2010

Group Annual Report
for the year ended 31 March 2010

Vodacom Group Limited is an African mobile communications company providing voice, messaging, data and converged services to around 40 million customers. From its roots in South Africa, Vodacom has grown its operations to include networks in Tanzania, the Democratic Republic of Congo, Mozambique and Lesotho, and provides carrier and business services to customers in over 40 African countries.

Vodacom is majority owned by Vodafone, one of the world's largest mobile communications companies by revenue, and is listed on the JSE Limited under the symbol VOD.

Shareholders' diary

Financial year end	31 March
Annual general meeting	Friday 30 July 2010

Dividends

Interim dividend	– Cents per share	110
	– Paid	7 December 2009
Final dividend	– Cents per share	175
	– Date declared	14 May 2010
	– Payable	5 July 2010

Contents

For more information please visit our website at **www.vodacom.com.**

Chairman's statement

Peter Moyo – Chairman

Vodacom ended the year as a listed company, leaner, healthier, both financially and commercially, and possessing a strong base to capitalise on the new opportunities coming in 2011 and beyond.

2010 – a challenging year

Vodacom began the year as a private company facing a raft of external and internal challenges, any one of which would be difficult enough to deal with alone, but taken together were little short of formidable. Vodacom ended the year as a listed company, leaner, healthier, both financially and commercially, and possessing a strong base to capitalise on the new opportunities coming in 2011 and beyond.

It is a testament to Vodacom's management team and employees that while dealing with some of the most pervasive changes that the Group has seen since its inception 16 years ago, their collective focus on the fundamentals of the business did not waiver. Headline earnings per share ('HEPS') for the year grew 22.3% to 510 cents and operating free cash flow grew 55.2% to R13.5 billion. This strong cash flow supported a reduction in the Group's gearing, with net debt to EBITDA reduced from 1.0 times at the end of last year to 0.6 as at 31 March 2010. This in turn underpinned the declaration of a final dividend of 175 cents per share.

In conjunction with the listing of Vodacom on the JSE Limited ('JSE'), Vodafone Group plc ('Vodafone'), one of the world's largest mobile communications companies by revenue, increased its stake in Vodacom from 50% to 65%. The benefits of this new relationship with Vodafone as a majority shareholder have already proven to be wide-ranging and significant. Particularly notable has been the impact of cooperation on technical and procurement matters. We have also learned much about our performance from extensive benchmarking exercises that compare Vodacom to all Vodafone's operating units across the globe. The expertise that Vodafone brings at the Board level has also been illuminating – their experience with markets at all stages of the growth lifecycle brings a welcome new perspective to the discussion of many of the challenges facing Vodacom.

In this difficult environment, the Group managed to maintain or grow market shares and overall revenue increased 5.6% to R58.5 billion. This success reflects Vodacom's approach of placing the customer at the heart of the business and ensuring a consistent focus on improving the value delivered to customers. There is a subtle but important difference between increasing value and simply cutting prices, a distinction that underpins Vodacom's focus on customer value management.

In addition to taking steps to grow revenue, the management team also put in place cost-efficiency programmes. While these actions gained traction towards the end of the year, we believe the main benefit will be evident in the 2011 financial year.

Regulation and the consumer

We place great emphasis on maintaining a constructive working relationship with the Department of Communications ('DoC') and with the Minister, General (Ret.) Siphiwe Nyanda. We were pleased to support the Minister's initiative to reduce mobile termination rates ('MTRs') and to lead the industry in announcing the implementation of these cuts in March 2010. Ongoing

55.2%
Increase in operating free cash flow

R13.5 billion
(2009: R8.7 billion)

This strong cash flow supported a reduction in the Group's gearing, with net debt to EBITDA reduced from 1.0 times at the end of last year to 0.6 times as at 31 March 2010.

engagement with the regulator, the Independent Communications Authority of South Africa ('ICASA'), is also a key priority. On 15 April 2010, ICASA released for public comment a proposal to make further cuts in MTRs with a view to implementation starting in July 2010. We agree that reducing MTRs will stimulate competition and therefore ultimately lead to lower call charges. Meanwhile, we have been working hard to reduce our operating costs – this gives us the scope to offer greater value to customers. Indeed, our average effective price per minute has fallen by 7.7% in South Africa over the year.

The next challenge that our regulator faces is the efficient allocation of radio frequency spectrum in South Africa. Vodacom is one of only a few companies in the country that has the existing network and customer base to be able to maximise the value of this national asset for the benefit of all South Africans. We will do this through our ability to rapidly roll out higher speed access as widely as possible and at the same time aim to provide sustainable returns for all stakeholders. The regulatory conundrum is to balance the need to provide a competitive market against the efficient usage that comes with the reasonable allocation of spectrum amongst a limited number of companies.

With respect to other legislative actions that affect Vodacom's business, we have made good headway in implementing the Regulation of Interception of Communication and Provision of Communication – Related Information Act ('RICA') and have now registered almost half of our South African customer base. The implementation of RICA has been at a cost to Vodacom and it has had a dramatic, albeit temporary, negative impact on our customer numbers. However, rather than dwell on the negative, I would like to say clearly that we support RICA and the benefits that it can bring to South Africa. Furthermore, we have found that there is a silver lining to the implementation progress – we are now getting to know our customer base better and we are seeing increased foot traffic in the stores.

Empowerment – a practical approach

I have had the privilege of working in a number of very different industries, and since I started in this role at Vodacom I have been repeatedly surprised by the number of ways that our Group has the power to change lives. The initial vision of bringing communications

1.8 million
Low-cost (<US$30) handsets sold in 2010 in South Africa

Vodacom has led in the drive to deliver low-cost handsets into all its markets.

to those who have none, to drastically simplify everyday tasks and to drive the development of crucial small and medium enterprises, is really only the beginning. Vodacom has led in the drive to deliver low-cost handsets. The Group has also placed great emphasis on bringing in more affordable smartphones, which often will offer people their first taste of the internet and the benefits that being truly connected can bring. This year will see another example of the deeply practical empowerment that mobile communications can bring. The launch of the Vodacom M-PESA money transfer system in South Africa means that millions of previously unbanked people can take another step closer to the formal economy and enjoy services that are considered basic rights elsewhere in the world.

While Vodacom SA continues to change the lives of so many people in the communities in which it operates, there is still work to be done to support broad-based black economic empowerment ('BBBEE') and drive transformation within the company. There is a danger when focusing too heavily on scorecards and ratings that true empowerment can be overlooked. We are pleased that we have retained our focus on the bigger empowerment picture, with more than R1.3 billion spent in excess of the scorecard target this year in support of enterprise development. By providing essentials such as training, advertising and even office space, we have given entrepreneurs the chance to flourish with community service telephones, Vodashops, and as wireless application service providers ('WASPs'). This focus on enterprise development is a great example of all sides benefiting from empowerment and a model that we will continue to focus on.

While our overall BBBEE progress has been positive, an area identified for improvement is gender equality, particularly at the senior management level. We are in the process of implementing a number of actions to address the issue and will report on our progress.

Governance

Several issues that were linked by external observers to corporate governance gained a large amount of media attention during the year. Vodacom has a clear and unequivocal commitment to proper corporate governance, the details of which are set out in this annual report. Shareholders are assured that the matters raised have been taken extremely seriously by the Board.

The key components of the strategy remain to grow the core mobile business, extend Vodacom's leadership in broadband, develop new converged communication solutions, and selectively expand in sub-Saharan Africa. In accordance with the strategy, the management team this year successfully laid the groundwork in terms of building market share, reducing costs and strengthening the Group's financial position to be able to fully capitalise on improved economic conditions as they emerge.

A number of important additions were made to the Board during the year. Rob Shuter, formerly Managing Director of Nedbank Retail, joined Vodacom as Chief Financial Officer in July and was also appointed to serve on the Board. Joining as a non-executive director appointed by the South African Government is Jabu Moleketi. Finally, bringing his in-depth understanding of both Vodafone and one of its most successful markets, Paolo Bertoluzzo, CEO of Vodafone Italy, joined the Board in early 2010.

We said farewell to James Maclaurin as a director of the Company and we thank him for his contribution. I want to thank the Board for the guidance and support they gave to the management team and to me.

In closing

I started this statement contrasting the difficulties and uncertainty facing Vodacom at the beginning of the year and how it emerged at the end of the year, having successfully navigated numerous major challenges, as a fitter Group poised for action. This did not happen by accident – on behalf of the Board it is my privilege to congratulate all Vodacom employees for this outstanding achievement and to say thank you to each and every one for playing your part.

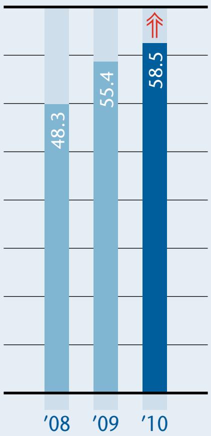
To all our customers, we want to thank you for supporting us.

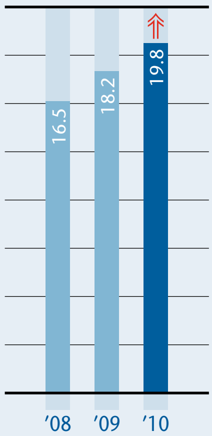
On a slightly less orthodox note, as I write this the 2010 FIFA World Cup South Africa™ is well under way, and we hope the South African team which is sponsored by Vodacom will continue to show the kind of heart and determination that any nation would be proud of. As Vodacom moves into 2011 it is this spirit that will drive our actions and ensure that we continue to succeed.

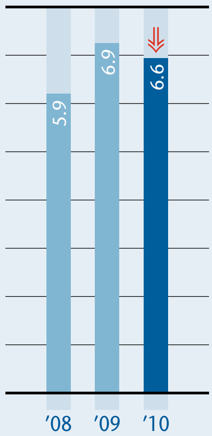
Performance at a glance

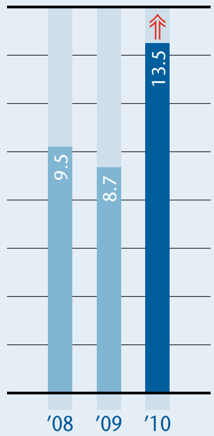
Group

Revenue *(R billion)*	EBITDA *(R billion)*	Capital expenditure *(R billion)*	Operating free cash flow *(R billion)*
R58.5bn	**R19.8bn**	**R6.6bn**	**R13.5bn**
5.6% growth	8.7% growth	3.9% decrease	55.2% growth









Highlights

Financial

- Group revenue up 5.6%
- Group EBITDA up 8.7% with margins expanding
- High data revenue growth of 31.9%
- Capital expenditure of R6.6 billion with increased investment in self-providing transmission
- Operating free cash flow generation up 55.2%
- 22.3% growth in headline earnings per share to 510 cents
- Final dividend per share declared of 175 cents, total dividends paid of 285 cents – 56% payout ratio of headline earnings per share
- Financial gearing reduced with net debt to EBITDA at 0.6 times

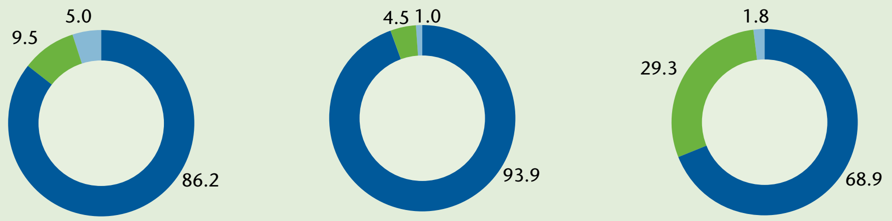
Operational

- 39.9 million mobile customers and 11.3% growth in Group traffic
- Maintained market leadership position in key markets
- 7.6 million Group active data users
- 1.1 million data connectivity customers in South Africa
- 14.4 Mbps high-speed mobile broadband network in South Africa with 21.6 Mbps speed introduced
- Vodacom Business Africa formed, contributing R729 million to Group revenue
- R500 million cost-efficiency programme in place, early benefits realised
- Vodacom Foundation celebrated its 10th birthday, donating over R500 million since inception

Business segments

	Revenue	EBITDA	Capital expenditure

Contribution[1] (%)



Growth (%)			
South Africa	5.7	14.5	(1.2)
International[2]	(8.1)	(40.7)	(4.6)
Gateway[3]	5.3	n/a	n/a

Notes:

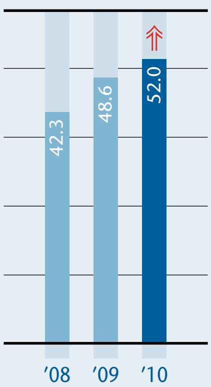
1. *The sum of these amounts do not equal 100% due to corporate and eliminations being excluded.*
2. *Normalised at a constant currency.*
3. *Gateway was acquired on 30 December 2008, revenue growth percentage represents underlying year-on-year growth.*

Operating performance

Service revenue
(R billion)

R52.0bn

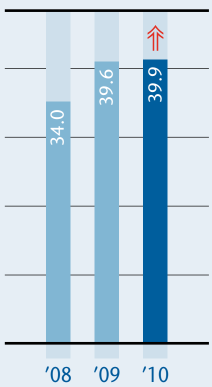
7.1% growth



Mobile customers
(Million)

39.9m

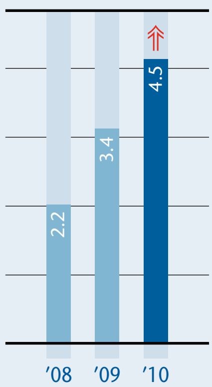
0.7% growth



Data revenue
(R billion)

R4.5bn

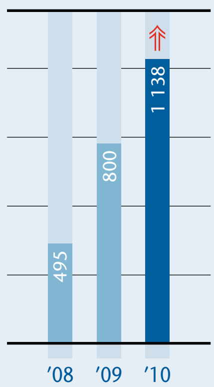
31.9% growth



Data connectivity customers[1]
(Thousand)

1.1m

42.3% growth



Note:

1. *South Africa customers only.*

Chief Executive Officer's review

Pieter Uys – Chief Executive Officer

Sometimes it is hard to pinpoint when a fundamental change happens until long after the event, but I am quite certain that we will look back on 2010 as the year in which we cemented a new direction for the Group.

Forging ahead

When Vodacom began its operations in 1994, the goal was very simple: roll out the network, make mobile communications as accessible and affordable as possible, and build the customer base. There were huge challenges but in a sense our job was straightforward because we knew exactly where we were going. As things developed in South Africa, the goalposts moved a bit to include expansion further north, but it was essentially still the same game. Sometimes it is hard to pinpoint when a fundamental change happens until long after the event, but I am quite certain that we will look back on 2010 as the year in which we cemented a new direction for the Group. With the traditional mobile voice business maturing and with geographical growth only possible at inflated multiples, we looked inwards at how we could improve our operational performance and we also forged ahead with our data business and our converged service offerings.

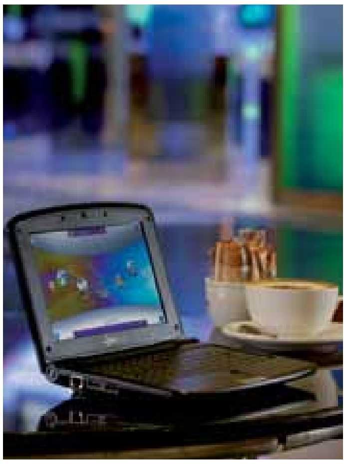
Difficult environment, robust performance

Given the regulatory and economic challenges that Vodacom faced this year, and that at the same time we listed on the JSE and integrated with Vodafone, the solid set of financial results reported for the year are a notable achievement. Overall Group revenue increased 5.6% to R58.5 billion and we now have just under 40 million customers. Group EBITDA grew 8.7%, with South Africa growing 14.5%. Operating free cash flow increased 55.2% to R13.5 billion. Headline earnings per share increased 22.3% to 510 cents.

In the context of the reduction of the prepaid customer base by 1.9 million following the implementation of RICA, the South African business performed well and increased service revenue by 7.5% to R44.2 billion. Through the introduction of targeted promotions and tariff reductions, we improved our market share and increased call traffic by 9.4%. Costs were meanwhile well controlled, resulting in an increase in the South Africa EBITDA margin from 34.0% to 36.8%. In addition to RICA, the other major regulatory development during the year was the discussion around lowering mobile termination rates which resulted in a voluntary 28.8% cut in peak MTRs in March 2010.

This and proposed future reductions have a significant impact on our bottomline and have the potential to more than offset the cost-savings actions we have taken in order to be able to continue to lower effective call charges.

On the international front, conditions were even more challenging than in South Africa and we also faced strong headwinds from weaker international currencies. On the positive side, the number of international customers grew 13.7% and now makes up a third of the Group's customer base. Despite an 11.1% reduction in operating costs, margins remained under intense pressure from reduced tariffs coupled with increased taxes and regulatory fees. The Democratic Republic of Congo ('DRC') has been a particular challenge this year, with reduced profitability, a funding issue boiling over into a public dispute with our partner, and the unexpected imposition of a tax charge of approximately US$36 million. Dealing with the challenges in the DRC is one of our key priorities in 2011.



22.3%

Headline earnings per share growth

510 cents per share
(2009: 417 cents per share)

Strong headline earnings per share growth driven by 8.7% increase in EBITDA to R19.8 billion.

Converged services taking off

In terms of the new directions that the Group has taken, we reached some important milestones in the converged services area. It is hard to overstate how fundamental the ability to move data is to modern businesses – from email and voice communications to virtualised servers and enterprise software. This year we completed all our planned metro fibre rings which has allowed us to offer a complete suite of new offerings including the recently launched Metro-Ethernet product. This area has really gained momentum and we have signed up contracts in excess of R800 million in South Africa. We have also combined Gateway's Business Services arm with the product portfolio developed in South Africa and created Vodacom Business Africa which had revenue of R729 million. This area is growing rapidly, supported by our enterprise business in Nigeria. We have also won some major global contracts working with Vodafone Global Enterprise.

Our converged business has not been immune to setbacks, the most notable of which was the impairment charge of R3 039 million related to Gateway, particularly the Carrier Services arm. We did not foresee the extent to which the global economic crisis would affect mobile traffic on the continent which resulted in sharp pricing pressure, but we have since restructured the business.

Driving mobile data growth

Probably the most important element of our new direction is the focus on mobile data, which really does represent the future of our business. Group data revenue grew 31.9% to R4.5 billion; in South Africa it now makes up 9.9% of our service revenue. Active data users in South Africa are up 29.1% to just over six million and data connectivity customers that buy a monthly data bundle are up 42.3% to 1.1 million. We continued to invest to provide for the dramatic increase in data driven by smartphones such as the new iPhone which on average has data usage levels up to six times higher than the average smartphone, and which we are still the only provider of in South Africa.

Of the R6.6 billion capex spend across all regions in 2010, R4.6 billion was spent in South Africa with a strong focus on the data business. Our entire 3G network in South Africa has been upgraded to speeds of up to 14.4 Mbps and we have introduced 21.6 Mbps HSPA+ coverage at 140 sites so far. We have also invested heavily in our own fibre network to improve backhaul capacity and reduce costs, completing a further 1 000 km during the year. In the international operations, Tanzania now has 428 000 active data users and during the year we launched 3G services in Mozambique.

31.9%
Data revenue growth

R4.5 billion
(2009: R3.4 billion)

Vodacom is South Africa's leading broadband provider with 6.2 million active data users and 1.1 million data connectivity customers.

Taking sustainability to heart

Looking at the future of Vodacom, it is important to keep in mind that there is much more to this business than just a focus on the bottomline. We are taking sustainability issues to the heart of the business and through a comprehensive engagement process have identified the issues material to our stakeholders. Vodacom subscribes to the principles of integrated reporting as espoused by the King III report and, as part of our journey towards this goal, the summary sustainability section on pages 48 to 55 of this annual report details these material issues, the developments on each during the year and our intended direction.

Fostering development

We are acutely aware of the role that Vodacom and this industry can play in fostering both economic and social development in the countries in which we operate. With this in mind, we have introduced ultra low-cost handsets priced at US$14 or below, we have introduced more affordable tariffs and other promotions which to take South Africa as an example has reduced our average effective price per minute by 7.7%, and we have also launched a revolutionary new netbook. The Linkbook, which has a built-in 3G modem, sells for R199 per month including a data bundle on a two-year contract. We believe that through introducing lower cost devices such as the Linkbook and through adding innovative solutions such as the Opera Mini browser which makes internet browsing on 2G handsets a practical proposition, Vodacom is now bringing full communications capabilities into the reach of all customers. In 2011 we plan to take this even further through rolling out the Vodacom M-PESA mobile-based money transfer service which will bring services taken for granted in many parts of the world to the unbanked in South Africa.

While we have retained our focus on driving empowerment through the products and services that we introduce, Vodacom has also kept its focus on BBBEE as measured formally through the Department of Trade and Industry ('dti') scorecard process. For 2010 we achieved a Level 4 rating with a score of 69.6%, reflecting an improved overall performance and our recent recognition as the most empowered listed telecommunications company in South Africa. We do not shy away from the fact that there is still room for improvement with respect to BBBEE and this annual report gives details of a number of areas that we are targeting.

Partnership with Vodafone

A review of the year is not complete without mentioning the major benefits that closer ties with Vodafone have brought across almost all areas of the business. Through Vodafone, we have gained access to sought-after devices like the iPhone and innovative products and services like M-PESA and the Opera Mini browser. We have also saved money by leveraging Vodafone's global procurement activity and have identified further efficiency improvements by benchmarking key business functions against the global leader. In every area from competitive strategy to research and development we have had useful advice and direction from Vodafone, and we expect further benefits to emerge in the future.

Looking forward

We are excited at the prospects for the year ahead. Vodacom has a clearly defined direction and we have put in place a solid platform in data and converged services to build from. While we pursue these new opportunities we will also focus on continued operational excellence in our traditional businesses, which includes implementing a R500 million cost-efficiency programme. While competitive and regulatory pressures are likely to limit revenue growth in the medium term to below current levels, we believe that the steps we have taken will support continued margin improvement.

Operating environment and strategy

Vodacom's four pillar strategy focuses on improving operational execution, pursuing growth opportunities in total telecommunications services and selective international expansion.

Notwithstanding an ongoing challenging economic backdrop in many African markets, the fundamentals of the telecommunications industry remain attractive. The sector is relatively resilient, but not immune, as it provides essential services that serve a fundamental human need to communicate for business and social purposes. In this environment, sector leaders, such as Vodacom, continue to be able to innovate and deliver new products and services as well as generate strong cash flow.

Although revenue from the traditional voice business is growing more slowly due to competitive and regulatory pressures, there remains a significant growth opportunity in mobile data. There are also growth opportunities in enterprise markets due to increasing demand for integrated solutions and converged offerings.

The international markets in which Vodacom operates continue to exhibit significant potential due to low mobile penetration rates of around 28% on average, compared to 100% in South Africa and forecast improvements in gross domestic product ('GDP') for most of these economies, provide a growth opportunity.

Vodacom is well positioned in the African telecommunications industry

The Group is the leading mobile operator in all the countries in which it operates, except Mozambique. The Group has also been a pioneer in data products and services, developing high-speed mobile broadband networks and providing simple-to-use and attractive devices. The Group is a recognised brand in consumer markets and has a strengthening position in the enterprise segment with the launch of Vodacom Business Africa.

Four pillar strategy

Vodacom formulated a four pillar strategy which was approved by the Board in March 2009. Strong progress continues to be made against the key objectives: core mobile service usage has grown with traffic up 11.3%; Vodacom is a market leader in mobile broadband services in all its markets with over 7.6 million active data users; and the share of revenue from non-core mobile or total communication services has increased. In addition, the Group has made some small bolt-on acquisitions and reorganised its portfolio of international businesses to improve focus.

Strategy

Grow core mobile business	⇛ Brand leadership ⇛ Increased customer value focus ⇛ Service excellence
Leadership in broadband	⇛ Network coverage advantage ⇛ Compelling device propositions ⇛ Exciting customer experience
Develop ICT converged solutions	⇛ Leverage strong presence in corporate ⇛ Substantial capital invested ⇛ Vodafone Global Enterprise advantage
Selective expansion in sub-Saharan Africa	⇛ Consolidate Gateway ⇛ Focus on stabilising current investments ⇛ Evaluate expansion opportunities

Macro environment

- Economy
- Regulation
- Competition

The business environment has evolved over the past 18 months. In particular, competitive pressure in all Vodacom markets has increased as evidenced by tariff pressures and regulators have become more aggressive in pressing for lower mobile termination rates and by increasingly allocating spectrum to new industry entrants. However, the Group does not see the need to change its strategy. There has instead been a shift in emphasis to focus on improving execution and strengthening our position in existing markets.

Grow core mobile business

Vodacom aims to improve execution in existing businesses through customer value enhancement and cost management.

Value enhancement involves maximising the value of existing customer relationships, not just the revenue. This approach shifts away from unit-based tariffs to propositions that deliver much more value to customers in return for greater commitment, incremental penetration of the account or household as well as more balanced commercial costs. This requires a disciplined approach to commercial costs to ensure investment is focused on moving customers up the value chain.

The Group has established a number of initiatives which are expected to reduce current operating costs by approximately R500 million in the 2011 financial year. These initiatives will help offset the pressures from lower MTRs and increased competition.

Leadership in broadband

Vodacom's drive to democratise data has already made substantial progress with annual mobile data revenue of R4.5 billion, 31.9% higher than the previous year. However, there is still a significant opportunity as the proportion of the customer base that regularly uses a high-speed broadband data service provided by Vodacom is less than 5% in South Africa and minimal in international markets.

Develop ICT converged solutions

In the enterprise segment, Vodacom has a strong position in core mobile services. The aim is to build upon this position and expand into the broader communications market, serving businesses with converged products and services and, in conjunction with Vodafone, to continue to increase the Group's penetration of multinational accounts.

Selective expansion in sub-Saharan Africa

Vodacom is already represented in a number of attractive African markets. The Group's principal focus is now to build capability and improve execution in these markets, particularly through business services in Tanzania and Nigeria. While new markets are of interest, Vodacom remains concerned about current valuation metrics and will focus on driving results from its existing footprint.

- Weaker economic environment
- Weaker international currencies
- Contained corporate spend
- Customer spend limited

- Customer registration in key markets
- Reducing interconnect rates
- Increasing tax in the DRC
- Future allocation of spectrum

- Aggressive price competition in the DRC and Tanzania
- Incumbent fixed line operator to launch mobile service in South Africa
- New converged players in South Africa

Delivery on strategy

Grow core mobile business	Maintained leadership positions 11.3% growth in Group traffic supported by tariff reductions in all markets Improved customer care and customer value management Launched R500 million cost-efficiency programme, savings achieved already in 2010
Leadership in broadband	31.9% growth in Group data revenue to R4.5 billion Rapid broadband infrastructure development Introduced low-cost devices to drive penetration Increased adoption of smartphones, two million in South Africa
Develop ICT converged solutions	Formed Vodacom Business Africa, incorporating Gateway Business Vodacom Business gains momentum Launched Vodacom Business in Tanzania
Selective expansion in sub-Saharan Africa	Further R0.9 billion advanced to support international operation Commencement of broadband network deployment in Nigeria Vodafone Global Enterprise account wins

Group at a glance

vodafone

Vodafone owns 65% of Vodacom Group.

Vodafone has a significant global presence, with over 341 million proportionate mobile customers, equity interests in over 30 countries and over 40 partner markets worldwide.

The benefits of being a subsidiary of Vodafone are central to Vodacom's value proposition and growth strategy, and include:

- shared communications expertise and experience;
- access to world-class research and product innovation;
- procurement savings through global economies of scale;
- benchmarking operations against global standards of excellence; and
- powerful brand association.

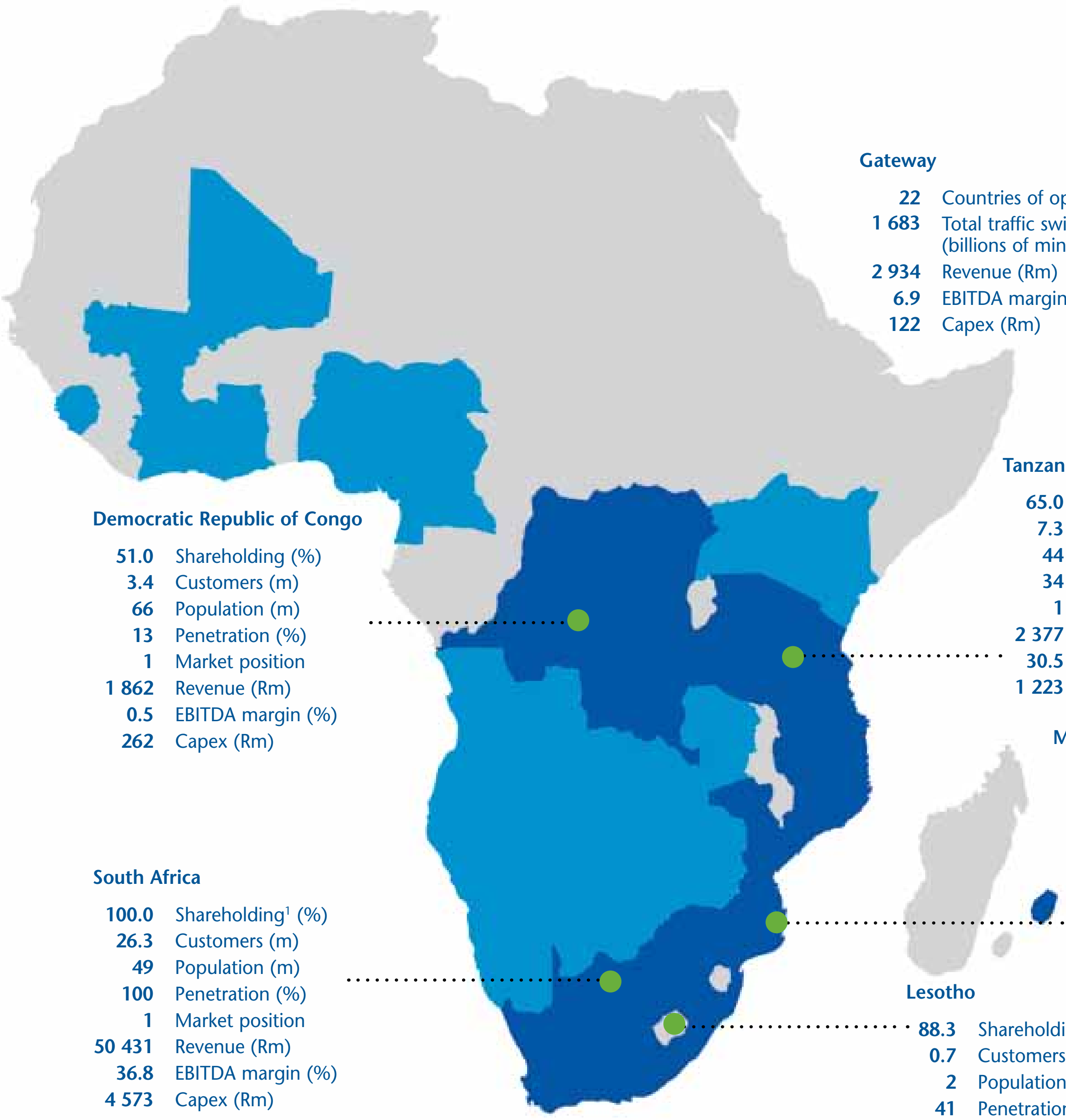
Vodacom is Vodafone's exclusive investment vehicle in sub-Saharan Africa.

Number 1

Market position in four of five countries

184 million

Population covered by Vodacom's mobile footprint



Gateway

22	Countries of operation
1 683	Total traffic switched (billions of minutes)
2 934	Revenue (Rm)
6.9	EBITDA margin (%)
122	Capex (Rm)

Democratic Republic of Congo

51.0	Shareholding (%)
3.4	Customers (m)
66	Population (m)
13	Penetration (%)
1	Market position
1 862	Revenue (Rm)
0.5	EBITDA margin (%)
262	Capex (Rm)

Tanzania

65.0	Shareholding (%)
7.3	Customers (m)
44	Population (m)
34	Penetration (%)
1	Market position
2 377	Revenue (Rm)
30.5	EBITDA margin (%)
1 223	Capex (Rm)

Mozambique

85.0	Shareholding (%)
2.3	Customers (m)
23	Population (m)
23	Penetration (%)
2	Market position
765	Revenue (Rm)
5.6	EBITDA margin (%)
371	Capex (Rm)

South Africa

100.0	Shareholding[1] (%)
26.3	Customers (m)
49	Population (m)
100	Penetration (%)
1	Market position
50 431	Revenue (Rm)
36.8	EBITDA margin (%)
4 573	Capex (Rm)

Lesotho

88.3	Shareholding (%)
0.7	Customers (m)
2	Population (m)
41	Penetration (%)
1	Market position
506	Revenue (Rm)
48.2	EBITDA margin (%)
89	Capex (Rm)

■ Vodacom

■ Gateway

Note:

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 BBBEE transaction.

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Technology and resources

Network infrastructure

Vodacom's network infrastructure is the physical technology that connects its customers.

Licences

Vodacom has mobile licences in each of the five countries in which it operates.

Information technology

Tasked with the efficient management of the accounts of approximately 40 million customers, information technology is an essential part of Vodacom's business.

Research and development

Improving the value proposition to the customer is the ultimate aim of Vodacom's research and development activity.

Customers

The Group's customer base can be broadly divided into consumer and enterprise customers. Consumers, which account for the majority of Vodacom's business, are engaged either on a prepaid or contract basis. Vodacom's enterprise customers include small- to-medium-size companies and also corporate customers who purchase both traditional voice and data products as well as converged solutions.

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People

Vodacom's people-related policies and programmes are designed to ensure that each of the Group's 7 310 employees has the tools, training and incentive to perform to the peak of their abilities. These policies and programmes are also designed to achieve the goal of being an employer of choice in each of the countries in which Vodacom operates.

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Brand and distribution

Brand

Clear and comprehensive customer offerings supported by a strong brand are essential elements in the delivery of Vodacom's strategy.

Distribution

A key differentiator and source of competitive advantage, Vodacom's extensive distribution network includes distinct retail and enterprise channels.

Supply chain management

Supporting the customer-facing distribution channels is a sophisticated warehouse and logistics network.

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Services and devices

Devices

Vodacom offers a wide-range of devices and through Vodafone has access to sought-after smartphones and ultra low-cost handsets.

Voice

Vodacom's core service to customers is to provide mobile voice communications.

Messaging

Vodacom offers messaging services including text, pictures, sound and music.

Data

Vodacom provides high-speed data connectivity giving email and internet access via either dedicated 3G modems or increasingly, directly on mobile handsets.

