 986 542**	**2 861 708**	**1 013 831**
2010				
Executive directors				
PJ Uys	–	5 379 500	945 500	215 766
MS Aziz Joosub	–	3 876 417	644 416	145 377
RA Shuter	–	2 523 411	676 589	8 404 477
J van der Watt[4]	–	661 702	113 298	117 450
Non-executive directors				
MP Moyo	870 968	–	–	–
P Bertoluzzo*	55 000	–	–	–
TA Boardman	520 000	–	–	–
M Joseph*	191 613	–	–	–
M Lundal*	345 000	–	–	–
JCG Maclaurin*	165 000	–	–	–
P Malabie	320 000	–	–	–
TM Mokgosi-Mwantembe	341 210	–	–	–
PJ Moleketi	91 667	–	–	–
RAW Schellekens*	345 000	–	–	–
RC Snow*	220 000	–	–	–
	3 465 458	12 441 030	2 379 803	8 883 070

Notes:

* Fees due to these directors were paid to Vodafone Group Plc, the company by which the director is employed, other than for these no payments were made to third parties in lieu of directors' fees.

1. Includes relocation allowance, acting allowance, leave encashment and employee gifts. In 2010, a sign-on arrangement/restraint of trade was included for RA Shuter, which was expensed over a two-year period.
2. Includes mobile phone benefit and subsistence allowance.
3. Expenses provided for the year ended 31 March 2011 and 2010.
4. J van der Watt served as director from 1 April 2009 to 30 June 2009 (three months' data reflected).

Expense allowances[2]	Short-term incentives ('STI')[3]	Remuneration report	Expensed over term	STI actual versus provision	Long-term incentives and others[3]	Total
9 239	**6 445 123**	**13 190 826**	**–**	**1 104 655**	**8 532 289**	**22 827 770**
15 100	**7 233 817**	**13 583 311**	**–**	**(852 948)**	**9 157 662**	**21 888 025**
21 641	**5 419 282**	**10 232 146**	**4 200 000**	**(47 801)**	**4 091 147**	**18 475 492**
5 816	**–**	**1 039 149**	**–**	**–**	**–**	**1 039 149**
–	**–**	**227 999**	**–**	**–**	**–**	**227 999**
–	**–**	**537 999**	**–**	**–**	**–**	**537 999**
–	**–**	**227 999**	**–**	**–**	**–**	**227 999**
–	**–**	**370 499**	**–**	**–**	**–**	**370 499**
–	**–**	**190 915**	**–**	**–**	**–**	**190 915**
–	**–**	**448 002**	**–**	**–**	**–**	**448 002**
–	**–**	**383 832**	**–**	**–**	**–**	**383 832**
–	**–**	**116 000**	**–**	**–**	**–**	**116 000**
–	**–**	**370 499**	**–**	**–**	**–**	**370 499**
–	**–**	**111 999**	**–**	**–**	**–**	**111 999**
51 796	**19 098 222**	**41 031 175**	**4 200 000**	**203 906**	**21 781 098**	**67 216 179**
7 908	4 151 897	10 700 571	–	1 477 353	8 517 437	20 695 361
19 633	4 766 842	9 452 685	6 000 000	(1 287 842)	11 196 291	25 361 134
1 957	2 599 448	14 205 882	(5 250 000)	(203 198)	1 548 301	10 300 985
–	1 010 275	1 902 725	–	(165 525)	218 894	1 956 094
–	–	870 968	–	–	–	870 968
–	–	55 000	–	–	–	55 000
–	–	520 000	–	–	–	520 000
–	–	191 613	–	–	–	191 613
–	–	345 000	–	–	–	345 000
–	–	165 000	–	–	–	165 000
–	–	320 000	–	–	–	320 000
–	–	341 210	–	–	–	341 210
–	–	91 667	–	–	–	91 667
–	–	345 000	–	–	–	345 000
–	–	220 000	–	–	–	220 000
29 498	12 528 462	39 727 321	750 000	(179 212)	21 480 923	61 779 032

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Rm	2011	2010	2009
29. Financial instruments and risk management			
29.1 Net (losses)/gains on financial instruments			
Net (losses)/gains on financial instruments analysed by category, are as follows:			
Financial assets and liabilities at fair value through profit or loss, classified as held for trading	**(154)**	(379)	(418)
Loans and receivables	**28**	(335)	32
Available-for-sale financial assets	**(34)**	2	–
Financial liabilities measured at amortised cost	**(940)**	(1 384)	(1 250)
Net losses attributable to financial instruments	**(1 100)**	(2 096)	(1 636)
29.2 Carrying amounts of financial instruments			
Carrying amounts of financial instruments analysed by category, are as follows:			
Loans and receivables	**9 780**	9 255	9 796
Financial assets at fair value through profit or loss, classified as held for trading	**116**	113	108
Available-for-sale financial assets	**108**	98	74
Derivatives designated as cash flow hedging instruments	**73**	–	–
Financial liabilities measured at amortised cost	**(18 507)**	(20 014)	(25 838)
Financial liabilities at fair value through profit or loss, classified as held for trading	**(16)**	(97)	(53)
	(8 446)	(10 645)	(15 913)
29.3 Fair value hierarchy			
The table below sets out the valuation basis of financial instruments measured at fair value:			
Level two[1]			
Financial assets and liabilities at fair value through profit or loss, classified as held for trading			
Money market investments (Note 11)	**106**	102	84
Derivative financial assets (Note 13)	**10**	11	24
Derivative financial liabilities (Note 18)	**(16)**	(97)	(53)
Derivatives designated as cash flow hedging instruments			
Derivative financial assets (Note 13)	**73**	–	–
	173	16	55

Note:

1. Level two classification is used when valuation inputs used to determine fair value are observable for the asset/(liability), either directly as prices or indirectly when derived from prices. The Group has no level one or three financial instruments measured at fair value.

29.4 Financial risk management

The Group's normal operations, its sources of finance and changing market conditions expose it to various financial risks, which highlights the importance of financial risk management as an element of control. Principal financial risks faced by the Group are foreign currency, interest rate, equity price, credit, liquidity and insurance risk.

The Group's treasury function provides a centralised service to the Group for co-ordinating access to domestic and international financial markets and the managing of foreign currency, interest rate and liquidity risk. The aforementioned risks are managed, subject to the limitations of the local markets in which the various Group companies operate and the South African Reserve Bank Regulations. Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed annually by the Board.

The Group uses a number of derivative instruments that are transacted for foreign currency and interest rate risk management purposes only. There has been no significant change during the reporting period, or since the end of the reporting period, to the types of financial risks faced by the Group, the measures used to measure them or the objectives, policies and processes for managing them.

29. Financial instruments and risk management (continued)

29.4 Financial risk management (continued)

29.4.1 Market risk management

The Group's activities expose it to the risks of fluctuations in foreign currency exchange rates (Note 29.4.1.1), interest rates (Note 29.4.1.2) and equity prices (Note 29.4.1.3).

Market risk exposures are measured using sensitivity analyses, which show how profit post tax or equity post tax would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date. Sensitivity analyses are for illustrative purposes only as, in practice, market rates rarely change in isolation. Details of changes in the methods and assumptions used in preparing the sensitivity analyses are disclosed in the respective sensitivity analyses.

29.4.1.1 Foreign currency risk management

Various monetary items exist in currencies other than the functional currencies of the entities within the Group. The tables below disclose the net currency exposure (net carrying amount of foreign-denominated monetary assets/(liabilities) expressed in the presentation currency of the Group) per functional currency. The Group is mainly exposed to the euro, pound sterling and United States dollar and to a lesser extent to the Congolese franc, Swiss franc, Australian dollar, Tanzanian shilling, Mozambican metical, Mauritian rupee, Lesotho maloti, Nigerian naira, Zambian kwacha and South African rand combined as 'Other'.

Rm	Euro	Pound sterling	United States dollar	Other
2011				
Functional currency				
South African rand	**(34)**	**–**	**(505)**	**(58)**
United States dollar	**(3)**	**–**	**–**	**34**
Tanzanian shilling	**(6)**	**–**	**(543)**	**(6)**
Mozambican metical	**7**	**–**	**68**	**(17)**
	(36)	**–**	**(980)**	**(47)**
2010				
Functional currency				
South African rand	(606)	(6)	(26)	(15)
United States dollar	(112)	3	–	56
Tanzanian shilling	(56)	–	(664)	(12)
Mozambican metical	28	–	35	(13)
	(746)	(3)	(655)	16
2009				
Functional currency				
South African rand	(560)	(29)	40	3
United States dollar	82	–	–	83
Tanzanian shilling	(78)	–	(305)	(2)
Mozambican metical	(6)	–	1	(27)
	(562)	(29)	(264)	57

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29. Financial instruments and risk management (continued)

29.4 Financial risk management (continued)

29.4.1 Market risk management (continued)

29.4.1.1 Foreign currency risk management (continued)

The Group's South African operations manage its exposure to fluctuations in foreign currency exchange rates by entering into foreign exchange forward contracts for foreign-denominated transactions above certain monetary levels. The contracts are entered into for specific transactions and are matched with anticipated future cash flows, in foreign currencies, primarily for the purchase of capital equipment and to a lesser extent operating expenditure. The Group's policy is generally that entities within the Group borrow funds denominated in their respective functional currencies, however, in those instances where funds are borrowed in foreign-denominated currencies and a forward market exist, exposure to fluctuations in foreign currency exchange rates are managed by entering into foreign exchange forward contracts.

The tables below provide a currency split of the Group's net derivative financial assets and liabilities relating to material open foreign exchange forward contracts at the reporting date:

Rm	2011	2010	2009
Forward contracts to buy foreign currency			
Euro[1]	**(8)**	(93)	(35)
Pound sterling[2]	**–**	–	(7)
United States dollar[3]	**(4)**	(4)	(1)
Net derivative financial liability	**(12)**	(97)	(43)

Notes:
Foreign contract values amount to:
1. €100 million (2010: €106 million; 2009: €76 million).
2. 2009: £4 million.
3. US$57 million (2010: US$23 million; 2009: US$27 million).

Rm	2011	2010	2009
Forward contracts to sell foreign currency			
Euro[1]	**–**	2	1
Pound sterling[2]	**–**	1	1
Net derivative financial asset	**–**	3	2

Notes:
Foreign contract values amount to:
1. 2010: €13 million and 2009: €3 million.
2. 2010: £0.1 million and 2009: £1 million.

Of the R12 million net liability (2010: R94 million net liability; 2009: R41 million net liability), R4 million (2010: R3 million; 2009: R12 million) is reported in trade and other receivables and R16 million (2010: R97 million; 2009: R53 million) in trade and other payables.

Foreign currency sensitivity analysis

The analysis below, expressed in the Group's presentation currency, discloses the Group's sensitivity to the specified percentage change in the functional currencies against the relevant foreign currencies exposed to. Management's assessment of a reasonable possible change in prevailing non-African and African foreign currency exchange rates is based on estimated interest rate differentials.

The analysis includes outstanding foreign-denominated monetary items only and adjusts their translations, at the reporting date, to the relevant functional currencies with the specified percentage change.

A positive number indicates an increase and a negative number a decrease in profit post tax, where the functional currencies are expected to strengthen against the relevant foreign currencies. For the same percentage weakening the impact would be equal and opposite.