Technology and resources

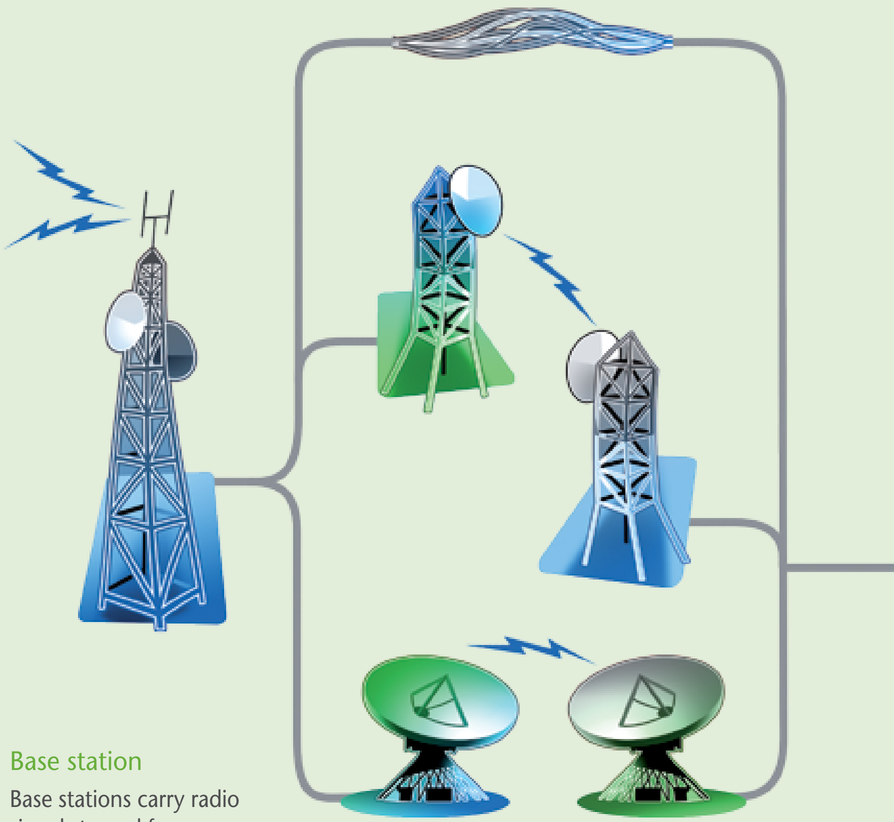
Vodacom's business is fundamentally based on the radio access network, transmission network and back-office systems that allow voice and data traffic to be routed and billed. Equally important are the licences that the Group holds granting dedicated spectrum in each of the countries in which it operates.

Customer devices

Vodacom's customers use a variety of devices for voice and data communication, the most common of which are mobile handsets, netbooks and laptop computers.

Access and transmission network

Access is primarily via base stations, and transmission from these base stations into the core network takes place using a combination of fixed line (fibre and copper), microwave and satellite methods. These connect customers to the core network.



Base station

Base stations carry radio signals to and from customer devices. The key technology behind mobile communications is the ability to hand-off from one base station to another seamlessly as the customer moves.

Transmission infrastructure

Connects base stations to Vodacom's core network using fixed line (copper and fibre), microwave and satellite transmission infrastructure.

Core network

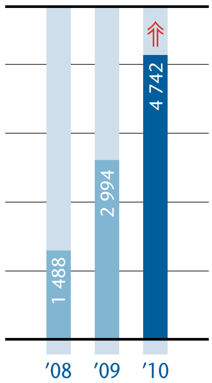
The core network is the unseen heart of Vodacom that in South Africa alone routes more than 73 million voice minutes and carries approximately 13 terabytes (‘TB’) of data on a daily basis. The servers and switches that make up the core network keep track of the account status of millions of customers, and deal with the requirements of the myriad voice and data connections that are active at any given point in time.

Onward connection

From Vodacom’s core network, voice traffic is connected onwards to the call recipient either back through Vodacom’s own mobile network, through other mobile networks or to fixed line operators. Data traffic is connected to internet service providers or corporate networks.

58.4%
Growth in data traffic

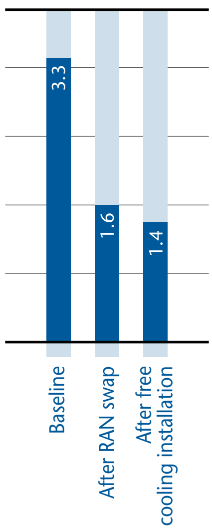
(TB)



The majority of Vodacom's R6.6 billion capex spend in 2010 was to improve network quality and increase data capacity.

57%
Reduction in energy consumption

(kWh)



Vodacom is taking a wide-range of steps to reduce energy consumption including installing more efficient equipment and modifying cooling systems.

Network infrastructure

One of Vodacom's key areas of focus is network quality. This encompasses not only a focus on improving call clarity, reducing call drop rates and expanding coverage, but also improving data-handling capacity, increasing data speeds and reducing latency (response times). With the goal of improved network quality in mind, during the past year significant progress was made on upgrading the radio access network and on transmission self-provisioning (the building of Vodacom's own transmission network in preference to relying on third-party infrastructure). The implementation of green technology and reducing costs were also key considerations in this process.

The deployment of faster and more efficient radio access network technology and the self-provisioning of key parts of the transmission network are also core elements in the execution of Vodacom's strategy of leadership in mobile data.

Preparation for the 2010 FIFA World Cup South Africa™ was a major theme during the year. Network upgrades to enhance capacity, resilience and throughput were targeted at expected high-traffic areas including football stadiums, airports, hotels and fan parks.

Access network evolution

Vodacom's network includes 7 817 base stations in South Africa and 2 134 in the international operations, an increase of 568 base stations in comparison to the prior year.

All of Vodacom's operations support GSM 2G technology as a minimum. This gives customers voice, text messaging and basic data capabilities. All of the sites also support General Packet Radio Service ('GPRS') data functionality, and many support more advanced Enhanced Data for GSM Evolution ('EDGE') functionality. GPRS and EDGE allow mobile devices to send and receive data over a packet-based network and enable services such as internet and email access.

In addition to advanced 2G capabilities, more than half of Vodacom's South African customers now have 3G coverage in various forms. This technology which operates the wideband code division multiple access ('W-CDMA') standard and is also known as mobile broadband, enables a significant increase in data transfer speeds compared to GPRS and EDGE. 3G is also available in Tanzania, Lesotho and Mozambique.

During the year, the radio access network ('RAN') renewal programme continued in South Africa with approximately 2 000 base stations upgraded to next generation Long-term Evolution ('LTE') ready equipment. In addition to increased data speeds, the RAN renewal programme brings benefits in the form of reduced energy utilisation and a smaller equipment footprint.

By the end of the financial year, all of Vodacom's South African 3G sites had been upgraded to 14.4 Mbps capable equipment, and approximately 140 21.6 Mbps HSPA+ sites are now live. As the first operator in Africa to launch HSPA+ capabilities, Vodacom has a major technological lead and is well placed to maintain its leadership position in mobile data. It is important to note that the data transfer speeds discussed in relation to base stations are theoretical peak rates deliverable by the technology in ideal radio conditions with no customer contention for resources. One of the limiting factors is the availability of backhaul capacity between these upgraded base stations and the rest of Vodacom's network, which the Group is addressing through an extensive programme of transmission self-provisioning.

Transmission network evolution

The transmission network carries voice and data traffic from Vodacom's base stations to other parts of the network. Traditionally this has relied significantly on leased third-party infrastructure, much of which was based on copper wire. In late 2007, Vodacom embarked on a programme of self-provisioning in order to bring as much of the network as possible under management control and to exert more leverage over costs, network availability and quality. This programme includes the installation of fibre-optic cables, microwave and satellite links.

The self-provisioning programme is progressing well. In the current year, 11 fibre rings covering all of South Africa's major metropolitan areas were completed and 40% of core traffic is now carried on self-provided infrastructure, up from 5% a year ago. In addition to this, approximately 330 km of the national fibre network that is being developed in conjunction with MTN and Neotel have been trenched. The national network includes a northern and southern ring with a total distance of around 5 000 km.

In addition to the fibre transmission investment in South Africa, Vodacom is investing in fibre in Tanzania and Mozambique to enhance the quality and reliability of its networks. Vodacom has also invested in the Eastern Africa Submarine Cable System ('EASSy') and West Africa Cable System ('WACS'). These cables, due to be completed in mid-2010 and mid-2011 respectively, along with the SEACOM cable which went live in 2009, will provide a major increase in available capacity connecting Africa with the rest of the world and ultimately reduce the cost of carrying international data traffic.

Vodacom also increased its capacity for national and international satellite connectivity services during the year. This was achieved through the installation of additional antennae at the Group's satellite earth station in Midrand, South Africa.

Core network evolution

Vodacom continued with core network modernisation in South Africa, preparing the network for the shift to next-generation LTE technology and for the move to an all-IP structure where voice and data are carried in the same fashion. This will ultimately bring benefits in terms of both increased capacity and reduced costs.

Licences

The licences that Vodacom holds grant the usage of specific portions of radio spectrum, which consequently allows the Group to supply mobile communications services to customers. With the exception of South Africa, there were no significant developments with respect to licences in any of the other countries in which Vodacom operates during the year under review.

In South Africa, the managed liberalisation process enabled by the Electronic Communications Act of 2006 ('ECA') resulted in final licence fee regulations being published in March 2009 and brought into effect from 1 April 2009. The new licence fee has been set at 1.5% of gross profit.

The ECA also provided for the granting of additional licences to new players. In 2009, around 540 individual electronic communications service ('ECS') and 530 electronic communications network service ('ECNS') licences were awarded. Vodacom is engaging with the industry regulator, ICASA, on an ongoing basis to discuss the pressure that this will place on limited spectrum while at the same time exploring options for more efficient usage of currently allocated spectrum.

Information technology

Significant steps were taken during the year to reduce the complexity and cost of Vodacom's IT activities including the signing of new long-term agreements with several vendors. In addition to generating savings through the consolidation of suppliers and the renegotiation of supply agreements, steps were also taken to reduce the usage of IT contractors.

The effective deployment of IT to support the understanding of customer needs and behaviour has also been a key focus area, as has modernising the billing platform to improve stability, accuracy and performance.

Research and development

One of the key benefits of the closer relationship with Vodafone cemented during the year is gaining access to Vodafone's world-class research and product innovation. This allows Vodacom to focus its research and development ('R&D') activities on testing the applicability of new products and services to the unique environment in which the Group operates and to develop these new products and services into commercial reality.

Some examples of the R&D initiatives undertaken by the Group during the year include the commercialisation of femtocells (small low-powered base stations that amongst other things can be used to provide enhanced in-home network coverage utilising fixed broadband connections), broadband over power line and bringing wireless battery charging to the South African market.

In addition to its internal R&D activities, Vodacom is also committed to nurturing wider innovation in the Information and Communications Technology ('ICT') sector through initiatives such as Vodacom Emerging Market Collaboration and Innovation ('VEMCI'). VEMCI aims to create an incubation environment, providing entrepreneurs and new businesses with resources and technological support from Vodacom. An offshoot of VEMCI leverages Vodafone's Betavine Social Exchange, a pilot project aimed at using mobile solutions to solve social problems, matching community needs with mobile applications solutions that are created by mobile or web developers.

Cost management and innovation

The infrastructure investment undertaken by the Group during the financial year had a strong cost management element. A key consideration in the RAN renewal programme has been to reduce power consumption via the installation of more efficient equipment and through utilising 'free cooling' technology.

The LTE-ready equipment installed during the year consumes up to 35 to 50% less power than the technology which it replaced. In addition to this, free cooling technology which has been installed at more than 1 000 sites monitors the external air temperature and when possible shuts down air-conditioning units to use ambient air for cooling equipment. This technology aims to reduce air-conditioning run-time by around 60%, lowering energy consumption and also increasing maintenance and replacement intervals on cooling equipment.

Reduced energy consumption was also a key consideration in the development of the no-frills base station ('NFB'), a project that was undertaken in association with Vodafone and Huawei. This project showed that a solar-powered NFB could in certain instances replace a conventional generator-powered remote site while providing a reasonable return on investment. Vodacom is exploring the roll out of NFBs in its networks, especially in remote sites.

The Group has also successfully tested several different zero emission fuel cell power sources to provide back-up electricity generation in the event of the loss of power from the grid. These include more conventional hydrogen-powered fuel cells and an exciting new methanol and water-powered fuel cell. Fuel cells have proven to be reliable, clean and quiet alternatives to diesel generators and further deployment of this equipment across the network is under evaluation.

As part of the RAN renewal programme in South Africa, the Group has begun installing remote radio head technology. The remote radio head is mounted closer to the antennae, thus avoiding losses through costly radio frequency feeders. The result is lower power consumption through reduced losses and reduced cooling requirements. This technology also decreases the cost and risks (e.g. copper theft) associated with RF feeders and negates the requirement for tower-mounted amplifiers.

Other ongoing cost-reduction initiatives in all geographies include site sharing and network optimisation in order to reduce the number of base stations.

Methanol- and water-powered fuel cell

People

In a challenging economic and competitive environment where growth cannot be taken for granted and when margins are increasingly under pressure, the true value of a well-trained, fully engaged and committed workforce becomes apparent. Vodacom's human resources activities and initiatives focus on promoting these qualities and at the same time on building an employee value proposition that positions the Group as an employer of choice.

The 2010 financial year has been far from business as usual from the human resources perspective. The transition from private to listed company status, changing economic and competitive circumstances, and the increase in Vodafone's ownership stake to 65% have all necessitated changes in the business.

Organisation changes

- **Limited increase in headcount.**
- **Restructuring of Gateway.**

The total number of permanent employees at Vodacom as at 31 March 2010 was 7 310 (including 233 employees in the Group's head office). The Group's headcount increased only slightly in comparison to the prior year, reflecting management action to keep personnel costs in check.

The only major structural change during the year related to Gateway which was split into two parts. The Business Services portion that supplies communications solutions to corporate clients was incorporated into Vodacom Business Africa.

People engagement

- **First annual Group-wide people survey undertaken with 80% response rate.**
- **Baseline established for future measurement of progress on employee engagement.**
- **Employee turnover decreased from 8.1% to 6.9%.**

Vodacom recognises that employee motivation is a complex and multi-faceted issue, and that there is no single formula guaranteed to elicit high performance from an organisation. Having said this, a motivated workforce can be such an important differentiator, especially in a challenging economic climate, that the Group took steps during the year to empirically measure and ultimately improve employee engagement.

The Group's first people survey, which is aligned to the people survey undertaken by Vodafone, was launched in October 2009, covering South African-based subsidiaries and Lesotho. The plan is to roll out to all subsidiaries in 2011. The survey gave employees the opportunity to share their views on a number of issues within the Group and the functional area in which they work. The survey response rate was 80%, which is a good achievement in the first year of such an undertaking and provides a good statistical base.

The survey measured engagement – a combination of pride, loyalty and motivation. The topics covered included leadership, innovation, customer focus, collaboration, reward and recognition. The results of the survey are compared to those in other high-performing organisations and the goal is for Vodacom to meet and then exceed the standards set by other organisations.

The strengths highlighted by the survey include the communication of the strategic direction of the business, and giving a clear understanding of the high performance standards expected of employees and of the training opportunities given to help meet these standards. Overall, employees felt proud to be associated with Vodacom as a successful business with good values. Some key areas for improvement included career planning and management coaching.

The results of the survey were communicated to all employees. The priorities highlighted by this process feed into departmental action plans and have been consolidated into a Group action plan.

In addition to receiving feedback via the people engagement survey, Vodacom also actively supports formal employee representation platforms. A number of consultative committees and HR Forums have been established in South Africa to engage with employees.

Performance management

⇛ **Implementation of performance management process consistent with Vodafone on a global basis.**

⇛ **Introduction of development boards to support succession planning.**

Two of the major human resources changes instituted during the year were the introduction of new approaches to performance management and to succession. The purpose was to bring Vodacom's existing practices into line with Vodafone, promoting easier benchmarking against other Vodafone operations across the globe and ensuring a consistent approach.

Performance management, the process of agreeing goals and targets between employees and their managers and then assessing performance against these objectives, is firmly entrenched as part of the culture of delivery at Vodacom. The overall intention of performance management is to align individual goals with the strategy of the Group and ensure that performance incentive payments are based on results achieved.

Extensive employee communication including presentations and workshops on the revised performance management process took place during early 2010 in order to embed the process for the new financial year.

The second change was the implementation of succession planning development boards for all executive and senior management roles within Vodacom. Development boards are a tool used by Vodafone on a global basis to identify high-potential and high-performing people and proactively plan for their development. As a result of this change, business unit succession plans are now integrated at Group level and individual development plans that span multiple functional areas within Vodacom have been created for high-potential employees. The talent reviews approach will be rolled out in all international businesses in 2011.

Training and development

⇛ **24 580 days of training provided, an average of almost six days per employee.**

⇛ **Total training spend 3.1% of payroll.**

In order to retain its lead in technology and innovation, Vodacom actively encourages training and development at all levels in the organisation, and also in the wider communities in which it operates. In the year under review, Vodacom invested R94 million of which R72 million was invested in black employees in South Africa. This is an increase of 7.0% on the prior year and equivalent to 3.1% of payroll in terms of BBBEE and well above the 1% spend required by the Skills Development Levies Act.

In South Africa, Vodacom's contribution to the country's ICT skills base is guided by the Skills Development Act ('SDA'), the Skills Development Levies Act ('SDLA'), and the national imperatives for growth and development set out by the South African Government. In partnership with the ISETT SETA, Vodacom contributed to the enhancement of skills in the ICT industry by hosting 381 learners and interns during the year.

With respect to establishing an ongoing pipeline of new talent into the business, the Vodacom External Bursary Scheme ('VEBS') sponsors high-achieving students from previously disadvantaged backgrounds to study engineering and IT at various South African universities. During the year VEBS had an intake of 50 candidates.

In total, Vodacom SA currently supports 768 students via bursaries. The number of bursaries granted by Vodacom SA has increased 50% over the past two years.

The Graduate Programme for Females in Technology ('GPFT') has progressed well since its inception in 2006. Thus far, retention has been excellent with 95% of the participants in the programme remaining at Vodacom. The success of GPFT has led Vodacom to expand the scope of the programme, now called Discover, and provide both male and female candidates with a three-year opportunity to gain practical exposure to various areas within Vodacom's business. Altogether 23 participants entered the Discover programme during the year.

The Young Achievers Programme, which aims to help candidates to acquire business and leadership acumen at an early stage of their careers, continues to be fully subscribed. A total of 38 candidates entered the programme this year.

Vodacom offers all employees including contractors access to its Virtual Learning Centre which provides a comprehensive range of courses via the workstation. In the year under review, 15 366 courses were accessed via the Virtual Learning Centre.

A key platform for developing Vodacom's executive pipeline is the Vodacom Advanced Executive Programme ('VAEP'), which was launched in 2003 in partnership with universities. Altogether 19 delegates completed the programme in the 2010 financial year.

48 million
Annual call volume handled by Vodacom operators

Vodacom's call centre site in downtown Johannesburg was specifically chosen with employees' ease of access to the Rea Vaya bus rapid transport system in mind.

The programme has now been extended to all of Vodacom's international businesses with 46% of participants from the international operations.

The focus of the international businesses is to develop skills to support both capacity building and in advancing the localisation agenda. Numerous bursary schemes are in place to increase the pool of talent to meet the needs of the business.

Empowerment and diversity

⇛ **Empowerment survey ranks Vodacom first amongst JSE-listed telecommunications companies.**

⇛ **Continued improvement in BBBEE score.**

⇛ **Focus on wider empowerment through new communications and banking offerings.**

Vodacom embraces the furthering of empowerment and diversity within the organisation as vital to the ongoing success of the business. This commitment and the actions the Group has taken thus far were recognised in the *Financial Mail's* survey of Top Empowerment Companies listed on the JSE, which was published in April 2010. Vodacom was ranked first for empowerment amongst listed telecommunications companies, showing clear leadership in skills development and enterprise development. One of the key areas highlighted by the survey for improvement was the level of participation by designated groups, particularly black women, in management positions.

Vodacom SA's independently assessed BBBEE scorecard has shown continued improvement with the overall score increasing from 68.4% last year to 69.6% this year. The company is ranked as a Level 4 contributor. Full details of the scorecard, including key achievements and areas for attention, are included in the sustainability summary in this report on page 48.

Vodacom's approach to empowerment and diversity goes beyond simply complying with those items measured in rankings and scorecards. One of the biggest contributions to empowerment that the telecommunications industry as a whole can make is to promote access to communications for all people, especially those in the lowest income groups. Further details on the range of broader empowerment solutions provided by Vodacom are contained in the sustainability summary of this report on page 48. In line with Vodafone, diversity and inclusion will be a focus area for the international businesses in 2011, with the emphasis on improving female representation at the senior level.

Reward and recognition

⇛ **Linkage of rewards to revised performance management system.**

⇛ **Replacement of the deferred bonus incentive scheme with the forfeitable share plan.**

Vodacom aims to be an employer of choice and as such targets a level of remuneration that will attract, retain and motivate employees. Vodacom's employee rewards and incentives are designed to drive desired behaviours and entrench a results culture. Further details on reward recognition can be found in the remuneration report on page 68.

Health, safety and wellness

- **Maintained ISO certification for health and safety.**
- **Continued focus on comprehensive employee wellness offerings including HIV/Aids testing and management.**

Ensuring the health, safety and wellness of employees, contractors and customers is an absolute priority at Vodacom. During the year under review, no major health and safety incidents were reported amongst permanent employees. The occurrence of two serious incidents involving contractors during the year resulted in an extensive review of how the Group engages with suppliers on health and safety issues and the implementation of new working rules.

The Group's occupational health and safety policies and procedures have been reviewed and harmonised with those of Vodafone to allow the benchmarking of Vodacom's performance. An external occupational health and safety audit was completed during the year, resulting in Vodacom SA maintaining its ISO certification.

Vodacom provides a comprehensive range of employee wellness benefits aimed at promoting both physical and psychological health, with the end-result of reduced absenteeism rates. From the implementation of the current wellness programme in 2007, absenteeism fell from 1.7% to 1.1%, resulting in an annual saving of R85 million. There are numerous components to this programme ranging from access to primary healthcare medical facilities through to the Employee Assistance Programme ('EAP') that offers advice, counselling and psychological support. On average, 21% of employees make use of the EAP and 15% utilise the primary healthcare facilities.

HIV/Aids remains a major social issue in all the countries in which Vodacom operates. The Group's approach is based on the view that HIV can be managed with appropriate education, counselling and access to antiretroviral medication. All employees including contractors are actively encouraged to know their status through HIV counselling and testing initiatives. For those permanent employees who have tested positive, Vodacom SA provides free highly active antiretroviral therapy ('HAART') and pre-HAART programmes.

During the past three years, 65% of Vodacom SA employees have participated in HIV counselling and testing. The tested prevalence rate is 1.1%. The tested prevalence rate on average is 5% out of 64% of international business employees tested.

Key performance indicators[1]

	Year ended 31 March		
	2010	2009	2008
Group employees	**7 310**	7 255	6 247
Average training spend per employee	**R16 395**	R10 413	R14 464
Average training days per employee	**5.8**	5.8	5.8
% of payroll spent on training	**3.1%**	3.2%	2.5%
Black representation in workforce	**70%**	70%	70%
Black representation in senior management	**33%**	33%	37%
Female representation in senior management	**20%**	20%	17%

Note:

1. Key performance indicators (except for Group employees) are for Vodacom SA only.

The sustainability of any organisation rests on the quality of its management, and increasingly analysts and investors measure this aspect when it comes to investment decisions. Vodacom's thrust on building the talent pipeline and its increased investment in skills development will stand the Group in good stead to deliver on its stakeholder expectations.

Vodacom had 39.9 million Group customers at 31 March 2010 spanning a wide-range of income groups. The Group aims to tailor its products for each of the segments and ensure they are easily available.

83.2
Customer delight index

(2009: 82.6)

No 2
Brand in South Africa

(2009: No 4)

Vodacom has various measures to monitor customer satisfaction in each of its markets. It has also adopted the customer delight index from Vodafone which tracks customer satisfaction across various points of interaction. This information is used to identify any areas for improvement and focus.

Customers are targeted with various different tariff plans and product offerings, frequently bundling voice, data and messaging together.

Customers are classified as either contract or prepaid customers. The Group had 35.3 million prepaid customers at 31 March 2010. Prepaid customers are charged for voice services mainly on a per second basis and do not pay a monthly subscription charge. Prepaid vouchers of various value denominations can be purchased from a range of retail outlets. Recharge vouchers are distributed physically and electronically across all of the countries in which the Group operates. Prepaid customers also include community service telephones, which are run by entrepreneurs who in some instances also offer services such as internet and email access.

The Group had 4.6 million contract customers at 31 March 2010. A range of customised subscription-based mobile service packages are offered to contract customers. These packages, which are tailored to individual country markets, include hybrid contracts (fixed value which can be topped up using prepaid vouchers), standard subscription packages, business packages and packages targeting the small- and medium-enterprise market. Contract subscriptions are typically for an initial 24-month period with monthly subscription and call charges varying with each package.

Customer loyalty

Vodacom's well-established customer loyalty programmes are designed to underpin Vodacom's reputation as a caring company and to reduce churn. These include the Onyx and Platinum programmes for contract customers in South Africa, and the Talking or Tuzo Points programme for prepaid customers in most markets, which gives points per recharge that can be redeemed for airtime and special offers. The Yebo Millionaires game show in South Africa attracts on average 2.8 million SMS entries per week, with more than a million customers having won prizes and five instant millionaires created in the last year. At the heart of the programme is a strong community investment element, and 44 schools across the country have been provided with computer centres with funds generated from the initiative.

Customer care

Vodacom seeks to provide consistent and high-quality customer care in each of its countries of operation and utilises call centres, walk-in centres and specialised service centres to offer a broad range of customer support functions. Email, SMS and web-based self-service are also available in most of the countries of operation.

Vodacom considers customer care to be a key aspect in attracting new customers and retaining existing customers and has made significant investments to maximise its performance. For example, Vodacom SA has a unique national network of 41 Vodacare franchises as well as three national repair hubs, which specialise in cellular repair services and performed over one million repairs during the year.

Brand and distribution

85%

Handsets repaired in 24 hours

6.4 million

Mobile devices sold during the year across the Group

Brand

Vodacom believes that developing and maintaining a strong and popular brand is an essential component of successfully delivering telecommunications services in Africa. Vodacom has, through sponsorships and well-executed advertising, managed to achieve iconic status in all markets in which it operates.

As markets mature and customers become more sophisticated, it is important that Vodacom continues to develop a truly customer-centric brand. This is achieved by a more targeted approach on a market-by-market basis as well as by consistently delivering on brand values.

Vodacom retained its leading positions and was rated the second most popular brand in South Africa by the Markinor Sunday Times 2009 survey, behind global brand Coca-Cola.

The Vodacom brand is underpinned by its sponsorships and award-winning advertising campaigns. Sponsorships have targeted active customer participation through various mobile media, a strategy to create a dialogue with customers and drive increased data usage.

Distribution

Effective distribution remains important to the ongoing success in the mobile telecommunications industry. It ensures the steady supply and turnover of product, essential in retaining and growing market share. This is especially true in Africa, where formal distribution networks are often challenged by vast distances and numerous rural areas where communities have limited resources and dispersed distribution points.

Vodacom is supported by extensive distribution channels for airtime and mobile phones, including wholesale channels, direct sales forces, independent dealers, franchises, national chains, informal distribution channels and 'Vodacom Direct', an on-line channel and a direct fulfilment call centre. For example, in South Africa, Vodacom has over 80 000 points of sale.

For its corporate customers, Vodacom Business operates an extensive direct sales division within South Africa and Tanzania which concentrates on the sale of contracts, data products, value-added services and, more recently, the broad portfolio of ICT converged services. In order to consolidate Vodacom's enterprise offerings across Africa, Gateway's Business Services division has now been integrated into Vodacom Business Africa. Gateway Business has a presence in 14 African countries.

Supply chain management

Vodacom does not manufacture equipment or other products but uses technology sourced from major equipment suppliers. The majority of the Group's purchases comprise handsets, SIM cards, network equipment, transmission marketing and IT services. The Group's supply chain management initiatives focus on reducing costs and minimising excess stock while ensuring product availability.

Vodacom SA operates a world-class warehouse facility in Midrand handling on average more than 153 000 units (including devices and SIM cards) per day, 98% of which are delivered within 48 hours to major centres. This allows Vodacom SA to provide stock to its extensive distribution network on a 'just-in-time' basis.

Vodacom negotiates handset pricing centrally and leverages Vodafone global pricing deals to ensure the benefit of volume-based pricing. Benefits include first to market handset launches and access to ultra low-cost handsets and modems. Ultra low-cost handsets are procured for and delivered into all markets in which the Group operates.

Services and devices

Vodacom offers voice, messaging, data, and carrier and enterprise services through multiple solutions and supporting technologies to deliver on its total communications strategy. The advancements in 3G networks and download speeds, handset capabilities and the mobilisation of internet services have contributed to an acceleration of data services usage growth.

Devices

Vodacom offers a wide-range of devices such as handsets, mobile data cards and laptops/netbooks.

Handsets

- A wide-ranging handset portfolio covers different customer segments, price points and an increasing variety of designs.
- 66 new models released in the year.
- 76 000 active iPhone users.
- 280 000 active BlackBerry® users.
- 3G handsets accounting for 18% of total handset sales.
- Expanded business portfolio with BlackBerry® Curve™ 8520, the Samsung Star S523 and the LG KS360.

Mobile broadband

- Provides simple and secure access to the internet, email, corporate applications and company intranets.
- Vodacom offers the Vodafone Mobile Broadband modem with speeds up to 14.4 Mbps downlink and up to 2.0 Mbps uplink by utilising HSPA technology.
- New 21.6 Mbps modems now available.
- A wide variety of laptop models are available with built-in 3G modems.
- All Vodafone mobile broadband USB modems and USB sticks are exclusive designs and benefit from 'plug and play' software.
- Netbooks are available with built-in 3G broadband, which are much smaller and lighter than a regular laptop.

Routers

- Allows customers to access Vodacom's network and converged services.
- Routers sold for dedicated internet and MPLS VPN services.
- ADSL modems sold for ADSL internet access.
- PBX devices are sold bundled with cordless, analogue and/or IP phone.
- MiFi router allows up to five WiFi devices to share an internet connection.

6.4m

Handsets sold across the Group

Product focus: New Linkbook

Low-cost compact netbook with an embedded modem available on a 24-month contract at R199 per month including 300MB per month.

Product focus: Broadband USB modem

26% growth in modems sold to 360 000.

728 000

Active PC connectivity devices in South Africa.

2.0m

Active smartphones on the network in South Africa

Product focus: Vodafone ULCH

Three different Vodafone branded ultra low-cost handsets with the lowest price at US$14.

Voice

Voice services continue to make up the largest portion of Vodacom's revenue and a wide-range of promotions have been undertaken over the past year to stimulate growth in voice usage

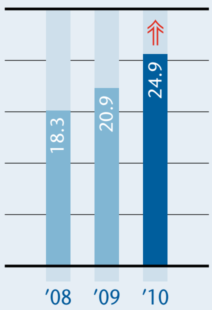
R40 080m

Voice revenue (2009: R40 124m)

Outgoing voice

- Fees charged to Vodacom mobile customer who initiates a call.
- Many different tariffs and propositions available, targeted at different customer segments.
- Dynamic pricing plans offering discounts to published call rates depending on location and time of day.

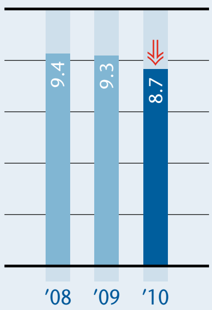
Outgoing voice usage
(Billions of minutes)



Incoming voice

- Generated when Vodacom customer receives a call from another user on another network.
- Fees paid by operators based on termination rates primarily determined by local regulators.
- Traffic impacted by lower on-net tariffing.

Incoming voice usage
(Billions of minutes)



Voice roaming

- Allows Vodacom customers to make calls on other operators' mobile networks while travelling abroad.
- Vodafone Passport offers better value to travelling customers.
- Vodafone World offers flat rate roaming prices according to three simple world zones, including discounts on partner networks.
- SMS roamer allows SMS only and receiving SMS free.

10.7m

Yebo4Less (dynamic pricing product) prepaid customers in South Africa

17.3%

Reduction in outgoing average price per minute across the Group

Promotions

- Night shift promotion in South Africa offering free on-net calls after midnight if R12 recharge voucher purchased – generated 1.2 billion extra minutes.
- ChekaTime and Vodajamma 1 Tsh promotions in Tanzania more than doubled minutes of use.
- Vova Jusk'a Fatiguer new extra low-tariff offering launched in the DRC in late 2009.

Messaging

All of Vodacom's mobile operations offer messaging services, allowing customers to send and receive messages using mobile handsets.

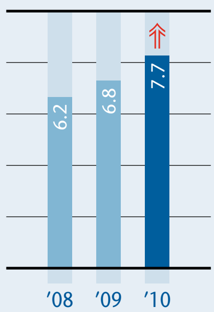
R3 215m

Messaging revenue (2009: R3 025m)

SMS and MMS

- Allow customers to send and receive text messages as well as multiple media, such as pictures, music, sound, video and text.
- *Please call me* service enables customer to send a free SMS to another customer to call back. The *Please call me* messages are funded by advertising messages on both the SMS and USSD bearers.
- Messaging growth of 12.3% in the year ended 31 March 2010, driven by customer growth and increased messaging adoption rates.

Messaging usage
(Billions of messages)



Data

Vodacom offers a number of products and services to enhance customers' access to data services including access to the internet, email, music and games.

R4 498m

Data revenue
(2009: R3 411m)

Connectivity services

- Provides laptop and PC users simple and secure mobile access to the internet and business systems.
- *Vodafone Via the Phone* makes access to the internet from a PC even simpler by using your phone. No modem required, simple software.
- Vodacom data SIM allows contract customers to use multiple devices simultaneously on one contract.

Internet

- Offers easy to use and secure customer browsing.
- Users can access the internet on their mobile via Vodafone live! or web browsers.
- Mobile Internet adapts content of internet websites to suit capabilities of individual mobile phones, reducing mobile browsing costs.
- Global games portfolio offers popular titles and the latest games.

Applications

- Vodacom email is free with 1 Gig storage and a free email notification service via SMS.
- Premium email offered with 3 Gig storage.

Data roaming

- Allows Vodacom's customers to use the Group's services on a mobile network when travelling abroad.

31.9%

Group data revenue growth

7.6m

Group active data users

1.1m

Vodacom email customers in South Africa

1.1m

Data connectivity customers in South Africa

Other services

Vodacom continued to expand the services it provides to assist customers in meeting their total communications needs and provide additional revenue streams to the Group, mainly in the areas of national roaming, connectivity for other carriers, mobile transfer services and converged services to enterprise customers.

R4 233m

Other service revenue
(2009: R2 011m)

Converged services

- Access services: offers enterprises wireless, fixed line and mobile solutions including ADSL, fibre and leased lines.
- Network services: Vodacom Business Africa offers dedicated internet solutions, national and international VPN solutions and VOIP and PBX solutions.
- Hosted services: Vodacom is developing new ways of enabling business customers to mobilise and increase the efficiency of their workforce. Includes application, data storage, hosting and security solutions.

Other services

- National roaming: allows customers of other mobile operators to roam on Vodacom's network using voice or data services.
- Advertising: generated by partnering with advertising specialists in individual markets. Includes capabilities such as WAP banners and advertising embedded in messages.
- Mobile money transfer service: Vodafone M-PESA, offered in Tanzania and Vodacom M-PESA to be launched in South Africa.

Operating indicators

South Africa key operating indicators

	Year ended 31 March			% change	
	2010	2009	2008	09/10	08/09
Customers (thousand)[1]	26 262	27 625	24 821	(4.9)	11.3
Prepaid[2]	21 765	23 679	21 280	(8.1)	11.3
Contract	4 497	3 946	3 541	14.0	11.4
Gross connections (thousand)	9 328	13 064	12 040	(28.6)	8.5
Prepaid[2]	8 523	12 359	11 258	(31.0)	9.8
Contract	805	705	782	14.2	(9.8)
Churn (%)[3]	38.4	40.1	42.3		
Prepaid[2]	43.7	45.2	47.7		
Contract	8.8	9.9	8.3		
Traffic (millions of minutes)[4]	26 675	24 383	22 769	9.4	7.1
Outgoing	18 792	16 582	15 323	13.3	8.2
Incoming	7 883	7 801	7 446	1.1	4.8
MOU per month[5]	80	79	78	1.3	1.3
Prepaid[2]	55	52	50	5.8	4.0
Contract	220	240	258	(8.3)	(7.0)
Total ARPU (rand per month)[6]	132	133	128	(0.8)	3.9
Prepaid[2]	70	70	65	–	7.7
Contract	447	474	486	(5.7)	(2.5)
Messaging (million)[7]	5 949	5 410	5 002	10.0	8.2
Data connectivity customers (thousand)[8]	1 138	800	495	42.3	61.6
Number of employees	5 059	4 930	4 504	2.6	9.5
Estimated mobile penetration (%)[9]	100	108	94		
Estimated mobile market share (%)	53	53	55		

Notes:

1. *Customer totals are based on the total number of customers registered on Vodacom's network, which have not been disconnected, including inactive customers, at the end of the period indicated. Prepaid customers inactive for three months were 10.8% (2009: 9.8%) at 31 March 2010.*
2. *Prepaid figures have been restated to include community services in line with the Group's parent's policies.*
3. *Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly total reported customer base during the period.*
4. *Traffic comprises total traffic registered on Vodacom's 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 per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly total of reported customers during the period. Previously, minutes of use were based on billable minutes.*
6. *Total ARPU is calculated by dividing average monthly recurring revenue by the average monthly total reported customers during the period. Total ARPU excludes revenue from equipment sales and non-service revenue. Prepaid and contract ARPU only includes recurring revenue generated from Vodacom customers.*
7. *Messaging includes SMS, MMS and premium rate SMS/MMS.*
8. *A unique customer who has either taken a data contract or has a data bundle as part of the contract, hybrid contract, data messenger contract or prepaid package. The numbers for the comparative years have been restated to include data messenger.*
9. *Estimated mobile penetration at 31 March 2010 would have decreased to 94% if the deletion of the approximately three million call-forward numbers subsequent to year end had been taken into consideration.*

International key operating indicators

	Year ended 31 March			% change	
	2010	2009	2008	**09/10**	08/09
Customers (thousand)[1]	**13 630**	11 989	9 173	**13.7**	30.7
Tanzania	**7 270**	5 667	4 207	**28.3**	34.7
DRC	**3 353**	4 170	3 289	**(19.6)**	26.8
Mozambique	**2 329**	1 634	1 282	**42.5**	27.5
Lesotho	**678**	518	395	**30.9**	31.1
Gross connections (thousand)	**9 315**	7 860	5 913	**18.5**	32.9
Tanzania	**4 488**	3 584	2 645	**25.2**	35.5
DRC	**2 567**	2 773	2 141	**(7.4)**	29.5
Mozambique	**1 986**	1 290	951	**54.0**	35.6
Lesotho	**274**	213	176	**28.6**	21.0
Churn (%)[3]					
Tanzania	**45.3**	43.1	45.5		
DRC[2]	**83.0**	50.5	48.0		
Mozambique	**61.8**	69.0	58.7		
Lesotho	**19.3**	19.8	17.8		
Total ARPU (rand per month)[4]					
Tanzania[5]	**29**	49	48	**(40.8)**	(2.1)
DRC	**37**	63	60	**(41.3)**	5.0
Mozambique	**30**	43	31	**(30.2)**	38.7
Lesotho	**67**	70	74	**(4.3)**	(5.4)
Total ARPU (local currency)[4]					
Tanzania (TZS)[5]	**5 044**	6 943	8 289	**(27.4)**	(16.2)
DRC (USD)	**4.7**	7.2	8.4	**(34.7)**	(14.3)
Mozambique (MZN)	**109**	121	111	**(9.9)**	9.0
Estimated mobile penetration (%)					
Tanzania	**34**	30	20		
DRC	**13**	16	12		
Mozambique	**23**	17	16		
Lesotho	**41**	30	26		
Estimated mobile market share (%)					
Tanzania	**50**	46	52		
DRC	**38**	37	41		
Mozambique	**45**	44	40		
Lesotho	**81**	80	80		
Number of employees	**1 634**	1 636	1 540	**(0.1)**	6.2
Tanzania	**678**	689	618	**(1.6)**	11.5
DRC	**651**	672	691	**(3.1)**	(2.7)
Mozambique	**205**	188	157	**9.0**	19.7
Lesotho	**96**	83	70	**15.7**	18.6
Mauritius	**4**	4	4	**–**	–

Notes:

1. *Customer totals are based on the total number of customers registered on Vodacom's network, which have not been disconnected, including inactive customers, as at the end of the period indicated. Prepaid customers inactive for three months were 19.4% (2009: 22.5%) for Tanzania, 0.0% (2009: 23.7%) for the DRC, 35.9% (2009: 27.2%) for Mozambique and 13.3% (2009: 15.5%) for Lesotho at 31 March 2010.*
2. *The DRC changed its disconnection policy from 215 to 90 inactive days. Prior period numbers have not been restated. Normalised DRC customer growth is 5.1% and churn is 71.9% at 31 March 2010.*
3. *Churn is calculated by dividing the average monthly number of disconnections during the period by the average monthly total reported customers during the period.*
4. *Total ARPU is calculated by dividing the average monthly recurring revenue by the average monthly total of reported customers during the period. Total ARPU excludes revenue from equipment sales and non-service revenue.*
5. *ARPU numbers have been restated for March 2008. Excise duty is now netted off against revenue in line with Group accounting policies.*

Key performance indicators

The Board and the Executive Committee use a number of key performance indicators ('KPIs') to monitor performance against budget as well as measure the progress against the Group's strategic objectives.

Key performance indicators

Rm	Purpose of KPI	2010	2009	2008
		Year ended 31 March		
Free cash flow	The cash generated by the Group's operations that is available to buy new businesses, provide shareholder returns or pay back debt.	7 212	3 176	4 335
Service revenue and related normalised[1] growth	Measure of the Group's success in growing ongoing revenue streams.	52 026 5.3%	48 571 10.5%	42 264
Mobile data revenue and related growth	Data revenue is expected to be a key driver of the future growth of the business.	4 498 31.9%	3 411 57.8%	2 162
Capital expenditure and capital intensity	Measure of the Group's investment in capital expenditure to deliver services to customers.	6 636 11.3%	6 906 12.5%	5 916
EBITDA and related normalised[2] growth	Measure used by Group management to monitor performance at a segment level.	19 782 9.0%	18 196 8.0%	16 463
Operating profit and related normalised[3] growth	Measure used for the assessment of operating performance, including the results of associated undertakings.	11 238 6.8%	12 005 6.0%	12 491
Mobile customers (thousand)	Customers are a key driver of revenue growth in mobile operating companies in which the Group has an equity interest.	39 892	39 614	33 994
Voice usage (millions of minutes)	Voice usage is an important driver of revenue growth, especially given continuing price reductions.	33 628	30 221	27 687

Notes:

1. *Normalised growth to exclude Gateway and at a constant currency.*
2. *Normalised growth to exclude Gateway, trading foreign exchange and at a constant currency.*
3. *Normalised growth to exclude Gateway, trading foreign exchange, the BBBEE charge and at a constant currency.*

Operating results

The Group's results were underpinned by growth in its core mobile and broadband businesses coupled with tight management of costs and capital expenditure. Although competitive, economic and regulatory challenges persisted, Group revenue rose 5.6% to R58 535 million, supported by a 31.9% increase in Group mobile data revenue.

Operating results for the year ended 31 March

Group summary financial information

	Year ended 31 March			% change	
Rm	**2010**	2009	2008	**09/10**	08/09
Revenue	**58 535**	55 442	48 334	**5.6**	14.7
Service revenue	**52 026**	48 571	42 264	**7.1**	14.9
EBITDA	**19 782**	18 196	16 463	**8.7**	10.5
Operating profit	**11 238**	12 005	12 491	**(6.4)**	(3.9)
Net profit	**4 200**	6 192	7 958	**(32.2)**	(22.2)
Operating free cash flow	**13 489**	8 694	9 491	**55.2**	(8.4)
Capital expenditure	**6 636**	6 906	5 916	**(3.9)**	16.7
Net debt before STC and dividends payable	**12 161**	15 107	5 154	**(19.5)**	193.1
Earnings per share (cents)	**282**	409	525	**(31.1)**	(22.1)
Headline earnings per share (cents)	**510**	417	528	**22.3**	(21.0)
EBITDA margin (%)	**33.8**	32.8	34.1		
Operating profit margin (%)	**19.2**	21.7	25.8		
Effective tax rate (%)	**53.0**	39.5	34.1		
Net profit margin (%)	**7.2**	11.2	16.5		
Net debt/EBITDA (times)	**0.6**	1.0	0.5		
Capital intensity (%)	**11.3**	12.5	12.2		

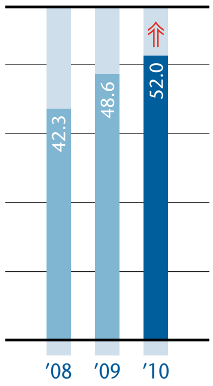
Exchange rates

	Average year to date					Closing				
	31 March			% change		31 March			% change	
	2010	2009	2008	**09/10**	08/09	**2010**	2009	2008	**09/10**	08/09
USD/ZAR	**7.83**	8.84	7.11	**(11.4)**	24.3	**7.38**	9.64	8.13	**(23.4)**	18.6
ZAR/MZN	**3.68**	2.83	3.57	**30.0**	(20.7)	**4.35**	2.84	2.99	**53.2**	(5.0)
ZAR/TZS	**171.29**	142.67	171.95	**20.1**	(17.0)	**184.29**	139.52	151.99	**32.1**	(8.2)
EUR/ZAR	**11.05**	12.46	10.08	**(11.3)**	23.6	**9.89**	12.75	12.83	**(22.4)**	(0.6)

Movements in the South African rand ('ZAR') against the United States dollar ('USD') and the functional reporting currencies had a negative impact on the Group's reported financial results. To illustrate this, had there been no change in currency rates during the year, reported Group revenue and EBITDA would have been 2.0 and 1.5 percentage points higher, respectively than reported.

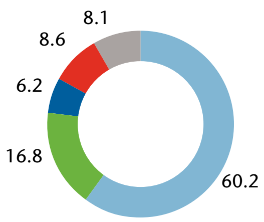
7.1%
Group service revenue growth

(R billion)



8.6%
Contribution from data revenue

(% of service revenue)



- Mobile voice
- Mobile interconnect
- Mobile messaging
- Mobile data
- Other service revenue

Revenue

Revenue rose 5.6% to R58 535 million with the continued robust performance in South Africa offsetting revenue declines in Tanzania and the DRC. Revenue growth was positively affected by the Gateway acquisition (3.6 percentage points), offset mainly by a negative impact from foreign exchange rate translation (2.0 percentage points). On a normalised[1] basis, Group revenue and service revenue increased by 4.0% and 5.3%, respectively.

Group mobile voice revenue increased by 1.0% to R31 338 million with South African mobile voice revenue increasing 5.1%. Group mobile voice revenue was positively impacted by a 19.0% increase in outgoing traffic, partially offset by a 17.3% reduction in average tariffs across the Group.

Group mobile interconnect revenue decreased by 3.9% to R8 742 million largely due to the 33.2% reduction in mobile interconnect revenue in the international operations. The decline in mobile interconnect revenue resulted from the reduction in fixed-mobile traffic in South Africa, the lower on-net pricing of operators in all markets resulting in dual SIMs being utilised as well as the lowering of mobile termination rates.

Group mobile messaging revenue increased 6.3% mainly due to the 12.3% increase in the number of messages sent across the Group, partially offset by a reduction in messaging charges.

Group mobile data revenue increased by 31.9% to R4 498 million due to the strong growth in data customers and data traffic, partially offset by reduced data pricing.

Other service revenue was positively impacted by the inclusion of a full year of Gateway revenue of R2 888 million compared to the prior year amount of R808 million. Excluding Gateway, other service revenue increased 11.8% mainly due to the growth in enterprise converged services from South Africa.

Equipment revenue increased 5.5% to R5 591 million largely as a result of an 8.1% increase in Group handset sales to 6.4 million, partially offset by a change in mix to lower-end handsets and lower average selling prices.

Non-service revenue declined 41.6% to R918 million primarily as a result of the reduction in starter pack sales following the implementation of RICA in South Africa.

Other operating income has been incorporated into revenue to align accounting practices with the Group's parent Vodafone. This resulted in a reclassification of R255 million for the prior year. Vodacom adopted IFRIC 13: Customer Loyalty programmes ('IFRIC 13') from 1 April 2009, and now accounts for customer loyalty credits as a separate component of the sales transaction in which they are granted. Included in service revenue is an expense of R119 million which relates to prior years in terms of the IFRIC 13 adoption.

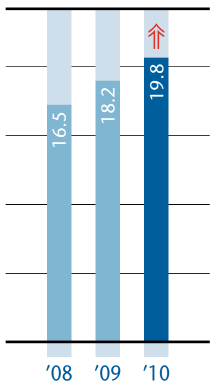
Revenue analysis

	Year ended 31 March			% change	
Rm	**2010**	2009	2008	**09/10**	08/09
Mobile voice	**31 338**	31 025	28 054	**1.0**	10.6
Mobile interconnect	**8 742**	9 099	8 373	**(3.9)**	8.7
Mobile messaging	**3 215**	3 025	2 840	**6.3**	6.5
Mobile data	**4 498**	3 411	2 162	**31.9**	57.8
Other service revenue	**4 233**	2 011	835	**110.5**	140.8
Service revenue	**52 026**	48 571	42 264	**7.1**	14.9
Equipment revenue	**5 591**	5 300	5 051	**5.5**	4.9
Non-service revenue	**918**	1 571	1 019	**(41.6)**	54.2
Total revenue	**58 535**	55 442	48 334	**5.6**	14.7

Note:
1. Normalised to exclude Gateway and at a constant currency.

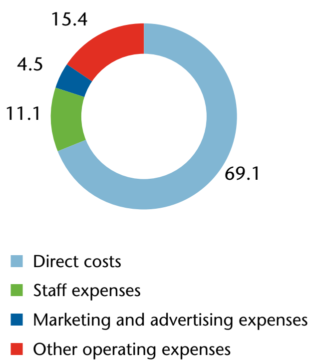
8.7%
Group EBITDA growth

(R billion)



69.1%
Of operating costs[3] are direct

(% of operating costs)



EBITDA

Group EBITDA increased 8.7% to R19 782 million and the margin expanded from 32.8% in the prior year to 33.8% in March 2010. South African EBITDA was 14.5% higher at R18 578 million, contributing 93.9% (2009: 89.2%) to Group EBITDA for the year. EBITDA from the international operations declined 51.6% to R888 million, contributing 4.5% (2009: 10.1%) to Group EBITDA for the year. Group EBITDA was negatively impacted by increased excise duties and higher indirect taxes in the international operations coupled with difficult trading conditions and unfavourable foreign exchange movements. The Group prospectively aligned its presentation of foreign exchange gains and losses on the revaluation of foreign-denominated trading items with that of its parent by including a gain of R192 million in operating expenses. For prior years, the equivalent exchange loss of R252 million (2008: R356 million loss) is presented in net finance charges. Normalised[1] EBITDA grew by 9.0%.

Operating profit

Group operating profit decreased 6.4% to R11 238 million mainly due to the impairment losses of R3 370 million and a 10.1% increase in depreciation and amortisation. Depreciation increased 6.0% to R4 183 million and amortisation of intangible assets increased 32.5% to R974 million largely due to an increase in computer software and the customer bases in Gateway being consolidated for only three months in the prior year. The prior year operating profit includes the BBBEE charge of R1 315 million. The international and Gateway businesses reported operating losses of R391 million and R3 053 million, respectively. The impairment losses of R3 370 million, largely relate to Gateway where the adverse macroeconomic environment and the poor trading performance gave rise to changes in the business plan assumptions. Normalised[2] operating profit increased by 6.8%. South African operating profit was 29.8% higher at R14 763 million, contributing 131.4% (2009: 94.7%) to Group operating profit for the year.

Expenditure analysis

	Year ended 31 March			% change	
Rm	2010	2009	2008	09/10	08/09
Direct costs	26 774	26 224	22 902	2.1	14.5
Staff expenses	4 291	3 686	2 975	16.4	23.9
Marketing and advertising expenses	1 728	1 793	1 452	(3.6)	23.5
Other operating expenses	5 977	5 624	4 573	6.3	23.0
Operating costs	38 770	37 327	31 902	3.9	17.0
BBBEE charge	–	1 315	–	–	n/a
Depreciation and amortisation	5 157	4 683	3 911	10.1	19.7
Impairments losses	3 370	112	30	>200.0	>200.0
Total expenditure	47 297	43 437	35 843	8.9	21.2

Operating costs

Group operating costs[3] increased by 3.9% to R38 770 million largely as a result of Gateway. Excluding Gateway, Group operating costs reduced by 1.4%. South African operating cost growth was contained below revenue growth. International costs decreased by 11.1% as a result of reduced revenue in Tanzania and the DRC and the impact of weaker international currencies.

Notes:
1. *Normalised to exclude Gateway, trading foreign exchange and at constant currency.*
2. *Normalised to exclude Gateway, trading foreign exchange, the BBBEE charge and at a constant currency.*
3. *Operating costs excluding depreciation, amortisation, impairment losses and the BBBEE charge.*

Direct costs (excluding Gateway) decreased by 3.4% as savings in distribution, customer acquisition and regulatory costs were realised. Staff expenses (excluding Gateway) grew at 12.0% mainly due to an average salary increase of 9% and an increase in average headcount of 5.3%.

Marketing and advertising expenses decreased by 3.6% as part of the overall cost containment strategy, however investment in focused brand-building continued.

Other operating expenses (excluding Gateway) remained relatively flat, up by only 0.3%, and were favourably impacted by a R192 million gain in the revaluation of foreign-denominated trading items.

Net finance charges

	Year ended 31 March			% change	
Rm	2010	2009	2008	09/10	08/09
Finance income	124	108	72	14.8	50.0
Finance costs	(1 602)	(1 459)	(681)	9.8	114.2
Remeasurement of loans receivable	(375)	–	–	n/a	–
(Loss)/Gain on translation of foreign-denominated assets and liabilities	(23)	39	(151)	159.0	125.8
(Loss)/Gain on derivatives	(396)	(437)	336	(9.4)	>200.0
Total net finance charges	(2 272)	(1 749)	(424)	29.9	>200.0

Net finance charges rose from R1 749 million to R2 272 million for the year ended 31 March 2010. Finance costs for the year were R1 602 million compared to R1 459 million a year ago, mainly due to higher average debt as a result of funding raised for the acquisition of Gateway towards the end of the prior year. The average cost of debt reduced from 12.7% to 9.0% as a result of lower interest rates and the benefit of floating rate debt. Net finance charges were negatively affected by the remeasurement of loans granted of R375 million and a loss of R396 million mainly relating to forward exchange contracts.

Taxation

The tax expense of R4 745 million for the year was 17.3% higher than in March 2009 due to the increase in profit before tax in South Africa, the derecognition of the DRC deferred tax asset as well as an increase in withholding taxes, offset by a decrease in the secondary tax on companies ('STC') charge for the year. The effective tax rate rose from 39.5% at 31 March 2009 to 53.0% at 31 March 2010, mainly as a result of non-deductible impairment losses of R3 370 million, and unrecognised deferred tax assets.

Earnings

	Year ended 31 March			% change	
Rm	2010	2009	2008	09/10	08/09
Adjusted headline earnings	8 443	7 525	7 861	12.2	(4.3)
Adjusted for:					
BBBEE charge	–	(1 315)	–		
DRC deferred tax	(489)	–	–		
Remeasurement of loans receivable	(375)	–	–		
Headline earnings	7 579	6 210	7 861	22.0	(21.0)
Impairment losses and other	(3 383)	(121)	(50)		
Earnings	4 196	6 089	7 811	(31.1)	(22.0)
Weighted average number of shares outstanding					
Basic ('000)	1 486 284	1 487 954	1 487 954		
Diluted ('000)	1 487 883	1 487 954	1 487 954		

Earnings per share for the year declined 31.1% from 409 cents per share to 282 cents per share, impacted by the impairment losses, the reversal of the DRC's deferred tax asset of R489 million and the remeasurement of loans receivable of R375 million. Headline earnings per share, which excludes impairment losses, increased 22.3% to 510 cents per share. For further detail refer to Note 8 of the consolidated annual financial statements.

South Africa

Rm	2010	2009	2008	% change 09/10	% change 08/09	Normalised[1] 09/10
	Year ended 31 March			% change		Normalised[1]
Revenue	50 431	47 733	43 004	5.7	11.0	5.7
Service revenue	44 166	41 081	37 122	7.5	10.7	7.5
EBITDA	18 578	16 222	14 790	14.5	9.7	13.0
Operating profit	14 763	11 372	11 704	29.8	(2.8)	14.5
Capital expenditure	4 573	4 627	4 252	(1.2)	8.8	(1.2)
EBITDA margin (%)	36.8	34.0	34.4			
Operating profit margin (%)	29.3	23.8	27.2			
Capital intensity (%)	9.1	9.7	9.9			

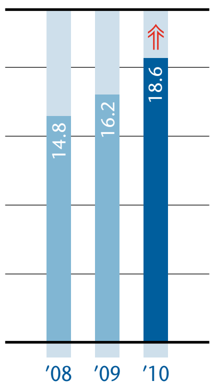
Note:

1. Current year variances normalised to exclude trading foreign exchange and the BBBEE charge where applicable.

14.5%

EBITDA growth in South Africa

(R billion)



South Africa delivered a robust performance with service revenue up 7.5% to R44 166 million, reflecting the increasing contribution of mobile data revenue. Mobile data revenue increased 32.8% to R4 363 million due to increased penetration of mobile PC connectivity and mobile internet usage, with data connectivity customers increasing 42.3% to 1.1 million and overall active data users increasing 29.1% to 6.2 million.

Customers declined 4.9% to 26.3 million as a result of a 1.9 million reduction in prepaid customers following the implementation of RICA. Contract customer growth remained strong, up 14.0% to 4.5 million. Gross connections have improved steadily from approximately 260 000 in August 2009 to approximately 724 000 in March 2010 and more than 11 million customers have been registered by year end. Customer registration together with focused loyalty programmes have resulted in a further reduction in churn from 40.1% to 38.4%.

Prepaid ARPU remained flat at R70 largely as a result of a 5.8% increase in minutes of use to 55 minutes, offset by lower tariffs. Contract ARPU declined 5.7% due to the successful conversion of prepaid customers to lower-end contract packages, and also reduced out-of-bundle spend resulting in a 8.3% reduction of minutes of use to 220 minutes. Focused price promotions reduced the average effective price per minute of mobile calls by 7.7% which in turn supported traffic growth of 9.4%.

EBITDA increased 14.5% to R18 578 million due to the success in containing operating costs, the reduced licence fee and the foreign exchange gain on the revaluation of foreign trading items. The EBITDA margin expanded from 34.0% to 36.8% in this year.

Vodacom continued to make substantial investments in the network, particularly to enhance quality and support the 58.4% growth in data traffic. Capital expenditure of R4 573 million was largely allocated to adding a further 462 3G base stations, increasing base station capability to 14.4 Mbps across the network, completing the metro fibre rings and upgrading the radio network. Despite the investment to support data traffic growth, capital intensity remained low at 9.1% of revenue.

International

Rm	Year ended 31 March 2010	2009	2008	% change 09/10	08/09	Normalised[1] 09/10
Revenue	5 569	7 099	5 403	(21.6)	31.4	(8.1)
Service revenue	5 255	6 766	5 198	(22.3)	30.2	(9.3)
EBITDA	888	1 835	1 546	(51.6)	18.7	(40.7)
Operating (loss)/profit	(391)	606	718	(164.5)	(15.6)	(157.7)
Capital expenditure	1 945	2 406	1 519	(19.2)	58.4	(4.6)
EBITDA margin (%)	15.9	25.8	28.6			
Operating profit margin (%)	(7.0)	8.5	13.3			
Capital intensity (%)	34.9	33.9	28.1			

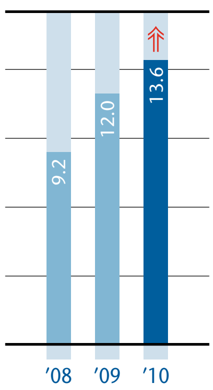
Note:

1. Current year variances normalised to exclude trading foreign exchange and at constant currency where applicable.

13.7%

Increase in international customers

(Million)



The international operations continued to record strong customer growth of 13.7% to 13.6 million. After adjusting for the change in the DRC disconnection policy from 215 to 90 inactive days, international customer growth was 23.8%. This policy change resulted in approximately one million disconnections in the DRC. Tanzania customer growth of 28.3% was fuelled by new pricing plans and Mozambique and Lesotho posted strong customer growth of 42.5% and 30.9% respectively.

Despite the increase in customers, revenue in the international mobile operations declined 21.6% to R5 569 million. Excluding the impact of foreign currency, normalised international revenue declined 8.1%. The decline was largely due to promotions aimed at improving competitiveness in the key markets, coupled with continued economic pressures. Usage has recently picked up in both Tanzania and the DRC in response to lower prices.

The EBITDA margin in the international operations declined from 25.8% to 15.9% due to reduced operating profits in Tanzania and the DRC. The DRC profitability was negatively impacted by new and increased taxes and regulatory fees and the imposition of tax penalties of approximately US$36 million. Various cost-efficiency programmes have been put in place to adjust business structures in these operations to support lower tariffs.

Vodacom continued to invest in the international operations, supporting of the medium- to long-term growth potential of these businesses with capital expenditure of R1 945 million (34.9% of revenue). The investment was mainly focused in Tanzania and Mozambique, where further transmission investment and 3G sites were added to support the growth in data and improve quality of the networks.

Gateway

Rm	Year ended 31 March 2010	2009
Revenue	2 934	808
Service revenue	2 888	808
EBITDA	202	100
Operating (loss)/profit (excluding impairment loss)	(14)	33
Capital expenditure	122	14
EBITDA margin (%)	6.9	12.4
Capital intensity (%)	4.2	1.7

Gateway contributed R2 934 million (5.0% of Group revenue) for the year ended 31 March 2010, compared to R808 million from the three months that were consolidated in the prior year. Overall EBITDA margin declined from 12.4% to 6.9% reflecting reduced mobile traffic and pricing pressure in the Carrier Services business.

Given the poor trading performance in Carrier Services, the adverse changes in macroeconomic environment and business plan assumptions, an impairment charge of R3 039 million was raised in the first half of the year. In the last quarter Carrier Services revenue remained stable.

The Business Services division continued to post good growth particularly in the Nigerian market, although some corporate spending was delayed due to the economic slowdown. In order to consolidate Vodacom's enterprise offerings across Africa, the Business Services division has now been integrated into Vodacom Business.

Group outlook

Offsetting the growth opportunities created, continued competitive and regulatory pressures are likely to limit revenue growth in the medium term to below current levels. However, through an ongoing focus on operational delivery, margins are expected to improve.

Cost management will be a focus area as management's aim to preserve the economics in the face of increasing MTRs and tariff pressures. Vodacom is targeting R500 million in cost-savings in the 2011 financial year from areas including distribution, sponsorships and network optimisation.

The approved capital expenditure budget for fiscal 2011 is R7.4 billion, of which R5.1 billion is allocated to South Africa. Capital expenditure will focus on accelerating mobile broadband coverage and self-provisioning of transmission to improve the quality of service and support continued growth in the data and enterprise businesses.

Given the strong financial position and cash flow generation of the Group, the Board has decided to increase the dividend payout ratio from 40% to approximately 60% of headline earnings for the year ended March 2011.

Financial position and resources

Statement of financial position

Rm	As at 31 March 2010	2009	Movement 09/10
Non-current assets			
Property, plant and equipment	**21 383**	21 844	**(461)**
Intangible assets	**6 673**	11 794	**(5 121)**
Other non-current assets	**1 075**	1 586	**(511)**
	29 131	35 224	**(6 093)**
Current assets	**12 560**	12 135	**425**
Total assets	**41 691**	47 359	**(5 668)**
Equity attributable to owners of the parent	**13 738**	14 017	**(279)**
Non-controlling interests	**898**	1 081	**(183)**
Total equity	**14 636**	15 098	**(462)**
Liabilities			
Borrowings			
Non-current	**9 786**	8 316	**1 470**
Current	**3 239**	7 875	**(4 636)**
Tax liabilities			
Deferred tax liabilities	**1 051**	1 361	**(310)**
Current tax liabilities	**203**	549	**(346)**
Other non-current liabilities	**753**	753	**–**
Other current liabilities	**12 023**	13 407	**(1 384)**
Total liabilities	**27 055**	32 261	**(5 206)**
Total equity and liabilities	**41 691**	47 359	**(5 668)**

Non-current assets

Property, plant and equipment

Property, plant and equipment decreased from R21 844 million at 31 March 2009 to R21 383 million at 31 March 2010, predominantly as a result of R5 866 million net additions, offset by R1 847 million unfavourable foreign exchange movements and depreciation charges of R4 183 million.

Intangible assets

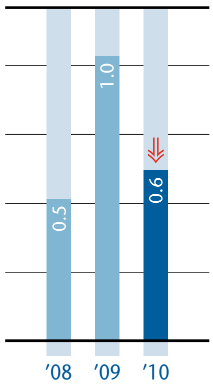
At 31 March 2010, the Group's intangible assets were R6 673 million (2009: R11 794 million), with goodwill comprising the largest element at R2 952 million (2009: R7 430 million) followed by software at R2 271 million (2009: R2 250 million). The decrease in intangible assets was primarily as a result of an impairment loss of R3 285 million being recognised in the current year coupled with R1 710 million foreign exchange losses due to the rand strengthening against functional currencies since 31 March 2009. During the year the Group capitalised R671 million net additions, comprising mainly computer software and recognised amortisation of R974 million in profit and loss. Refer to Note 2 of the consolidated financial statements for further information on impairment losses.

Other non-current assets

Other non-current assets include financial assets, trade and other receivables, finance lease receivables and deferred tax. The decrease in other non-current assets from R 1 586 million at 31 March 2009 to R1 075 million in the current year can mainly be contributed to the derecognition of the deferred tax asset of the DRC, partially offset by an increase in finance lease receivables relating to computer equipment and handsets.

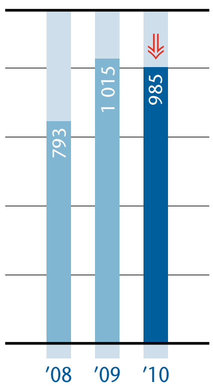
0.6 times
Net debt to EBITDA

(Times)



985 cents
Net asset value per share

(Cents per share)



Current assets

Current assets consist of current financial assets, inventory, trade and other receivables, finance lease receivables, tax receivable and cash and cash equivalents. At 31 March 2010, current assets of R12 560 million increased compared to the balance at 31 March 2009 of R12 135 million. Included in this variance is an increase in tax receivable of R289 million mainly as a result of provisional tax advances relating to the 2010 and 2009 financial years.

Total equity

Total equity decreased from R15 098 million at 31 March 2009 to R14 636 million at 31 March 2010, as a result of the R4 200 million net profit for the year being offset by a R2 665 million unfavourable foreign currency translation movement, dividends of R1 704 million and the repurchase of shares of R422 million. Included in the unfavourable foreign exchange movement is R848 million relating to foreign-denominated loans to subsidiaries classified as part of the net investments in these foreign operations.

Borrowings

Non-current borrowings and current borrowings decreased from R16 191 million at 31 March 2009 to R13 025 million at 31 March 2010. The decrease can be attributed to the repayment of the R3.0 billion short-term facility raised for the Gateway acquisition and lower bank borrowings offset by new local debt raised to refinance the US$180 million loan to the DRC.

Tax liabilities

Tax liabilities decreased from R1 910 million in the prior year to R1 254 million at 31 March 2010. The decrease in current tax liabilities of R346 million is as a result of higher second provisional payments in South Africa that reduced the tax liability at year end and no STC on dividends due to the final dividend only being declared after year end. Deferred tax liabilities decreased by R310 million mainly as a result of changes in capital allowances in Tanzania and the impairment of goodwill in Gateway.

Other non-current liabilities

Other non-current liabilities comprising trade and other payables and provisions remained in line with the prior year.

Other current liabilities

Other current liabilities decreased from R13 407 million at 31 March 2009 to R12 023 million at 31 March 2010 as a result of dividends payable decreasing by R2 205 million offset by an increase in current trade and other payables of R776 million. Dividends payable decreased over the prior year mainly as the final dividend for March 2009 was declared in March 2009 whilst the current year final dividend was declared in the 2011 financial year. Current trade and other payables increased mainly as a result of the deferred revenue increase in South Africa of R685 million arising from the introduction of mobile data usage carry-over in May 2009 as well as increased sales of prepaid vouchers.

Liquidity and capital resource

The major sources of Group liquidity for the 2010 and 2009 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 be cash generated from operations and bank-funded debt, as well as committed and uncommitted bank facilities.

Where possible, surplus funds within the South African operations are transferred to the centralised treasury 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 used to pay external dividends.

Cash flows

Rm	Year ended 31 March 2010	2009	% change 09/10
Cash generated from operations	**19 711**	15 905	**23.9**
Additions to property, plant and equipment and intangible assets	**(6 306)**	(7 254)	
Proceeds on disposal of property, plant and equipment and intangible assets	**84**	43	
Operating free cash flow	**13 489**	8 694	**55.2**
Tax paid	**(4 764)**	(4 123)	
Finance income received	**108**	103	
Finance costs paid	**(1 621)**	(1 498)	
Free cash flow	**7 212**	3 176	**127.1**

Free cash flow increased by 127.1% from R3 176 million to R7 212 million at 31 March 2010. The increase in free cash flow was driven by an increase in cash generated from operations of 23.9% to R19 711 million, fuelled by reduced capital expenditure of R948 million as capital intensity reduced from 12.5% at 31 March 2009 to 11.3% at 31 March 2010, coupled with an increase in capital expenditure creditors of R284 million to R1 917 million at year end.