29. Financial instruments and risk management (continued)

29.4 Financial risk management (continued)

29.4.1 Market risk management (continued)

29.4.1.1 Foreign currency risk management (continued)

Foreign currency sensitivity analysis (continued)

	Euro	Pound sterling	United States dollar	Other
2011				
Functional currency				
South African rand (%)	**3.7**	**2.1**	**5.1**	**0.1 – 5.7**
United States dollar (%)	**8.4**	**2.9**	**–**	**0.9 – 10.0**
Tanzanian shilling (%)	**5.8**	**0.1**	**2.9**	**1.1 – 6.5**
Mozambican metical (%)	**0.8**	**6.8**	**10.0**	**3.5 – 11.0**
Profit post tax (Rm)	**(12)**	**(24)**	**(47)**	**1**
2010				
Functional currency				
South African rand (%)	5.3	5.5	5.3	0.5 – 19.2
United States dollar (%)	0.2	–	–	0.2 – 23.2
Tanzanian shilling (%)	12.7	12.9	12.9	7.2
Mozambican metical (%)	15.6	15.8	15.8	10.0
Profit post tax (Rm)	(56)	(6)	40	(6)
2009				
Functional currency				
South African rand (%)	6.1	6.1	5.9	0.9 – 10.4
United States dollar (%)	0.2	0.2	–	1.0 – 16.9
Tanzanian shilling (%)	4.5	4.5	4.3	1.5
Mozambican metical (%)	16.0	16.0	15.8	–
Profit post tax (Rm)	(33)	(6)	2	(3)

Closing exchange rates used at the reporting date are as follows:

	Euro	Pound sterling	United States dollar
2011			
Functional currency			
South African rand	**9.6**	**10.9**	**6.8**
United States dollar	**1.4**	**1.6**	**–**
Tanzanian shilling	**2 129.0**	**2 410.1**	**1 500.3**
Mozambican metical	**43.9**	**49.7**	**31.0**
2010			
Functional currency			
South African rand	9.9	11.1	7.4
United States dollar	1.3	1.5	–
Tanzanian shilling	1 822.3	2 046.7	1 360.0
Mozambican metical	43.0	48.3	32.1

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29. Financial instruments and risk management (continued)

29.4 Financial risk management (continued)

29.4.1 Market risk management (continued)

29.4.1.2 Interest rate risk management

The Group is exposed to fair value and cash flow interest rate risk as a result of its fixed and floating rate loans receivable, borrowings, finance lease receivables, interest rate swaps and bank balances. The Group's interest rate profile can be summarised as follows:

Rm	2011	2010	2009
Financial assets			
Fixed rate financial assets	**1 180**	1 201	1 094
Floating rate financial assets	**870**	762	793
	2 050	1 963	1 887
Financial liabilities			
Fixed rate financial liabilities	**(3 426)**	(709)	(1 160)
Floating rate financial liabilities	**(6 526)**	(11 985)	(15 045)
	(9 952)	(12 694)	(16 205)

The floating rates which the Group is exposed to, is the South African prime, South African BA, JIBAR, South African money market, LIBOR, EURIBOR, Lesotho prime and Tanzanian reference treasury bill rates.

The Group's policy is to maintain an appropriate mix between fixed and floating rate instruments. The Group specifically manages its exposure to interest rate risk relating to interest bearing borrowings through a target ratio of fixed and variable rate borrowings. To achieve this ratio the Group may borrow at fixed rates or enter into approved derivative financial instruments. The target ratio is a third fixed, a third floating and a third managed, being either fixed or floating.

At the reporting date the Group had five open interest rate swap agreements, all settled on a net basis.

Details of interest rate swaps designated as hedging instruments in cash flow hedging arrangements and utilised to swap a portion of the Group's floating interest bearing borrowings to fixed:

	Swap one[1]	Swap two[1]	Swap three[2]
Floating interest rate	**JIBAR + 1.5%**	**JIBAR + 1.5%**	**JIBAR + 1.8%**
Fixed interest rate	**6.3% NACQ**	**6.4% NACQ**	**7.1% NACQ**
Notional principal amount (Rm)	**1 000**	**1 000**	**1 000**
Termination date	**30 September 2013**	**30 September 2013**	**30 September 2015**

Details of interest rate swaps not designated as hedging instruments and utilised to swap a portion of the Group's fixed interest bearing borrowings to floating:

	Swap four[3]	Swap five[3]
Fixed interest rate	**20.1% NACQ**	**13.3% NACS**
Floating interest rate	**BA + 2.3%**	**BA + 2.0%**
Notional principal amount (Rm)	**2011: 17 2010: 24 2009: 29**	**2011: 56 2010: 69 2009: 78**
Termination date	**24 August 2012**	**1 December 2012**

Notes:
1. Swaps one and two relate to the interest bearing borrowings from Nedbank Limited and Absa Bank Limited (Note 17).
2. Swap three relates to the interest bearing borrowings from Old Mutual Specialised Financing (Pty) Limited and Minervois Trading No. 2 (Pty) Limited (Note 17).
3. Swaps four and five relate to the interest bearing borrowings from FirstRand Bank Limited (Note 17).

29. Financial instruments and risk management (continued)

29.4 Financial risk management (continued)

29.4.1 Market risk management (continued)

29.4.1.2 Interest rate risk management (continued)

The fair value of interest rate swaps is calculated by means of a discounted cash flow method and with reference to the notional principal amounts and fixed interest rates as disclosed above and the following ranges of forward floating interest rates, as determined with reference to the applicable zero coupon yield curve as at 31 March (Note 13).

%	2011	2010	2009
Swaps one and two	**5.6 – 8.6**	–	–
Swap three	**5.6 – 9.3**	–	–
Swap four	**8.1 – 9.6**	9.5 – 9.6	9.5 – 11.8
Swap five	**5.9 – 9.8**	9.8 – 13.9	11.3 –13.9

Interest rate sensitivity analysis

The analysis below, expressed in the Group's presentation currency, discloses the Group's sensitivity to the specified basis point change in the market interest rates exposed to. Management's assessment of a reasonable possible change in market interest rates for 2011 are based on economic forecasts as published by Bloomberg whereas for prior reporting periods it was based on economic forecasts as published by Reuters. The change is as a result of aligning with practices of the Group's ultimate parent, Vodafone Group Plc.

The analysis includes both derivative and non-derivative instruments at the reporting date and in the case of floating rate instruments, the analysis is prepared assuming the amount outstanding at the reporting date was outstanding for the whole year.

A negative number indicates a decrease in profit post tax if interest rates were higher by the specified basis points. If interest rates were lower by the specified basis points, the impact would be equal and opposite. There would be no material impact on equity.

	2011	2010	2009
South African prime, South African BA, JIBAR and South African money market rates			
Basis point increase	**100**	100	200
Profit post tax (Rm)	**(36)**	(76)	(185)

A reasonable possible change in the remaining interest rates exposed to, being LIBOR, EURIBOR, Lesotho prime and Tanzanian reference treasury bill rates, would have no material impact on profit post tax.

29.4.1.3 Equity price risk

The Group is to a small extent, exposed to equity price risk and therefore a reasonable possible change in equity prices will not have a material impact on profit post tax. The Group had no exposure to equity price risk during 2010 and 2009.

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29. Financial instruments and risk management (continued)

29.4 Financial risk management (continued)

29.4.2 Credit risk management

Loans receivable, money market investments, trade and other receivables, derivative financial instruments, finance lease receivables, cash and cash equivalents, and financial guarantees granted potentially expose the Group to credit risk.

The carrying amounts of financial assets, which are net of impairment losses, represent the Group's maximum exposure to credit risk, with the exception of financial guarantees granted where the amount the Group could be required to pay or fund, if called on, represents the Group's maximum exposure. The Group considers its maximum exposure per geographical class, without taking into account any collateral and financial guarantees, to be as follows:

Rm	2011	2010	2009
South Africa	**8 072**	7 697	7 354
Non-South African	**2 654**	2 329	3 067
	10 726	10 026	10 421

The Group's policy is to deal with creditworthy counterparties only and to obtain sufficient collateral, where appropriate, to mitigate the risk of financial loss from counterparty defaults.

The Group only transacts with counterparties rated the equivalent of investment grade and above. This information is supplied by independent rating agencies or credit bureaus, where available. If not available, other publicly available financial information, the financial standing of counterparties, the Group's own trading records or the Group's internal grading system is used for rating the credit quality of counterparties. Contractual arrangements are entered into with network operator customers as determined by regulatory requirements and industry norms. Credit exposure is further controlled by defining credit limits per counterparty which are reviewed and approved by the credit risk department. The Group's exposure and credit ratings of counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. In determining the recoverability of trade receivables, the Group considers changes in credit quality.

The Group's largest customer represents 18.5% (2010: 21.2%; 2009: 17.4%) of the total trade receivable balance. With the exception of the aforementioned, the credit risk for trade, finance lease and other receivables is generally limited due to the customer base being large and unrelated in conjunction with stringent credit approval processes. Due to this management believes there is no further provision required in excess of the normal provision for doubtful receivables. Credit risk is limited for loans receivable due to collateral held and for cash and cash equivalents as they are placed with high credit quality financial institutions. Credit risk relating to derivatives is minimised by limiting the counterparties to major local and international banks, which are closely monitored, and the Group does not expect to incur any losses as a result of non-performance by these counterparties.

The average legally agreed credit period on trade receivables is between 30 and 60 days, for all reporting periods, for the South African operations and between 30 and 75 days, for all reporting periods, for the non-South African operations.

The Group holds collateral to the value of R1 371 million (2010: R2 265 million; 2009: R1 855 million) over certain trade and other receivables, which is made up of demand guarantees from financial institutions, exercisable on overdue invoices. Collateral held over loans receivable is disclosed in Note 11.

29. Financial instruments and risk management (continued)

29.4 Financial risk management (continued)

29.4.2 Credit risk management (continued)

The table below discloses the credit quality of the trade receivables of the Group's South African-based operations which are neither past due nor impaired:

%	2011	2010	2009
High[1]	–	1.0	–
Medium[2]	–	–	14.7
Low[3]	**100.0**	99.0	85.3
	100.0	100.0	100.0

Notes:
1. High: probability of default in payments exist and possible delinquency scenario.
2. Medium: probability of financial difficulties exist resulting in arrears.
3. Low: no default in payment occurred or anticipated.

The tables below disclose an analysis of the age of financial assets that are past due but not impaired and are presented net of doubtful receivable allowance:

Rm	2011	2010	2009
South Africa			
1 – 30 days past due	**83**	62	155
31 – 60 days past due	**14**	18	63
61 – 120 days past due	**33**	32	85
121 days to 12 months past due	**8**	42	2
More than 12 months past due	**7**	181	75
	145	335	380
Non-South African			
1 – 30 days past due	**221**	38	65
31 – 60 days past due	**83**	62	23
61 – 120 days past due	**173**	42	19
121 days to 12 months past due	**34**	67	27
More than 12 months past due	**18**	9	5
	529	218	139

The Group holds collateral, in the form of guarantees and deposits, with a fair value of R29 million, over South African-based financial assets that are past due but not impaired.

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29. Financial instruments and risk management (continued)

29.4 Financial risk management (continued)

29.4.3 Liquidity risk management

The tables below disclose the maturity profile of the Group's non-derivative financial liabilities and, for 2011 and 2010, those financial assets used for managing liquidity risk. The amounts disclosed are the future undiscounted contractual cash (outflows)/inflows which therefore differ from both the carrying amount and the fair value. The tables have been drawn up based on the earliest date on which the Group can be required to settle or can require settlement and include both estimated interest and principal cash flows. Estimated interest for floating interest rate financial liabilities is calculated with reference to the applicable zero coupon yield curves, at the reporting date, as published by Bloomberg for 2011 and Reuters for prior reporting periods. The change is as result of aligning with practices of the Group's ultimate parent, Vodafone Group Plc.

Rm	0 – 1 year	2 years	3 years	4 years	5 years	5+ years	Not determinable	Total
2011								
Financial liabilities								
Interest bearing borrowings	**(3 104)**	**(2 282)**	**(4 812)**	**(107)**	**(1 060)**	**(153)**	**–**	**(11 518)**
Non-interest bearing borrowings	**(436)**	**–**	**–**	**–**	**–**	**–**	**(7)**	**(443)**
Trade and other payables	**(8 112)**	**–**	**–**	**–**	**–**	**–**	**–**	**(8 112)**
Bank overdrafts	**(331)**	**–**	**–**	**–**	**–**	**–**	**–**	**(331)**
	(11 983)	**(2 282)**	**(4 812)**	**(107)**	**(1 060)**	**(153)**	**(7)**	**(20 404)**
Financial assets								
Trade and other receivables	**9 420**	**–**	**–**	**–**	**–**	**–**	**–**	**9 420**
Cash and cash equivalents	**870**	**–**	**–**	**–**	**–**	**–**	**–**	**870**
	10 290	**–**	**–**	**–**	**–**	**–**	**–**	**10 290**
2010								
Financial liabilities								
Interest bearing borrowings	(3 293)	(1 961)	(3 073)	(4 528)	(10)	(1 185)	–	(14 050)
Non-interest bearing borrowings	(436)	–	–	–	–	–	(6)	(442)
Trade and other payables	(6 958)	(18)	–	–	–	–	–	(6 976)
Bank overdrafts	(110)	–	–	–	–	–	–	(110)
	(10 797)	(1 979)	(3 073)	(4 528)	(10)	(1 185)	(6)	(21 578)
Financial assets								
Trade and other receivables	8 328	320	81	–	–	–	–	8 729
Cash and cash equivalents	1 061	–	–	–	–	–	–	1 061
	9 389	320	81	–	–	–	–	9 790
2009								
Financial liabilities								
Interest bearing borrowings	(8 428)	(2 007)	(2 050)	(740)	(4 658)	(1 490)	–	(19 373)
Non-interest bearing borrowings	–	–	–	–	–	–	(6)	(6)
Trade and other payables	(9 680)	–	–	–	–	–	–	(9 680)
Bank overdrafts	(20)	–	–	–	–	–	–	(20)
	(18 128)	(2 007)	(2 050)	(740)	(4 658)	(1 490)	(6)	(29 079)

29. Financial instruments and risk management (continued)

29.4 Financial risk management (continued)

29.4.3 Liquidity risk management (continued)

The tables below disclose the maturity profile of the Group's derivative financial assets and liabilities which includes foreign exchange forward contracts and interest rate swaps. The amounts disclosed are the future undiscounted contractual cash (outflows)/inflows, however, for those derivative financial instruments for which gross settlement has been agreed, the cash outflows are matched in part by cash inflows, which are not reported in the tables below and if reported the cash flows presented would be substantially lower. In the case of the interest rate swaps, where the amounts payable or receivable are not fixed, the amounts are calculated with reference to the applicable zero coupon yield curves at the reporting date.

Rm	0 – 1 year	2 years	3 years	4 years	5 years	Total
2011						
Net settled	**(27)**	**34**	**37**	**19**	**10**	**73**
Gross settled						
Payable	**(1 164)**	**–**	**–**	**–**	**–**	**(1 164)**
	(1 191)	**34**	**37**	**19**	**10**	**(1 091)**
2010						
Net settled	(30)	–	–	–	–	(30)
Gross settled						
Payable	(1 186)	–	–	–	–	(1 186)
Receivable	5	–	–	–	–	5
	(1 211)	–	–	–	–	(1 211)
2009						
Net settled	(6)	–	–	–	–	(6)
Gross settled						
Payable	(1 282)	(5)	–	–	–	(1 287)
Receivable	1	–	–	–	–	1
	(1 287)	(5)	–	–	–	(1 292)

The Group ensures that adequate funds are available to meet its expected and unexpected financial commitments through undrawn borrowing facilities. At the reporting date the Group had undrawn rand-denominated borrowing facilities of R4 453 million (2010: R3 916 million; 2009: R3 340 million) and undrawn foreign-denominated borrowing facilities of US$16 million (2010: US$32 million; 2009: US$7 million), TZSNil million (2010: TZSNil million; 2009: TZS54 000 million), LSL14 million (2010: LSL22 million; 2009: LSL12 million) available to manage its liquidity. The Group uses bank facilities and the normal operating cycle to manage short-term liquidity. The Group raises funds in bank markets and ensures a reasonable balance is maintained between the period over which assets generate funds and the period over which the respective assets are funded to manage long-term liquidity. Liquidity on long-term borrowings is managed by maintaining a varied maturity profile thereby minimising refinancing risk.

29.4.4 Insurance risk management

The Group is exposed to insurance risk as a result of its asset base as well as its customer commitments. In terms of its insurance risk profile, the Group ensures that there is adequate insurance cover through the utilisation of a special purpose insurance vehicle.

Notes to the consolidated annual financial statements

for the year ended 31 March

29. Financial instruments and risk management (continued)

29.5 Capital risk management

The Group finances its operations through a mixture of cash generated from operations, retained earnings, bank and other long-term borrowings. These borrowings together with surplus cash may be loaned internally or contributed as equity to certain subsidiaries.

The capital structure of the Group consists of net debt and equity. The Group manages its capital to ensure that entities within the Group will be able to continue as going concerns while maximising return to shareholders. Capital is monitored on the basis of net debt to EBITDA.

Net debt comprises interest bearing borrowings, non-interest bearing borrowings, derivative financial instruments, bank and cash balances, bank overdrafts and financial guarantees. In 2009 net debt included dividends payable and related STC payable which has been excluded prospectively since 2010, so as to align with practices of the Group's ultimate parent, Vodafone Group Plc.

EBITDA comprises earnings before interest, taxation, depreciation, amortisation, impairment losses, BBBEE charge, profit/loss on disposal of property, plant and equipment, intangible assets and investment properties.

The Group's strategy is to maintain a net debt to EBITDA multiple of less than two. The Group's overall strategy remains unchanged from prior reporting periods. This internal ratio establishes levels of debt that the Group should not exceed other than for relatively short periods of time and it is reviewed on a semi-annual basis to ensure it is being met. The Group complied with this ratio throughout the year.

The Group is not subject to externally imposed capital requirements.

The following table summarises the capital of the Group:

Rm	2011	2010	2009
Bank and cash balances	**870**	1 061	1 104
Bank overdrafts	**(331)**	(110)	(20)
Borrowings and derivative financial instruments	**(9 997)**	(13 112)	(16 191)
Net debt before dividends and STC payable	**(9 458)**	(12 161)	(15 107)
Dividends and STC payable	**–**	–	(2 430)
Net debt	**(9 458)**	(12 161)	(17 537)
Equity	**(16 180)**	(14 636)	(15 098)
Capital	**(25 638)**	(26 797)	(32 635)
EBITDA and the net debt to EBITDA multiple at the reporting date is as follows:			
EBITDA	**20 594**	19 782	18 196
Net debt/EBITDA (times)	**0.5**	0.6	1.0

29.6 Option agreements and similar arrangements

29.6.1 VM, SA

Empresa Moçambicana de Telecommunicaçòes SA ('Emotel'), Intelec Holdings Limitada ('Intelec') and Whatana Investments Limitada ('Whatana') each hold a call option to acquire 5.0% of the shares in VM, SA. The option period shall commence after the trigger event and will terminate 36 months thereafter. If exercised it will result in a 70.0% shareholding for the Group. The options can only be exercised after all specified obligations to the Group have been fully discharged. The option prices are specified in the shareholders' agreement. The options had nil values at all reporting periods.

29.6.2 Vodacom Congo (RDC) s.p.r.l.

Congolese Wireless Network s.p.r.l. held a put option relating to 19.0% of the shares of Vodacom Congo (RDC) s.p.r.l. which expired on 1 December 2009. As at 31 March 2009 the option had no value and the obligation to settle the option in cash represented a financial liability of R43 million.

29.6.3 Other

The Group held various call options and similar arrangements over the shares of entities in which the Group has equity interests accounted for as available-for-sale financial assets (Note 11). During the year most of these were cancelled.

Independent auditors' report on the condensed Company annual financial statements

To the members of Vodacom Group Limited

The accompanying condensed Company annual financial statements, which comprise the condensed Company statement of financial position as at 31 March 2011, the condensed Company income statement, the condensed Company statement of comprehensive income, condensed Company statement of changes in equity and condensed Company statement of cash flows for the year then ended, and related notes, are derived from the audited annual financial statements of Vodacom Group Limited ('the Company') for the year ended 31 March 2011. We expressed an unmodified audit opinion on those annual financial statements in our report dated 3 June 2011. Those annual financial statements, and the condensed Company annual financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those annual financial statements.

The condensed Company annual financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the condensed Company annual financial statements, therefore, is not a substitute for reading the audited annual financial statements of the Company.

Directors' responsibility for the condensed Company annual financial statements

The directors are responsible for the preparation of the condensed Company annual financial statements in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards as issued by the International Accounting Standards Board, the AC 500 standards as issued by the Accounting Practices Board and the information as required by IAS 34: Interim Financial Reporting.

Auditors' responsibility

Our responsibility is to express an opinion on the condensed Company annual financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, 'Engagements to Report on Summary Financial Statements'.

Opinion

In our opinion, the condensed Company annual financial statements, as set out on pages 96 to 104, derived from the audited annual financial statements of the Company for the year ended 31 March 2011 are consistent, in all material respects, with those annual financial statements, in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards, the AC 500 standards as issued by the Accounting Practices Board and the information as required by IAS 34: Interim Financial Reporting.

Deloitte & Touche
Registered Auditors
Per PJ Smit
Partner
Johannesburg, South Africa
3 June 2011
Buildings 1 and 2, Deloitte Place
The Woodlands, Woodlands Drive
Woodmead, Sandton

National Executive: GG Gelink *(Chief Executive)*, AE Swiegers *(Chief Operating Officer)*, GM Pinnock *(Audit)*, DL Kennedy *(Risk Advisory)*, NB Kader *(Tax & Legal Services)*, L Geeringh *(Consulting)*, L Bam *(Corporate Finance)*, JK Mazzocco *(Human Resources)*, CR Beukman *(Finance)*, TJ Brown *(Clients)*, NT Mtoba *(Chairman of the Board)*, MJ Comber *(Deputy Chairman of the Board)*.

A full list of partners and directors is available on request.

Condensed Company income statement

for the year ended 31 March

Rm	Notes	2011	2010	2009
Revenue		**506**	595	586
Staff expenses	10	**(319)**	(381)	(304)
Publicity expenses		**(19)**	(16)	(27)
Other operating expenses	10	**(125)**	(213)	(161)
Depreciation and amortisation		**(5)**	(12)	(18)
Impairment losses	1	**(1 420)**	(5 172)	(470)
Operating loss		**(1 382)**	(5 199)	(394)
Finance income		**9 981**	12 236	9 291
Finance costs		**(435)**	(841)	(918)
Net loss on remeasurement and disposal of financial instruments	2	**(1 907)**	(2 538)	(341)
Profit before tax		**6 257**	3 658	7 638
Taxation		**(445)**	(7)	(558)
Net profit		**5 812**	3 651	7 080

Condensed Company statement of comprehensive income

for the year ended 31 March

Rm	2011	2010	2009
Net profit	**5 812**	3 651	7 080
Other comprehensive income			
Fair value adjustments on available-for-sale financial assets, net of tax	**–**	–	(17)
Total comprehensive income	**5 812**	3 651	7 063

Condensed Company statement of financial position

as at 31 March

Rm	Notes	2011	2010	2009
Assets				
Non-current assets		**6 804**	8 209	12 900
Property, plant and equipment		**7**	24	28
Intangible assets		**3**	4	103
Financial assets	4	**6 501**	7 982	12 716
Finance lease receivables		**2**	1	1
Deferred tax		**291**	198	52
Current assets		**5 860**	5 227	2 085
Financial assets	4	**–**	77	149
Trade and other receivables	5	**5 373**	4 570	1 582
Finance lease receivables		**–**	–	1
Tax receivable		**142**	214	19
Cash and cash equivalents		**19**	40	8
Non-current assets held for sale		**326**	326	326
Total assets		**12 664**	13 436	14 985
Equity and liabilities				
Fully paid share capital	6	*****	*	*
Treasury shares	6	**(138)**	(84)	–
Retained earnings		**9 330**	8 793	6 777
Other reserves	7	**34**	7	–
Total equity		**9 226**	8 716	6 777
Non-current liabilities		**1 473**	2 652	120
Borrowings	8	**1 354**	2 532	–
Provisions		**119**	120	120
Current liabilities		**1 965**	2 068	8 088
Borrowings	8	**301**	1 061	4 899
Trade and other payables	9	**1 632**	979	721
Provisions		**29**	27	50
Tax payable		**–**	–	218
Dividends payable		**3**	1	2 200
Total equity and liabilities		**12 664**	13 436	14 985

Note:
* Fully paid share capital of R100.