The increase in cash generated from operations of R3 806 million to R19 711 million was due to an increase in EBITDA of R1 586 million boosted by an improvement in working capital of R1 798 million. The positive movement in working capital compared to the prior year was enhanced by the repayment of a guarantee held for a distributor to the amount of R602 million at the end of 2009, coupled with an increase in net deferred revenue as well as cash flow from finance lease receivables now catching up to the investment that was made on inception.

Tax paid increased by 15.5% to R4 764 million due to higher second provisional tax payments in South Africa, offset by lower taxes from the international businesses as a result of lower profitability.

Net finance costs paid increased from R1 395 million in the prior year to R1 513 million in the current year mainly due to the lower average cost of debt of 9.0% (2009: 12.7%) not compensating for the higher levels of debt experienced in the current reporting period compared to the 2009 financial year.

Share repurchases

Shareholders approved a special resolution granting a general authority for the repurchase of ordinary shares by the Group, to a maximum of 20% of shares in issue, at the annual general meeting held on 31 July 2009, subject to the provisions of the Companies Act of 1973, as amended, and the JSE Listings Requirements. In terms of this general authority, 120 456 ordinary shares were repurchased at an average price of R57.92 per share. The repurchased shares are in connection with shares that were forfeited by executives who either elected not to participate in the FSP on the allocation date of 26 November 2009, or had resigned post the allocation. 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 30 July 2010.

Odd-lot offer

On 4 March 2010, shareholders approved ordinary and special resolutions to implement an odd-lot offer and a specific repurchase of shares at R56.61 per share. Pursuant to the odd-lot offer and specific share repurchase, 2 426 471 shares were purchased on 30 March 2010. These shares are held as treasury shares by wholly owned subsidiary, Wheatfields.

Share scheme

Shareholders adopted the FSP at the annual general meeting of 31 July 2009. The FSP was implemented on 26 November 2009 with 4 722 504 shares being granted to participants. Further details on the FSP may be found in Note 16 to the consolidated annual financial statements and in the remuneration report.

Treasury shares held by Wheatfields do not carry any voting rights.

Funding

The Group has maintained a robust liquidity position through continued delivery of strong operating cash flows, effective management of working capital and term debt. This has enabled the Group to service shareholder returns, debt and expansion through capital investment.

Net debt

Rm	As at 31 March 2010	2009	Movement 09/10
Cash and cash equivalents	1 061	1 104	(43)
Bank overdrafts	(110)	(20)	90
Borrowings and derivative financial instruments	(13 112)	(16 191)	(3 079)
Total net debt before dividends and STC payable	(12 161)	(15 107)	(2 946)
Dividends and STC payable	–	(2 430)	(2 430)
Net debt	(12 161)	(17 537)	(5 376)
Net debt/EBITDA (times)	0.6	1.0	

Net debt before dividends and STC payable decreased from R15 107 million a year ago to R12 161 million. The decrease was mainly due to the repayment of the R3.0 billion short-term facility raised for the Gateway acquisition and new local debt raised to refinance the US$180 million loan to the DRC. From March 2010, dividends and STC payable will no longer form part of net debt in line with the Group's parent's policies.

The Group's financial position has improved, with the net debt to EBITDA ratio at 0.6 times at 31 March 2010. Altogether 89.6% (2009: 81.5%) of the debt is denominated in rand, R3 349 million (2009: R7 895 million) of the debt matures in the next 12 months and 96.3% (2009: 93.0%) of total debt is at floating rates.

Facilities

The loan facilities are fully utilised and disclosed in Note 17 to the consolidated annual financial statements. The bank facilities total R5 265 million, of which R1 290 million is utilised.

Financial assets and liabilities

Analysis of financial assets and liabilities, including the undiscounted contractual maturity profile of debt, currency and interest rate structure, are included in Note 29 to the consolidated annual financial statements. Details of the Group's treasury management and policies are included within Note 29 to the consolidated annual financial statements.

Option agreements and similar agreements

Details of option agreements and similar agreements are disclosed in Note 29 to the consolidated annual financial statements.

Off-balance sheet arrangements

The Group does not have any off-balance sheet arrangements. Refer to Notes 24 and 25 to the consolidated annual financial statements for a discussion of the Group's commitments and contingencies.

Quantitative and qualitative disclosures about financial risk management

A discussion of the Group's financial risk management objectives and policies and the exposure of the Group to liquidity, market and credit risk is included within Note 29 to the consolidated annual financial statements.

Five-year review

31 March		Notes	2010	2009
Summarised income statement		19		
Revenue	Rm	1	58 535	55 442
Mobile data revenue	Rm		4 498	3 411
Operating profit	Rm	2, 5	11 238	12 005
Net finance charges	Rm	3	(2 272)	(1 749)
Profit before tax	Rm		8 945	10 237
Taxation	Rm	4	(4 745)	(4 045)
Net profit attributable to non-controlling interests	Rm		4	103
Net profit attributable to equity shareholders	Rm		4 196	6 089
EBITDA	Rm	5	19 782	18 196
Summarised statement of financial position		19		
Non-current assets	Rm	6	29 131	35 224
Current assets	Rm		12 560	12 135
Total assets	Rm		41 691	47 359
Total equity	Rm		14 636	15 098
Non-current liabilities	Rm		11 590	10 430
Current liabilities	Rm		15 465	21 831
Net debt	Rm	7	12 161	17 537
Capital expenditure	Rm		6 636	6 906
Summarised statement of cash flows		19		
Cash generated from operations	Rm		19 711	15 905
Tax paid	Rm		(4 764)	(4 123)
Net cash flows from operating activities	Rm	8, 9, 10	14 947	11 782
Net cash flows utilised in investing activities	Rm	9	(6 329)	(12 646)
Net cash flows (utilised in)/from financing activities	Rm	8, 10, 11	(8 548)	1 171
Net increase/(decrease) in cash and cash equivalents	Rm		70	307
Cash and cash equivalents at the end of the year	Rm		951	1 084
Performance per ordinary share		19		
Basic earnings per share	cents	12	282	409
Headline earnings per share	cents		510	417
Diluted headline earnings per share	cents		509	417
Net asset value per share	cents		985	1 015
Dividends per share	cents		110	350
Profitability and returns		19		
EBITDA margin	%	5	33.8	32.8
Operating profit margin	%	2	19.2	21.7
Effective tax rate	%	4	53.0	39.5
Net profit margin	%		7.2	11.2
Return on equity	%	13	30.2	47.9
Return on capital employed	%	14	43.4	70.7
Liquidity and debt leverage				
Interest cover	times	15	6.6	8.0
Net debt to EBITDA	times		0.6	1.0
Current ratio	times	16	0.8	0.6
Quick ratio	times	17	0.8	0.5
Operating information		19		
South Africa				
Closing customer base	thousand		26 262	27 625
EBITDA margin	%		36.8	34.0
Capital intensity	%		9.1	9.7
Headcount of employees			5 059	4 930
International				
Closing customer base	thousand		13 630	11 989
EBITDA margin	%		15.9	25.8
Capital intensity	%		34.9	33.9
Headcount of employees			1 634	1 636
Gateway		18		
EBITDA margin	%		6.9	12.4
Capital intensity	%		4.2	1.7
Headcount of employees			384	389

2008	2007	2006	Compound growth %
48 334	41 266	34 168	14.4
2 162	158	–	n/a
12 491	10 860	8 866	6.1
(424)	(463)	(639)	37.3
12 067	10 396	8 227	2.1
(4 109)	(3 836)	(3 084)	11.4
147	218	117	(57.0)
7 811	6 342	5 026	(4.4)
16 463	14 227	11 809	13.8
24 468	20 844	16 079	16.0
9 707	7 626	8 689	9.6
34 175	28 470	24 768	13.9
11 806	9 647	8 672	14.0
4 787	3 812	2 237	50.9
17 582	15 011	13 859	2.8
8 663	5 653	3 507	36.5
5 916	6 748	5 138	6.6
16 022	13 528	11 252	15.0
(4 721)	(3 303)	(2 980)	12.4
11 301	10 225	8 272	15.9
(7 431)	(6 542)	(4 667)	7.9
(3 013)	(5 609)	(4 002)	20.9
857	(1 926)	(397)	n/a
837	(108)	1 760	(14.3)
525	426	338	(4.4)
528	426	331	11.4
528	426	331	11.4
793	648	583	14.0
399	363	302	(22.3)
34.1	34.5	34.6	
25.8	26.3	25.9	
34.1	36.9	37.5	
16.5	15.9	15.0	
75.0	71.2	62.2	
85.5	77.6	65.7	
18.7	29.2	34.0	
0.5	0.4	0.3	
0.6	0.5	0.6	
0.5	0.5	0.6	
24 821	23 004	19 162	8.2
34.4	34.9	35.4	
9.9	13.3	13.9	
4 504	4 388	4 148	5.1
9 173	7 146	4 358	33.0
28.6	29.7	25.6	
28.1	37.9	24.8	
1 540	1 347	1 154	9.1
n/a	n/a	n/a	
n/a	n/a	n/a	
n/a	n/a	n/a	

Notes:

1. *Revenue has been restated to include other operating income.*
2. *Operating profit and the operating profit margin in 2010 were impacted by impairment losses of R3 370 million. The prior year was impacted by the BBBEE charge of R1 315 million.*
3. *Net finance charges in 2010 were negatively affected by the remeasurement of loans granted of R375 million and a loss of R396 million mainly relating to forward exchange contracts.*
4. *The effective tax rate increased to 53.0% in 2010 mainly as a result of non-deductible impairment losses of R3 370 million and unrecognised deferred tax assets.*
5. *The Group prospectively aligned its presentation of foreign exchange gains and losses on the revaluation of foreign-denominated trading items with that of its parent by including a gain of R192 million in operating expenses. EBITDA is earnings before interest, taxation, depreciation, amortisation, impairment losses, BBBEE charges, profit/loss on disposal of property, plant and equipment, investment properties, intangible assets and investments.*
6. *Property, plant and equipment and intangible assets were negatively impacted by foreign currency adjustments of R1.9 billion and R1.7 billion respectively, due to the rand strengthening against functional reporting currencies of the international markets since 31 March 2009.*
7. *From 31 March 2010 dividends and STC payable will no longer form part of net debt.*
8. *Dividends paid were previously classified in cash flows from operating activities and are now included in cash flows utilised in financing activities.*
9. *Finance income was reclassified to investing activities.*
10. *Finance costs were reclassified to financing activities.*
11. *Net cash flow utilised in financing activities included the repayment of the R3.0 billion short-term facility raised for the Gateway acquisition and new local debt raised to refinance the US$180 million loan in the DRC.*
12. *Earnings per share for the year was impacted by the impairment losses, remeasurement of loans and the reversal of the DRC's deferred tax asset.*
13. *Return on equity is calculated by dividing net profit (excluding non-controlling interests) by average shareholders' equity.*
14. *Return on capital employed is calculated by dividing net profit by the average net assets less average goodwill.*
15. *Interest cover ratio is equal to earnings before interest and tax for the year divided by interest expenses for the year.*
16. *The current ratio is calculated by dividing current assets by current liabilities.*
17. *The quick ratio is calculated by dividing the current assets excluding inventory by current liabilities.*
18. *Gateway was consolidated for only three months in 2009.*
19. *Reclassifications as detailed in Note 23 to the consolidated annual financial statements have been applied retrospectively so as to align with practices of the Group's parent, Vodafone Group Plc.*

Sustainability review

Sustainability is not a new concept to Vodacom – in the 16 years since the Company started operations it has demonstrated a tangible commitment to playing a wider role as a responsible corporate citizen. However, a transition is under way to move from the instinctive approach the Company has historically taken to a more structured and formal approach.

Abridged summary table of material issues

Stakeholders	Page reference	Material issues	Summary of status
		Access to communications	
Communities Customers Vodafone Micro and small enterprises	50	Socio-economic impact of mobile telecoms	Continued roll out of coverage and introduction of new ULCHs.
	50	Network coverage	Vodacom SA's 2G and 3G networks now cover 99.7% and 54.0% of the population respectively.
	50 – 51	Affordability and clear pricing	Low-cost handsets have decreased in price by 30% since 2008.
	51	Competition and the cost of communications	Vodacom SA's average effective price per minute reduced 7.7%. Peak MTRs reduced by 28.8% this year.
	51	Reducing the level of preventable exclusion	Vodacom SA partnered with Age in Action, launching the ZTE S202 and S302 model mobile phone for older persons. Two new speaking phones, and three products for the hearing impaired were also launched.
		Empowerment	
Shareholders Employees Suppliers Small enterprises Communities	51 – 52	BBBEE scorecard	Vodacom SA verified as a Level 4 contributor with a score of 69.6 (2009: 68.4).
	52	Employment equity	A Transformation and Diversity Steering Committee has been established. The retention of black employees, and in particular black female employees, remains a challenge. The Department of Trade and Industry's Code of Good Practice ('dti CoGP') score: 10.2/15.
	52	Skills development	80% of all training this year was invested in the black-designated group. dti CoGP score: 12.0/15.
	52 – 53	Preferential procurement	Vodacom SA is working to increase the proportion of registered BBBEE suppliers, and requires all suppliers to work towards a Level 4 BBBEE status. dti CoGP score: 14.7/20.
	53	Enterprise development	Vodacom SA is expanding opportunities for BBBEE entrepreneurs through Vodacom Internal WASP. As a Level 1 contributor Vodacom SA scores 15/15 on the dti CoGP.
		Impact on environment	
Government Regulators Interest groups Vodafone Public	53	Carbon footprint	Vodacom is taking part in the Carbon Disclosure Project for the first time, and a climate change policy and strategy is currently being developed.
	53	Energy savings	Strategic roadmap formulated to reduce power consumption by 83 000 mWh.
	54	E-waste	208 tonnes of IT and network equipment, as well as 4.5 tonnes of handsets were recycled this year.
	54	Placement of base stations	Vodacom implements global best practices to limit visual impact and aims to comply with local planning regulations.

Stakeholders	Page reference	Material issues	Summary of status
		Social responsibility	
Customers Public Government Regulators Industry bodies	54	Ethical business conduct	Vodacom SA launched an Ethics Advice Line. In addition, Vodacom published a 'Guideline for Content in the Workplace' this year.
	54	Privacy of information	Vodacom has policies in place to ensure that customer information is not unlawfully disclosed in terms of licence obligations, both internally and via its WASP business partners.
	55	Protection of vulnerable users	Vodacom SA is a signatory to the Code of Conduct for Cellular Operators.
	55	Radio frequency ('RF') exposure	Vodacom SA engages annually with the Directorate for Radiation Control to monitor developments in local regulation. The industry is currently anticipating a draft South African RF standard for best practice.
	55	Contribution to communities ('CSI')	During the 2010 financial year, the Vodacom Foundation in South Africa contributed R69 million. A further R12 million constitutes CSI activities conducted by other divisions in Vodacom SA.
		Interaction with employees (dealt with in People section)	
Employees Families and dependants	23	People engagement	An employee survey was conducted for the first time by the Group, with an 80% participation rate.
	25	Reward and recognition	Revised performance management system and forfeitable share plan introduced.
	26	Employee wellness	Vodacom provides a comprehensive range of employee wellness benefits.
	26	Workplace HIV/Aids	All employees including contractors are actively encouraged to know their status. During the past three years, 65% of Vodacom SA employees have participated in HIV counselling and testing.

For more information please visit our website at **www.vodacom.com.**

Approach to sustainability

In early 2009, the Group undertook a formal engagement process with key stakeholders including customers, business partners, employees, government and regulatory contacts, and representatives of the communities in which Vodacom operates. This engagement process highlighted a number of issues that are material to stakeholders. Vodacom believes that it has a responsibility to explain its current approach on each of these material issues and over time to elaborate targets relating to these areas and report on progress against these targets. The table on the preceding pages summarises the material issues identified through the stakeholder engagement process.

With the issues of primary importance to Vodacom's stakeholders identified, the main focus of sustainability activity during the year was to document the myriad ways that these issues arise in the business and to develop sustainability management systems.

A practical example is the issue of energy efficiency. Before getting to the point of identifying an electricity usage efficiency target for the Group as a whole, all the major sources of electricity use across each operation must be identified along with all the savings initiatives underway. In the case of electricity usage, these savings initiatives are as diverse as installing LED lighting and occupancy sensor technology in offices, to changing base station power sources to diesel-electric hybrid units, to replacing radio equipment with newer, lower consumption units. This complex process of documenting in detail the background to material issues and developing measurement methods is now largely complete.

In the year ahead, the Group aims to use the groundwork done this year to develop targets and move to full reporting of progress against these targets. For the current year's sustainability report, the approach adopted is to explain the status on all material issues and give details of significant developments during the year.

Access to communications

The mobile telecommunications industry is almost uniquely placed in terms of the positive contribution that it can and does make in terms of promoting economic and social development. This is particularly true in Vodacom's markets where connecting rural and marginalised communities has a direct impact on productivity, the development of businesses, and the provision of services ranging from mobile health initiatives to mobile money transfer. As such a crucial catalyst for change and development, Vodacom focuses on a number of different aspects of how to promote access to communications.

Network coverage

Vodacom is committed to broadening access to voice and data communications to as many people as possible in the markets in which the Group operates. The starting point of this commitment, which also includes providing cheaper handsets and more affordable products, is to increase network coverage itself. In South Africa, the roll out of the network continued during the year with 2G coverage increased from 98% to just under 100% of the population, and 3G high-speed data service coverage almost doubling from 28% to 54% of the population.

While 3G coverage has increased substantially in the past 12 months, a particular challenge is increasing access to data services, particularly in rural areas. An innovative solution developed by Vodafone is the introduction of the Opera Mini browser. This browser, which massively compresses data, gives internet capabilities to basic and mid-tier telephones using 2G networks. Since 2G coverage is much more widely available, this is a highly practical way of rolling out affordable internet access to as many people as possible.

Affordability and clear pricing

Once the fundamentals are in place in terms of network coverage, the key factors governing accessibility are the availability of affordable handsets and affordable tariffs. In the year under review, Vodacom introduced several new ultra low-cost handsets offering basic functionality and retailing for around R200. Low-cost handsets have decreased in price by 30% since 2008, and Vodacom foresees a further decrease in the coming financial year. These low-cost handsets have been specifically designed with developing markets in mind and offer practical features such as built-in torches.

Coupled with more affordable handsets, Vodacom has also introduced better-value tariffs. For example, the prepaid all-day tariff introduced in March 2010 gave (as at the launch date) the lowest prepaid all-day rates available in South Africa. Similarly, a promotion giving a 15% cut in peak Vodacom to Vodacom rates was run during the month of December 2009.

The Vodacom SA product planning team is working in conjunction with Vodafone to continue to make new and more feature-rich handsets available in the coming year. This will include more affordable smartphones that have full internet browsing capabilities. The recently launched Linkbook is intended to provide connectivity to a whole new group of users who were previously excluded on a price basis.

While placing such a strong emphasis on introducing more affordable devices and tariffs, the Group also recognises that it has a responsibility to ensure that customers are able to understand what they are agreeing to. In addition to adhering to ICASA regulations, Vodacom strictly abides by the rulings of the Advertising Standards Authority in terms of ensuring that its customers are not misinformed when buying a Vodacom product or service. Various customer surveys and feedback from customer-facing business partners act as a litmus test for ensuring that its customers understand the content of its agreements and know their rights and obligations.

Following the promulgation of the Consumer Protection Act, Vodacom released a simplified version of certain products and services on 3 April 2010. This includes simplified rates, call periods and groupings of off-net charges on the prepaid and top-up tariff plans, and has assisted in making retail offerings easier for customers to understand.

Competition and the cost of communications

A number of key stakeholder groups have expressed an interest in increasing the amount of competition in the South African mobile telecommunications industry. One of the manifestations of this is the move to reduce mobile termination rates. MTRs are the amount one company charges another to connect a call on its network – it is effectively a charge levied for the use of the recipient's infrastructure.

Lower MTRs are expected to benefit consumers over time through encouraging higher levels of competition and therefore ultimately leading to lower call charges. Vodacom supported the Minister of Communications' initiative to reduce MTRs that was announced in December 2009. Vodacom subsequently led the industry in announcing the implementation of a 28.8% reduction in the peak rate in February 2010. In addition to this, the Group has made significant efforts to reduce its costs in order to be able to offer greater value to its customers.

Reducing the level of preventable exclusion

Disabled and elderly people are often vulnerable to exclusion. Appreciating the specific needs of these people, Vodacom SA partnered with two organisations to promote their new 'specific needs' mobile phone offering as well as hearing aid devices which interface with mobile phones. During 2009, Vodacom SA also partnered with Age in Action, the biggest organisation for the elderly in South Africa, in order to facilitate an understanding of the requirements of elderly customers. This resulted in launching the ZTE S202 model mobile phone. The phone has been well received with over 10 000 units sold within six months of launch.

Empowerment

Vodacom SA has consistently demonstrated a commitment to the promotion of truly broad-based empowerment. In its first year of operation, Vodacom SA invested in the South African Government's Joint Economic Development Programme, making the R1 billion investment well ahead of the 10-year deadline. More recently, the 2008 YeboYethu Limited ('YeboYethu') public offer was specifically designed to bring in as many participants from the grass-roots level as possible. This initiative proved highly successful – almost 60% of the applications for the public offer were for the minimum number of shares. Vodacom SA firmly believes that true empowerment creates a virtuous circle that is in the best interests of the country as a whole as well as that of the Group. This year Vodacom SA spent more than R1.3 billion in excess of its cumulative target to support enterprise development. Through the provision of support in the form of training, advertising and even office space, entrepreneurs across the country have been given a platform to build their businesses. These businesses in turn help to drive economic growth, which in the long term creates more customers for Vodacom. The Group's intention is to continue to support true broad-based empowerment initiatives.

BBBEE scorecard

Vodacom SA is independently verified as a Level 4 contributor according to the dti BBBEE Codes of Good Practice, with a score of 69.6.

Scorecard summary

%	Weighting %	Actual overall score 2010	Actual overall score 2009
Overall BBBEE score	100	69.6	68.4
Direct empowerment	30	12.7	13.2
– Equity ownership	20	6.1	6.3
– Management control	10	6.6	6.9
Human resource development	30	22.2	21.5
– Employment equity	15	10.2	9.5
– Skills development	15	12.0	12.0
Indirect empowerment	35	29.7	28.7
– Preferential procurement	20	14.7	13.7
– Enterprise development	15	15.0	15.0
Residual	5	5.0	5.0
– Socio-economic development	5	5.0	5.0

Supporting the above positive summary of Vodacom's BBBEE status, the Financial Mail in its May 2010 Top Empowerment Companies report ranked Vodacom as the most empowered listed telecommunications company in South Africa.

Employment equity

A total of 69% of new appointments during the year were black candidates, bringing overall black representation in Vodacom SA to 70%. Representation of the various race groups in senior, middle and junior management is 27% African, 22% Coloured, 15% Indian and 36% White. The proportion of total disabled employees has remained unchanged at 1.2%, with disabled black employees accounting for 0.6%.

The promotion of transformation within Vodacom is a key focus area. A workforce analysis based on the economically active population was conducted in January 2010 and identified underrepresentation of black males and females at 23% and 17% respectively. One of the main reasons for this is a lack of skilled black candidates, which the Group is attempting to redress through external training and bursary schemes as well as through its recruitment procedures. At the management level, black individuals with senior-level skills are scarce and in high demand; however, their representation increased to 63%, compared with 55% in the 2009 financial year.

Full details of Vodacom's employee equity performance are contained in the Group's 2010 sustainability report available on www.vodacom.com.

Skills development

During the 2010 financial year, Vodacom SA invested over R94 million in the training of employees, of which R75 million was spent on the training of the black-designated group (R38 million on black females). This represents an investment of 3.1% of the total leviable amount over and above the 1% the company contributes to the National Skills Levy Fund.

Preferential procurement

Increasing the presence of black suppliers in the supply chain is one of the aims of Code 500 of the dti Codes of Good Practice. Procurement from BBBEE-accredited suppliers amounted to R6.5 billion out of a total procurement spend of R13.2 billion. Vodacom SA's internal target for preferential procurement is increasing annually, driving spend towards smaller entities. R647 million of this spend was directed to Qualifying Small Enterprises ('QSE') and Exempted Micro Enterprises ('EMEs'), R488 million to 51% black-owned businesses and R76 million to 30% black women-owned businesses. Some 81% of procurement spend is with locally based suppliers.

Preferential procurement for designated entities:

Rm	Year ended 31 March 2010	2009
QSE/EMEs	647	748
51% black-owned businesses	488	450
30% black women-owned businesses	76	52

Due to the fact that much of the company's procurement spend is on specialised and often expensive equipment not available in South Africa, directing procurement towards local suppliers remains a challenge. Vodacom SA aims to remedy this by improving skills, and providing opportunities for local BBBEE companies to provide inputs that are normally imported. Vodacom SA is also working to increase the proportion of registered BBBEE suppliers, currently only half the total, and engages with all suppliers to increase their BBBEE status.

Enterprise development

Vodacom SA meets the requirements of a Level 1 contributor to BBBEE in the enterprise development pillar (scoring 15 out of 15), through discounts offered to its community services telephone operators ('CSTOs') of more than R292 million in the financial year. CSTOs, which are setup in converted shipping containers, earn a 50% margin on community services airtime sales.

The initial investment for a new CSTO has been reduced from R3 500 to only R800, resulting in a substantial increase in new entrepreneurs. There are now over 133 000 community services public phone services through 4 000 containers and other retail outlets, such as rural and township spaza shops.

Since 2000, the Vodashop retail franchisee model has changed to require that all new franchisees should be at least 51% black-owned, and that all existing shop owners seeking to acquire additional shops now have to take on a black partner. As a consequence, the Vodashop franchisees are steadily transforming, with 57% now 100% black-owned, 1.6% at the 50% black-owned level and 2.3% at the 25% black-owned level. These stores receive support in a variety of forms including training, rental support, shopfitting and advertising.

During the 2010 financial year, the number of black-owned wireless application service providers grew to 18 from four in the previous year. Vodacom SA is aiming for a growth rate of 15% for 2011, following a 12% growth rate in black-owned WASPs this year.

Impact on the environment

The mobile communications industry has already brought about a revolution in the way that people live and work and provides its customers with many innovative options to reduce their own environmental footprint. Vodacom intends to remain at the forefront of such developments and believes that environmental issues present a major business opportunity for the Group.

With respect to Vodacom's own environmental footprint, the Group recognises its obligation to identify the impacts stemming from its activities and to develop and implement strategies to mitigate these impacts. This process includes examining the wider implications of the Group's activities from areas such as the manufacture of handsets purchased by the Group.

Carbon footprint

For the first time, Vodacom is taking part in the Carbon Disclosure Project by undertaking a carbon footprint assessment. The results will inform the Group's climate change policy and be available in the next reporting period.

Energy savings

Vodacom SA is working towards a realistic long-term target of 70% energy savings at 3G base stations, and 40% at 2G base stations. The company has also formulated a strategic roadmap to achieve a power saving of nearly 83 000 MWh and a carbon emissions saving of nearly 74 000 tonnes CO_2 over three years. The company is currently on track with this project, with actual CO_2 savings for the past two years as well as projected savings for the next financial year described in the following table.

Energy usage in South Africa for the reporting period is as follows:

	Year ended 31 March		
	2010	2009	2008
Electricity buildings (million kWh)	**118.9**	–	–
Electricity sites (million kWh)	**154.2**	188.6	163.0
Diesel (million litres)	**1.1**	1.0	0.7
Petrol (million litres)	**1.4**	1.3	1.3

* *Electricity consumption at sites is an approximate value based on average usage. Vodacom is working on more accurate consumption measures.*

Vodacom SA has deployed remote energy meters in 10% of its base stations in order to improve the monitoring of network energy usage, and evaluate the effectiveness of various energy-saving initiatives. A further 1 500 meters will be installed in the 2011 financial year. The estimated total savings for Vodacom SA's network for 2010 were 23 575 MWh.

Further details of green initiatives, including the installation of solar and methanol- and water-powered fuel cell base stations, are included on page 22 of this annual report.

E-waste

E-waste, which includes discarded mobile handsets, is potentially hazardous and involves specialised disposal processes. Vodacom focuses on three core areas of e-waste: network equipment, IT waste and handset waste. Contractors provide disposal and recycling services for unusable IT equipment and handsets, while functioning computers are reused through the Vodacom Foundation and the non-government organisation ('NGO') sector. Mobile phone manufacturers are now also taking back scrapped or faulty equipment.

Placement of base stations

Mobile phones cannot work without base stations. Vodacom implements global best practices to limit the visual impact of base stations. These practices include:

- sharing sites with other mobile phone operators;
- using existing structures to support antennas and house equipment where possible;
- camouflaging masts to blend in with their surroundings;
- constructing equipment cabinets from materials that match the environment, or painting them to blend in; and
- positioning masts so they are shielded from the most obvious viewpoint.

The Group aims to comply with local planning regulations and conducts environmental impact assessments with respect to the installation of base stations where required.

Social responsibility

The impacts arising from use of cellular technology for communities and millions of individual customers are largely positive and Vodacom will continue to explore how such benefits can be advanced. There are also potential negative impacts, which Vodacom will endeavour to understand and mitigate.

Ethical business conduct

The promotion of ethical business conduct is an essential first step to combating fraud, corruption and the inappropriate use of cellular technology. Vodacom SA has established the South African Ethics Committee, which meets on a quarterly basis. An 'Ethics Along the Way' programme has been setup, incorporating ethics risk assessments, ethics training and various other initiatives. To date 86% of management and 62% of employees have received training on ethics, with a target of 95% of staff set for completion during the 2011 financial year.

Vodacom has established the Anti-CMT Compliance Programme as an explicit process to manage risk associated with corruption, money laundering and terrorism ('CMT'). A code of compliance continues to be implemented in the Group and all operating subsidiaries. The promotion of a whistle-blowing hotline and the implementation of an electronic gifts receiving register are other measures applied to managing fraud and corruption. Risk assessment reports have been produced for each division, and structures established to prevent and mitigate occurrences of corruption.

Fraud and corruption are dealt with by the forensic services team. Vodacom categorises fraud into internal and external cases, with the latter typically relating to subscription fraud and identity theft. The development of cases of fraud is as follows:

	Year ended 31 March	
	2010	2009
Internal fraud cases	**286**	312
External fraud cases	**3 163**	2 743

The increase in the number of external cases can be attributed to growth in the customer base.

Privacy of information

Privacy is a fundamental human right. By their nature, mobile technologies create challenges in the protection of personal information. The use of location-based services further increases the risk of infringement of customer privacy. As a provider of mobile technologies, Vodacom has an obligation to protect individuals from intentional or unintentional disclosure or misuse of personal information. Vodacom has a dedicated privacy officer and various policies, procedures and processes are in place to ensure that information is not unlawfully disclosed. The control mechanisms utilised include audit trails in all systems that interface with the customer or deal with customer information, an access monitoring policy and disciplinary procedures to deal with incidences of privacy invasion.

Protection of vulnerable users

Mobile communications can be used to distribute adult content and other content considered inappropriate for certain users. In addition, certain channels of communication such as SMS, MMS, USSD and the internet can be used to perpetrate fraud against customers. Vodacom SA is a signatory to the Code of Conduct for Cellular Operators, which aims at preventing harmful behaviour by WASPs using the company's network. The company has teams of testers who review WASP services for quality and compliance. WASPA (the industry regulator) also has its own rigorous adjudication and due diligence processes. During the last financial year, there were 12 proven incidents of misconduct by WASPs, and two service providers were suspended from the network.

Radio frequency exposure

Mobile phones and base stations transmit RF – also known as electromagnetic fields ('EMF'). Some concern exists about the potential health effects of radio frequency exposure. There have been thousands of scientific studies into the effects of RF fields on health. Authorities, including the World Health Organization, agree that there is no evidence that convinces experts that the low-level RF fields from mobile phones and base stations can damage your health.

Vodacom SA engages on an annual basis with the Directorate for Radiation Control to monitor any developments in local regulation. The industry is currently anticipating a draft South African RF standard for best practice. Vodacom also engages with local communities on a case-by-case basis for the commissioning of new base stations, and an extensive corporate communications plan is in place to improve interaction with municipalities.

Contribution to communities

Vodacom has made a considerable investment in community development. The Vodacom Foundation has been in operation since 1999 and since inception has allocated over R500 million to community development initiatives. During the 2010 financial year, the Vodacom Foundation in South Africa contributed R69 million, a 2% increase over the prior year. A further R12 million was spent by other companies within South Africa on CSI activities.

Recognising that mobile communications can be harnessed to deliver social benefit, the community development strategy was recently revised and now places a stronger emphasis on ICT-enabled projects. Over the next year, the projected expenditure aligned to ICT is targeted to exceed 50%. Projects are also chosen to leverage services as SMS and USSB in support of community health, education and security. In addition to the provision of in-kind services, Vodacom SA has actively partnered with staff through the Yebo Heroes initiative, with 1 260 employees contributing to payroll giving and 1 729 volunteering their time for community support.

Interaction with employees

Of all Vodacom's stakeholders, employees are arguably the group most deeply affected by their daily and all-encompassing interaction with the Group. At the same time, this stakeholder group has the most immediate and far-reaching impact on the Group's performance. Due to the extensive amount of interaction that takes place between Vodacom and its employees, this issue is dealt with separately in the People section of this annual report, starting on page 23.