Condensed Company statement of changes in equity

for the year ended 31 March

Rm	Notes	Fully paid share capital	Treasury shares	Forfeitable share plan reserve	Retained earnings	Other comprehensive income: Investment revaluation reserve	Total equity
1 April 2008		*	–	–	4 897	17	4 914
Total comprehensive income		–	–	–	7 080	(17)	7 063
Net profit		–	–	–	7 080	–	7 080
Other comprehensive income		–	–	–	–	(17)	(17)
Dividends	3	–	–	–	(5 200)	–	(5 200)
31 March 2009		*	–	–	6 777	–	6 777
Total comprehensive income		–	–	–	3 651	–	3 651
Net profit		–	–	–	3 651	–	3 651
Dividends	3	–	–	–	(1 635)	–	(1 635)
Repurchase of shares	6	–	(84)	–	–	–	(84)
Share-based payment expense	7	–	–	7	–	–	7
31 March 2010		*****	**(84)**	**7**	**8 793**	**–**	**8 716**
Total comprehensive income		**–**	**–**	**–**	**5 812**	**–**	**5 812**
Net profit		**–**	**–**	**–**	**5 812**	**–**	**5 812**
Dividends	3	**–**	**–**	**–**	**(5 275)**	**–**	**(5 275)**
Repurchase of shares	6	**–**	**(54)**	**–**	**–**	**–**	**(54)**
Share-based payment expense	7	**–**	**–**	**27**	**–**	**–**	**27**
31 March 2011		*****	**(138)**	**34**	**9 330**	**–**	**9 226**

Note:
* Fully paid share capital of R100.

Condensed Company statement of cash flows

for the year ended 31 March

Rm	2011	2010	2009
Cash flows from operating activities			
Cash receipts from customers	**505**	541	610
Cash paid to suppliers and employees	**(418)**	(617)	(552)
Cash generated from/(utilised in) operations	**87**	(76)	58
Tax paid	**(464)**	(544)	(696)
Net cash flows utilised in operating activities	**(377)**	(620)	(638)
Cash flows from investing activities			
Additions to property, plant and equipment, investment properties and intangible assets	**(222)**	(3)	(58)
Proceeds on disposal of property, plant and equipment and intangible assets	**1**	–	2
Finance income received	**591**	467	1 125
Dividends received	**9 447**	11 596	8 223
Loans granted and equity investments	**(1 778)**	(2 608)	(7 702)
Other investing activities	**73**	(117)	(88)
Net cash flows from investing activities	**8 112**	9 335	1 502
Cash flows from financing activities			
Borrowings incurred	**–**	2 488	2 984
Borrowings repaid	**(1 963)**	(3 825)	(571)
Finance costs paid	**(435)**	(784)	(1 325)
Dividends paid	**(5 273)**	(3 834)	(6 190)
Repurchase of shares	**(54)**	(84)	–
Inter-company money market movement	**(31)**	(2 644)	4 246
Net cash flows utilised in financing activities	**(7 756)**	(8 683)	(856)
Net (decrease)/increase in cash and cash equivalents	**(21)**	32	8
Cash and cash equivalents at the beginning of the year	**40**	8	–
Cash and cash equivalents at the end of the year	**19**	40	8

Notes to the condensed Company annual financial statements

for the year ended 31 March

Basis of preparation

These condensed annual financial statements of the Company have been prepared in accordance with the recognition and measurement criteria of IFRS and the information required by International Accounting Standard 34: Interim Financial Reporting, as issued by the IASB, the AC 500 standards as issued by the APB, the JSE Listings Requirements and the Companies Act of 1973, as amended. They have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value or at amortised costs and are presented in South African rand, the Company's functional and presentation currency.

The significant accounting policies and methods of computation are consistent in all material respects with those applied in the previous period, except as disclosed on pages 42 to 43 of the consolidated annual financial statements. The Company's critical accounting judgements, including those involving estimates, are disclosed on pages 44 to 47 of the consolidated annual financial statements.

Rm	2011	2010	2009
1. Impairment losses			
Investments in subsidiaries	**(1 417)**	(4 987)	(267)
Other	**(3)**	(185)	(203)
	(1 420)	(5 172)	(470)

Included in the impairment losses are impairments of the Company's equity investments in its subsidiaries Vodacom UK Limited of R1 223 million and Vodacom Business Africa (Mauritius) Limited of R67 million, as a result of increased price competition and poorer trading conditions. In the prior year impairment losses included an impairment of the Company's equity investment in its subsidiary Vodacom UK Limited of R3 226 million, which was as a result of the economic downturn and an increasingly competitive environment. The recoverable amounts of these equity investments are based on value in use calculations and the discount rate used in the value in use calculations was 17.8% (2010:14.4%).

2. Net loss on remeasurement and disposal of financial instruments

Included in net loss on remeasurement and disposal of financial instruments are impairment losses of R1 741 million (2010: R1 807 million) and reversals of impairment losses of R141 million relating to loans and other receivables from subsidiaries as well as net losses on remeasurement of foreign-denominated assets and liabilities of R307 million (2010: R731 million).

3. Dividends

Refer to the directors' report in the consolidated annual financial statements for details of dividends.

Rm	2011	2010	2009
4. Financial assets			
Non-current			
Investments in subsidiaries (Note 4.1)	**4 258**	5 067	9 342
Loans receivable from subsidiaries (Note 4.2)	**2 243**	2 851	3 218
Investment in associate	**–**	–	92
Other investments	**–**	64	64
	6 501	7 982	12 716
Current			
Loans receivable from subsidiaries (Note 4.2)	**–**	77	32
Loans receivable from associate	**–**	–	117
	–	77	149
4.1 Investments in subsidiaries			
Vodacom (Pty) Limited	**2 255**	2 255	2 255
Vodacom UK Limited	**489**	1 712	4 938
Vodacom International Limited	**762**	575	1 965
VM, SA	**568**	341	–
Vodacom Tanzania Limited	**184**	184	184
	4 258	5 067	9 342

Rm	2011	2010	2009

4. Financial assets (continued)

4.2 Loans receivable from subsidiaries

Rm	2011	2010	2009
Non-current			
Vodacom UK Limited	**–**	1 563	1 926
Vodacom Tanzania Limited	**1 191**	1 132	1 155
Wheatfields 276 (Pty) Limited	**872**	–	–
Other	**180**	156	137
	2 243	2 851	3 218
Current			
Vodacom UK Limited	**–**	–	32
Other	**–**	77	–
	–	77	32

5. Trade and other receivables

Rm	2011	2010	2009
Money market lendings to subsidiaries	**5 013**	4 317	1 466
Amounts owed by subsidiaries	**48**	176	92
Other	**312**	77	24
Total current trade and other receivables	**5 373**	4 570	1 582

6. Share capital

R	2011	2010	2009
Authorised			
4 000 000 000 ordinary shares with no par value (2009: 100 000 ordinary shares of R0.01 each)	**–**	–	1 000

Rm	2011	2010	2009
Issued			
Fully paid share capital			
1 487 954 000 ordinary shares with no par value (2009: 10 000 ordinary shares of R0.01 each)	*****	*	*
Treasury shares			
2 225 312 (2010: 1 433 868) ordinary shares with no par value	**(138)[1]**	(84)[1]	–
	(138)	(84)	*

Notes:

1. The Group acquired 3 242 476 (2010: 4 722 504) shares as part of the current year forfeitable share plan allocation of which 925 487 (2010: 1 433 868) shares were acquired by the Company for participants employed by the Company and Vodacom Lesotho (Pty) Limited. Refer to Notes 15 and 16.2.1 of the consolidated annual financial statements for further details.

* Fully paid share capital of R100.

Notes to the condensed Company annual financial statements

for the year ended 31 March

Shares	2011	2010	2009
6. Share capital (continued)			
Movements in the number of ordinary shares outstanding:			
1 April	**1 486 520 132**	1 487 954 000	10 000
Statutory shares in issue	**1 487 954 000**	1 487 954 000	10 000
Treasury shares (held by the Company)	**(1 433 868)**	–	–
Share movements – forfeitable share plan (Note 7)	**(791 444)**	(1 433 868)	–
31 March	**1 485 728 688**	1 486 520 132	10 000
Statutory shares in issue	**1 487 954 000**	1 487 954 000	10 000
Treasury shares (held by the Company)	**(2 225 312)**	(1 433 868)	–

The unissued share capital is under the control of the current shareholders and the directors do not have the authority to issue any unissued shares.

7. Other reserves

Forfeitable share plan ('FSP') reserve

The Company granted 925 487 (2010: 1 439 192) forfeitable shares at a weighted average grant date fair value of R62.70 (2010: R58.69), of which 166 478 (2010: 5 324) shares were forfeited and 8 652 (2010: Nil) vested during the year. Net transfers in from other group entities amounted to 41 087 (2010: Nil). The expense recognised amounted to R32 million (2010: R9 million). R7 million (2010: R2 million) of the dividend declared was offset against the FSP reserve. Refer to Note 16.2.1 of the consolidated annual financial statements for further details.

Rm	2011	2010	2009
8. Borrowings			
Non-current			
Interest bearing borrowings (Note 8.1)	**1 354**	2 532	–
Current			
Interest bearing borrowings (Note 8.1)	**301**	1 061	4 878
Financial guarantee liability	**–**	–	21
	301	1 061	4 899
8.1 Interest bearing borrowings			
The Standard Bank of South Africa Limited/Rand Merchant Bank	**1 354**	2 532	–
Absa Bank Limited capital facility	**–**	–	2 991
Bank borrowings classified as financing activities	**301**	1 061	1 887
	1 655	3 593	4 878

Refer to Note 17 of the consolidated annual financial statements for further details.

Rm	2011	2010	2009
9. Trade and other payables			
Money market deposits from subsidiaries	**1 382**	716	508
Amounts owed to subsidiaries	**59**	90	80
Other	**191**	173	133
Total current trade and other payables	**1 632**	979	721

10. Reclassifications

During the year the Company continued to align with practices of its ultimate parent, Vodafone Group Plc. This resulted in the retrospective reclassification of expenses not relating to payroll, amounting to R18 million for 2010 and R17 million for 2009, from staff expenses to other operating expenses in the income statement.

Rm	2011	2010	2009
11. Commitments			
Capital	**7**	7	16
Other	**1 091**	1 655	1 455
	1 098	1 662	1 471

Capital commitments for property, plant and equipment and computer software will be financed through internal cash generation and bank credit. Other consists of commitments relating to functions and events, funding of subsidiaries and transmission and data lines.

12. Contingencies

The Company is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the outcome of these proceedings. Following this assessment, the Company's management has determined that no provision is required in respect of these legal proceedings as at 31 March 2011. Litigations, current or pending, are not likely to have a material adverse effect on the Company.

13. Events after the reporting period

Refer to Note 27 of the consolidated annual financial statements for details of events after the reporting period.

14. Related parties

The Company's related parties are its parent, subsidiaries, associate, pension schemes and key management including directors. In prior years Telkom SA Limited and its subsidiaries were included in related parties since Telkom SA Limited had joint control over the Company.

14.1 Balances with related parties

Refer to Notes 4, 5 and 9 for details of balances with subsidiaries. Refer to Note 4 for details of balances with the Company's associate. These outstanding balances are unsecured and will be settled in cash in the ordinary course of business.

Rm	2011	2010	2009
14.2 Transactions with related parties			
Subsidiaries	**10 213**	12 401	9 101
Revenue[1]	**489**	577	631
Other operating expenses	**(1)**	(62)	(18)
Finance income	**571**	553	960
Finance costs	**(241)**	(333)	(422)
Dividends received	**9 395**	11 666	7 950

14.3 Key management personnel and directors' remuneration

Refer to Note 28.3 of the consolidated annual financial statements for details of directors' and key management personnel remuneration.

Note:

1. Revenue consists of administration fees charged to subsidiaries.

Addendum A

as at 31 March

Interest in material subsidiaries

The information discloses interests in subsidiaries material to the financial position of Vodacom Group Limited. The interest in ordinary share capital is representative of the voting power except for 'B' ordinary shares where each share entitles the holder to two votes.

RSA – Republic of South Africa; UK – United Kingdom; LES – Lesotho; TZN – Tanzania; MZ – Mozambique; DRC – The Democratic Republic of Congo; MAU – Mauritius; NGR – Nigeria and GUE – Guernsey.

	Country of incorporation	Issued share capital			Interest in issued share capital		
		2011	2010	2009	2011	2010	2009
					%	%	%
Subsidiaries							
Cellular network operators							
Direct							
Vodacom (Pty) Limited	RSA						
Ordinary share capital[1]		**R45 180**	R45 180	R45 180	**100**	100	100
'A' ordinary share capital[1]		**R2 820**	R2 820	R2 820	**100**	100	100
Vodacom Tanzania Limited	TZN						
Ordinary share capital		**TZS10 000**	TZS10 000	TZS10 000	**65.0**	65.0	65.0
Indirect							
Vodacom Lesotho (Pty) Limited	LES						
Ordinary share capital		**LSL4 180**	LSL4 180	LSL4 180	**80.0**	88.3	88.3
VM, SA	MZ						
Ordinary share capital		**MZN1 380 000 000**	MZN1 380 000 000	MZN1 380 000 000	**85.0**	85.0	85.0
Preference share capital[2]		**MZN10 802 884 214**	MZN9 158 334 043	–	**100**	100	–
Vodacom Congo (RDC) s.p.r.l.	DRC						
Ordinary share capital		**US$1 000 000**	US$1 000 000	US$1 000 000	**51.0**	51.0	51.0
Service providers							
Indirect							
Vodacom Service Provider Company (Pty) Limited	RSA						
Ordinary share capital		**R20**	R20	R20	**100**	100	100
Interconnect service providers via satellite							
Direct							
Vodacom UK Limited	UK						
'B' ordinary share capital		**US$1**	US$1	US$1	**100**	100	100
Preference share capital		**US$510 999 999**	US$510 999 999	US$510 999 999	**100**	100	100
Indirect							
Vodacom UK Limited	UK						
'A' ordinary share capital		**US$100**	US$100	US$100	**100**	100	100
Gateway Communications Africa (UK) Limited	UK						
Ordinary share capital		**£1**	£1	£1	**100**	100	100
Gateway Telecoms Integrated Services Limited	NGR						
Ordinary share capital		**NGN1 250 000**	NGN1 250 000	NGN1 250 000	**100**	100	100
GS Telecom Africa Limited	GUE						
Ordinary share capital		**£3**	£3	£3	**100**	100	100
Other							
Indirect							
Vodacom International Limited	MAU						
Ordinary share capital		**US$100**	US$100	US$100	**100**	100	100
Preference share capital		**US$575 840 505**	US$500 802 473	US$409 246 747	**100**	100	100

Notes:
1. 6.25% held indirectly through special purpose entities which are consolidated in terms of SIC 12: Consolidation – Special Purpose Entities as part of the broad-based black economic empowerment transaction (Note 16.2).
2. 43.23% held directly through Vodacom Group Limited.

Non-GAAP information

In the discussion of our reported financial position, operating results and cash flow, information is presented to provide readers with additional financial information that is regularly reviewed by management. However, this additional information presented is not uniformly defined by all companies including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with International Financial Reporting Standards ('IFRS') but is not itself an expressly permitted Generally Accepted Accounting Practice ('GAAP') measure. Such non-GAAP measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

EBITDA

EBITDA is earnings before interest, taxation, depreciation, amortisation, impairment losses, BBBEE charge, profit/loss on the disposal of property, plant and equipment, intangible assets and investment properties. We use EBITDA in conjunction with other GAAP and non-GAAP financial measures such as, operating profit, net profit and net debt, to assess our operating performance. We believe that EBITDA is an operating performance measure, not a liquidity measure, as it includes non-cash changes in working capital and is reviewed by the Chief Executive Officer to assess internal performance in conjunction with EBITDA margin, which is an alternative sales margin figure. We believe it is both useful and necessary to report EBITDA as a performance measure as it enhances the comparability of profit across segments, and is used by management for incentive purposes.

As EBITDA does not take into account certain items that affect operations and performance, EBITDA has inherent limitations as a performance measure. To compensate for these limitations, we analyse EBITDA in conjunction with other GAAP and non-GAAP operating performance measures.

48 for the reconciliation of EBITDA to the closest equivalent GAAP measure, operating profit, is provided in Note 1 of the consolidated annual financial statements.

Headline earnings per share and adjusted headline earnings per share

Headline earnings per share is a disclosure requirement of the JSE Limited and is not a recognised measure under IFRS. It is calculated in accordance with Circular 3/2009: Headline Earnings as issued by the South African Institute of Chartered Accountants. Adjusted headline earnings per share excludes gains/losses on the remeasurement of financial instruments and once-off material items that will be defined as and when they occur, together with related tax effects. We believe that it is both useful and necessary to report these measures for the following reasons:

- these measures are used for internal performance analysis;
- these measures are used to determine dividend declaration; and
- they are useful in connection with discussion with the investment analyst community and debt rating agencies.

59 for the reconciliations of headline earnings per share and adjusted headline earnings per share to the respective closest equivalent GAAP measure, basic earnings per share.

Cash flow measures

In presenting and discussing our reported results, free cash flow and operating free cash flow are calculated and presented even though these measures are not recognised within IFRS. We believe that it is both useful and necessary to communicate free cash flow and operating free cash flow to investors and other interested parties, for the following reasons:

- free cash flow allows us and external parties to evaluate our liquidity and the cash generated by our operations. Free cash flow does not include items determined independently of the ongoing business, such as the level of dividends, and items which are deemed discretionary, such as cash flows relating to acquisitions and disposals or financing activities. In addition it does not necessarily reflect the amounts which we have an obligation to incur. However, it does reflect the cash available for such discretionary activities, to strengthen the consolidated statement of financial position or to provide returns to shareholders in the form of dividends or share purchases;
- free cash flow facilitates comparability of results with other companies although our measure of free cash flow may not be directly comparable to similarly titled measures used by other companies;
- these measures are used by management for planning and reporting;
- operating free cash flow is used by management for incentive purposes; and
- these measures are useful in connection with discussion with the investment analyst community and debt rating agencies.

15 for the reconciliation of cash generated by operations, the closest equivalent GAAP measure, to operating free cash flow and free cash flow.

Non-GAAP information

Other

Certain of the statements within Book 1 contain forward-looking, non-GAAP financial information for which at this time there is no comparable GAAP measure and which at this time cannot be quantitatively reconciled to comparable GAAP financial information.

Normalised growth

All amounts in this report marked with an '(*)' represent normalised growth excluding trading foreign exchange and at a constant currency. We believe that normalised growth, which is not intended to be a substitute for or superior to reported growth, provides useful and necessary information to investors and other interested parties for the following reasons:

- it provides additional information on underlying growth of the business without the effect of certain factors unrelated to the operating performance of the business;
- it is used for internal performance analysis; and
- it facilitates comparability of underlying growth with other companies, although the term normalised is not a defined term under IFRS and may not, therefore, be comparable with similarly titled measures reported by other companies.

12 for the reconciliation of reported to normalised growth.

Other pronouncements adopted

Practice Statement: Management Commentary ('Practice Statement')

The Group has adopted the Practice Statement issued by the IASB, with an effective date of 8 December 2010. The Practice Statement is not an IFRS and therefore its adoption had no impact on the Group's financial results. Its purpose is to provide a framework for the presentation of management commentary to accompany annual financial statements prepared in accordance with IFRS.

Management has fully applied the guidance outlined in the Practice Statement in its commentary.

Corporate information

Vodacom Group Limited

(Incorporated in the Republic of South Africa)
(Registration number 1993/005461/06)
Share code: VOD ISIN: ZAE000132577

Secretary and registered office of Vodacom Group Limited

Sandi Linford
Vodacom Corporate Park
082 Vodacom Boulevard
Midrand 1685
South Africa
(Private Bag X9904, Sandton 2146, South Africa)
Telephone: +27 11 653 5000
Telefax: +27 11 848 8563
Email: companysecretary@vodacom.co.za

Sponsor

UBS South Africa (Pty) Limited
(Registration number 1995/011140/07)
64 Wierda Road East
Wierda Valley Johannesburg 2196
South Africa
(PO Box 652863, Benmore 2010, South Africa)

Auditors

Deloitte & Touche
Buildings 1 and 2 Deloitte Place, The Woodlands
Woodlands Drive Woodmead
Sandton 2196
South Africa
(Private Bag X6, Gallo Manor 2052, South Africa)

Commercial bankers

First National Bank (a division of FirstRand Bank Limited)
(Registration number 1966/010753/06)
Corporate Banking
4 First Place, Corner of Pritchard and Simmonds Streets
Johannesburg 2001
South Africa
(PO Box 7791, Johannesburg 2000, South Africa)

The Standard Bank of South Africa Limited
(Registration number 1962/000738/06)
Corporate and Investment Banking
3 Simmonds Street
Johannesburg 2001
South Africa
(PO Box 61344, Marshalltown 2107, South Africa)

Transfer secretaries

Computershare Investor Services (Pty) Limited
(Registration number 2004/003647/07)
70 Marshall Street
Johannesburg 2001
South Africa
(PO Box 61051, Marshalltown 2107, South Africa)

Group investor relations

Telephone: +27 11 653 5000
Email: investorrelations@vodacom.co.za
Website: www.vodacom.com/main_ir.php

Group media relations

Telephone: +27 11 653 5000
Email: mediarelations@vodacom.co.za
Website: www.vodacom.com/main_press.php

Disclaimer

This report contains statements about Vodacom that are or may be forward-looking statements. All statements, other than statements of historical facts included in this report may be forward-looking statements. Any statements preceded or followed by, or that include the words 'forecasts', 'believes', 'expects', 'intends', 'plans', 'prediction', 'will', 'may', 'should', 'could', 'anticipates', 'estimates', 'seeks', 'continues', or similar expression or the negative thereof, are forward-looking statements.