Consolidated value-added statement

for the year ended 31 March

	2010 Rm	2010 %	2009 Rm	2009 %	2008 Rm	2008 %
Value created						
Value created by operating activities	23 262	99.6	20 088	99.6	19 592	99.6
Revenue	58 535		55 442		48 334	
Net operating expenses	(35 273)		(35 354)		(28 742)	
Finance income	103	0.4	89	0.4	72	0.4
	23 365	100.0	20 177	100.0	19 664	100.0
Value distributed						
Distributed to employees	4 291	18.4	3 686	18.3	2 975	15.1
Salaries, wages, medical and other benefits	4 129		3 535		2 841	
Pension and retirement fund contributions	162		151		134	
Distributed to providers of finance	3 233	13.8	6 659	33.0	6 621	33.7
Finance costs	1 602		1 459		681	
Dividends	1 631[1]		5 200		5 940	
Distributed to government	4 255	18.2	4 032	20.0	4 181	21.2
South African current tax	3 821		3 103		3 473	
Secondary tax on companies	171		523		594	
Foreign current tax	263		406		114	
Value reinvested	9 017	38.6	4 808	23.8	3 869	19.7
Depreciation and amortisation	5 157		4 683		3 911	
Impairment losses	3 370		112		30	
South African deferred tax	5		189		(99)	
Foreign deferred tax	485		(176)		27	
Value retained	2 569	11.0	992	4.9	2 018	10.3
Net profit (adjusted for dividends)	2 565		889		1 871	
Non-controlling interests	4		103		147	
	23 365	100.0	20 177	100.0	19 664	100.0

Notes:

1. *A final dividend of R2 599 million was declared after the reporting period and is not included in the value distributed.*
2. *Refer to Note 23 of the consolidated annual financial statements for reclassifications of certain items in prior years.*

		2010 Rm	2009 Rm	2008 Rm
1.	**Net operating expenses**			
	Direct costs	**(26 774)**	(27 539)[1]	(22 902)
	Marketing and advertising expenses	**(1 728)**	(1 793)	(1 452)
	Other operating expenses	**(5 977)**	(5 624)	(4 573)
	Loss/(Gain) on remeasurement and disposal of financial instruments	**(794)**	(398)	185
		(35 273)	(35 354)	(28 742)

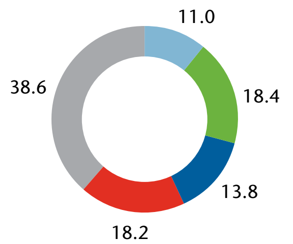
Note:

1. Included in direct costs is a BBBEE charge of R1 315 million.

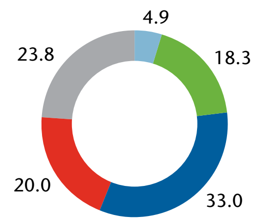
2. Analysis of value distributed

(% contribution)

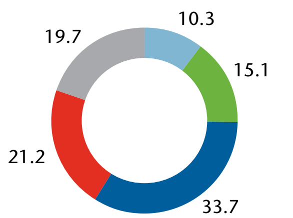
2010



2009



2008



- Retained
- Employees
- Finance providers
- Government
- Reinvested

Board of directors

1. Mthandazo Peter Moyo (47)
Bachelor of Accounting Science (UNISA), Higher Diploma Tax Law (Wits), CA (SA)

Independent non-executive director
Chairman of the Board
Chairman of the Nomination Committee

Peter is a director and shareholder of the Amabubesi Group. Non-executive director of Pinnacle Technology Holdings, Liberty Holdings, Liberty Group and Transnet. Member of the Transnet Audit Committee and Chairman of the Audit Committee of the Auditor-General's office. Serves on the advisory council of the Stellenbosch Business School and was the former Group CEO of Alexander Forbes and Deputy Managing Director of Old Mutual South Africa. Prior to joining Old Mutual, Peter was a partner at Ernst & Young in Johannesburg. Appointed Chairman of the Vodacom Group Board in May 2009.

2. Petrus Johannes Uys (Pieter) (47)
Bachelor of Science, Master of Science and MBA (Stellenbosch)

Chief Executive Officer and executive director of Vodacom Group
Chairman of the Vodacom Group Executive Committee
Non-executive Chairman of Vodacom SA

Pieter joined Vodacom in 1993 and held a number of senior positions including that of Managing Director of Vodacom SA from December 2001 to March 2005. He was the former Chief Operating Officer of Vodacom Group, a post he held from April 2004 until his appointment as Chief Executive Officer of Vodacom Group on 1 October 2008. Appointed to the Vodacom Group Board in April 2004.

3. Mohamed Shameel Aziz Joosub (39)
Bachelor of Accounting Science (Honours) (Unisa) and MBA (Southern Queensland University, Australia), Associated General Accountant and Commercial and Financial Accountant (SA)

Managing Director of Vodacom SA and executive director of Vodacom Group
Member of the Vodacom Group Executive Committee
Non-executive director of Vodacom Mozambique
Non-executive director of YeboYethu
Non-executive Chairman of Stortech and Vodacom Ventures

Shameel joined Vodacom in March 1994 after completing his articles and has held a number of senior positions in Vodacom. In April 2005, he was appointed as Managing Director of Vodacom SA. Appointed to the Vodacom Group Board in September 2000.

4. Paolo Bertoluzzo (44)
Management Engineering (Milan), MBA (Insead)

Non-executive director

Paolo is currently CEO of Vodafone Italy, having joined Vodafone Italy in 1999. Vice-Chairman of Asstel (Association of Italian Companies operating in TLC) and Member of the managing board of UPA (Association of Italian Companies investing in Advertising). Former management consultant of Monitor Company and Bain & Company, in Europe and USA. Appointed to the Vodacom Group Board in January 2010.

5. Thomas Andrew Boardman (Tom) (60)
Bachelor of Commerce and CTA (Wits), CA (SA)

Independent non-executive director
Chairman of the Audit Committee
Member of the Remuneration Committee

Tom is the former CE of Nedbank Group Limited and Nedbank Limited. He was the former CE of BOE Limited and founding shareholder and Managing Director of the retail chain, Boardmans. Former director of Blaikie Johnston Limited and Managing Director of Sam Newman Limited and worked for the Anglo American Corporation for three years. He served his articles at Deloitte & Touche. He is a non-executive director of Mutual & Federal Insurance and The Banking Association of South Africa and serves as a trustee on a number of charitable organisations. Appointed to the Vodacom Group Board in February 2009.

6. Michael Joseph (64)
Bachelor of Science in Electrical Engineering (UCT), Member of the Institute of Electrical Engineering and Electronic Engineers

Non-executive director

Michael is directly contracted by Vodafone for secondment to Safaricom as the CEO of Safaricom, a position held since Vodafone's original investment in 2000. He has extensive international experience in the implementation and operation of large wireless and wireline networks, including operations in Hungary, Spain, Brazil, Peru, Argentina, Korea, United States, Australia and the Middle East. Michael has been the recipient of many awards, including CEO of the year awarded by the Kenya Institute of Management and the Moran of the Order of the Burning Spear (an award given by the President of Kenya to people who have made a positive impact in Kenya). Appointed to the Vodacom Group Board in May 2009.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7. Morten Lundal (45)
MBA (IMD Switzerland), Masters of Business and Economics (Norwegian School of Management)

Non-executive director
Member of the Remuneration Committee and the Nomination Committee

Morten held various senior roles at Nordic mobile operator Telenor, leading their Internet division, Business Solution division and corporate strategy. He is the former CEO of Telenor's Malaysian subsidiary DiGi Telecom. He has wide-ranging geographical experience through Europe, the US and Asia. Prior to Telenor, he was a management consultant with Gemini Consulting UK and AT Kearney in Norway and the US. He is Vodafone's CEO of the Africa and Central Europe Region and a member of the Vodafone Executive Committee. Appointed to the Vodacom Group Board in November 2008.

8. Phuti Malabie (39)
Bachelor of Arts (Economics (Rutgers)), MBA (de Montfort)

Independent non-executive director
Member of the Audit Committee

Phuti is the Managing Director of Shanduka Energy. Prior to joining the Shanduka Group five years ago, Phuti headed the Project Finance South Africa unit at the Development Bank of Southern Africa and prior to that she spent six years with Fieldstone, an international firm specialising in the financing of infrastructure assets. Phuti was awarded the 'Top in Project Finance, 2003' award by the Association of Black Securities & Investment Professionals. In 2007, she was nominated Global Young Leader by the World Economic Forum. She was listed as one of the 'Top 50 women in the world to watch in 2008' by the Wall Street Journal. Appointed to the Vodacom Group Board in February 2009.

9. Thoko Martha Mokgosi-Mwantembe (48)
Diploma in Teaching (Swaziland), Bachelor of Science (Swaziland), Master of Science in Medical Chemistry (Loughborough, UK), SEP (Harvard), MCRP (IMD Swaziland)

Independent non-executive director
Chairman of the Remuneration Committee and member of the Nomination Committee

Thoko is the CEO of Kutana Investment Group and is a director at Knorr Bremse SA (Pty) Limited, Absa Group Limited and Paracon Holdings Limited. 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 until November 2008, CEO of Hewlett Packard South Africa. Thoko is 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 business woman in Africa award and ICT personality of the year. Appointed to the Vodacom Group Board in May 2009.

10. Phillip Jabulani Moleketi (Jabu) (52)
Post Graduate Diploma in Economic Principles (London), AMP (Harvard), Master of Science (London)

Independent non-executive director

Jabu is non-executive Chairman of Brait SA, former non-executive director of Nedbank and member of the Local Organising Committee 2010 FIFA World Cup. Former Deputy Minister of Finance (2004 – 2008) and former MEC, Financial and Economic Affairs, Gauteng Provincial Government (1994 – 2004). Director of several companies listed on the JSE. Appointed to the Vodacom Group Board in November 2009.

11. Ronald Adrianus Wilhelmus Schellekens (46)
Bachelor of Arts (Human Resources Management), MA (Management & Organisation)

Non-executive director
Member of the Remuneration Committee and member of the Nomination Committee

Ronald is the Vodafone Group Human Resources Director and a member of the Vodafone Executive Committee. Former Executive Vice-President HR for Shell's Global downstream business. Prior to Shell, spent nine years at Pepsico in various senior positions. Appointed to the Vodacom Group Board in February 2009.

12. Richard Charles Snow (43)
Master's degree in Natural Sciences (Trinity College, Cambridge), CA and member of the Institute of Chartered Accountants (England and Wales)

Non-executive director

Richard is currently Vodafone Group's Investor Relations Director. Former investment banker having worked for Charterhouse Bank, Merrill Lynch and Goldman Sachs. Appointed to the Vodacom Group Board in February 2007.

13. Robert Andrew Shuter (Rob) (42)
Bachelor of Commerce (Cape Town), PGDip Acc (Natal), CA (SA)

Chief Financial Officer and executive director of Vodacom Group
Member of the Vodacom Group Executive Committee
Non-executive director of Vodacom SA
Non-executive director of Vodacom Tanzania
Non-executive director of Vodacom Congo

Rob joined Vodacom in July 2009 as Chief Financial Officer. He spent nine years with the Nedbank Group holding various director positions, latterly as Managing Director of Nedbank Retail. He was formerly the Head of Investment Banking at Standard Corporate & Merchant Bank. Appointed to the Vodacom Group Board in July 2009.

Executive Committee

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1. Petrus Johannes Uys (Pieter) (47)

Bachelor of Science, Master of Science and MBA (Stellenbosch)

Chief Executive Officer and executive director of Vodacom Group
Chairman of the Vodacom Group Executive Committee
Non-executive Chairman of Vodacom SA

Pieter joined Vodacom in 1993 and held a number of senior positions including that of Managing Director of Vodacom SA from December 2001 to March 2005 and was the former Chief Operating Officer of Vodacom Group, a post he held from April 2004 until his appointment as Chief Executive Officer of Vodacom Group on 1 October 2008. Appointed to the Vodacom Group Board in April 2004.

2. Mohamed Shameel Aziz Joosub (39)

Bachelor of Accounting Science (Honours) (Unisa) and MBA (Southern Queensland University, Australia), Associated General Accountant and Commercial and Financial Accountant (SA)

Managing Director of Vodacom SA and executive director of Vodacom Group
Member of the Vodacom Group Executive Committee
Non-executive director of Vodacom Mozambique
Non-executive director of YeboYethu
Non-executive Chairman of Stortech and Vodacom Ventures

Shameel joined Vodacom in March 1994 after completing his articles and has held a number of senior positions in Vodacom. In April 2005, he was appointed as Managing Director of Vodacom SA. Appointed to the Vodacom Group Board in September 2000.

3. Robert Andrew Shuter (Rob) (42)

Bachelor of Commerce (Cape Town), PGDip Acc (Natal), CA (SA)

Chief Financial Officer and executive director of Vodacom Group
Member of the Vodacom Group Executive Committee
Non-executive director of Vodacom SA
Non-executive director of Vodacom Tanzania
Non-executive director of Vodacom Congo

Rob joined Vodacom as Chief Financial Officer on 1 July 2009. He spent nine years with the Nedbank Group holding various director positions, latterly as Managing Director of Nedbank Retail. He was formerly the Head of Investment Banking at Standard Corporate & Merchant Bank. Appointed to the Vodacom Group Board in July 2009.

4. Robert William Collymore (Bob) (52)

Chief Officer Corporate Affairs
Member of the Vodacom Group Executive Committee
Non-executive director of Vodacom Congo, Vodacom Tanzania, Vodacom Mozambique, Vodacom Lesotho and Gateway Group

Prior to joining Vodacom in February 2009, Bob had held a number of executive positions within Vodafone including that of Purchasing Director for Vodafone's UK business, global handset Purchasing Director across 26 countries and consumer Marketing Director for Asia. Bob was a Vodacom Group Board member representing Vodafone from September 2006 until February 2009. Bob is a non-executive director of Safaricom in Kenya.

5. Lungile Myrtle Ndlovu (Lungi) (51)

Bachelor of Arts, Master of Arts and Higher Diploma in Personnel Management

Chief Human Resources Officer
Member of the Vodacom Group Executive Committee
Chairman of the Vodacom Group Pension Fund
Non-executive director of Gateway Group and Vodacom Mozambique

Lungi joined Vodacom in 2000 as Chief Human Resources Officer. Lungi has over 20 years' experience in human resource management and has held senior executive positions at Primedia, Otis and middle-management positions at Nedcor Bank.

6. Willem Hendrik Swart (47)

CA (SA)

Chief Officer International Business
Member of the Vodacom Group Executive Committee
Non-executive director of Vodacom Congo, Vodacom Tanzania, Vodacom Mozambique, Vodacom Lesotho and Gateway Group
Chairman of Vodacom International (Mauritius) and Vodacom Gateway (Mauritius)

Willem first joined Vodacom in November 1993 as a financial manager. During the next 11 years, he held several senior executive positions including that of Finance Director of Vodacom SA and Managing Director of Vodacom Congo. Willem left Vodacom in April 2004 to join VMobile, Nigeria as CEO, which position he held until July 2006 after which he took a sabbatical for two years. Willem rejoined Vodacom in August 2008, initially as advisor to the CEO's office and was appointed as Chief Officer International Business in February 2009.

Corporate governance statement

Vodacom is committed to the highest standards of business integrity, ethical values and professionalism in all of its activities. As an essential part of this commitment, the Board supports the highest standards of corporate governance and in so doing the Board recognises the need to conduct the enterprise in accordance with the principles as espoused in the King Code of Corporate Practices and Conduct. These include discipline, independence, responsibility, fairness, social responsibility, transparency and accountability of directors to all stakeholders.

A number of these principles are entrenched in the Group's internal controls and policy procedures governing corporate conduct. The Board of Vodacom is satisfied that every effort was made during financial year 2010 to comply in all material aspects of King II. Where Vodacom did not fully comply, an explanation is indicated below. Vodacom has noted the recommendations as set out in King III which came into effect from 1 March 2010. In the main, Vodacom already meets a number of the recommendations as set out in King III. As part of its review and progress to comply with King III, Vodacom has included a remuneration report for the first time. As contemplated by King III, this remuneration report is to be put to shareholders for approval at the forthcoming annual general meeting.

Board

Vodacom has a unitary Board consisting of 13 directors. Of these, five, including the Chairman, are independent non-executive directors, while five are non-executive directors and three are executive directors. A Board charter has been adopted where the detailed responsibilities of the Board include:

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

Accountability

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

In line with best practice, the roles of Chairman and Chief Executive Officer are separate. The Board is led by the Chairman while operational management of the Group is the responsibility of the Chief Executive Officer.

Directors

The directors have a wide-range of expertise as well as significant experience in financial, commercial and mobile telecommunications activities. In terms of Vodacom Group's articles of association, the non-executive directors have no fixed term of appointment while the executive directors are subject to standard terms and conditions of employment for Vodacom executives. All of the three executive directors have a notice period of six months. In terms of Vodacom's articles of association, the directors are subject to retirement by rotation and re-election by shareholders at least once every three years. Any director appointed to fill a casual vacancy must retire at the first annual general meeting following his/her appointment and stand for re-election at that annual general meeting.

Independent advice

The Board recognises that there may be occasions where one or more directors feel it necessary to take independent professional advice at the Company's expense. There is an agreed procedure for them to do so.

Board meetings

A minimum of four board meetings plus a strategy session are scheduled per financial year. Additional board meetings may be convened when necessary, these are referred to as special.

Four board meetings plus five special board meetings were held during the past financial year. The accompanying table details the attendance by each director at these meetings.

Board attendance

Name of director	13.05.09	Special 17.05.09	Special 29.05.09	Special 02.07.09	10.09.09	Special 19.10.09	05.11.09	Special 01.02.10	11.03.10
MP Moyo[1]	–	–	✓	✓	✓	✓	✓	✓	✓
PJ Uys	✓	✓	✓	✓	✓	✓	✓	✓	✓
MS Aziz Joosub	✓	✓	✓	✓	✓	✓	✓	✓	✓
DD Barber[2]	✓	✓	–	–	–	–	–	–	–
P Bertoluzzo[4]	–	–	–	–	–	–	–	✓	✓
TA Boardman	✓	✓	✓	✓	✓	✗	✓	✓	✓
M Joseph[1]	–	–	✗	✓	✓	✓	✗	✗	✓
PG Joubert[2]	✓	✗	–	–	–	–	–	–	–
M Lundal	✓	✓	✓	✓	✓	✗	✓	✓	✓
OA Mabandla[2]	✓	✗	–	–	–	–	–	–	–
P Malabie	✓	✓	✓	✓	✓	✓	✓	✓	✓
JCG Maclaurin[3]	✓	✗	✓	✓	✓	✓	✓	–	–
PJ Moleketi[5]	–	–	–	–	–	–	✗	✗	✓
TM Mokgosi-Mwantembe[1]	–	–	✓	✓	✗	✓	✓	✓	✓
RAW Schellekens	✓	✓	✓	✓	✓	✗	✓	✓	✓
RA Shuter[6]	–	–	–	✓	✓	✓	✓	✓	✓
RC Snow	✗	✓	✗	✓	✓	✓	✗	✓	✓
E Spio-Garbrah[2]	✓	✓	–	–	–	–	–	–	–
J van der Watt[7]	✓	✓	✓	–	–	–	–	–	–

Notes:

1. *Appointed 18 May 2009.*
2. *Resigned 18 May 2009.*
3. *Resigned 15 January 2010.*
4. *Appointed 15 January 2010.*
5. *Appointed 1 November 2009.*
6. *Appointed 1 July 2009.*
7. *Resigned 30 June 2009.*

Board committees

The Board has established several committees in which the non-executive directors play a pivotal role. All committees operate under Board-approved terms of reference, which may be updated from time to time to keep abreast with developments in corporate law and best practice in governance.

Executive Committee

Members: Chief Executive Officer (Chairman), Chief Financial Officer, Chief Officer Human Resources, Chief Officer Corporate Affairs, Chief Officer International Business, and the Managing Director of Vodacom (Pty) Limited.

It is responsible for the operational activities of the Group, developing strategy and policy proposals for consideration by the Board and implementing the Board's directives. It has a properly constituted mandate and terms of reference. Other responsibilities include:

- leading the executive, management and staff of Vodacom;
- developing the annual budget and business plans for approval by the Board; and
- developing, implementing and monitoring policies and procedures, internal controls, governance, risk management, ethics and authority levels.

Audit Committee

Members: TA Boardman (Chairman), P Malabie, PJ Moleketi.

During the 2010 financial year, the membership of the Audit Committee comprised Mr TA Boardman, an independent non-executive director, who is the Chairman of this committee and Ms P Malabie, also an independent non-executive director as the other member. Subsequent to year end, and in line with King III, Mr PJ Moleketi, an independent non-executive director, was appointed as the third member of the Audit Committee.

The Chief Executive Officer and Chief Financial Officer attend Audit Committee meetings by invitation, as well as the head of internal audit and the external auditors. The primary role of the Audit 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 Audit Committee oversees relations with the external auditors and reviews the effectiveness of the internal audit function.

The Audit Committee's responsibilities include the following:

- Reviewing the Group's 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 the Group's financial statements or related matters.

The internal and external auditors have unlimited access to the Chairman of the Audit Committee. The internal audit department reports directly to the Audit Committee and is also responsible to the Chief Financial Officer on day-to-day administrative matters.

Four Audit Committee meetings are scheduled per financial year. Additional committee meetings may be convened when necessary. During the previous financial year, four committee meetings and one special meeting were convened.

Audit Committee

Name of director	13.05.09	Special 27.05.09	09.09.09	05.11.09	10.03.10
TA Boardman	✓	✓	✓	✓	✓
P Malabie	✓	✓	✓	✓	✓

Further details of the activities of the Audit Committee may be found in the directors' report.

Remuneration Committee

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

Vodacom does not comply fully with King III in terms of the membership of the Remuneration Committee. King III advocates that the majority of non-executive directors serving on the committee should be independent. Whilst the membership of Vodacom's Remuneration Committee is comprised of only non-executive directors, the number of independent non-executive directors only represents 50% of the membership. Ms Mokgosi-Mwantembe, the Chairman of the committee, and Mr TA Boardman are independent non-executive directors.

The Remuneration Committee, in consultation with executive management, ensures that the Group's directors and senior executives are fairly rewarded for their individual contributions to overall performance and in line with Vodacom's remuneration philosophy. The Remuneration Committee has a mandate and terms of reference from the Board and its responsibilities include the following:

- Ensuring that Vodacom's remuneration strategies, including long- and short-term incentive plans are based on performance and are appropriately market competitive.
- Reviewing employee benefits from time to time as to their adequacy and appropriateness with regard to developments in the industry and market benchmarks.
- Ensuring appropriate human resources practices and policies.
- Review and approval of compensation and development plans.

Four Remuneration Committee meetings are scheduled per financial year. Additional committee meetings may be convened when necessary. During the previous financial year, four committee meetings and two special meetings were convened.

Remuneration Committee

Name of director	13.05.09	Special 26.05.09	09.09.09	05.11.09	Special 08.12.09	10.03.10
TM Mokgosi-Mwantembe[1]	–	✓	✗	✓	✓	✓
TA Boardman[1]	–	✓	✓	✓	✗	✓
M Lundal	✓	✓	✓	✓	✗	✓
RAW Schellekens	✓	✓	✓	✓	✓	✓
OA Mabandla[2]	✗	–	–	–	–	–
PG Joubert[2]	✓	–	–	–	–	–

Notes:

1. Appointed 18 May 2009.

2. Resigned 18 May 2009.

A detailed remuneration report forms part of this annual report and may be found on page 68.

Nomination Committee

Members: MP Moyo (Chairman), TM Mokgosi-Mwantembe, M Lundal, RAW Schellekens.

Vodacom does not comply fully with King III in terms of the membership of the Nomination Committee. King III advocates that the majority of non-executive directors serving on the committee should be independent. Whilst the membership of Vodacom's Nomination Committee is comprised of only non-executive directors, the number of independent non-executive directors only represents 50% of the membership. The Board Chairman, Mr MP Moyo, is the Chairman of the committee. He and Ms Mokgosi-Mwantembe are independent non-executive directors.

The duties of this committee include:

- identifying and evaluating suitable potential candidates for appointment to the Board. It will not have authority to appoint directors, this will remain a function of the Board;
- the identification and evaluation of suitable candidates for the position of Chief Executive Officer and Chief Financial Officer;
- making recommendations on the composition of the Board in terms of the mix of skills, size of the Board and number of committees required; and
- reviewing and approving executive succession.

It is proposed that during financial year 2011, the Board will undergo an appraisal process to evaluate its role and effectiveness.

This committee meets as and when required. During financial year 2010, the committee met once.

Nomination Committee

Name of director	10.03.10
MP Moyo	✓
TM Mokgosi-Mwantembe	✓
M Lundal	✓
RAW Schellekens	✓

Company Secretary

All directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring compliance with procedures and applicable statutes and regulations. To enable the Board to function effectively, all directors have full and timely access to information that may be relevant to the proper discharge of their duties. This includes information such as corporate announcements, investor communications, and other developments which may affect Vodacom and its operations. This also includes access to management where required.

The Company Secretary is responsible for development of director training. All new directors, where relevant, are appropriately inducted to Vodacom by the Company Secretary and Chief Executive Officer, which include briefings on their fiduciary and statutory responsibilities as well as orientation in respect of the Group's operations.

Relations with shareholders

Vodacom is committed to communicating its strategy and activities to shareholders and, to that end, maintains an active dialogue with investors through a planned investor relations programme. This programme includes:

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

Risk management

Effective risk management is integral to the Group's business. As a result, management is continuously developing and enhancing its risk and control procedures to improve the mechanisms for risk identification, assessment and monitoring. When setting strategies, approving budget and monitoring progress against the budget, the directors therefore consider the identified business risks.

In order to facilitate the process of embedding risk management within the Group, to assist in identifying, assessing and recording strategic risks currently facing the Group, and where appropriate, to monitor procedures to mitigate pertinent risks, a division reporting to the Chief Risk Officer has been established.

Risks are identified and managed at five different levels within the organisation, namely at project, process, operational, tactical and strategic levels. These risks are periodically reviewed and updated. As relates to the strategic risks, a filtering and reporting process ensures that the relevant items are reported to the Risk Management Committee comprising executive management, and, thereafter are reviewed by the Board.

The major consolidated key strategic risks identified during the year under review were as follows:

Increased regulatory requirements

The main disruptive risks in this area include wholesale and retail price control, customer registration and additional fees and taxes. These risks are managed by specialist regulatory and government relations teams in the Group and operating companies which maintain close contact with ministries, legislators and regulators; attend and make submissions to formal hearings and calls for comment; provide required reports to regulators; and involve themselves in international debate, dialogue and research to determine best practices.

In South Africa, it has been noted that additional scrutiny is exercised with regard to proposals for new regulations by ICASA. This includes the imposition of wholesale price control and increasing enquiries into retail pricing. Also affecting South Africa is the liberation of the telecommunications markets which encompasses Voice-over Internet Protocol ('VoIP') and facilities provisioning. These factors have resulted in an increase in competition due to the existence of additional entrants into the market. This has ultimately placed pressure on pricing and margins.

In the DRC, significant changes and increases in telecommunications fees (numbering and spectrum) and taxes (excise taxes on airtime, sales tax, international call termination and free minutes) are now being imposed or threatened, which will have an impact upon future margins. In the DRC, customer registration has been implemented by the national security agencies; the logistics of which are very challenging.

The level of tax of mobile communication services in Tanzania is also high. Customer registration requirements are being addressed together with similar requirements relating to the commercial roll out of the M-PESA money transfer service, which helps to mitigate the negative impact of stand-alone customer registration requirements.

Along with management's efforts at ensuring the implementation of the necessary controls to mitigate these major risks to an acceptable level, Vodacom subscribes to a comprehensive insurance programme and has a fully embedded business continuity strategy.

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 financial statements. The internal audit function serves management and the Board by performing independent evaluations of the adequacy and effectiveness of the Group companies' controls, financial reporting mechanisms and records, information systems and operations, and provides additional assurance in safeguarding of assets and financial information.

Code of ethics

A detailed code of ethics forms part of the overall employee policies within Vodacom. All executives and employees are required to maintain the highest ethical standards in ensuring Vodacom's business practices are conducted in a manner which, in all reasonable circumstances, is above reproach.

Honesty, trust, good faith and professionalism are the cornerstones of the Vodacom Way.

Vodacom is committed to providing an environment that encourages and fosters open communication, forming the basis for mutual trust.

Executives and employees must take care to avoid activities that could conflict with their day-to-day work or engage in activity that would appear to be in conflict with Vodacom's business. Sourcing and procurement must be conducted with integrity, independence and objective judgement.

Gratuities, bribes or kickbacks of any kind are not permitted. Gifts of a nominal value may be given and accepted and gifts must be reported and recorded on a gift register.

Any form of sexual, racial or religious harassment is strictly prohibited.

Vodacom will not condone any violation of the law or unethical business dealings. All applicable laws governing the operations of Vodacom must be complied with.

In summary, Vodacom will:

- provide all the employees of the Group with a safe and healthy workplace;
- treat all people with respect and dignity, supporting and complying with all applicable human rights and employment equity laws;
- act in an environmentally responsible way;
- ensure that Vodacom's assets are used in a legal and responsible manner;
- not engage in illegal practices; and
- be accountable for all its actions and thus maintain accurate and honest records of all of the transactions undertaken by the Group.

Share dealings

Vodacom has adopted a share dealing policy requiring all directors, senior executives and the Company Secretary to obtain prior written clearance from either the Chairman or Chief Executive Officer to deal in Vodacom shares. The Chairman is required to obtain prior written clearance from the Chairman of the Audit Committee. Closed periods are operated as defined by the JSE Listings Requirements. During these periods, the Group's directors, executives and employees are not permitted to deal in Vodacom shares. Additional closed periods would be enforced should Vodacom be subject to any corporate activity where a cautionary announcement is published.

Remuneration report

Introduction

The purpose of the remuneration report is to set out Vodacom Group Limited's ('Vodacom') remuneration policy for directors and other executives. The report describes how the policy has been implemented and discloses payments made to directors and certain other individuals during the current financial year.

This is the first remuneration report prepared by Vodacom following its listing in 2009.

In preparing this report, Vodacom has conducted an analysis of the extent to which the Group's remuneration policy complies with King III and, in preparing the remuneration report, due regard has been given to these requirements. In particular, in line with King III, details of the remuneration paid to the three most highly-paid employees who work in South Africa and are not directors have been disclosed. In this report, these employees are referred to as 'Disclosed Employees'.

Remuneration philosophy and policy

It is the stated objective of both Vodafone and Vodacom to provide a level of remuneration which attracts, retains and motivates executives of the highest calibre. Careful consideration is also given to aligning the remuneration paid with shareholder interests and best practice. During the current financial year, Vodacom conducted a full review of its executive remuneration to align its pay practices with that of both shareholder interests and Vodafone.

Vodacom has adopted a holistic approach to its remuneration philosophy and has implemented a balanced design which consists of the following components:

- guaranteed package;
- variable pay in the form of short- and long-term performance incentive schemes;
- non-financial reward and recognition;
- performance management;
- employee growth and development; and
- work environment.

The aim of the overall philosophy is to ensure that executive directors and other executives are fairly rewarded for their individual contribution to the Group's operating and financial performance in line with its corporate objectives and strategy. In addition, this should be aligned with industry and market benchmarks. As a result, Vodacom is committed to paying remuneration that is competitive relative to the target labour market in each country and ensuring that it is an employer of choice.

The Vodacom Group Remuneration Committee ('RemCo'), in setting total remuneration, considers relevant market benchmarks, which are selected on the basis of the business criticality of the role. These market pay benchmarks are extracted from the top JSE-listed companies.

RemCo annually reviews the total pay mix of executives and has, in the past, awarded a high proportion of total remuneration to short-term and long-term incentives.

Each element of the remuneration package is aligned to shareholder value and appropriately linked to business strategy:

- guaranteed package is set at a level to attract and retain key critical skills in order to deliver shareholder value in the long term;
- short-term incentives support the short-term operational performance of the business by measuring performance against the business fundamentals of revenue, profit, cash flow and market shares; and
- long-term incentives aid retention and measure performance over the long term, in particular, EBITDA and market shares.

Remuneration Committee

Role of RemCo

The Board of Vodacom is ultimately responsible for the Group's remuneration philosophy and the application of that philosophy, but has appointed the RemCo to assist it in this regard. RemCo operates under a Board approved charter, the most recent version of which was adopted in February 2009, and is subject to review from time to time.

In terms of its charter, the key responsibilities and role of RemCo are summarised below:

- determining, agreeing, and developing the Group's remuneration policy and philosophy;
- determining and agreeing the remuneration and overall compensation package for the Chief Executive Officer, Chief Financial Officer and any other executive director appointed to the Board;
- ensuring that competitive reward strategies and programmes are in place to facilitate the recruitment, motivation and retention of high performance staff at all levels in support of realising corporate objectives and to safeguard stakeholder interests;
- determining and recommending to the Board the level of non-executive director fees after receiving relevant input;
- reviewing and recommending to the Board the relevant criteria necessary to measure the performance of executives;
- considering other special benefits or arrangements of a substantive financial nature;
- reviewing promotions, transfers and termination of employment policies; and
- ensuring compliance with applicable laws and codes.

The RemCo Chairman reports formally to the Board on the proceedings of the RemCo after each meeting and, in line with King III, will attend the annual general meeting of Vodacom Group Limited to respond to any questions from shareholders regarding RemCo's areas of responsibility.

External advisers

During the 2010 financial year, RemCo received advice and guidance from the following:

- PE Corporate Services SA (Pty) Limited supplied market data and advice on market practice; and
- PricewaterhouseCoopers Tax Services (Pty) Limited provided advice relating to the forfeitable share plan design, implementation and performance measures.

The advisors also provided advice to the Group on general human resources and compensation related matters.

Key remuneration decisions taken

During the current financial year, RemCo considered the following main issues:

- review of Vodacom's remuneration philosophy;
- long-term incentive review and the subsequent design and implementation of the forfeitable share plan (including award levels and performance targets);
- targets for the short-term incentives;
- discontinuation of the deferred bonus incentive scheme;
- executive remuneration review;
- executive service agreements' review and amendment; and
- fee levels for non-executive directors.

Overview of remuneration

Elements of the remuneration package

The table below summarises the elements of the remuneration package paid to executive directors and Disclosed Employees in the current financial year, as well as proposed package policy changes for the 2011 financial year:

Element	Fixed/variable	Objective	Policy	Proposed changes for 2011
Guaranteed package	Fixed	Reflects scope and nature of role, performance and experience.	Set by the RemCo annually on 1 April as part of the overall benchmarking process.	The pay review date of 1 April has been changed to 1 July.
Short-term incentive ('STI')	Variable	Rewards and motivates achievement of agreed Group performance objectives.	Four key performance targets are applied: operating profit; service revenue; cash flow and market share. Target bonus is 75% of guaranteed package and maximum bonus is 180% of guaranteed package (executive directors). Target bonus for Disclosed Employees is 60% with a maximum bonus of 144% of guaranteed package. Incentives are payable annually.	Changes will be made to the performance targets, and the relative weighting, in respect of the 2011 financial year to ensure that they do not overlap too heavily with targets imposed on long-term incentives. The maximum bonus for executive directors will be increased to 200% of guaranteed package and for Disclosed Employees will be increased to 180%.
Long-term incentive	Variable	Creates loyalty and ownership amongst employees and acts as a retention mechanism. Also creates alignment with shareholder interests and long-term value creation.	Delivered in the form of forfeitable shares through the forfeitable share plan ('FSP') subject to a three-year vesting period. Awards are made annually in July. For executive directors, a proportion of the shares are linked to performance conditions. The performance conditions/targets (which have equal weighting) are: ⇛ EBITDA; and ⇛ revenue market share. Target expected value (as a percentage of guaranteed package) is: ⇛ CEO – 90% ⇛ Executive directors – 48% ⇛ Disclosed Employees – up to 33%	No changes are proposed during 2011.

Guaranteed package

Policy

All employees, including executive directors and the Disclosed Employees, receive a total guaranteed package which is based on the complexity of the role, market value, the employee's/executive director's personal performance and contribution to the Group's overall performance. Contributions towards retirement, risk, life and medical benefits are included in the total guaranteed package.

All permanent employees, including executive directors and the Disclosed Employees, are required to join the Vodacom Group Pension Fund, a defined contribution pension scheme. Executives are also members of the Vodacom Group Executive Provident Fund, a defined contribution provident scheme. Contributions to the retirement funds form part of the guaranteed package and additional lump sum contributions to the provident fund can be made from the short-term incentive payment. Normal retirement is at the age of 60 years for executive directors, the Disclosed Employees and other executives. The normal retirement age for all other employees is 65 years.

Vodacom offers participation in several nominated medical aid schemes where the choice of scheme is with the employee. Participation in such medical aid schemes is voluntary and at the election of the employee. Vodacom does not offer post-retirement medical benefits and has no liabilities in this regard.