Forward-looking statements include, among others, statements relating to the following:

- future capital expenditures, acquisitions, divestitures, expenses, revenue, economic performance, financial conditions, dividend policy, losses and future prospects;
- business and management strategies relating to the expansion and growth of Vodacom;
- the effects of regulation of Vodacom's businesses by governments in the countries in which the Group operates, including the South African Government;
- Vodacom's expectations as to the launch and roll out dates of products, services or technologies offered by Vodacom;
- expectations regarding the operating environment and market conditions;
- revenue and growth expected from Vodacom's total communications strategy;
- growth in customers and usage;
- the expected contribution to the Group's revenue of voice services, messaging services, data services, broadband services, fixed location pricing, internet services and mobile advertising;
- the rate of dividend growth by the Group or its existing investments;
- possible future acquisitions, including increases in ownership in existing investments, the timely completion of pending acquisition transactions and pending offers for investments, including licence acquisitions, and the expected funding required to complete such acquisitions or investments;
- mobile SIM penetration and coverage rates and Vodacom's ability to acquire spectrum;
- the impact of regulatory and legal proceedings involving Vodacom and of scheduled or potential regulatory changes;
- overall market trends and other trend projections;
- the effect of the current economic crisis on Vodacom's operations;
- the ability of Vodacom to continue to obtain financing on commercially reasonable terms;
- the effect of competition on Vodacom;
- the effect of expansion on Vodacom's management, financial and technical systems;
- the ability of Vodacom to attract and retain key personnel; and
- exchange control restrictions in the jurisdictions in which Vodacom operates.

By their nature, forward-looking statements are inherently predictive, speculative and, because they relate to events and depend on circumstances that will occur in the future, involve known and unknown risks, uncertainties and other facts or factors which may cause the actual results, performance or achievements of the Group, or its industry, to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are not guarantees of future performance and are based on numerous assumptions regarding Vodacom Group's present and future business strategies and the environments in which it will operate in the future. All subsequent oral or written forward-looking statements attributable to the Group or any member thereof or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statements above and below. Vodacom expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein or to reflect any change in their expectations with regard thereto or any change in events, conditions or circumstances on which any such forward-looking statement is based.

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Glossary

(*)	All amounts in this report marked with an '(*)' represent normalised growth excluding trading foreign exchange and at a constant currency. Also refer to the normalised growth reconcilliation on page 12 of Book 2.
(#)	Data for South Africa only.
2G	2G networks are operated using global system for mobile ('GSM') technology which offer services such as voice, text messaging and basic data. In addition, the entire Group's controlled networks support general packet radio services ('GPRS'), often referred to as 2.5G. GPRS allows mobile devices to access internet protocol ('IP') based data services such as the internet and email.
3G	A cellular technology based on wide band code division multiple access ('CDMA') delivering voice and data services.
ADSL	Asynchronous (or asymmetric) digital subscriber line, a method of routing digital data on copper telephone wires, allowing high-speed internet access and simultaneous use of the line for voice transmission.
Aids	Acquired immune deficiency syndrome, a disease in which there is a severe loss of the body's cellular immunity, greatly lowering the resistance to infection and malignancy.
ARPU	Total average revenue per user per month is calculated by dividing average monthly service revenue by the average monthly total reported mobile customer base during the period.
BA	Bankers' acceptance rate.
BBBEE	Broad-based black economic empowerment is a programme launched by the South African Government to redress the inequalities by giving previously disadvantaged economic opportunities previously not available to them. It includes measures such as Employment Equity, skills development, ownership, management, socioeconomic development and preferential procurement.
Black	Black has the meaning for present purposes being Africans, Coloureds, Indians and Chinese who are natural persons and who are South African citizens by, (i) birth or descent, or (ii) naturalisation occurring (a) prior to 27 April 1994, being the commencement date of the Constitution of the Republic of South Africa of 1993, or (b) after that date but who would have qualified for naturalisation prior to that date if it were not for the apartheid policies in place in South Africa.
Broadband	Broadband is a method of measuring the capacity of different types of transmission. Digital bandwidth is measured in the rate of bits transmitted per second ('bps'). For example, an individual ISDN channel has a bandwidth of 64 kilobits per second ('kbps'), meaning that it transmits 64 000 bits (digital signals) every second.
Churn	Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly total reported mobile customer base during the period.
Customers	Customers are based on the total number of mobile customers registered on Vodacom's network, which have not been disconnected, including inactive customers, at the end of the period indicated.
Data bundle customers	A unique count of customers who have made a commitment to use data, either as part of their primary offering, or as an additional bundle. Includes BlackBerry customers.
Data customers	They are a number of unique customers who have generated revenue related to any data activities in relation to mobile data revenue (this excludes SMS and MMS messaging users) in the reported month. A user is defined as being active if they are paying for a contractual monthly fee for this service or have used the service during the reported month.
EBITDA	Earnings before interest, taxation, depreciation, amortisation, impairment losses, BBBEE charge, profit/loss on disposal of property, plant and equipment, intangible assets and investment properties.
EDGE	In most our networks we also provide an advanced version of GPRS called enhanced data rates for GSM evolution ('EDGE'). This provides download speeds of over 200 kilobits per second ('kbps') to customers.
Ethernet	A family of frame-based computer networking technologies for local area networks ('LANs').
Fibre rings	The fibre rings have come to be used in many fibre networks as they provide more network resiliency; if there is a failure along a route and a ring is broken, the direction of the traffic can be reversed and the traffic will still reach its final destination.
Free cash flow	Cash generated from operations less additions to property, plant and equipment and intangible assets, proceeds on disposal of property, plant and equipment and intangible assets, tax paid and net finance charges paid.
HEPS	Headline earnings per share. Refer to page 59 of Book 2 for the HEPS reconciliation.
HIV	Human immunodeficiency virus, a retrovirus that causes Aids.
HSDPA	High-speed downlink packet access is a wireless technology enabling theoretical network to mobile data transmission speeds of up to 43.2 Mbps.
HSPA	High-speed packet access or third generation ('3G') is a wireless technology operating wideband code division multiple access ('W-CDMA') technology, providing customers with voice, video telephony, multimedia messaging and high-speed data services.
ICT	Information and communications technology includes any communication device or application, encompassing: radio, television, cellular phones, computer and network hardware and software, satellite systems and so on, as well as the various services and applications associated with them, such as video conferencing and distance learning.
IFRS	International financial reporting standards.
Interconnect	Refers to the joining of two or more telecommunications networks. Networks need to interconnect to enable traffic to be transmitted to and from destinations. The amounts paid and received by the operators vary according to distance, time, the direction of traffic, and the type of networks involved.
International	International comprises the segment information relating to the non-South African-based cellular networks in Tanzania, the Democratic Republic of Congo, Mozambique and Lesotho as well as the operations of Vodacom International Limited, Vodacom Business Africa and Gateway Carrier Services.
JIBAR	Johannesburg interbank agreed rate.

Glossary

King III	King report on governance for South Africa 2009.
Leased line	Leased line is a telecommunications transmission circuit that is reserved by a communications provider for the private use of a customer.
LTE	Long-term evolution technology is a 4G technology that offers even faster data transfer speeds than 3G/HSPA, increases network capacity and is able to deliver sustained customer throughputs of between 6 – 12 Mbps in real network conditions.
Mi-Fi	A Mi-Fi is a portable broadband wireless device about the size of a credit card that combines functions of a modem, router and access point. The internal modem accesses a wireless signal and the internal router shares that connection among users and devices.
Microwave	It is a radio transmission using very short wavelengths.
Mobile internet	Browser-based access to the internet or web applications using a mobile device, such as a smartphone, connected to a wireless network.
Mobile SIM penetration	Number of SIMs in a country as a percentage of the country's population. Penetration can be in excess of 100% due to customers' owning more than one SIM.
Mobile termination rate ('MTR')	A per minute charge paid by a telecommunications network operator when a customer makes a call to another mobile or fixed line network operator.
MOU	Minutes of use per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly total reported mobile customer base during the period.
n/a	Not applicable or not available.
n/m	Not measured.
Neotel	Neotel (Pty) Limited, a company incorporated in the Republic of South Africa.
Net promoter score ('NPS')	Net promoter score is a customer loyalty metric used to monitor customer satisfaction.
Operating free cash flow	Cash generated from operations less additions to property, plant and equipment and intangible assets and proceeds on disposal of property, plant and equipment and intangible assets.
PC connectivity devices	All PC connection devices including data cards, dongles and embedded modems.
RAN	Radio access network is part of a mobile telecommunications system which conceptually sits between the mobile phone and the base station.
RICA	Regulation of Interception of Communications and Provision of Communication-Related Information Act.
Roaming	Allows our customers to make calls on other operators' mobile networks while travelling abroad.
Smartphone	A smartphone is a mobile phone offering advanced capabilities including access to email and the internet.
South Africa	Vodacom (Pty) Limited, a private limited liability company duly incorporated in accordance with the laws of South Africa and its subsidiaries, joint ventures and SPVs.
Spectrum	The radio frequency bands and channels assigned for telecommunication services.
Switch	It is a computer that acts as a conduit and director of traffic. It is a means of sharing resources on a network.
Tablet	A tablet is a slate shaped, mobile or portable, casual computing device equipped with a finger operated touchscreen or stylus, for example, the Apple iPad.
Traffic	Vodacom's traffic comprises total traffic registered on Vodacom's mobile network, including bundled minutes, promotional minutes and outgoing international roaming calls, but excluding national roaming calls, incoming international roaming calls and calls to free services.
UMTS	Universal mobile telecommunications system, is a 3G mobile technology that will deliver broadband information at speeds up to 2 Mbps. Besides voice and data, UMTS will deliver audio and video to wireless devices anywhere in the world through fixed, wireless and satellite systems.
Vodacom M-Pesa	A mobile payment solution that enables customers to complete simple financial transactions by mobile phone.
Vodafone	Vodafone Group Plc ultimately controls the Vodacom Group and owns 65.0% of the issued shares through Vodafone Holdings SA (Pty) Limited and Vodafone Investments SA (Pty) Limited. Vodafone Group Plc is incorporated and domiciled in the United Kingdom.
VOIP	Voice over internet protocol, a communications protocol that allows for telephonic communication via the internet.
VPN	A virtual private network is a secure way of connecting to a private local area network at a remote location, using the internet or any unsecure public network to transport the network data packets privately, using encryption.
Wi-Fi	A Wi-Fi enabled device such as a smartphone can connect to the internet when within a range of a wireless network connected to the internet.

Notice of annual general meeting

VODACOM GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1993/005461/06)
(JSE share code: VOD)
ISIN: ZAE000132577
('Vodacom' or 'the Company')

Notice is hereby given that the sixteenth annual general meeting of the Company will be held on Thursday 4 August 2011 in Talk 200, Vodacom World, 082 Vodacom Boulevard, Midrand, Johannesburg, South Africa at 11:00 to conduct the following business:

1. Adoption of audited consolidated annual financial statements

To receive and consider the audited consolidated annual financial statements for the year ended 31 March 2011.

Ordinary resolution number 1

"RESOLVED THAT the audited consolidated annual financial statements of the Company and its subsidiaries, together with the reports of the auditors, Audit, Risk and Compliance Committee and directors' for the year ended 31 March 2011, be and are hereby received and adopted."

2. Election of directors

To elect by way of separate resolutions:

2.1 Mr NJ Read and Ms A Kekana as directors, having been appointed since the last annual general meeting of the Company are, in accordance with the provisions of the Company's articles of association, obliged to retire at this annual general meeting.

Ordinary resolution number 2

"RESOLVED THAT Mr NJ Read, be and is hereby elected as a director of the Company."

Ordinary resolution number 3

"RESOLVED THAT Ms A Kekana be and is hereby elected as a director of the Company."

Nicholas Jonathan Read (46)
FCMA, BA (Hons) Accounting and Finance (Manchester Metropolitan)

Non-executive director
Member of Remuneration Committee and Nomination Committee
Nick is CEO of Vodafone Africa, Middle East and Asia Pacific Region. He is a director of Vodafone Qatar Q.S.C., Indus Towers Limited, Vodafone Egypt S.A.E., Vodafone Essar Limited, Safaricom Limited and Chairman of Vodafone Hutchison Australia Limited. Nick spent 10 years at Federal Express Worldwide where he was Vice President and CFO for Europe, Middle East and Africa, and Vice President Global Corporate Finance and Planning. He is a former CFO of Miller Freeman Worldwide plc, the largest division of the media group, United News and Media plc. Nick joined Vodafone in 2001. He spent six years at Vodafone UK for a short period as CFO, before becoming CCO and then CEO in 2006. He has been in his current role since November 2008 and was appointed to the Vodacom Group Board in September 2010.

Albertinah Kekana (38)
BCom (UCT), Postgraduate Diploma in Accounting (UCT), AMP (Harvard Business School), CA(SA)

Independent non-executive director
Member of Audit, Risk and Compliance Committee
Albertinah is the former COO of the Public Investment Corporation ('PIC'). She was a director, corporate finance at UBS Ag and served as an executive in corporate finance at the London office of NM Rotschild & Sons Limited. She is a member of the boards of Airports Company of South Africa, Advent Asset Management, CBS Community Property Company and Harith Fund Managers. She was appointed to the Vodacom Group Board in May 2011.

2.2 Messrs MP Moyo, RAW Schellekens and Ms TM Mokgosi-Mwantembe are obliged to retire by rotation at this annual general meeting in accordance with the Company's articles of association. Having so retired, MP Moyo, RAW Schellekens and TM Mokgosi-Mwantembe are eligible for re-election as directors.

Ordinary resolution number 4

"RESOLVED THAT Mr MP Moyo, be and is hereby re-elected as a director of the Company."

Notice of annual general meeting

Ordinary resolution number 5
"RESOLVED THAT Mr RAW Schellekens, be and is hereby re-elected as a director of the Company."

Ordinary resolution number 6
"RESOLVED THAT Ms TM Mokgosi-Mwantembe, be and is hereby re-elected as a director of the Company."

The profiles of the directors up for re-election appear in this notice of annual general meeting:

Mthandazo Peter Moyo (48)
BCompt (Hons) (UNISA), HDip Tax Law (Wits), AMP (Harvard Business School), CA(SA)

Independent non-executive director
Chairman of the Board
Chairman of the Nomination Committee and member of the Social and Ethics Committee
Peter is a director and shareholder of the Amabubesi Group. He holds directorships in various Amabubesi Group companies. He is Chairman of Willis South Africa and CSC South Africa. He is non-executive director of Pinnacle Technology Holdings, Liberty Holdings, Liberty Group and Transnet. Peter is the Chairman of the Audit Committee of the Auditor-General's office and serves on the advisory council of the Stellenbosch Business School. He was appointed Chairman of the Vodacom Group Board in May 2009.

Ronald Adrianus Wilhelmus Schellekens (47)
BA (Human Resources Management), MA (Management & Organisation)

Non-executive director
Member of the Remuneration Committee, Nomination Committee and Social and Ethics Committee
Ronald is the Vodafone Group Human Resources Director and a member of the Vodafone Executive Committee. He is a former Executive Vice President HR for Shell's Global downstream business. Before joining Shell, he spent nine years at PepsiCo and eight years at AT&T in various senior positions. He was appointed to the Vodacom Group Board in February 2009.

Thoko Martha Mokgosi-Mwantembe (49)
Diploma in Teaching (Swaziland), BSc (Swaziland), MSc (Loughborough), SEP (Harvard), MCRP (IMD Switzerland)

Independent non-executive director
Chairman of the Remuneration Committee and member of the Nomination Committee
Thoko is CEO of Kutana Investment Group and a director at Knorr Bremse SA (Pty) Limited, Absa Group Limited, Paracon Holdings Limited and Aveng Group. Thoko has held a number of senior executive positions at Telkom, was Marketing Director at Lucent Technologies, a Divisional Managing Director of Siemens Telecommunications, the CEO of Alcatel SA and CEO of Hewlett Packard South Africa. Thoko was the recipient of the BWA Businesswoman of the Year Award in the corporate category in 2007. In 2005 she won the ICT Achiever of the Year Award, Top ICT Businesswoman in Africa Award and ICT Personality of the Year. She was appointed to the Vodacom Group Board in May 2009.

3. Re-appointment of Deloitte & Touche as auditors of the Company

To re-appoint Deloitte & Touche, as nominated by the Company's Audit, Risk and Compliance Committee, as independent auditors of the Company, to hold office until the conclusion of the next annual general meeting of the Company. It is noted that the individual registered auditor who will undertake the audit during the financial year ending 31 March 2012 is Mr PJ Smit.

Ordinary resolution number 7
"RESOLVED THAT Deloitte & Touche, be and are hereby re-appointed as the auditors of the Company to hold office until the conclusion of the next annual general meeting."

4. Approval of the remuneration policy

To consider and approve the remuneration policy as contained in the remuneration report for the year ended 31 March 2011 as set on pages 81 to 82 of the integrated report.

Ordinary resolution number 8
"RESOLVED THAT the remuneration policy for the year ended 31 March 2011 be and is hereby approved."

Shareholders are reminded that in terms of King III, the passing of this ordinary resolution is by way of a non-binding advisory vote.

5. Appointment of the members of the Audit, Risk and Compliance Committee

To elect, by way of separate resolutions, the following independent non-executive directors, as members of the Company's Audit, Risk and Compliance Committee:

Ordinary resolution number 9

"RESOLVED THAT Mr TA Boardman be and is hereby re-elected as a member of the Company's Audit and Risk and Compliance Committee."

Ordinary resolution number 10

"RESOLVED THAT Mr PJ Moleketi be and is hereby re-elected as a member of the Company's Audit, Risk and Compliance Committee."

Ordinary resolution number 11

"RESOLVED THAT Ms A Kekana be and is hereby re-elected as a member of the Company's Audit, Risk and Compliance Committee."

The profiles of the directors up for membership appear in this notice of annual general meeting:

Thomas Andrew Boardman (Tom) (61)
BCom, CTA (Wits), CA(SA)

Independent non-executive director
Chairman of the Audit, Risk and Compliance Committee and member of the Remuneration Committee
Tom was Chief Executive of Nedbank Group Limited from December 2003 to February 2010. He was previously Chief Executive and an executive director of BoE Limited, which was acquired by Nedbank in 2002. He was the founding shareholder and Managing Director of retail housewares chain Boardmans which he sold to Pick 'n Pay in 2006. Previously, he was Managing Director of Sam Newman Limited. He is a non-executive director of Nedbank Group, Woolworths Holdings, Royal Bafokeng Holdings, African Rainbow Minerals Limited and Mutual & Federal Insurance Company Limited. Tom is a director of WWF South Africa and The Peace Parks Foundation, Chairman of The David Rattray Foundation and a trustee of other charitable foundations. He was appointed to the Vodacom Group Board in February 2009.

Phillip Jabulani Moleketi (Jabu) (53)
Postgraduate Diploma in Economic Principles (London), AMP (Harvard), MSc (London)

Independent non-executive director
Chairman of the Social and Ethics Committee and member of the Audit, Risk and Compliance Committee
Jabu is non-executive Chairman of Brait SA and the Development Bank of South Africa. He is a former non-executive director of Nedbank and member of the Local Organising Committee 2010 FIFA World Cup. He is a former Deputy Minister of Finance (2004 – 2008) and former MEC of Financial and Economic Affairs in the Gauteng Provincial Government (1994 – 2004). He is a director of several companies listed on the JSE Limited. Jabu was appointed to the Vodacom Group Board in November 2009.

6. Amendment to the rules of the Company's Forfeitable Share Plan

Ordinary resolution number 12

"RESOLVED THAT the amendment to the rules of the Company's Forfeitable Share Plan ('FSP') adopted at the annual general meeting of the Company held at Johannesburg on 31 July 2009, so as to allow that any participant under the FSP, whose employment with the Company or any of its direct or indirect subsidiaries ('Vodacom Group'), is terminated as a result of such participant's employment being transferred to Vodafone Group plc or any company in which Vodafone holds, directly or indirectly, more than 50% (fifty percent) of the equity share capital ('Vodafone Group'), will, for purposes of the forfeitable award which the employee holds and for so long as the employee remains employed by the Vodafone Group, be entitled to the same rights and be subject to the same conditions as if that employee had continued to be an employee of the Vodacom Group, be and is hereby approved in terms of Rule 18.2 of the FSP."

In terms of Section 14.2 of the JSE Listings Requirements and Rule 18.2 of the FSP, the above resolution is required to be approved by shareholders holding a 75% (seventy five percent) majority of the votes cast in favour of the required resolution by all shareholders present or represented by proxy at the annual general meeting, excluding the votes attaching to all shares acquired in terms of the FSP and which may be impacted by the changes.

Notice of annual general meeting

7. Special business

7.1 General authority to repurchase shares in the Company

Special resolution number 1

"RESOLVED THAT the Company, or any of its subsidiaries, be and they are hereby authorised, by way of a general authority, to acquire ordinary shares in the Company, subject to the provisions of the Companies Act, No 71 of 2008, as amended ('the Act'), and the Listings Requirements of the JSE Limited ('the JSE'), provided that:

(a) the general authority in issue shall be valid only until the Company's next annual general meeting and shall not extend beyond 15 (fifteen) months from the date of this resolution;

(b) any general repurchase by the Company and/or any of its subsidiaries of the Company's ordinary shares in issue shall not in aggregate in one financial year exceed 5% (five percent) of the Company's issued ordinary share capital at the time that the authority is granted;

(c) no acquisition may be made at a price more than 10% (ten percent) above the weighted average of the market price of the ordinary shares for 5 (five) business days immediately preceding the date of such acquisition;

(d) the repurchase of the ordinary shares are effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company or any subsidiary and the counterparty (reported trades are prohibited);

(e) the Company or any subsidiary may only appoint one agent at any point in time to effect any repurchase(s) on the Company's behalf;

(f) the Company or its subsidiary may not repurchase ordinary shares during a prohibited period; and

(g) should the Company or any subsidiary cumulatively repurchase, redeem or cancel 3% (three percent) of the initial number of the Company's ordinary shares in terms of this general authority and for each 3% (three percent) in aggregate of the initial number of that class thereafter in terms of this general authority, an announcement shall be made in terms of the Listings Requirements of the JSE."

Having considered the effect on the Company of the maximum repurchase under this annual general authority, the directors are of the opinion that:

- the Company shall meet a solvency and liquidity test as contemplated by Section 46 (g) of the Act;
- the Company and the Group will be able to pay its debts for a period of 12 (twelve) months after the date of this notice of annual general meeting;
- the assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 (twelve) months after the date of this notice of annual general meeting which assets and liabilities have been valued in accordance with the accounting policies used in the audited consolidated annual financial statements of the Group for the year ended 31 March 2011;
- the share capital and reserves of the Company and the Group will be adequate for the ordinary course of business purposes for a period of 12 (twelve) months after the date of this notice of annual general meeting.
- the working capital of the Company and Group are considered adequate for ordinary business purposes for a period of 12 (twelve) months after the date of this notice of annual general meeting; and
- the Board will ensure that the Company's sponsor provides the JSE with the necessary report on the adequacy of the working capital of the Company and its subsidiaries in terms of the JSE Listings Requirements prior to the commencement of any share repurchase in terms of this special resolution.

Reason for and effect of special resolution number 1

The reason for the special resolution is to grant the Company a general authority or permit a subsidiary to acquire ordinary shares in the Company. The effect of this special resolution is to confer a general authority on the Company or a subsidiary to repurchase ordinary shares in the Company which are in issue from time to time.