No changes were made to the structure of the guaranteed package policy during the executive remuneration review conducted during the 2010 financial year. However, an amendment has been made to the pay review cycle such that it will now take place in July rather than April.

Process and benchmarking

When setting guaranteed package levels for executives, the RemCo considers data from the companies in the telecommunications sector of the JSE and the other Top 40 JSE-listed companies. Drawing comparisons with the telecommunications sector ensures that the risks faced by Vodacom of losing skilled executives to competitors within both the telecommunications industry and the Top 40 JSE-listed companies, is addressed. The use of this peer group enables Vodacom to manage its attraction and retention strategy.

The RemCo's policy is to set guaranteed package levels for executive directors and the Disclosed Employees at relative market levels of comparator companies and peers. This is considered necessary in order to foster the attraction and retention of the best available talent in the market, particularly given the scarcity of necessary talent in the South African market. It is only through attracting and retaining the best available talent that it is possible to create a stable workforce and deliver shareholder value in the long term.

Short-term incentives

Policy

All employees, including executive directors and the Disclosed Employees, but with the exception of those employees who are on a commission, quarterly or bi-annual bonus structure, participate in an annual short-term incentive plan. Bonus payments are discretionary and payments made under the plan are dependent upon results achieved – both financial performance and individual performance. Payments are made in cash after finalisation of Vodacom's consolidated annual financial results and no deferral is applied.

Payments and performance targets

The target short-term incentive for executive directors ranges between 60% and 75% of guaranteed package with the maximum short-term incentive ranging from 144% to 180% of guaranteed package. With effect from the 2011 financial year, the target short-term incentive for all executive directors will be 75% of guaranteed package and the maximum short-term incentive will be increased to 200%.

In respect of the Disclosed Employees, the target short-term incentive is 60% of guaranteed package and the maximum short-term incentive is 144% of guaranteed package. The maximum short-term incentive will be increased to 180% with effect from the 2011 financial year.

The changes made to the target and maximum short-term incentive in respect of the 2011 financial year are to create alignment amongst the executive directors. This change will also reflect the fact that, going forward, there will be a greater degree of personal differentiation for individuals which makes an increase in the maximum short-term incentive appropriate.

A maximum short-term incentive is paid only when the Vodacom Group achieves stretch business performance targets and individual employee delivers exceptional performance.

The financial performance targets applicable to the short-term incentive for the 2011 financial year, as set by the RemCo, relate to:

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

These financial performance targets link directly into Vodacom's business strategy. The focus of the business is on driving revenue growth and market performance, and a higher weighting has been placed on these targets in order to reflect this and directly align the short-term incentive with the wider business strategy. In respect of executive directors and the Disclosed Employees, these targets are split between performance of each operating company and the performance of the wider Vodacom Group.

There is a small degree of overlap between the financial performance targets applicable to the short-term incentive and those applicable to the long-term incentive in that both include an element of competitive performance or market share. As competitive performance is critical to Vodacom Group's business strategy, the focus on this target and the duplication is considered to be acceptable.

Long-term incentives

Policy

It is essential for the Group to retain skills over the longer term and to motivate and incentivise executive directors and other employees over the long term. This is achieved through a long-term incentive plan in the case of executive directors and the Disclosed Employees.

In its Prelisting Statement, Vodacom Group committed to devise a long-term incentive scheme that would seek to align the interests of management with those of shareholders and also incentivise management to focus on the long-term sustainability of the Group. As a consequence, the Group resolved to discontinue the deferred bonus incentive scheme and to issue executives with shares following the listing. A new long-term incentive plan – the forfeitable share plan ('FSP') – was implemented. Participation in the FSP is focused on executives. However, selected employees below executive level also participate in the FSP.

Forfeitable share plan

Shareholders adopted the FSP and its rules at the annual general meeting held on 31 July 2009. The purpose of the FSP is to provide executives with the opportunity to acquire shares in Vodacom. Non-executive directors are not eligible to participate in the FSP. It is intended that annual grants be made under the FSP.

Awards under the FSP are structured as forfeitable share awards. This means that participants receive shares (including dividend and voting rights) on the date of award but those shares are subject to restrictions and a risk of forfeiture during a three-year vesting period. In addition, a portion of the forfeitable award is subject to the satisfaction of performance targets. To the extent that the performance targets are not achieved, those shares subject to the targets will be forfeited and there will be no retesting of the performance targets.

Awards were granted under the FSP on 26 November 2009 and the vesting period will expire on 26 November 2012. In respect of these awards, the performance targets applicable to the relevant portion of the award relate to taxed EBITDA less capex and South African revenue market shares. Equal weighting is applied to these targets.

The RemCo considers these performance targets to be stretching in the context of the Group's business strategy and the market conditions. They also support the Group's objectives to drive growth in profit and pursue market growth opportunities.

The vesting level of awards granted under the FSP is on a sliding scale of between 20% at threshold up to 100% at a maximum performance.

The expected value of the awards granted under the FSP, as a percentage of guaranteed package at target level, is as follows:

- CEO – 90%
- Executive directors – 48%
- Disclosed Employees – up to 33%

In respect of awards to be granted during the 2011 financial year, it is envisaged that similar performance targets will be imposed.

The exact targets will be determined by RemCo at the time of award. The expected value of awards will be granted at similar levels to those granted during the 2010 financial year.

Deferred bonus incentive scheme ('the scheme')

The scheme was adopted by Vodacom in 1996 and this plan was operated prior to Vodacom's listing. With effect from 1 April 2009, no additional allocations have been granted under the scheme and no further allocations will be granted in the future. Unvested and unexercised allocations granted under the scheme remain in existence and they will be settled in 2014.

All permanent employees were eligible to participate in the scheme. The exercise price was based on the Group's consolidated operating profit after adjusting for certain items.

The allocations are subject to a three-year vesting period and participants then have a further three years in which to exercise their allocations. Upon exercise, the gain is paid to participants in cash.

The YeboYethu Employee Participation Trust (Share Ownership Plan)

At end July 2008, Vodacom announced the implementation of its R7.5 billion BBBEE transaction which involved, *inter alia*, a public offer to the South African black public through YeboYethu which holds a 3.44% interest in Vodacom SA. In addition to the public offer, all Vodacom's permanent South African employees were able to participate in the BBBEE transaction through the allocation of units in terms of the YeboYethu Employee Participation Trust ('the Trust'). Altogether 75% of the 1.875 billion units available to the Trust were allocated to Vodacom's permanent South African staff in September 2008 while the remaining 25% was made available to future employees for the next six years on a reduced sliding scale. The allocation of units is weighted 70/30 in favour of black staff.

The Trust has a seven-year lock-in period to August 2015. In March 2016 the allocated units, after taking into account notional vendor financing provided by Vodacom SA, will be converted into YeboYethu shares where a value could be realised by staff by selling these shares to the black public via an over-the-counter facility. This facility will be setup by Vodacom.

Executive contracts and policies

Service contracts

As part of the alignment of Vodacom's remuneration philosophy with that of Vodafone, various revisions have been made to the service contracts of the executive directors and other executives, including the Disclosed Employees, during the 2010 financial year. Executives directors and Disclosed Employees had two-year rolling contracts and were entitled on termination of employment to one year's guaranteed pay for every four years of service with Vodacom up to a maximum of 16 year service. These executives were paid these benefits on termination of employment provided they serve twelve months notice.

The amendment made to the service contracts was to freeze the accrual of benefits subsequently paid to the executive on termination of employment. Benefits accrued up to 26 November 2009 based on the number of years' service of the individual but, as a consequence of the amendment, no further benefits will accrue after this date. By way of consideration for this amendment, executives were granted an additional number of retention-based forfeitable shares under the FSP in November 2009. A further award in this regard will be made under the FSP in July 2010.

The main terms of the service contracts applicable to executive directors and the Disclosed Employees can be summarised as follows:

Provision	Policy
Contract term	Indefinite (or until age 60 reached)
Notice period	6 months for each party
Termination of employment	On complying with the notice condition, an amount equal to the benefit accrued up to 26 November 2009 (plus interest earned) will be paid, but this benefit has now been frozen (through the service contract amendments) and no future benefits will be accrued. In addition, a payment will be made in respect of the deferred bonus incentive scheme at the relevant time.

The following table shows accrued termination benefits for executive directors and Disclosed Employees:

Name	Vodacom employment date	Accrued benefit amount R	FSP shares awarded in 2009 in lieu of service agreement changes	FSP shares to be awarded on 1 July 2010[1] in lieu of service agreement changes
PJ Uys	1 October 1993	25 300 000	53 884	–
MS Aziz Joosub	1 March 1994	19 291 233	62 616	–
RA Shuter	1 July 2009	422 877	71 561	43 078
Disclosed Employee 1	1 October 1993	14 260 000	30 371	–
Disclosed Employee 2	1 April 2007	2 449 048	62 871	34 851
Disclosed Employee 3	1 June 1996	10 457 192	52 819	14 838

Note:

1. *The share price as at 30 April 2010 was used to calculate the additional FSP awards to be allocated on 1 July 2010. This figure may change based on the actual share price on the date of allocation.*

Non-executive directors

The nature of Vodacom's business requires involvement of its non-executive directors over and above that of just attending meetings. On this basis, non-executive directors receive an annual fee for their services on the Board and Board committees rather than a fee based on the meetings attended, as contemplated by King III.

There are no contractual arrangements for compensation for the loss of office. Non-executive directors do not receive short-term incentives nor do they participate in any long-term incentive plans.

RemCo reviews the level of fees and, having considered market benchmarks, makes recommendations to the Board for consideration. In terms of Vodacom's articles of association, fees payable to non-executive directors must be approved by shareholders at the annual general meeting. The current level of fees payable to non-executive directors was approved by Vodacom's joint shareholders, Vodafone and Telkom SA Limited, in February 2009, when Vodacom was still a private company. Following its listing in May 2009, and in the spirit of transparency, Vodacom tabled the fees at its annual general meeting on 31 July 2009 for ratification by all shareholders.

A fee increase of 5% is proposed at the forthcoming annual general meeting. Further details are set out later in this report.

Payments made/accrued to executive directors and other specified individuals

Details of the remuneration paid/accrued to executive directors and the Disclosed Employees for the 2010 financial year are set out in the table below:

Remuneration (actual and accruals[1])

Name	Guaranteed package R	Sign-on arrangement/ restraint of trade R	Other[2] R	Short-term incentive[3] R	Total 2010 financial year R	Total 2009 financial year R
PJ Uys	6 325 000	–	223 674	4 151 897	10 700 571	14 102 343
MS Aziz Joosub	4 520 833	–	165 010	4 766 842	9 452 685	18 661 734
RA Shuter	3 200 000	8 400 000	6 434	2 599 448	14 205 882	–
Disclosed Employee 1	3 448 750	–	1 727 668	4 041 100	9 217 518	6 848 648
Disclosed Employee 2	3 602 625	–	14 410	2 869 753	6 486 788	6 553 664
Disclosed Employee 3	3 100 000	–	27 926	2 994 982	6 122 908	6 089 755

Notes:

1. *The remuneration table above excludes payments in terms of vested allocations and payments in respect of the deferred bonus incentive scheme on page 76 of this report.*
2. *Included in Other is payment in respect of leave encashment, mobile phone benefit, subsistence allowance and employee gifts. Also included in respect of Disclosed Employee 1 is a special bonus and acting allowance.*
3. *The short-term incentive amounts in the table above relate to the March 2010 financial year to be paid in June 2010. The 2009 financial year numbers in the above table were adjusted to reflect actual payments for short-term incentives.*

Long-term incentives

Details of the long-term incentives granted under the FSP, the deferred bonus incentive scheme and YeboYetho units held by executive directors and Disclosed Employees as at 31 March 2010 are set out in the tables below:

FSP

Name	Total number of shares	Number of shares subject to retention	Number of shares subject to performance targets
PJ Uys	145 117	48 495	96 622
MS Aziz Joosub[1]	59 959	20 037	39 922
RA Shuter	51 393	17 174	34 219
Disclosed Employee 1	23 501	14 122	9 379
Disclosed Employee 2	31 043	10 374	20 669
Disclosed Employee 3	26 079	8 715	17 364

Note:

1. *Not included in the table above is an additional allocation of retention shares of 45 117 to the Managing Director of Vodacom SA.*

Deferred bonus incentive scheme

Name	Award date	Number of allocations at start of year	Number of allocations vested during year[1]	Number of allocations exercised during year	Number of allocations at end of year	Issue price R	Exercise price R	Date of exercise	Total value on exercise R
PJ Uys	2002	3 067	–	3 067	–	370.86	1 224.19	1 April 2009	2 617 163
	2003	2 908	–	2 908	–	454.07	1 366.81	1 July 2009	2 654 248
	2004	3 055	–	–	3 055	544.99	–	–	–
	2005	5 583	–	–	5 583	698.58	–	–	–
	2006	5 015	5 015	–	5 015	897.35	–	–	–
	2007	5 064	–	–	5 064	1 096.01	–	–	–
	2008	4 854	–	–	4 854	1 257.85	–	–	–
MS Aziz Joosub	2003	5 105	–	5 105	–	454.07	1 366.81	1 July 2009	4 659 538
	2004	2 725	–	–	2 725	544.99	–	–	–
	2005	5 153	–	–	5 153	698.58	–	–	–
	2006	4 513	4 513	–	4 513	897.35	–	–	–
	2007	4 790	–	–	4 790	1 096.01	–	–	–
	2008	4 591	–	–	4 591	1 257.85	–	–	–
RA Shuter	–	–	–	–	–	–	–	–	–
Disclosed Employee 1	2003	1 921	–	1 921	–	454.07	1 366.81	1 July 2009	1 753 374
	2004	950	–	950	–	544.99	1 366.81	1 July 2009	780 729
	2005	2 290	–	2 290	–	698.58	1 366.81	1 July 2009	1 530 247
	2006	2 006	2 006	2 006	–	897.35	1 366.81	1 July 2009	941 737
	2007	1 916	–	–	1 916	1 096.01	–	–	–
	2008	3 816	–	–	3 816	1 257.85	–	–	–
Disclosed Employee 2	2007	4 668	–	–	4 668	1 096.01	–	–	–
	2008	2 564	–	–	2 564	1 257.85	–	–	–
Disclosed Employee 3	2003	1 921	–	1 921	–	454.07	1 366.81	1 July 2009	1 753 374
	2004	1 032	–	–	1 032	544.99	–	–	–
	2005	2 434	–	–	2 434	698.58	–	–	–
	2006	2 229	2 229	–	2 229	897.35	–	–	–
	2007	2 281	–	–	2 281	1 096.01	–	–	–
	2008	2 226	–	–	2 226	1 257.85	–	–	–

Note:

1. Allocations can be exercised within three years from the vesting date.

The YeboYethu ESOP

Details of the estimated value of units held in the YeboYethu ESOP by the executive directors and the Disclosed Employees are set out below:

Name	Estimated value R
PJ Uys	287 077
MS Aziz Joosub	443 428
RA Shuter	225 902
Disclosed Employee 1	186 212
Disclosed Employee 2	250 222
Disclosed Employee 3	217 247

Notes:

1. *YeboYethu ESOP units valuation is based on shares held in YeboYethu Limited.*
2. *The YeboYethu ESOP has a seven-year lock-in period to August 2015. In March 2016 the allocated units, after taking into account notional vendor financing provided by Vodacom SA, will be converted into YeboYethu shares.*

Payments made to non-executive directors

Fees paid to non-executive directors for the 2010 financial year were as follows:

Name	Director fee R	Audit Committee Chairman R	Audit Committee member R	RemCo Chairman R	RemCo member R	Nomination Committee R	Total R
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 were paid to Vodafone and not to the individual director.*

† *Appointed as RemCo Chairman on 1 September 2009.*

° *Fees for a proportion of the year.*

The proposed fees to be paid to non-executive directors with effect from 1 August 2010 are as follows:

- Chairman of the Board – R1 050 000
- Members of the Board – R232 000
- Chairman of the Audit Committee – R210 000
- Members of the Audit Committee – R105 000
- Chairman of the Remuneration Committee – R183 750
- Members of the Remuneration Committee – R105 000
- Chairman of other committees – R105 000
- Members of other committees – R52 500

The annual fee payable to the Chairman of the Board is inclusive of any committee fees and no fees are payable for any special board meeting that may be convened.

Other payments

Former CEO, ADC Knott-Craig resigned from Vodacom at the end of March 2009. The Group entered into an agreement with him, which came into effect on 1 April 2009, which has a two-year term and expires on 31 March 2011. The ex-director received an amount of R4 997 398 for contract service fees.

He also received an amount of R11 921 351 in respect of the deferred bonus incentive scheme that accrued to him while a Vodacom employee.

Shareholdings

Details of the beneficial interests of directors and the Disclosed Employees in the ordinary shares in Vodacom (excluding interests in the long-term incentive plans) are set out in the directors' report.

Funding of share plans and dilution

Details of the shares used under the FSP and related dilution are set out in the annual financial statements and the directors' report. In respect of awards granted under the FSP in November 2009, they were settled through the purchase of shares in the market and not by way of newly issued shares.

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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 2010 presented on pages 82 to 149 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') 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 28 May 2010 and are signed on its behalf:

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 2010, 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
28 May 2010

Independent auditors' report on the consolidated annual financial statements

To the members of Vodacom Group Limited

We have audited the accompanying consolidated annual financial statements of Vodacom Group Limited which comprise the directors' report, the consolidated statement of financial position as at 31 March 2010, 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 notes as set out on pages 82 to 149.

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 JSE Listings Requirements and the Companies Act of 1973, as amended. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 whether the consolidated annual financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting 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 assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated annual financial statements. We believe that our audit provides a reasonable basis for our audit opinion.

Opinion

In our opinion, the consolidated annual financial statements present fairly, in all material respects, the financial position of Vodacom Group Limited as at 31 March 2010, and the results of its operations and its 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
Audit
Johannesburg, South Africa
28 May 2010
Buildings 1 and 2, Deloitte Place
The Woodlands, Woodlands Drive
Woodmead, Sandton

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 communication 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 2010 were R4 196 million (2009: R6 089 million; 2008: R7 811 million) representing basic earnings per share of 282.3 cents (2009: 409.2 cents; 2008: 525.0 cents).

The Group has recognised a goodwill impairment of R3 039 million relating to Gateway. Full details of the impairment are included in Note 2 of the consolidated annual financial statements.

Full details of the financial position and results of the Group are set out in these consolidated annual financial statements.

Dividends

Dividend distribution

An ordinary dividend of R1 637 million (2009: R5 200 million; 2008: R5 940 million) was declared for the year, of which R6 million (2009 and 2008: RNil) was paid to participants of the forfeitable share plan ('FSP') (Note 16). Details of the final dividend are included under 'Events after the reporting period' in this directors' report.

	2010 Rm	2009 Rm	2008 Rm
Declared 6 March 2008 and paid 3 April 2008	–	–	3 190
Declared 1 October 2007 and paid 4 October 2007	–	–	2 750
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	–	–
	1 637	5 200	5 940

Dividend policy

The Company intends to pay so 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 June 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.

The Company declared a final dividend of 175.0 cents per share on 14 May 2010, representing approximately 60.0% of headline earnings for the six months ended 31 March 2010.

Share capital

Full details of the authorised and issued share capital of the Company are contained in Note 15 of the consolidated annual financial statements. Following conclusion of the implementation of the share sale transaction between Telkom SA Limited and Vodafone Holdings SA (Pty) Limited, the authorised and issued share capital were restructured on 18 May 2009 as follows:

- The 100 000 ordinary shares of R0.01 each in the authorised share capital were subdivided into 14 879 540 000 ordinary shares with the resulting issued share capital consisting of 1 487 954 000 ordinary shares;
- The 14 879 540 000 authorised ordinary shares[1] and 1 487 954 000 issued ordinary shares[2] were converted into ordinary shares of no par value; and
- 10 879 540 000 ordinary shares of no par value in the authorised share capital of 14 879 540 000 ordinary shares of no par value were cancelled, resulting in the authorised share capital comprising 4 000 000 000 ordinary shares of no par value.

Notes:

1. 14 879 540 000 ordinary shares of R0.000000067206378691814397488094390014745 each.

2. 1 487 954 000 ordinary shares of R0.000000067206378691814397488094390014745 each.

for the year ended 31 March

Share capital (continued)

The authorised and issued share capital are thus illustrated 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.

Shareholders approved a special resolution granting a general authority for the repurchase of ordinary shares by the Group, to a maximum of 20% of shares in issue, at the annual general meeting held on 31 July 2009, subject to the JSE Listings Requirements and the provisions of the Companies Act of 1973, as amended. In terms of this general authority, 120 456 ordinary shares were repurchased at an average price of R57.92 per share. The repurchased shares are in connection with shares that were forfeited by executives who either elected not to participate in the FSP on the allocation date of 26 November 2009, or had resigned post the allocation. 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 30 July 2010.

Odd-lot offer

On 4 March 2010, shareholders approved ordinary and special resolutions to implement an odd-lot offer and a specific repurchase of shares at R56.61 per share. Pursuant to the odd-lot offer and specific share repurchase, 2 426 471 shares were purchased on 30 March 2010. These shares are held as treasury shares by wholly owned subsidiary, Wheatfields.

Share scheme

Shareholders adopted the FSP at the annual general meeting of 31 July 2009. The FSP was implemented on 26 November 2009 with 4 722 504 shares being granted to participants. Further details on the FSP may be found in Note 16 of the consolidated annual financial statements and in the remuneration report.

Treasury shares held by Wheatfields do not carry any voting rights.

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 of the consolidated annual financial statements. The attributable interest in the net profit or losses of subsidiaries before eliminations for the year ended 31 March 2010 is as follows:

	2010 Rm	2009 Rm	2008 Rm
Aggregate amount of profit after tax	11 429	8 007	10 541
Aggregate amount of losses after tax	(9 425)	(696)	(270)
	2 004	7 311	10 271

Capital expenditure and commitments

Details of the Group's capital expenditure and commitments are set out in Note 24 of the consolidated annual financial statements.

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

The following movements in the directorate were recorded during the year under review:

Appointments

18 May 2009	MP Moyo (Chairman)
	M Joseph*
	T Mokgosi-Mwantembe
1 July 2009	RA Shuter
1 November 2009	PJ Moleketi
15 January 2010	P Bertoluzzo@

Resignations

18 May 2009	OA Mabandla (Chairman)
	E Spio-Garbrah†
	DD Barber
	PG Joubert
30 June 2009	J van der Watt
15 January 2010	JCG Maclaurin^

**American, @Italian, †Ghanaian, ^British*

Directors' report

for the year ended 31 March

Directorate and secretary (continued)

In terms of the Company's articles of association, Messrs RA Shuter, PJ Moleketi and P Bertoluzzo, having been appointed since the last annual general meeting of the Company, retire at the forthcoming annual general meeting to be held on 30 July 2010. In terms of the articles of association, Messrs MS Aziz Joosub and RC Snow^ retire by rotation. All retiring directors are eligible and available for re-election. Their profiles appear on page 58 of the annual report.

As at the date of this report, the directors of the Company were as follows:

Independent non-executive

MP Moyo (Chairman), TA Boardman, P Malabie, T Mokgosi-Mwantembe, PJ Moleketi

Non-executive

M Lundal~, P Bertoluzzo@, M Joseph*, RAW Schellekens°, RC Snow^, HM Mahmoud (alternate)#, TJ Harrabin (alternate)^

Executive

PJ Uys (Chief Executive Officer), RA Shuter (Chief Financial Officer), MS Aziz Joosub

The secretary is SF Linford and her business and postal address appear on the corporate administration sheet included in this annual report.

**American, @Italian, ^British, ~Norwegian, °Dutch, #Egyptian*

Interests of directors

As at the date of this report, the current directors of the Company held direct and indirect beneficial interests in 493 855 of its issued ordinary shares as set out below:

	2010 Direct number of shares	2010 Indirect number of shares
PJ Uys	199 901	–
MP Moyo	250	2 415
RA Shuter	122 954	–
MS Aziz Joosub	167 692	–
PJ Moleketi	643	–
	491 440	2 415

As at the day of listing, which was 18 May 2009, the directors held direct and indirect beneficial interests as follows:

- PJ Uys held 900 shares directly; and
- MP Moyo held 250 shares directly and 2 415 shares indirectly.

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 shares through:

- Vodafone Holdings (SA) (Pty) Limited; and
- Vodafone Telecommunications Investments (SA) (Pty) Limited.

Vodafone Group Plc is incorporated and domiciled in the United Kingdom.

Audit Committee

In terms of section 270 A(f) of the Companies Act of 1973, as amended ('the Act'), the Group Audit Committee has discharged all of those functions delegated to it in terms of the Group's Audit Committee Charter, the Act and the JSE Listings Requirements:

- The Audit Committee met on five occasions to review, *inter alia*, the year end and interim results of the Group as well as consider regulatory and accounting standards compliance;
- Considered and satisfied itself that the external auditors are independent and determined the external fees for the 2010 financial year and nominated the external auditors for appointment for the 2011 financial year;
- Confirmed the non-audit services which the external auditors performed during the year under review;
- Ensured that the Audit Committee complied with the membership criteria specified in the Act;
- Confirmed the internal audit plan for the next financial year;
- Held separate meetings with management and the external auditors to discuss any reserved matters; and
- Considered the appropriateness and experience of the Chief Financial Officer as required by the JSE Listings Requirements.

Further details of the role and function of the Audit Committee may be found on page 64 of this annual report.

The auditors' business and postal address appear on the corporate administration sheet included in this annual report.

Other matters

Negative net current asset ratio

The Group has a negative net current asset ratio, however, management believes that based on its operating cash flows, the Group will be able to meet its liabilities as they arise 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 negative net current asset ratio.

Electronic Communications Act ('EC Act')

Under the newly promulgated EC Act of 2008 and in terms of the Regulations on Standard Terms and Conditions for licensees (which came into effect on 19 January 2009), the Group's South African operation has been issued with two licences which largely confer the same rights as provided for under the EC Act of 2006, with the exception of the following:

- All licensees are subject to an annual licence fee of 1.5% of gross profit (previously 5.0% of net operational income); and
- As part of the conversion process, no additional universal service obligations have been imposed.

Customer registration

Democratic Republic of Congo ('DRC')

In terms of a ministerial decree promulgated in 2008, network operators in the DRC had to register their customers by 31 December 2009. In December 2009 a new customer registration decree was issued, which requires due process to be followed on individual customer information requests prior to penalties being imposed. Significant progress has been made to register customers and to minimise disruptions to customer acquisitions as a result of registration.

Other

Vodacom Tanzania Limited and Vodacom (Pty) Limited, a South African-based company, are also subject to customer registration by 30 June 2010 and 31 December 2010 respectively. The Group is making every effort to be fully compliant by the set deadlines.

Interconnect rates

The Group's South African operation has, as a result of bilateral negotiations with the other mobile operators, agreed to reduce the peak interconnect rate from R1.25 to R0.89 with effect from 1 March 2010. The R0.77 off-peak rate remained unchanged. On 16 April 2010, the Independent Communications Authority of South Africa ('ICASA') published draft regulations in which it proposes to reduce the rate to R0.65 in July 2010, R0.55 in July 2011 and R0.40 in July 2012. Vodacom (Pty) Limited will actively participate in the ICASA public consultation process on the draft regulations.

Code of conduct on the sale, lease, rental or subsidisation of subscriber equipment ('draft Code')

In December 2009, ICASA published a draft Code, the purpose of which is to foster transparency, promote consumer rights and set out minimum standards to be adhered to by licensees. The draft Code is also applicable to licensees' agents and resellers. It is anticipated that the draft Code will be finalised within the next financial year.

Arbitration

A request for arbitration, under the aegis of the International Chamber of Commerce, was filed by Vodacom International Limited ('VIL') against Congolese Wireless Network s.p.r.l. ('CWN') on 7 April 2010.

VIL is seeking, *inter alia*, as a provisional measure, the appointment of an *ad hoc* trustee with the mandate to represent CWN at the next extraordinary shareholders' meeting in order to vote, in accordance with the corporate interest of Vodacom Congo (RDC) s.p.r.l., the resolutions relating to:

- The conversion of the latter into a s.a.r.l. (including the approval of by-laws and five nominee shareholders); and
- The capital increase, as well as an order confirming the lack of validity of the purported resolution in favour of a dissolution of Vodacom Congo (RDC) s.p.r.l.

VIL's claims are primarily based on the contention that CWN has committed an abuse of its rights as a non-controlling shareholder (by refusing to vote the capital increase and the conversion of Vodacom Congo (RDC) s.p.r.l. into a s.a.r.l.).

In terms of monetary claims, VIL has requested the reimbursement of all arbitration costs including its legal costs and attorney fees, and has reserved its rights to claim damages as may be particularised in its pleadings.

Events after the reporting period

Final dividend

A final dividend of R2 599 million (175.0 cents per ordinary share) for the year ended 31 March 2010, was declared on 14 May 2010, payable on 5 July 2010 to shareholders recorded in the register at the close of business on 2 July 2010.

Other matters

The directors are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with in the consolidated annual financial statements, which significantly affects the financial position of the Group as at 31 March 2010 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 30 July 2010, shareholders will be requested to appoint Deloitte & Touche as the Group's auditors for the 2011 financial year and it will be noted that PJ Smit will be the individual registered auditor who will undertake the audit.

Consolidated income statement

for the year ended 31 March

	Notes	2010 Rm	2009 Rm	2008 Rm
Revenue	1	**58 535**	55 442	48 334
Direct costs	23	**(26 774)**	(26 224)	(22 902)
Staff expenses	23	**(4 291)**	(3 686)	(2 975)
Marketing and advertising expenses	23	**(1 728)**	(1 793)	(1 452)
Broad-based black economic empowerment charge	16, 23	**–**	(1 315)	–
Other operating expenses	23	**(5 977)**	(5 624)	(4 573)
Depreciation and amortisation	9, 10	**(5 157)**	(4 683)	(3 911)
Impairment losses	2	**(3 370)**	(112)	(30)
Operating profit	3	**11 238**	12 005	12 491
Finance income	4	**124**	108	72
Finance costs	5	**(1 602)**	(1 459)	(681)
(Loss)/Gain on remeasurement and disposal of financial instruments	3, 6	**(794)**	(398)	185
Loss from associate	11	**(21)**	(19)	–
Profit before tax		**8 945**	10 237	12 067
Taxation	7	**(4 745)**	(4 045)	(4 109)
Net profit		**4 200**	6 192	7 958
Attributable to:				
Equity shareholders		**4 196**	6 089	7 811
Non-controlling interests		**4**	103	147
		4 200	6 192	7 958

		2010 Cents	2009 Cents	2008 Cents
Basic earnings per share	8	**282.3**	409.2	525.0
Diluted earnings per share	8	**282.0**	409.2	525.0

Consolidated statement of comprehensive income

for the year ended 31 March

	Notes	2010 Rm	2009 Rm	2008 Rm
Net profit		**4 200**	6 192	7 958
Other comprehensive income:				
Foreign currency translation differences, net of tax	7	**(2 665)**	405	130
Fair value adjustments on available-for-sale financial assets, net of tax	7	**–**	(17)	17
Other, net of tax	7	**–**	(9)	–
Total comprehensive income		**1 535**	6 571	8 105
Attributable to:				
Equity shareholders		**1 645**	6 437	7 916
Non-controlling interests		**(110)**	134	189
		1 535	6 571	8 105

Consolidated statement of financial position

as at 31 March

	Notes	2010 Rm	2009 Rm	2008 Rm
Assets				
Non-current assets		**29 131**	35 224	24 468
Property, plant and equipment	9	**21 383**	21 844	19 120
Intangible assets	10	**6 673**	11 794	4 224
Financial assets	11	**181**	303	244
Trade and other receivables	13, 23	**231**	241	336
Finance lease receivables	14, 23	**408**	259	89
Deferred tax	7	**255**	783	455
Current assets		**12 560**	12 135	9 707
Financial assets	11, 23	**153**	203	138
Inventory	12	**707**	653	637
Trade and other receivables	13, 23	**10 024**	9 843	7 831
Finance lease receivables	14, 23	**262**	268	123
Tax receivable		**353**	64	–
Cash and cash equivalents	22	**1 061**	1 104	978
Total assets		**41 691**	47 359	34 175
Equity and liabilities				
Fully paid share capital	15	*****	*	*
Treasury shares	15	**(422)**	–	–
Retained earnings		**14 832**	12 265	11 393
Other reserves	16	**(672)**	1 752	9
Equity attributable to owners of the parent		**13 738**	14 017	11 402
Non-controlling interests		**898**	1 081	404
Total equity		**14 636**	15 098	11 806
Non-current liabilities		**11 590**	10 430	4 787
Borrowings	17	**9 786**	8 316	3 032
Trade and other payables	18, 23	**317**	388	632
Provisions	19, 23	**436**	365	347
Deferred tax	7	**1 051**	1 361	776
Current liabilities		**15 465**	21 831	17 582
Borrowings	17, 23	**3 239**	7 875	2 959
Trade and other payables	18, 23	**11 714**	10 938	10 321
Provisions	19, 23	**193**	238	391
Tax payable		**203**	549	580
Dividends payable		**6**	2 211	3 190
Bank overdrafts	22, 23	**110**	20	141
Total equity and liabilities		**41 691**	47 359	34 175

* *Fully paid share capital of R100.*

Consolidated statement of changes in equity

for the year ended 31 March

	Notes	Fully paid share capital Rm	Treasury shares Rm	Forfeitable share plan reserve Rm
1 April 2007		*	–	–
Total comprehensive income		–	–	–
Net profit		–	–	–
Other comprehensive income	7	–	–	–
Dividends declared		–	–	–
Business combinations and other non-controlling interests acquisitions	21	–	–	–
Non-controlling shares of VM, SA		–	–	–
Transfer to contingency reserve	16	–	–	–
31 March 2008		*	–	–
Total comprehensive income		–	–	–
Net profit		–	–	–
Other comprehensive income	7	–	–	–
Dividends declared		–	–	–
Business combinations and other non-controlling interests acquisitions	21	–	–	–
Share-based payment expense	16	–	–	–
Transfer to contingency reserve	16	–	–	–
31 March 2009		*	–	–
Total comprehensive income		–	–	–
Net profit		–	–	–
Other comprehensive income	7	–	–	–
Dividends declared		–	–	–
Repurchase of shares	15	–	(422)	–
Share-based payment expense	16	–	–	24[3]
Transfer from contingency reserve	16	–	–	–
31 March 2010		*	(422)	24

Notes:

1. Broad-based black economic empowerment reserve.

2. Includes foreign exchange losses of R848 million, net of tax, relating to foreign-denominated loans to subsidiaries classified as part of the net investments in these foreign operations.