The Board has considered the impact of a repurchase of up to 5% (five percent) of the Company's shares, being within the maximum permissible under a general authority in terms of the JSE Listings Requirements. Should the opportunity arise and should the directors deem it in all respects to be advantageous to the Company to repurchase such shares, it is deemed appropriate that the Company or a subsidiary be authorised to repurchase the Company's shares. Any shares that may be repurchased for the time being shall be in connection with awards made in the normal course in respect of the Company's Forfeitable Share Plan.

Disclosure in terms of Section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures, which are disclosed in the audited consolidated annual financial statements and the integrated report as set out below:

	Book	Page
Directors and management	1	18
Major shareholders	2	21
Directors' interest in securities	2	24
Share capital	2	20

Directors' responsibility statement

The directors, whose names appear on page 23 of Book 2 collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and this special resolution contains all the information required by the JSE Listings Requirements.

Litigation statement

The directors, whose names appear on page 23 of Book 2 are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the previous 12 (twelve) months a material effect on the Group's financial position.

Material change

There has been no material change in the affairs of or financial position of the Company and its subsidiaries since year end.

7.2 Financial assistance to related or inter-related companies and others

Special resolution number 2

"RESOLVED as a special resolution, to the extent required in terms of, and subject to the provisions of, Section 45 of the Companies Act, No 71 of 2008, as amended, ('the Act') that the shareholders of the Company hereby approve of the Company providing, at any time and from time to time during the period of 2 (two) years commencing on the date of this special resolution, any direct or indirect financial assistance as contemplated in such section of the Act to any 1 (one) or more related or inter-related companies or corporations of the Company and/or to any 1 (one) or more members of any such related or inter-related company or corporation and/or to any 1 (one) or more persons related to any such company or corporation, on such terms and conditions as the Board of directors of the Company, or any one or more persons authorised by the Board of directors of the Company from time to time for such purpose, deems fit."

Reason for and effect of special resolution number 2

Reason for and effect of this special resolution is to grant the Board of directors of the Company ('the Board') the authority to authorise the Company to provide direct or indirect financial assistance as contemplated in Section 45 of the Act to any one or more related or inter-related companies or corporations of the Company and/or to any or more members of any such related or inter-related company or corporation and/or to any one or more persons related to any such company or corporation.

Notice to shareholders of the Company in terms of Section 45(5) of the Act of a resolution adopted by the Board authorising the Company to provide such direct or indirect financial assistance:

(a) By the time that this notice of annual general meeting is delivered to shareholders, the Board will have adopted a resolution ('the Section 45 Board Resolution') authorising the Company to provide, at any time and from time to time during the period of 2 (two) years commencing on the date on which special resolution number 2 is adopted, any direct or indirect financial assistance as contemplated in Section 45 of the Act to any one or more related or inter-related companies or corporations of the Company and/or to any or more members of any such related or inter-related company or corporation and/or to any one or more persons related to any such company or corporation.

(b) The Section 45 Board Resolution will be effective only if and to the extent that special resolution number 2 is adopted by the shareholders of the Company, and the provision of any such direct or indirect financial assistance by the Company, pursuant to such resolution, will always be subject to the Board being satisfied that (i) immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in Section 45(3)(b)(i) of the Act, and that (ii) the terms under which such financial assistance is to be given are fair and reasonable to the Company as referred to in Section 45(3)(b)(ii).

(c) In as much as the Section 45 Board Resolution contemplates that such financial assistance will in the aggregate exceed one–tenth of one percent of the Company's net worth at the date of adoption of such resolution, the Company hereby provides notice of the Section 45 Board Resolution to shareholders of the Company. Such notice will also be provided to any trade union representing any employees of the Company.

Notice of annual general meeting

7.3 Increase in non-executive directors' fees

Special resolution number 3

"RESOLVED as a special resolution in terms of Section 66(9) of the Companies Act No.71 of 2008, as amended that the level of non-executive directors' fees per annum be increased with effect from 1 August 2011 on the basis set out as follows:

	Current R	Proposed R
Chairman of the Board	1 050 000	1 500 000
Members of the Board	232 000	280 000
Chairman of the Audit, Risk and Compliance Committee	210 000	210 000
Members of the Audit, Risk and Compliance Committee	105 000	130 000
Chairman of the Remuneration Committee	183 750	183 750
Members of the Remuneration Committee	105 000	105 000
Chairman of other committees	105 000	140 000
Members of other committees	52 500	80 000"

Reason for and effect of special resolution number 3

The reason for proposing special resolution number 3 is to ensure that the level of annual fees paid to non-executive directors remain competitive to enable the Company to attract and retain persons of the calibre required in order to make a meaningful contribution to the Company, having regard to the appropriate capability, skills and experience required.

A benchmarking exercise was conducted by PwC in March 2011. The findings of this benchmarking exercise highlighted that Vodacom's non-executive directors were significantly behind that of the peer group identified. The Board has recommended that the level of annual fees paid to non-executive directors be adjusted as proposed.

The effect of special resolution number 3 is the level of fees as set out above is increased with effect from 1 August 2011.

Record date

The record date for shareholders to be registered in the books of the Company for purposes of being entitled to attend, speak and vote at the sixteenth annual general meeting is Friday 29 July 2011.

Voting and proxies

Ordinary shareholders may appoint a proxy to attend, speak and vote in their stead. A proxy need not be a shareholder of the Company.

In accordance with the Company's articles of association, voting shall be by ballot only.

Special resolutions to be adopted at this annual general meeting require approval from 75% of the shares represented in person or by proxy at this meeting. Ordinary resolutions to be adopted only require approval from a simple majority, which is more than 50% of the shares represented in person or by proxy at this meeting.

Shareholders holding dematerialised shares, but not in their own name must furnish their Central Securities Depository Participant ('CSDP') or broker with their instructions for voting at the annual general meeting. If your CSDP or broker, as the case may be, does not obtain instructions from you, it will be obliged to act in accordance with your mandate furnished to it, or if the mandate is silent in this regard, complete the form of proxy enclosed.

Unless you advise your CSDP or broker, in terms of the agreement between you and your CSDP or broker by the cut off time stipulated therein, that you wish to attend the annual general meeting or send a proxy to represent you at this annual general meeting, your CSDP or broker will assume that you do not wish to attend the annual general meeting or send a proxy.

If you wish to attend the annual general meeting or send a proxy, you must request your CSDP or broker to issue the necessary letter of representation to you. Shareholders holding dematerialised shares, and who are unable to attend the annual general meeting and wish to be represented thereat, must complete the form of proxy enclosed in accordance with the instructions therein and lodge it with or mail to the transfer secretaries.

Form of proxy (which form may be found enclosed) should be forwarded to reach the transfer secretaries, Computershare Investor Services (Pty) Limited by no later than 11:00 on Wednesday 3 August 2011.

The completion of a form of proxy does not preclude any shareholder registered by the record date from attending the annual general meeting.

By order of the Board

Sandi Linford
Group Company Secretary

30 June 2011

Form of proxy

VODACOM GROUP LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1993/005461/06)
(JSE share code: VOD) ISIN: ZAE00032577
('Vodacom' or 'the Company')

For use by certificated and dematerialised shareholders who have 'own name' registration of securities at the annual general meeting to be held at 11:00 in Talk 200, Vodacom World, 082 Vodacom Boulevard, Midrand, Johannesburg, South Africa on Thursday 4 August 2011.

I/We (Please print full names)

of (address)

being the holders of shares in the Company, hereby appoint (see Note 1)

1. or failing him/her,

2. or failing him/her,

the Chairman of the annual general meeting as my/our proxy to attend and speak and vote for me/us on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing the ordinary and special resolutions to be proposed and at each adjournment of the meeting and to vote for or against the ordinary and special resolutions or to abstain from voting in respect of the shares in the issued capital of the Company registered in my/our name/s, in accordance with the following instructions (see Note 2).

Insert an 'X' or the number of shares (see Note 2)

	Number of ordinary shares		
	For	Against	Abstain
1. **Ordinary resolution number 1** Adoption of annual financial statements			
2. **Ordinary resolution number 2** Election of Mr NJ Read as a director			
3. **Ordinary resolution number 3** Election of Ms A Kekana as a director			
4. **Ordinary resolution number 4** Re-election of Mr MP Moyo as a director			
5. **Ordinary resolution number 5** Re-election of Mr RAW Schellekens as a director			
6. **Ordinary resolution number 6** Re-election of Ms TM Mokgosi-Mwantembe as a director			
7. **Ordinary resolution number 7** Re-appointment of Deloitte & Touche as auditors of the Company			
8. **Ordinary resolution number 8** Approval of the remuneration policy			
9. **Ordinary resolution number 9** Appointment of Mr TA Boardman as a member of the Audit, Risk and Compliance Committee of the Company			
10. **Ordinary resolution number 10** Appointment of Mr PJ Moleketi as a member of the Audit, Risk and Compliance Committee of the Company			
11. **Ordinary resolution number 11** Appointment of Ms A Kekana as a member of Audit, Risk and Compliance Committee of the Company			
12. **Ordinary resolution number 12** Amendment to the rules of the Company's Forfeitable Share Plan			
13. **Special resolution number 1** General authority to repurchase shares in the Company			
14. **Special resolution number 2** Financial assistance to related or inter-related companies and others			
15. **Special resolution number 3** Increase in non-executive directors' fees			

(Indicate with an 'X' or the relevant number of shares, in the applicable space, how you wish your votes to cast).
Unless otherwise directed the proxy will vote as he/she thinks fit.

Signed at on 2011

Signature

Assisted by me (where applicable)

Completed forms of proxy must be lodged with Computershare Investor Services (Pty) Limited by no later than 11:00 on Wednesday 3 August 2011.

Please read the notes on the reverse side of this form of proxy.

Notes to the form of proxy

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting 'the Chairman of the annual general meeting' but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert an 'X' in the relevant space according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the Company insert the number of shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable at the meeting. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
3. Form of proxy must be received by the transfer secretaries, Computershare Investor Services (Pty) Limited ('Computershare'), 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107) by no later than 11:00 on Wednesday 3 August 2011.
4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and voting in person at the meeting to the exclusion of any proxy appointed in terms of this form of proxy.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by Computershare or waived by the Chairman of the annual general meeting.
6. Any alterations or corrections made to this form of proxy must be initialled by the signatory/ies.
7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by Computershare.
8. The Chairman of the annual general meeting may accept any form of proxy which is completed other than in accordance with these notes if he is satisfied as to the manner in which the shareholder wishes to vote.

Transfer secretaries

Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg 2011
PO Box 61051, Marshalltown 2107
Telephone: 011 370 5000
Call Centre: 086 110 09818

Electronic receipt of communication and notices

VODACOM GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1993/005461/06)
(JSE share code: VOD) ISIN: ZAE00032577
('Vodacom' or 'the Company')

30 June 2011

Dear Shareholder

Please note that in terms of the Companies Act, 2008, as amended and the JSE Listings Requirements, you may elect to receive shareholder communications and notices from Vodacom electronically.

To receive shareholder communications and notices in electronic form, kindly provide the following information:

Full name of shareholder ________________________________

Reference number* ________________________________

Email address ________________________________

Telephone numbers ________________________________ (home)

________________________________ (office)

________________________________ (mobile)

* can be obtained from the envelope in which you received the 2011 integrated report or please call Computershare on telephone 011 370 5000 for details.

Once completed, please return this form to Computershare Investor Services (Pty) Limited in the enclosed business reply paid envelope provided.

Should any of your details change in the future, please advise of the change as soon as possible so that we may update our records accordingly.

Yours sincerely

Sandi

Sandi Linford
Group Company Secretary

vodacom.com