3. R6 million of the R1 637 million dividends declared was offset against the forfeitable share plan reserve.

** Fully paid share capital of R100.*

BBBEE reserve[1]	Retained earnings	Contingency reserve	Other comprehensive income: Foreign currency translation reserve	Other comprehensive income: Investment revaluation reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
–	9 524	15	(113)	–	9 426	221	9 647
–	7 811	–	88	17	7 916	189	8 105
–	7 811	–	–	–	7 811	147	7 958
–	–	–	88	17	105	42	147
–	(5 940)	–	–	–	(5 940)	(1)	(5 941)
–	–	–	–	–	–	(6)	(6)
–	–	–	–	–	–	1	1
–	(2)	2	–	–	–	–	–
–	11 393	17	(25)	17	11 402	404	11 806
–	6 080	–	374	(17)	6 437	134	6 571
–	6 089	–	–	–	6 089	103	6 192
–	(9)	–	374	(17)	348	31	379
–	(5 200)	–	–	–	(5 200)	(13)	(5 213)
–	(4)	–	–	–	(4)	34	30
1 382	–	–	–	–	1 382	522	1 904
–	(4)	4	–	–	–	–	–
1 382	**12 265**	**21**	**349**	**–**	**14 017**	**1 081**	**15 098**
–	**4 196**	**–**	**(2 551)**	**–**	**1 645**	**(110)**	**1 535**
–	**4 196**	**–**	**–**	**–**	**4 196**	**4**	**4 200**
–	**–**	**–**	**(2 551)[2]**	**–**	**(2 551)**	**(114)**	**(2 665)**
–	**(1 631)[3]**	**–**	**–**	**–**	**(1 631)**	**(73)**	**(1 704)**
–	**–**	**–**	**–**	**–**	**(422)**	**–**	**(422)**
105	**–**	**–**	**–**	**–**	**129**	**–**	**129**
–	**2**	**(2)**	**–**	**–**	**–**	**–**	**–**
1 487	**14 832**	**19**	**(2 202)**	**–**	**13 738**	**898**	**14 636**

Consolidated statement of cash flows

for the year ended 31 March

	Notes	2010 Rm	2009 Rm	2008 Rm
Cash flows from operating activities				
Cash receipts from customers	23	58 717	53 789	47 390
Cash paid to suppliers and employees	23	(39 006)	(37 884)	(31 368)
Cash generated from operations	20	19 711	15 905	16 022
Tax paid		(4 764)	(4 123)	(4 721)
Net cash flows from operating activities		14 947	11 782	11 301
Cash flows from investing activities				
Additions to property, plant and equipment and intangible assets		(6 306)	(7 254)	(6 541)
Proceeds on disposal of property, plant and equipment and intangible assets		84	43	10
Business combinations and other non-controlling interests acquisitions, net of cash acquired	21	–	(5 348)	(956)
Disposal of subsidiaries, net of cash disposed		–	–	16
Finance income received	23	108	103	72
Loans granted and equity investments		(193)	(173)	(60)
Other investing activities		(22)	(17)	28
Net cash flows utilised in investing activities		(6 329)	(12 646)	(7 431)
Cash flows from financing activities				
Borrowings incurred		3 177	10 161	3 456
Borrowings repaid		(5 811)	(1 810)	(229)
Finance costs paid	23	(1 621)	(1 498)	(506)
Dividends paid – equity shareholders	23	(3 830)	(6 190)	(5 650)
Dividends paid – non-controlling interests	23	(78)	(14)	(91)
Repurchase of shares		(385)	–	–
Non-controlling interests		–	522	7
Net cash flows (utilised in)/from financing activities		(8 548)	1 171	(3 013)
Net increase in cash and cash equivalents		70	307	857
Cash and cash equivalents at the beginning of the year		1 084	837	(108)
Effect of foreign exchange rate changes		(203)	(60)	88
Cash and cash equivalents at the end of the year	22	951	1 084	837

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 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 101. 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.

Amounts in the consolidated annual financial statements are stated in South African rand, as this is the currency in which the majority of the Group's transactions are denominated.

The significant accounting policies are consistent in all material respects with those applied in the previous period, except as disclosed at the end of the significant accounting policies.

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 2010.

Business combinations

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities and contingent liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

The interest of the non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

The difference between the proceeds from disposal 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.

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 bring their accounting policies into line with those used by the Group.

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. Losses applicable to the non-controlling interest in excess of the non-controlling interest's share of changes in equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

Interests acquired from non-controlling parties

Acquisitions of non-controlling interests in subsidiaries are accounted for as transactions between shareholders. There is no remeasurement to fair value of net assets acquired that were previously attributable to non-controlling parties.

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 and 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.

Investments in associates (continued)

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 profit 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

Intangible assets with an indefinite useful life are capitalised at cost and are not amortised, but are tested for impairment on an annual basis.

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses, if any. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting date.

Intangible assets with a finite useful life

Intangible assets with finite lives are stated at cost, less accumulated amortisation and accumulated impairment losses, if any. The amortisation period and method of intangible assets with a finite useful life are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense is recognised in profit or loss on a straight-line basis over the estimated useful lives, 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.

Licences

Licences, which are acquired to yield an enduring benefit, are amortised from the date of commencement of usage rights over the shorter of the economic life or the duration of the licence agreement.

Trademark, patents and other

Trademark, patents and other intangible assets acquired are amortised over their estimated useful lives. Expenditure incurred to develop, maintain and renew internally generated trademarks and patents is recognised as an expense in the period incurred.

Customer bases

Customer bases acquired are amortised over their estimated useful lives.

Computer software

Computer software that is not considered to form an integral part of any hardware equipment is recorded as intangible assets and amortised over its estimated useful life.

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 recognised 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 depreciation expense is recognised in profit or loss on a straight-line basis over the estimated useful lives. 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. Depreciation commences when the asset is available for use (in the case of infrastructure assets this is deemed to be the date of acceptance) and ceases at the earlier of the date the asset is classified as held for sale or the date the asset is derecognised. Depreciation is not ceased when assets are idle.

Property, plant and equipment (continued)

Property, plant and equipment acquired in exchange for a non-monetary asset or 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 gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

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, known 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 available for use

Goodwill and other assets that have an indefinite useful life and intangible assets not available for use are tested annually for impairment and when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Property, plant and equipment and intangible assets with a finite useful life

The Group annually reviews the carrying amounts of its property, plant and equipment and intangible assets with a finite useful life in order to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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, 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.

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.

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.

Contract and prepaid products

Revenue for access charges, airtime usage and messaging by contract customers is recognised as revenue 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.

Data revenue

Revenue from data services and information provision is recognised when the Group has performed the related service and, depending on the nature of the service, is recognised either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.

Revenue recognition (continued)

Equipment revenue

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 associated with the equipment are transferred to the intermediary and the intermediary has no general right of return. If the significant risks 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.

Other revenue

Revenue from interconnect fees is recognised on the usage basis.

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. 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.

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. Such cash incentives to other intermediaries 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.

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

Operating leases

Rentals payable under operating leases, including benefits received and receivable as an incentive to enter into the lease, are charged to profit or loss on a straight-line basis over the term of the relevant lease. Early termination penalties are recognised as an expense 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 rental income is recognised in profit or loss on a straight-line basis over the lease term. Such 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 retranslated 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 gains or losses 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 in terms of 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.

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 entity, 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

Marketing and advertising expenses are recognised as they are incurred. Prepaid costs related to annual events sponsorships are recognised over the duration of the event.

Restraint of trade payments are made to limit an executive's post-employment activities and are recognised 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.

The Group capitalises borrowing costs for all eligible assets for which construction commenced on or after 1 April 2009 and continues to expense borrowing costs for construction projects that commenced prior to 1 April 2009.

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. Contributions to the funds are recognised as an expense as they fall due. The Group has no liability 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 recognised during the period in which the employee renders the related service.

The Group provides for other employee benefits payable to eligible employees during the period in which the employee renders the related service. During the current year, the Group amended the terms of the benefits payable resulting in a significant decrease in remeasurement uncertainties. The Group's liability for prior years was based on an actuarial valuation whereby actuarial gains and losses on the other employee benefits provision were accounted for through profit or loss in the period in which they arose.

Compensation benefits

Employees of wholly owned subsidiaries, including executive directors were, up to 31 March 2009, eligible for compensation benefits in the form of a deferred bonus incentive scheme. The benefit is recorded at the present value of the expected future cash outflows.

Employee benefits (continued)

Share-based payments

The Group has equity-settled share-based payment compensation plans for certain eligible employees. 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.

Broad-based black economic empowerment ('BBBEE') transactions

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 at the date the goods and services are received, 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

Income tax expense represents the sum of the 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 current tax assets against current 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 current 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 the 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, excluding derivative financial instruments

Financial assets and financial 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.

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.

Financial instruments (continued)

Financial assets, excluding derivative financial instruments (continued)

All financial assets are initially measured at fair value, including transaction costs except for those financial assets 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.

Subsequent to initial measurement, 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 recognised in 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. 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 measured at amortised cost using the effective interest rate method, less any impairment loss.

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 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 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 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 is reversed will not exceed what the amortised cost would have been had the impairment 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 assets.

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issuance costs.

Financial liabilities are initially measured at fair value, including transaction costs, except for those financial liabilities 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.

Financial instruments (continued)

Financial liabilities, excluding derivative financial instruments, and equity instruments (continued)

Subsequent to initial measurement, these instruments are measured as follows:

- Interest bearing borrowings and bank borrowings are subsequently measured 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 borrowing.
- Preference shares, which are mandatory redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as finance cost.
- 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.
- 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.

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 financial derivatives is governed by the Group's policies approved by the Board, which provide written principles on the use of financial derivatives 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. Changes in values of all derivatives of a financing nature are included within (loss)/gain 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 not designated into an effective hedge relationship and are classified as a current asset or a current liability if the remaining maturity of the instrument is less than 12 months and is expected to be realised or settled within 12 months.

Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial 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 measured 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, the amortised cost normally approximates fair value.

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 can be made of the amount of the obligation. 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.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use.

Non-current assets and disposal groups classified as held for sale are measured at the lower of the assets' previous carrying amounts and fair value less costs to sell.

Operating segments

The Group discloses its operating segments according to the entity components regularly reviewed by the Group Executive Committee. The components comprise operating segments located in South Africa and other countries.

Segment information is prepared in conformity with the measure that is reported to the Group Executive Committee. These values have been reconciled to the consolidated annual financial statements. The measure reported by the Group is in accordance with the 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 have been reclassified, where required or necessary, in accordance with current period classifications and presentation (Note 23).

New accounting pronouncements

Accounting pronouncements adopted at 31 March 2010

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 2009. The adopted accounting pronouncements, which had an impact on the Group or were reviewed for possible impact, are as follows:

IFRS 7: Financial Instruments: Disclosures (Amended)

The Group adopted all the expanded disclosure requirements in respect of fair value measurements and liquidity risk. The adoption of the amendments had no impact on the Group's financial results for the period.

IAS 1: Presentation of Financial Statements (Amended)

The Group previously classified all financial instruments held for trading as current. These are now classified as current if they are expected to be settled within 12 months of the reporting date. The change in accounting policy did not have a material impact on the Group's classification of these financial instruments in the current and prior periods.

A separate consolidated statement of comprehensive income is now included as part of the primary financial statements which resulted in changes to the consolidated statement of changes in equity. The Group changed the naming of the primary financial statements and adopted new terminology as per the amendments.

The change in accounting policy had no impact on the Group's financial results for the period.

IAS 23: Borrowing Costs (Revised)

The Group previously expensed all borrowing costs as incurred. The Group now capitalises borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. In accordance with the transitional provisions, the Group adopted the standard prospectively. Therefore, borrowing costs are capitalised on qualifying assets with a commencement date on or after 1 April 2009.

The change in accounting policy had no impact on the Group's financial results for the period.

IFRIC 13: Customer Loyalty Programmes

The Group now accounts for customer loyalty credits as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits, deferred and recognised as revenue over the period the award credits are redeemed. The Group previously recorded a liability at the time of sale based on the costs expected to be incurred to supply the products in future. The change in accounting policy was not applied retrospectively, since the prior period financial impact is immaterial.

Circular 3/2009: Headline Earnings ('Circular 3/2009')

The Group adopted Circular 3/2009 as issued by the South African Institute of Chartered Accountants ('SAICA'), which amended the rules table of Circular 8/2007 to take into account all amendments to IFRS issued from June 2007 to April 2009 in determining headline earnings; the adoption of the circular had no impact on the Group's headline earnings.

New accounting pronouncements (continued)

Accounting pronouncements not adopted at 31 March 2010

IFRS 3: Business Combinations (Revised)

The revised standard was issued in January 2008 and will apply to business combinations occurring on or after 1 April 2010. The revised standard introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that a business acquisition occurs and future reported results. This standard is likely to have a significant impact on the Group's accounting for business acquisitions post adoption.

IAS 27: Consolidated and Separate Financial Statements (Amended)

An amendment to the standard was issued in January 2008 and is effective for annual periods beginning on or after 1 July 2009. The amendment requires that when a transaction occurs 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 recorded non-controlling interest should be recognised in equity. In cases where control is lost, any retained interest should be remeasured to fair value with the difference between fair value and the previous carrying amount being recognised immediately in profit or loss. The Group has historically entered into transactions that are within the scope of this standard and may do so in the future.

IFRS 9: Financial Instruments

Phase I of the standard was issued in November 2009 and is effective for annual periods beginning on or after 1 January 2013. The standard introduces changes to the classification and measurement of financial assets. The Group is currently assessing the impact of the standard on its results, financial position and cash flows.

Other new accounting pronouncements

The Group has not adopted the following pronouncements, which have been issued by the IASB or the International Financial Reporting Interpretations Committee ('IFRIC'). The Group does not currently believe the adoption of these pronouncements will have a material impact on the consolidated results, financial position or cash flows of the Group.

- Amendment to IAS 39: Financial Instruments: Recognition and Measurement – Exposures Qualifying for Hedge Accounting, effective for annual periods beginning on or after 1 July 2009;
- Amendments to IFRIC 9: Reassessment of Embedded Derivatives and IAS 39: Financial Instruments: Recognition and Measurement, effective for annual periods beginning on or after 30 June 2009;
- Improvements to IFRS issued in April 2009 are effective over a range of dates, with the earliest being for annual periods beginning on or after 1 July 2009;
- IFRS 1: First-time Adoption of International Financial Reporting Standards, Additional Exemptions for First-time Adopters, effective for periods beginning on or after 1 January 2010;
- IFRS for Small and Medium-sized Entities, issued July 2009, effective immediately;
- IFRS 2: Share-based Payment, Group Cash-settled Share-based Payment Transactions, effective for periods beginning on or after 1 January 2010;
- Amendment to IAS 32: Financial Instruments: Presentation, Classification of Rights Issues, effective for annual periods beginning on or after 1 February 2010;
- 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;
- 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;
- IFRIC 17: Distributions of Non-cash Assets to Owners, effective for annual periods beginning on or after 1 July 2009; and
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments, effective for annual periods beginning on or after 1 July 2010 with early adoption permitted.

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 91.

Management has discussed its critical accounting estimates and associated disclosures with the Group's Audit Committee.

Impairment reviews

IFRS requires management to undertake an annual test for impairment of goodwill and intangible assets with an indefinite useful life as well as intangible assets not yet available for use. For assets with a finite useful life, 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 amount 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 an appropriate discount rate. 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 investments;
- Timing and quantum of future capital expenditure;
- Long-term growth rates; and
- The selection of appropriate discount rates to reflect the risks involved.

Details on the basis for determining values assigned to key assumptions are provided in Note 2 to the consolidated annual financial statements.

The Group prepares and 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, hence, results.

The Group's review includes a sensitivity analysis of the key assumptions related to the cash flow projections. Further details are provided in Note 2 to the consolidated annual financial statements.

Revenue recognition

In revenue arrangements including more than one deliverable, the arrangement consideration is allocated to each deliverable based on the fair value of each deliverable on a stand-alone basis as a percentage of the aggregate fair value of the individual deliverables.

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.

Taxation

The Group's tax charge on ordinary activities is the sum of the total 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 finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final 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 control of the Group and it is often dependent on the efficiency of the legal processes in the relevant taxing 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 accounting judgement include various matters disclosed in the notes to the consolidated annual financial statements (Note 25). The amounts recognised in the consolidated annual financial statements in respect of each matter are derived from the Group's best estimation, as described above. However, the inherent uncertainty regarding the outcome of these items means eventual resolution could differ from the accounting estimates and therefore impact the Group's results and cash flows.

Taxation (continued)

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.

Recognition, therefore, involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised.

Difficult trading conditions as a result of the global economic recession have adversely impacted operation in the Democratic Republic of Congo quite considerably, resulting in a devaluation of the local currency in that country and a derecognition of the deferred tax asset to the value of approximately US$56 million (2009: US$68 million; 2008: US$Nil).

Lower profitability forecasts in Gateway have resulted in the derecognition of a deferred tax asset to the value of approximately US$4 million (2009: US$Nil).

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 purchase price to the fair value of the identifiable assets acquired and the liabilities assumed.

The fair value of assets is determined by discounting estimated future net cash flows generated by the asset, where no active market for the asset exists. The use of different assumptions for the expectation of future cash flows and the discount rate would change the valuation of the asset.

Allocation of the purchase price affects the Group's results as property, plant and equipment as well as intangible assets with a finite useful life are respectively depreciated and amortised, whereas land and intangible assets with an indefinite useful life, including 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.

Intangible assets with a finite useful life

Other intangible assets include the Group's aggregate amounts spent on the acquisition of licences, customer bases, computer software, trademark, 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, excluding goodwill, makes the judgements surrounding the estimated useful lives critical to the Group's financial position and performance.

At 31 March 2010, intangible assets, excluding goodwill, amounted to R3 722 million (2009: R4 364 million; 2008: R2 328 million) and represented 8.9% (2009: 9.2%; 2008: 6.8%) of the Group's total assets.

Estimation of useful life

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 most significant 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. Using 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.

Trademark, patents and other

The estimated useful life represents management's view of the expected period over which the Group will receive benefits from the trademark, patents and other intangible assets with a finite useful life.

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 customer churn rates or is 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.

Intangible assets with a finite useful life (continued)

Estimation of useful life (continued)

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 their life, such as changes in technology.

The estimated useful lives of intangible assets with a finite useful life are as follows:

	2010 Years	2009 Years	2008 Years
Licences	8 – 30	8 – 30	8 – 30
Trademark, patents and other	5 – 14	10 – 12	10 – 14
Customer bases	4 – 10	8	8
Computer software	3 – 10	2 – 8	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 asset base of the Group, being 51.3% (2009: 46.1%; 2008: 55.9%) of the Group's total assets. Therefore, the estimates and assumptions made to determine their carrying amount and related depreciation are critical to the Group's financial position and performance.

Estimation of useful life and residual value

The charge in respect of periodic depreciation is derived after determining an asset's estimated expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the consolidated income statement.

The Group is required to measure the residual value of every item of property, plant and equipment. In determining residual values, the Group uses historical sales and management's best estimate for residual values below 10.0% and third-party confirmation for those above 10.0%. 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 life is based on certain indicators such as historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. The useful life 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:

	2010 Years	2009 Years	2008 Years
Land and buildings, including leasehold improvements	15 – 50	15 – 50	15 – 50
Leasehold improvements (included in land and buildings)	Shorter of lease term or 50	Shorter of lease term or 50	Shorter of lease term or 50
Network infrastructure and equipment	1 – 25	1 – 25	1 – 15
Other assets	1 – 25	2 – 25	2 – 6

Historically, changes in useful lives and residual values have not resulted in material changes to the Group's depreciation charge.

Contingencies

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 R848 million, net of tax, relating to foreign-denominated loans to subsidiaries classified as net investments in foreign operations.

Notes to the consolidated annual financial statements

for the year ended 31 March

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 four reportable segments being 'Corporate', 'South Africa', 'International' and 'Gateway'. The segments offer a variety of telecommunication and data communication services as well as equipment sales.

'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 as well as all the segment information of the 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.

'Gateway' comprises the segment information relating to the carrier services and business network solutions.

Transactions between reportable segments have been made on terms equivalent to those that prevail in arm's length transactions.

	2010 Rm	2009 Rm	2008 Rm
Reconciliation of segment results			
EBITDA	19 782	18 196	16 463
Depreciation, amortisation and impairment losses	(8 527)	(4 795)	(3 941)
Broad-based black economic empowerment charge	–	(1 315)	–
Other	(17)	(81)	(31)
Operating profit	11 238	12 005	12 491
Net finance charges	(2 272)	(1 749)	(424)
Finance income	124	108	72
Finance costs	(1 602)	(1 459)	(681)
(Loss)/Gain on remeasurement and disposal of financial instruments	(794)	(398)	185
Loss from associate	(21)	(19)	–
Profit before tax	8 945	10 237	12 067
Taxation	(4 745)	(4 045)	(4 109)
Net profit	4 200	6 192	7 958

	Corporate	South Africa	International	Gateway	Eliminations	Total
	Rm	Rm	Rm	Rm	Rm	Rm
1. Segment analysis (continued)						
2010						
Segment revenue (including inter-segment)	596	50 431	5 569	2 934	(995)	58 535
Total segment revenue	596	51 064	5 804	3 187	–	60 651
Intra-segment revenue	–	(633)	(235)	(253)	(995)	(2 116)
Inter-segment revenue	(577)	(141)	(144)	(133)	995	–
External customers' segment revenue[1]	19	50 290	5 425	2 801	–	58 535
EBITDA[2]	(14)	18 578	888	202	128	19 782
Net finance income/(charges)	8 966	(1 003)	(998)	(113)	(9 124)	(2 272)
Loss from associate	(21)	–	–	–	–	(21)
Taxation	(24)	(3 901)	(601)	10	(229)	(4 745)
Other material non-cash items included in segment profit/(loss):						
Depreciation and amortisation	(12)	(3 810)	(1 092)	(216)	(27)	(5 157)
Impairment losses	(5 172)	(8)	(188)	(3 039)	5 037	(3 370)
Total assets						
Reportable segment assets	16 292	28 464	8 612	3 346	(15 023)	41 691
Included in reportable segment assets:						
Additions to property, plant and equipment and intangible assets	3	4 569	1 944	125	(3)	6 638
Total liabilities						
Reportable segment liabilities	(4 866)	(22 748)	(6 800)	(2 754)	10 113	(27 055)

Notes:

1. *Other operating income has retrospectively been incorporated into revenue on the face of the consolidated income statement.*
2. *The measure of segment profit/loss changed retrospectively from management operating profit to EBITDA so as to align with practices of the Group's parent, Vodafone Group Plc.*

1. Segment analysis (continued)

	Corporate Rm	South Africa Rm	International Rm	Gateway Rm	Eliminations Rm	Total Rm
2009						
Segment revenue (including inter-segment)	587	47 733	7 099	808	(785)	55 442
Total segment revenue	587	48 324	7 335	861	–	57 107
Intra-segment revenue	–	(591)	(236)	(53)	(785)	(1 665)
Inter-segment revenue	(572)	(141)	(69)	(3)	785	–
External customers' segment revenue	15	47 592	7 030	805	–	55 442
EBITDA	94	16 222	1 835	100	(55)	18 196
Net finance income/(charges)	8 134	(1 118)	(325)	(67)	(8 373)	(1 749)
Loss from associate	(19)	–	–	–	–	(19)
Taxation	(568)	(3 285)	(204)	(2)	14	(4 045)
Other material non-cash items included in segment profit/(loss):						
Depreciation and amortisation	(18)	(3 450)	(1 124)	(67)	(24)	(4 683)
Impairment losses	(470)	(6)	(106)	–	470	(112)
Total assets						
Reportable segment assets	15 086	26 692	11 182	8 014	(13 615)	47 359
Included in reportable segment assets:						
Additions to property, plant and equipment and intangible assets	55	4 762	2 414	14	(107)	7 138
Total liabilities						
Reportable segment liabilities	(8 264)	(19 322)	(8 491)	(3 131)	6 947	(32 261)
2008						
Segment revenue (including inter-segment)	552	43 004	5 403	–	(625)	48 334
Total segment revenue	552	43 715	5 619	–	–	49 886
Intra-segment revenue	–	(711)	(216)	–	(625)	(1 552)
Inter-segment revenue	(540)	(40)	(45)	–	625	–
External customers' segment revenue	12	42 964	5 358	–	–	48 334
EBITDA	128	14 790	1 546	–	(1)	16 463
Net finance income/(charges)	7 820	(538)	(174)	–	(7 532)	(424)
Taxation	(739)	(3 250)	(140)	–	20	(4 109)
Other material non-cash items included in segment profit/(loss):						
Depreciation and amortisation	(57)	(3 056)	(798)	–	–	(3 911)
Impairment losses	(320)	–	(30)	–	320	(30)
Total assets						
Reportable segment assets	12 360	24 597	8 547	–	(11 329)	34 175
Included in reportable segment assets:						
Additions to property, plant and equipment and intangible assets	200	4 297	1 522	–	905	6 924
Total liabilities						
Reportable segment liabilities	(7 493)	(17 777)	(6 692)	–	9 593	(22 369)

	2010 Rm	2009 Rm	2008 Rm
2. Impairment			
Impairment losses			
Impairment losses recognised are as follows:			
Intangible assets (Note 10)	**(3 285)**	(1)	–
Property, plant and equipment (Note 9)	**(34)**	(105)	(30)
Available-for-sale financial assets carried at cost (Note 11)	**(8)**	(6)	–
Investment in associate (Note 11)	**(43)**	–	–
	(3 370)	(112)	(30)

Included in the impairment losses is a goodwill impairment of R3 039 million, recognised during the interim reporting period ended 30 September 2009, relating to the Group's Gateway cash-generating unit, a business operation which constitutes the Group's Gateway reportable segment, following a decrease in long-term cash flow forecasts resulting from the economic downturn and an increasingly competitive environment. The remaining impairment losses are all largely due to the economic downturn and an increasingly competitive environment.

	2010 Rm	2009 Rm	2008 Rm
Goodwill impairment			
Carrying amount of goodwill is as follows:			
Vodacom Service Provider Company (Pty) Limited	**1 739**	1 739	1 739
Gateway	**1 099**	5 399	–
	2 838	7 138	1 739
Other[1]	**114**	292	158
	2 952	7 430	1 897

Note:

1. *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.*

The recoverable amounts of all cash-generating units are based on value in use calculations. During 2010, the Group aligned its valuation methodology with that of its parent, Vodafone Group Plc, by applying the adjusted present value method, whereas during 2009 and 2008 the Group applied the discounted cash flow method.

2. Impairment (continued)

Goodwill impairment (continued)

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 and include the ongoing normal capital expenditure required to roll out networks in emerging markets, to provide enhanced voice and data products and services and to meet the population coverage requirements of certain of the Group's licences. 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 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 (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) and the risk adjustment, beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole. 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 and 2008)	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 (continued)

Sensitivity to changes in key assumptions

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 exceed its recoverable amount.

The estimated recoverable amounts of the Gateway and Vodacom Service Provider Company (Pty) Limited cash-generating units exceeded their carrying amounts by approximately R716 million (2009: R172 million) and R18 462 million (2009: R23 828 million) respectively.

The table below discloses the key assumptions used in the respective value in use calculations:

	Gateway[1] %	Vodacom Service Provider Company (Pty) Limited %
31 March 2010		
Forecast capital expenditure[2]	**4.9 – 8.8**	**0.3 – 1.0**
Forecast EBITDA[3]	**17.9**	**4.2**
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	0.6 – 0.7
Forecast EBITDA	12.5	6.5
Long-term growth rate	4.0	6.8
Risk adjusted discount rate	13.6	13.9
31 March 2008		
Long-term growth rate	–	4.0 – 6.0
Risk adjusted discount rate	–	12.0 – 15.0

Notes:

1. *The forecast capital expenditure, forecast EBITDA, long-term growth rate and risk adjusted discount rate used in the value in use calculation as at 30 September 2009 were 5.6% – 10.7%, 9.9%, 4.0% and 13.6% respectively.*
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 respectively, and the initial 10 and five years of the plans for Vodacom Service Provider Company (Pty) Limited as at 31 March 2010 and 31 March 2009 respectively.*
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 respectively, and the initial 10 and five years of the plans used for Vodacom Service Provider Company (Pty) Limited as at 31 March 2010 and 31 March 2009 respectively.*
4. *Stated in United States dollars for Gateway, in line with its reporting currency.*

2. Impairment (continued)

Goodwill impairment (continued)

Sensitivity to changes in key assumptions (continued)

The table below discloses to what extent each key assumption must change, in isolation, in order for the estimated recoverable amount of the Gateway cash-generating unit to equal its carrying amount:

	2010 %	2009 %	2008 %
Forecast capital expenditure	**2.5**	0.5	–
Forecast EBITDA	**(6.2)**	(0.9)	–
Long-term growth rate	**(3.2)**	(0.5)	–
Risk adjusted discount rate	**2.4**	0.2	–

The specified percentage change in the respective key assumptions, used in the impairment testing for the Gateway cash-generating unit would, in isolation, lead to the following increase in the impairment loss recognised for goodwill during the year:

	2010 Rm	2009 Rm	2008 Rm
3.0% increase in forecast capital expenditure	**(130)**	–	–
3.0% decrease in forecast EBITDA	**–**	–	–
3.0% decrease in long-term growth rate	**–**	–	–
3.0% increase in risk adjusted discount rate	**(124)**	–	–

3. Operating profit

	2010 Rm	2009 Rm	2008 Rm
The operating profit is arrived at after taking the following income/(expenses) into account:			
Net loss on disposal of property, plant and equipment and intangible assets	**(17)**	(13)	(39)
Auditor's remuneration – audit fees	**(29)**	(28)	(23)
Current year audit fees	**(28)**	(28)	(21)
Prior year over/(under)provision of audit fees	**–**	1	(1)
Expenses	**(1)**	(1)	(1)
Auditor's remuneration – other services	**(1)**	(6)	(3)
Professional fees for consultancy services	**(321)**	(304)	(204)
Operating lease rentals	**(2 090)**	(1 915)	(1 550)
Transmission and data lines	**(1 639)**	(1 511)	(1 225)
Other	**(451)**	(404)	(325)
Writedown of bad debts, not previously provided for	**(281)**	(190)	(162)
Net foreign exchange gains	**192**	–[1]	–[1]

Direct costs include customer acquisition- and retention-related costs, interconnect expenses, converged solutions expenses and various other direct costs. Other operating expenses include network operational expenses and all administrative expenses.

Note:

1. *The Group prospectively aligned its presentation of foreign exchange gains and losses on the revaluation of foreign-denominated trading items with that of its parent, by including it in operating expenses. For prior years, the equivalent net exchange losses of R252 million (2008: R356 million) are presented in '(Loss)/Gain on remeasurement and disposal of financial instruments'.*

	2010 Rm	2009 Rm	2008 Rm
4. Finance income			
Banks	**24**	56	33
Loans receivable	**73**	22	18
Interest received from tax authorities	**–**	4	–
Other	**27**	26	21
	124	108	72

Interest received on financial assets not at fair value through profit or loss amounted to R105 million (2009: R85 million; 2008: R55 million).

	2010 Rm	2009 Rm	2008 Rm
5. Finance costs			
Borrowings	**(1 421)**	(1 332)	(647)[1]
Interest paid to tax authorities	**(149)**	(88)	–
Other	**(32)**	(39)	(34)
	(1 602)	(1 459)	(681)

Interest paid on financial liabilities not at fair value through profit or loss amounted to R1 427 million (2009: R1 342 million; 2008: R659 million).

Note:

1. Includes R11 million which represents an adjustment to the amortised cost of the loan from Mirambo Limited remeasured at an effective interest rate of LIBOR plus 5.0% for which no consideration was recorded.

	2010 Rm	2009 Rm	2008 Rm
6. (Loss)/Gain on remeasurement and disposal of financial instruments			
(Loss)/Gain on derivatives	**(396)**	(437)	336
(Loss)/Gain on translation of foreign-denominated assets and liabilities	**(23)**	39	(151)
Remeasurement of loans receivable	**(375)**	–	–
	(794)	(398)	185

	2010 Rm	2009 Rm	2008 Rm
7. Taxation			
7.1 Income tax expense			
South African current tax	**(3 992)**	(3 626)	(4 067)
Current year	**(3 933)**	(3 111)	(3 487)
Adjustments in respect of prior years	**112**	8	14
Secondary tax on companies	**(171)**	(523)	(594)
Foreign current tax	**(263)**	(406)	(114)
Current year	**(115)**	(229)	(113)
Adjustments in respect of prior years	**(58)**	(175)	(1)
Withholding tax	**(90)**	(2)	–
Total current tax	**(4 255)**	(4 032)	(4 181)
South African deferred tax	**(5)**	(189)	99
Current year	**41**	(196)	104
Adjustments in respect of prior years	**(46)**	7	(5)
Foreign deferred tax	**(485)**	176	(27)
Current year	**(424)**	113	(133)
Adjustments in respect of prior years	**(61)**	63	106
Total deferred tax	**(490)**	(13)	72
Total income tax expense	**(4 745)**	(4 045)	(4 109)
Components of deferred tax charged to the income statement			
Capital allowances	**(70)**	(123)	(183)
Foreign exchange	**(387)**	413	116
Tax losses	**(25)**	(199)	(9)
Provisions and deferred income	**223**	(29)	226
Other	**(231)**	(75)	(78)
	(490)	(13)	72

	2010 Rm	2009 Rm	2008 Rm
7. Taxation (continued)			
7.1 Income tax expense (continued)			
Reconciliation of rate of tax			
Normal tax on profit before tax at the South African statutory tax rate	**(2 505)**	(2 866)	(3 499)
Adjusted for:			
Disallowed expenses	**(1 384)**	(676)	(128)
Unrecognised tax asset	**(1 314)**	(169)	(32)
Foreign currency translations	**268**	331	18
Secondary tax on companies	**(171)**	(523)	(594)
Adjustments in respect of prior years	**(53)**	(97)	114
Tax rate differences	**91**	115	(8)
Tax rate change[1]	**–**	–	10
Foreign tax, net of rebates	**(108)**	(28)	(11)
Utilisation and surrender of tax losses	**14**	52	1
Revaluation of tax base of qualifying assets	**293**	(153)	(27)
Other adjustments	**124**	(31)	47
	(4 745)	(4 045)	(4 109)

The South African statutory tax rate is 28.0% (2009: 28.0%; 2008: 29.0%). The Group's effective tax rate is 53.0% (2009: 39.5%; 2008: 34.1%). The increase in the effective tax rate from 2009 to 2010 is mainly as a result of non-deductible impairment losses and unrecognised deferred tax assets.

Note:

1. Deferred tax was calculated at 28.0% for all South African entities as at 31 March 2008 following a change in the corporate tax rate. The revised tax rate is applicable to normal tax with effect from 2009.

	2010 Rm	2009 Rm	2008 Rm
7.2 Tax on other comprehensive income			
Foreign currency translation differences, net of tax	**(2 665)**	405	130
Foreign currency translation differences	**(2 901)**	417	143
Taxation	**236**	(12)	(13)
Fair value adjustments on available-for-sale financial assets, net of tax	**–**	(17)	17
Fair value adjustments on available-for-sale financial assets	**–**	(20)	20
Taxation	**–**	3	(3)
Other, net of tax	**–**	(9)	–
Other	**–**	(9)	–
Taxation	**–**	–	–
Other comprehensive income, net of tax	**(2 665)**	379	147
7.3 Tax charged/(credited) directly to equity			
Current tax	**53**	9	–
Deferred tax	**183**	(18)	(16)
	236	(9)	(16)

	2010 Rm	2009 Rm	2008 Rm
7. Taxation (continued)			
7.4 Deferred tax			
Analysed in the statement of financial position, after offset of balances within countries, as follows:			
Deferred tax assets	255	783	455
Deferred tax liabilities	(1 051)	(1 361)	(776)
	(796)	(578)	(321)
Components			
Gross deferred tax assets and liabilities, before offset of balances within countries, are as follows:			
Capital allowances	(1 872)	(1 907)	(1 809)
Deferred tax assets	3 041	39	38
Deferred tax liabilities	(4 913)	(1 946)	(1 847)
Foreign exchange	356	713	293
Deferred tax assets	356	743	314
Deferred tax liabilities	–	(30)	(21)
Tax losses	–	63	223
Deferred tax assets	–	63	223
Provisions and deferred income	1 338	1 125	1 154
Deferred tax assets	1 338	1 125	1 154
Other	(618)	(572)	(182)
Deferred tax assets	230	6	–
Deferred tax liabilities	(848)	(578)	(182)
	(796)	(578)	(321)

	2010 Rm	2009 Rm	2008 Rm
7. Taxation (continued)			
7.4 Deferred tax (continued)			
Reconciliation of net deferred tax balance			
1 April	**(578)**	(321)	(371)
Business combinations and disposal of subsidiaries	**–**	(273)	2
Foreign currency translation differences	**89**	47	(8)
Charged/(Credited) directly to equity	**183**	(18)	(16)
(Credited)/Charged to the income statement	**(490)**	(13)	72
31 March	**(796)**	(578)	(321)
7.5 Factors affecting the tax charge of future years			
Total estimated tax losses	**2 539**	2 221	2 274
Utilised to reduce net temporary differences	**–**	(193)	(818)
Estimated unused tax losses	**2 539**	2 028	1 456
Tax credits	**274**	319	268

If the estimated unused tax losses are applied, the available R827 million (2009: R649 million; 2008: R466 million) would result in a reduction of the current year's R796 million net deferred tax liability to a R31 million net deferred tax asset (2009: R578 million net deferred tax liability reduced to R71 million net deferred tax asset; 2008: R321 million net deferred tax liability reduced to a R145 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:

	Expiring within five years Rm	Unlimited Rm	Total Rm
2010			
Deductible temporary differences	**2 170**	**–**	**2 170**
Estimated unused tax losses	**2 374**	**165**	**2 539**
Unused tax credits	**274**	**–**	**274**

	2010 Cents	2009 Cents	2008 Cents
8. Earnings and dividends per share			
Basic earnings per share	**282.3**	409.2	525.0
Diluted earnings per share	**282.0**	409.2	525.0
Headline earnings per share	**509.9**	417.4	528.4
Diluted headline earnings per share	**509.4**	417.4	528.4
Dividends per share[1]	**110.0**	349.5	399.2

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:

	2010 Rm	2009 Rm	2008 Rm
8.1.1 Earnings			
Headline earnings[1] reconciliation:			
Earnings, attributable to equity shareholders, for basic and diluted earnings per share	**4 196**	6 089	7 811
Adjusted for:			
Net loss on disposal of property, plant and equipment and intangible assets (Note 3)	**17**	13	39
Impairment losses (Note 2)	**3 370**	112	30
Other	**1**	–	(8)
	7 584	6 214	7 872
Tax impact of adjustments	**(5)**	(4)	(11)
Headline earnings for headline and diluted headline earnings per share	**7 579**	6 210	7 861

Note:

1. This disclosure is a requirement of the JSE Limited and is not a recognised measure under IFRS. It has been calculated in accordance with Circular 3/2009 as issued by the SAICA.

	2010	2009	2008
8.1.2 Reconciliation of weighted average number of ordinary shares outstanding			
For basic and headline earnings per share	**1 486 283 980**	1 487 954 000	1 487 954 000
Effect of dilutive potential shares: Employee share options	**1 598 895**	–	–
For diluted and diluted headline earnings per share	**1 487 882 875**	1 487 954 000	1 487 954 000

8.2 Dividends per share

Dividends per share calculations are based on a declared dividend of R1 637 million (2009: R5 200 million; 2008: R5 940 million) and shares of 1 487 954 000 for all reporting periods. R6 million of the current year's dividend declared was offset against the forfeitable share plan reserve.

9. Property, plant and equipment

	Land and buildings Rm	Network infrastructure and equipment Rm	Other assets Rm	Total Rm
1 April 2007	1 404	15 435	234	17 073
Cost	1 816	28 840	603	31 259
Accumulated depreciation and impairment losses	(412)	(13 405)	(369)	(14 186)
Additions	437	4 365	151	4 953
Disposals	(15)	(42)	(5)	(62)
Foreign currency translation differences	14	577	9	600
Depreciation	(109)	(3 181)	(76)	(3 366)
Impairment losses (Note 2)	(1)	(27)	(2)	(30)
Net transfer to intangible assets (Note 10)	–	(50)	–	(50)
Category and other transfers	20	(17)	(1)	2
31 March 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)

The Group's South African operations pledged certain of its property, plant and equipment with a carrying amount of R910 million (2009: R857 million; 2008: R710 million) as security against borrowings with a fair value of R338 million (2009: R526 million; 2008: R629 million) (Note 17). Vodacom Tanzania Limited pledged its property, plant and equipment with a carrying amount of R3 418 million (2009: R3 547 million) and its intangible assets with a carrying amount of R106 million (2009: R152 million), in the form of an asset debenture, as security against borrowings with a fair value of R663 million (2009: R379 million) (Note 17). The respective pledges are limited to the carrying amounts of the related borrowings.

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.

	Goodwill Rm	Licences Rm	Trademark, patents and other[1] Rm	Customer bases Rm	Computer software Rm	Total Rm
10. Intangible assets						
1 April 2007	931	210	220	159	1 180	2 700
Cost	1 456	439	390	919	2 828	6 032
Accumulated amortisation and impairment losses	(525)	(229)	(170)	(760)	(1 648)	(3 332)
Additions	949	4	55	–	963	1 971
Disposals	–	–	–	–	(1)	(1)
Foreign currency translation differences	17	10	–	1	21	49
Amortisation	–	(14)	(26)	(56)	(449)	(545)
Transfer from property, plant and equipment (Note 9)	–	–	–	–	50	50
31 March 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)**

Refer to Note 9 for details of intangible assets pledged as security against borrowings.

Note:

1. Other includes future benefits from provisioning of infrastructure and supply of non-mobile services which was fully impaired and reclassified as held for sale during the reporting period.

		2010 Rm	2009 Rm	2008 Rm
11.	**Financial assets**			
	Non-current			
	Loans receivable (Note 11.1)	**83**	165	134
	Available-for-sale financial assets (Note 11.3)	**98**	74	110
	Investment in associate (Note 11.4)	**–**	64	–
		181	303	244
	Current			
	Loans receivable (Note 11.1)	**51**	119	30
	Financial assets at fair value through profit or loss, classified as held for trading (Note 11.2)	**102**	84	108
		153	203	138
11.1	**Loans receivable**			
	Mirambo Limited	**88**	143	121
	The loan granted in 2003 with a nominal value of US$14.9 million bears interest at LIBOR plus 5.0% and shall be repaid from any cash distributions by Vodacom Tanzania Limited to Mirambo Limited. The loan is collateralised by cession over all shareholder distributions and a pledge over 10.0% (2009 and 2008: 16.0%) of Mirambo Limited's shares in Vodacom Tanzania Limited and was partially impaired during the reporting period. During the year, US$2.5 million was advanced to Mirambo Limited. This loan bears interest at LIBOR plus 5.5%, is repayable in September 2010 and is unsecured.			
	WBS Holdings (Pty) Limited ('WBS')	**–**	117	26
	The Group advanced various loans to WBS. Loans with a nominal value of R117 million (2009: R117 million; 2008: R26 million) bear no interest and are 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 bear interest at the South African prime rate plus 2.0%. These loans were fully impaired during the reporting period and reclassified as held for sale (Note 11.4).			
	Other loans receivable	**46**	24	17
		134	284	164
11.2	**Financial assets at fair value through profit or loss, classified as held for trading**			
	Money market investments	**102**	84	108
	Fair value, categorised into level two of the fair value hierarchy, is determined with reference to quoted market prices of identical assets.			
11.3	**Available-for-sale financial assets**	**98**	74	110

The fair value of available-for-sale financial assets carried at cost approximates their carrying amounts. During 2008, the fair value of available-for-sale financial assets carried at fair value was determined by applying the discounted cash flow method. The discount and terminal growth rates used ranged between 16.0% and 18.0% and 3.0% and 5.0% respectively.

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.

	2010 Rm	2009 Rm	2008 Rm

11. Financial assets (continued)

11.4 Investment in associate

The Group holds a 24.9% (2009: 24.9%; 2008: 10.0%) shareholding in WBS, a wireless service provider, providing mobile data communications services in the South African market.

The year end of WBS is 28 February and its summarised financial information for its respective years ended 28 February was as follows[1]:

	2010 Rm	2009 Rm	2008 Rm
Assets	465	476	–
Liabilities	(716)	(651)	–
Revenue	380	345	–
Net loss	(76)	(119)	–

Note:

1. The financial information provided represents 100% of the results of the associate.

The Group fully impaired its investment in WBS (Note 2), presented as part of the corporate segment, during the reporting period and reclassified it as held for sale. The Group approved the disposal for strategic reasons and expects to dispose of its entire shareholding in WBS to existing shareholders of WBS within the next financial year. The Group's commercial agreements with WBS regarding access to its spectrum are expected to continue.

12. Inventory

	2010 Rm	2009 Rm	2008 Rm
Goods held for resale	707	653	637
Inventory valuation allowance included above:			
1 April	(46)	(99)	(98)
Foreign currency translation differences	2	(1)	(1)
(Charged to)/Reversed from profit or loss	(13)	14	–
Provision utilised	–	40	–
31 March	(57)	(46)	(99)

The cost of inventories recognised as an expense during the period amounts to R5 848 million (2009: R5 996 million; 2008: R5 519 million). In 2009, writedowns were reversed as a result of a change in the method of providing for slow-moving handsets.

	2010 Rm	2009 Rm	2008 Rm
13. Trade and other receivables			
Trade receivables	**7 851**	8 058	6 234
Prepayments	**1 947**	1 440	1 283
Value-added tax	**68**	156	200
Derivative financial assets	**11**	24	307
Other	**378**	406	143
	10 255	10 084	8 167
Timing			
Current	**10 024**	9 843	7 831
Non-current	**231**	241	336
	10 255	10 084	8 167

Doubtful receivable allowance

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:

	2010 Rm	2009 Rm	2008 Rm
1 April	**(136)**	(81)	(75)
Foreign currency translation differences	**21**	(6)	(5)
Charged to profit or loss	**(15)**	(35)	(1)
Business combinations	**–**	(14)	–
31 March	**(130)**	(136)	(81)

Trade receivables are stated at cost which normally approximates fair value due to short-term maturity. Generally no interest is charged on trade receivables.

Included within derivative financial assets:

At fair value through profit or loss, classified as held for trading:

	2010 Rm	2009 Rm	2008 Rm
Interest rate swaps	**8**	12	17
Foreign exchange forward contracts	**3**	12	290
	11	24	307

The fair value of foreign exchange forward contracts, categorised into level two of the fair value hierarchy (Note 29.3), is determined with reference to quoted market prices for similar instruments, being the mid forward rates as at the reporting dates. The fair value of interest rate swaps, categorised into level two of the fair value hierarchy (Note 29.3), is determined by means of a discounted cash flow method, where the discount rates and forward rates, the latter used to determine future floating cash flows, are derived from a yield curve as at the reporting dates.

14. Finance lease receivables

The Group provides computer equipment and handsets to certain customers at an additional contractual charge. The customers retain this equipment 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 R601 million (2009: R494 million; 2008: R153 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.

	Within one year Rm	Between one and five years Rm	Total Rm
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
2008			
Future minimum lease payments receivable	124	90	214
Unearned finance income	(1)	(1)	(2)
Present value of minimum lease payments receivable	123	89	212

	2010 R	2009 R	2008 R
15. Share capital			
Authorised			
4 000 000 000 ordinary shares with no par value (2009 and 2008: 100 000 ordinary shares of R0.01 each)	–	1 000	1 000

	2010 Rm	2009 Rm	2008 Rm
Issued			
Fully paid share capital			
1 487 954 000 ordinary shares with no par value (2009 and 2008: 10 000 ordinary shares of R0.01 each)	*	*	*
Treasury shares			
7 264 107 ordinary shares with no par value	(422)	–	–
	(422)	*	*

	2010	2009	2008
Movements in the number of ordinary shares outstanding:			
1 April	1 487 954 000	10 000	10 000
Statutory shares in issue	1 487 954 000	10 000	10 000
Treasury shares	–	–	–
Repurchase of shares			
Forfeitable share plan[1]	(4 717 180)	–	–
Share repurchase offers	(2 426 471)	–	–
Other	(120 456)	–	–
31 March	1 480 689 893	10 000	10 000
Statutory shares in issue	1 487 954 000	10 000	10 000
Treasury shares	(7 264 107)	–	–
Treasury shares held by:			
Vodacom Group Limited	1 433 868	–	–
Subsidiaries	5 830 239	–	–
	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 purpose of IFRS 2: Share-based Payment until the potential forfeiture period has expired (Note 16).*

* *Fully paid share capital of R100.*

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:

	2010 Rm	2009 Rm	2008 Rm
Forfeitable share plan	(30)	–	–
Employee share ownership plan	(105)	(67)	–
Broad-based black economic empowerment charge	–	(1 315)	–
	(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 and senior management.

	Weighted average fair value at grant date R	Number of shares
Share awards		
2010		
Movements in non-vested shares:		
1 April	–	–
Granted	58.69	4 722 504
Forfeited	58.69	(5 324)
Vested	–	–
31 March		4 717 180
Ordinary shares available for utilisation:		
Opening balance		74 000 000
Granted		(4 722 504)
Forfeited		5 324
31 March		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	(172)	–	5.5
Black Public and Business Partners: YeboYethu Limited	16.2.2.2	1.88	2 250	(527)	360	5.5
Strategic Partner: Royal Bafokeng Holdings (Pty) Limited	16.2.2.3	1.97	2 366	(552)	378	5.5
Strategic Partner: Thebe Investment Corporation (Pty) Limited	16.2.2.3	0.84	1 009	(236)	162	5.5
		6.25	7 500	(1 487)	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, 8.9% was allocated to new employees that joined the Group between 1 September 2008 and 30 August 2009.

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.

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 developed by the IFRS Interpretations Committee of the IASB.

16. Other reserves (continued)

16.2 Share-based payment arrangements (continued)

16.2.2 Broad-based black economic empowerment reserve (continued)

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 697 million (2009: R1 706 million), for Black Public and Business Partners to R1 645 million (2009: R1 676 million) and for Strategic Partners to R2 467 million (2009: R2 513 million).

16.2.2.5 Share rights

	2010	2009	2008
Movements in non-vested share rights:			
1 April	278 550 156	–	–
Granted	6 669 883	281 314 343	–
Forfeited	(2 849 816)	(2 764 187)	–
31 March	282 370 223	278 550 156	–
Vesting period of share rights granted:			
Vested	235 371 023	225 000 000	–
Within one year	11 474 045	10 710 031	–
Between one and five years	35 525 155	42 840 125	–
	282 370 223	278 550 156	–

Unallocated share rights amount to 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

As BBBEE credentials are not separable they 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: 2010 issue	Employees: 2009 issue	Black Public and Business Partners	Strategic Partners
Exercise price	–	–	R25	R25
Risk-free rate (%)[1]	6.6 – 8.0	8.9 – 11.7	8.9 – 11.7	8.9 – 11.7
Expected volatility (%)[2]	32.0	30.0	30.0	30.0
Vesting period (years)	5	5	–	–
Contractual life (years)	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.*

	2010 Rm	2009 Rm	2008 Rm
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)	**9 780**	8 310	3 026
Non-interest bearing borrowings (Note 17.2)	**6**	6	6
	9 786	8 316	3 032
Current			
Interest bearing borrowings (Note 17.1)	**2 803**	7 875	2 959
Non-interest bearing borrowings (Note 17.2)	**436**	–	–
	3 239	7 875	2 959
17.1 Interest bearing borrowings			
The Standard Bank of South Africa Limited/Rand Merchant Bank	**2 532**	–	–
The loan with a nominal value of 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 repayable on 24 July 2012 and is collateralised by guarantees provided in the Group.			
Citibank syndicated loans	**640**	386	–
These loans with nominal values of US$47 million and TZS54 000 million respectively, were utilised to refinance existing borrowings, for capital expenditure and for general corporate requirements. They bear interest, payable quarterly, at LIBOR plus 2.0% and the reference treasury bill rate plus 2.25% respectively, and are repayable in seven bi-annual instalments commencing on 16 December 2010. 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.			
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. It bore interest at the R157 bond rate plus 5.0%, has no fixed terms of repayment and is unsecured. During 2010, this loan became non-interest bearing (Note 17.2).			
Absa Bank Limited	**1 242**	1 246	–
The loan with a nominal value of R1 250 million was utilised to refinance existing borrowings and for capital expenditure. It bears interest, payable quarterly, at JIBAR plus 1.25%, is repayable on 30 September 2011 and is unsecured.			
Balance carried forward	**4 414**	5 024	–

	2010 Rm	2009 Rm	2008 Rm
17. Borrowings (continued)			
17.1 Interest bearing borrowings (continued)			
Balance brought forward	4 414	5 024	–
Nedbank Limited and Absa Bank Limited	3 724	3 738	–
The loan with a nominal value of R3 750 million was utilised to refinance existing borrowings and for capital expenditure. It bears interest, payable quarterly, at JIBAR plus 1.5%, is repayable on 30 September 2013 and is unsecured.			
Momentum Group Limited and Futuregrowth Asset Management (Pty) Limited	447	449	–
The loan with a nominal value of R450 million was utilised to refinance existing borrowings and for capital expenditure. 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	994	998	–
The loan with a nominal value of R1 000 million was utilised to refinance existing borrowings and for capital expenditure. It bears interest, payable quarterly, at JIBAR plus 1.8%, is repayable on 30 September 2015 and is unsecured.			
Asset Backed Arbitraged Securities (Pty) Limited	1 000	1 000	1 000
The Group issued promissory notes with a nominal value of R1 000 million and the funds were utilised for capital expenditure. They bear interest, payable quarterly, at JIBAR plus a fixed credit margin of 0.4% and a floating funding margin between 0.35% and 0.40% (2009: 0.22% and 0.50%; 2008: 0.18% and 0.42%), are repayable on 6 December 2010 and are unsecured.			
Mirambo Limited	136	192	143
The loan with a nominal value of US$18 million was provided to Vodacom Tanzania Limited ('VTL'). During 2009, it bore interest, payable annually, at 12-month LIBOR plus 5.0% and during 2010 at one-month 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	1 463
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	118	176	218
The loans were used to purchase and are collateralised by various buildings (Note 9). They bear interest at an effective interest rate of 13.4% (2009 and 2008: 13.8%) per annum. Repayments are made bi-annually and the loans will be settled by 1 September 2011.			
FirstRand Bank Limited	204	324	396
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 R68 million (2009 and 2008: R145 million). The loans will be settled within one to three years.			
Balance carried forward	11 037	13 636	3 220

		2010 Rm	2009 Rm	2008 Rm
17.	**Borrowings (continued)**			
17.1	**Interest bearing borrowings (continued)**			
	Balance brought forward	**11 037**	13 636	3 220
	Congolese Wireless Network s.p.r.l.	**273**	356	301
	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	**1 266**	2 183	2 456
	Other current loans	**7**	10	8
		12 583	16 185	5 985

The fair value of interest bearing borrowings amounts to R12 233 million (2009: R16 113 million; 2008: R6 025 million) and was determined by using the discounted cash flow method, where applicable, with a discount rate based on market-related interest rates. The discount rate varied between 7.9% and 10.1% (2009: 9.1% and 10.7%; 2008: 12.2% and 14.9%) for rand-denominated borrowings, 3.9% (2009: varied between 1.8% and 4.1%; 2008: 2.8%) for United States dollar-denominated borrowings and 14.8% for Tanzanian shilling-denominated borrowings.

		2010 Rm	2009 Rm	2008 Rm
17.2	**Non-interest bearing borrowings**			
	Royal Bafokeng Holdings (Pty) Limited (Note 17.1)	**436**	–	–
	Number Portability Company (Pty) Limited	**6**	6	6
		442	6	6

Due to the absence of repayment dates, fair value is not determinable.

		2010 Rm	2009 Rm	2008 Rm
18.	**Trade and other payables**			
	Trade payables	**4 087**	4 909	4 863
	Capital expenditure creditors	**1 917**	1 633	1 719
	Value-added tax	**700**	346	83
	Accruals	**1 644**	1 331	977
	Deferred revenue	**3 256**	2 730	2 616
	Derivative financial liabilities	**97**	53	11
	Other	**330**	324	684
		12 031	11 326	10 953
	Timing			
	Current	**11 714**	10 938	10 321
	Non-current	**317**	388	632
		12 031	11 326	10 953

Trade payables are stated at cost which normally approximates fair value due to short-term maturity.

	2010 Rm	2009 Rm	2008 Rm
Included within derivative financial liabilities:			
At fair value through profit or loss, classified as held for trading:			
Foreign exchange forward contracts	**97**	53	11

The fair value of foreign exchange forward contracts, categorised into level two of the fair value hierarchy (Note 29.3), is determined with reference to quoted market prices for similar instruments, being the mid forward rates as at the reporting dates.

	Employee benefits provisions Rm	Other provisions Rm	Total Rm
19. Provisions			
1 April 2007	662	36	698
Provision created	263	5	268
Provision utilised	(202)	(26)	(228)
31 March 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**

	2010 Rm	2009 Rm	2008 Rm
Timing			
Current	**193**	238	391
Non-current	**436**	365	347
	629	603	738

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 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 and 2008, 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.

	2010 Rm	2009 Rm	2008 Rm
19. Provisions (continued)			
19.1 Employee benefits provisions (continued)			
Other employee benefits provision (continued)			
1 April	249	225	162
Interest cost	13	20	14
Current service cost	62	30	20
Recognised actuarial losses	45	19	62
Curtailments	67	–	–
Net cost	436	294	258
Total benefit payments	(38)	(45)	(33)
31 March	398	249	225

The prior years' provisions were based on an actuarial valuation using the projected unit credit method due to measurement uncertainties.

	2010	2009	2008
Key assumptions:			
General inflation rate (%)	–	4.1	6.6
Discount rate (%)	–	7.6	9.5
Salary inflation (%)	–	5.1	7.6
Valuation date – 31 March	–	2009	2008

	2010 Rm	2009 Rm	2008 Rm
20. Cash generated from operations			
Operating profit	11 238	12 005	12 491
Adjusted for:			
Depreciation of property, plant and equipment and amortisation of intangible assets (Notes 9 and 10)	5 157	4 683	3 911
Net loss on disposal of property, plant and equipment and intangible assets (Note 3)	17	13	39
Impairment losses (Note 2)	3 370	112	30
Broad-based black economic empowerment charge	–	1 315	–
Other non-cash flow items	451	(36)	(280)
Cash flow from operations before working capital changes	20 233	18 092	16 191
Increase in trade and other receivables	(912)	(1 295)	(1 175)
(Increase)/Decrease in inventory	(122)	45	(259)
Increase/(Decrease) in trade and other payables and provisions	512	(937)	1 265
Cash generated from operations	19 711	15 905	16 022
21. Business combinations and other non-controlling interests acquisitions			
Business combinations (Note 21.1)	–	(5 348)	–
Other non-controlling interests acquisitions (Note 21.2)	–	–	(956)
	–	(5 348)	(956)

	2010 Rm	2009 Rm	2008 Rm
21. Business combinations and other non-controlling interests acquisitions (continued)			
21.1 Business combinations			
Purchase price (including directly attributable costs)	–	(5 830)	–
Liabilities assumed (non-cash consideration)	–	338	–
Other	–	2	–
	–	(5 490)	–
Net cash and cash equivalents acquired	–	142	–
Aggregate net cash consideration paid	–	(5 348)	–

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:

	2010 Rm	2009 Rm	2008 Rm
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	–
Purchase price (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	–

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 other non-controlling interests acquisitions (continued)

21.1 Business combinations (continued)

21.1.1 Gateway (continued)

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.

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 purchase price 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 acquirees had been acquired effective 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.

21.2 Other non-controlling interests acquisitions

On 31 August 2007, the Group increased its interest in Smartphone SP (Pty) Limited from 70.0% to 100% and on 1 September 2007 in Smartcom (Pty) Limited from 88.0% to 100%.

	2010 Rm	2009 Rm	2008 Rm
22. Cash and cash equivalents			
Bank and cash balances	**1 061**	1 104	978
Bank overdrafts[1]	**(110)**	(20)	(141)
	951	1 084	837

The fair value of cash and cash equivalents normally approximates its carrying amount due to short-term maturity. Included in cash and cash equivalents is a restricted amount of R44.0 million, which is 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.

	Balance as previously reported Rm	Reclassification (Notes 23.1 – 23.3) Rm	Balance as reclassified Rm
23. Reclassifications			
Reconciliation 31 March 2009			
Income statement			
Direct costs	(30 422)	4 198	(26 224)
Staff expenses	(3 619)	(67)	(3 686)
Marketing and advertising expenses	(1 524)	(269)	(1 793)
Broad-based black economic empowerment charge	(1 382)	67	(1 315)
Other operating expenses	(1 695)	(3 929)	(5 624)
Statement of financial position			
Non-current assets			
Trade and other receivables	187	54	241
Finance lease receivables	–	259	259
Lease assets	313	(313)	–
Current assets			
Financial assets	227	(24)	203
Trade and other receivables	9 816	27	9 843
Finance lease receivables	–	268	268
Lease assets	271	(271)	–
Non-current liabilities			
Trade and other payables	356	32	388
Provisions	397	(32)	365
Current liabilities			
Borrowings	5 692	2 183	7 875
Trade and other payables	10 323	615	10 938
Provisions	800	(562)	238
Bank overdrafts	2 203	(2 183)	20
Derivative financial liabilities	53	(53)	–
Statement of cash flows			
Cash flows from operating activities			
Cash receipts from customers	53 780	9	53 789
Cash paid to suppliers and employees	(37 429)	(455)	(37 884)
Finance costs paid	(1 388)	1 388	–
Finance income received	104	(104)	–
Realised net losses on remeasurement and disposal of financial instruments	(557)	557	–
Dividends paid – equity shareholders	(6 190)	6 190	–
Dividends paid – non-controlling interests	(14)	14	–
Cash flows from investing activities			
Finance income received	–	103	103
Cash flows from financing activities			
Finance costs paid	–	(1 498)	(1 498)
Dividends paid – equity shareholders	–	(6 190)	(6 190)
Dividends paid – non-controlling interests	–	(14)	(14)

	Balance as previously reported Rm	Reclassification (Notes 23.1 – 23.3) Rm	Balance as reclassified Rm
23. Reclassifications (continued)			
Reconciliation 31 March 2008			
Income statement			
Direct costs	(26 300)	3 398	(22 902)
Marketing and advertising expenses	(1 264)	(188)	(1 452)
Other operating expenses	(1 363)	(3 210)	(4 573)
Statement of financial position			
Non-current assets			
Trade and other receivables	333	3	336
Finance lease receivables	–	89	89
Lease assets	92	(92)	–
Current assets			
Financial assets	445	(307)	138
Trade and other receivables	7 507	324	7 831
Finance lease receivables	–	123	123
Lease assets	140	(140)	–
Non-current liabilities			
Trade and other payables	606	26	632
Provisions	373	(26)	347
Current liabilities			
Borrowings	503	2 456	2 959
Trade and other payables	9 791	530	10 321
Provisions	910	(519)	391
Bank overdrafts	2 597	(2 456)	141
Derivative financial liabilities	11	(11)	–
Statement of cash flows			
Cash flows from operating activities			
Cash receipts from customers	47 410	(20)	47 390
Cash paid to suppliers and employees	(31 075)	(293)	(31 368)
Finance costs paid	(670)	670	–
Finance income received	74	(74)	–
Realised net losses on remeasurement and disposal of financial instruments	(151)	151	–
Dividends paid – equity shareholders	(5 650)	5 650	–
Dividends paid – non-controlling interests	(91)	91	–
Cash flows from investing activities			
Finance income received	–	72	72
Cash flows from financing activities			
Finance costs paid	–	(506)	(506)
Dividends paid – equity shareholders	–	(5 650)	(5 650)
Dividends paid – non-controlling interests	–	(91)	(91)

23. Reclassifications (continued)

Reclassifications, as detailed below, have been applied retrospectively so as to align with practices of the Group's parent, Vodafone Group Plc.

23.1 Income statement

Network operational overhead expenses have been reclassified from direct costs to other operating expenses. Fixed advertising support costs have been reclassified from direct costs to marketing and advertising expenses. The share-based payment expense relating to the employee share ownership plan has been reclassified from broad-based black economic empowerment charge to staff expenses.

23.2 Statement of financial position

Bonus and leave pay liabilities have been reclassified from provisions to accruals within trade and other payables. Operating lease receivables have been reclassified from lease assets to trade and other receivables. Bank overdrafts classified as financing activities in the statement of cash flows have been reclassified from bank overdrafts to borrowings. Derivative financial assets and liabilities have been reclassified from financial assets and derivative financial liabilities to trade and other receivables and trade and other payables respectively.

23.3 Statement of cash flows

Dividends paid, realised net losses on remeasurement and disposal of financial instruments, finance costs paid and finance income received have been reclassified from operating activities to the activity from which they originate.

23.4 Combination of line items

After a review of its consolidated annual financial statements the Group combined certain line items on the face of the income statement and statement of financial position.

	2010 Rm	2009 Rm	2008 Rm
24. Commitments			
Operating leases (Note 24.1)	**4 070**	3 534	4 571
Transmission and data lines (Note 24.2)	**6 270**	6 643	–
Capital expenditure contracted for but not yet incurred (Note 24.3)	**2 213**[1]	2 214	1 600
Capital expenditure approved by the Board but not yet contracted for (Note 24.3)	**6 364**[1]	9 712	8 822
Other (Note 24.4)	**1 760**	2 038	2 904
24.1 Operating leases			
Future minimum lease payments under non-cancellable operating leases comprise:			
Within one year	**783**	794	735
Between one and five years	**2 169**	1 968	2 250
After five years	**1 118**	772	1 586
	4 070	3 534	4 571

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 six months and 18 years (2009: one and 18 years; 2008: one month and 18 years) with escalation clauses that vary from an annual fixed escalation rate between 3.5% and 12.0% (2009: 3.0% and 12.0%; 2008: 3.0% and 13.0%) 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 R267 million (2009: R356 million; 2008: R445 million).

24.2 Transmission and data lines

Some of the Group's transmission and data line commitments are not classified as operating leases. Effective 1 October 2008, most transmission and data links are accounted for under a new base transceiver station and broadband agreement. The commitments are for the duration of the initial period which varies between one and five years depending on the option link 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.

Note:

1. Capital expenditure approved at forecasted exchange rates, limited to R7 375 million, was translated at the closing rates as at the reporting date.

24. Commitments (continued)

24.4 Other

Other includes sport, marketing, retention incentives, activation bonuses, activation commissions, other accommodation, 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 fees

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.

25. Contingencies

25.1 Universal service obligation

The Group has a potential liability in South Africa in respect of the 1800 MHz frequency spectrum band universal service obligation for the distribution costs of SIM cards. The Group is unable to reliably measure the cost of distribution.

25.2 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 for the Group. Additionally, the resolution of the disputes could result in an obligation for 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 assessed the deductibility of expenses initially disallowed for tax purposes. Deferred tax assets have only been recognised in this regard if it is probable that the Group will succeed in its disagreements with the tax authorities.

25.3 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 2010. Litigations, current or pending, are not likely to have a material adverse effect on the Group.

25.4 Guarantees

The Group provides credit guarantees amounting to R48 million (2009: R1 810 million; 2008: R1 517 million) relating to the operations of its subsidiaries, of which none (2009: R1 735 million; 2008: R1 463 million) are included in borrowings (Note 17).

Vodacom (Pty) Limited provides an unlimited guarantee for bank borrowings entered into by Vodacom Group Limited. The total amount of guarantees, including bank borrowings, amounted to R3 593 million (2009: R4 878 million; 2008: R2 456 million), all of which are included in borrowings (Note 17).

26. Post-employment benefits

All eligible employees of the Group are members of the Vodacom Group Pension Fund, a defined contribution pension scheme. Certain executive employees of the Group are also members of the Vodacom Executive Provident Fund, a defined contribution provident scheme. Both schemes are administered by Absa Consultants and Actuaries (Pty) Limited. Current contributions to the pension fund amounted to R160 million (2009: R138 million; 2008: R113 million). Current contributions to the provident fund amounted to R3 million (2009: R13 million; 2008: R14 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 R2 599 million (175.0 cents per ordinary share) for the year ended 31 March 2010 was declared on 14 May 2010, payable to shareholders on 5 July 2010 to shareholders recorded in the register at the close of business on 2 July 2010. The secondary tax on companies payable on this dividend amounts to R260 million.

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.

	2010 Rm	2009 Rm	2008 Rm
28.1 Balances with related parties			
Accounts receivable			
Telkom SA Limited and subsidiaries	–	675	778
Vodafone Group Plc and subsidiaries	151	150	13
WBS Holdings (Pty) Limited[1]	38	123	–
Other	8	1	–
Balances with entities in which related parties have an interest	–	–	37
Accounts payable			
Telkom SA Limited and subsidiaries	–	(133)	(107)
Vodafone Group Plc and subsidiaries	(154)	(189)	(328)
WBS Holdings (Pty) Limited[1]	–	(1)	–
Balances with entities in which related parties have an interest	–	(2)	(3)
Dividends payable			
Telkom SA Limited	–	(1 100)	(1 595)
Vodafone Holdings SA (Pty) Limited	–	(658)	(641)
Vodafone Telecommunications Investment SA Limited	–	(442)	(954)

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.

	2010 Rm	2009 Rm	2008 Rm
28.2 Transactions with related parties			
Telkom SA Limited and subsidiaries[2]	775	(1 306)	(1 436)
Revenue	776	3 108	3 215
Direct costs	(1)	(465)	(473)
Other operating expenses	–	(1 349)	(1 208)
Dividends declared	–	(2 600)	(2 970)
Vodafone Group Plc and subsidiaries	(1 443)	(3 106)	(3 388)
Revenue	138	119	144
Direct costs	(513)	(623)	(561)
Other operating expenses	(4)	(2)	(1)
Dividends declared	(1 064)	(2 600)	(2 970)
WBS Holdings (Pty) Limited[1]	49	9	–
Revenue	53	11	–
Direct costs	(2)	–	–
Other operating expenses	(2)	(2)	–
Other	(24)	(14)	(11)
Revenue	27	10	–
Direct costs	(38)	(23)	(11)
Other operating expenses	(13)	(1)	–
Transactions with entities in which related parties have an interest	(6)	(60)	(53)

Notes:

1. A family member of a past director, who is no longer part of key management, had significant influence over this company in the prior reporting periods.

2. Includes transactions from 1 April 2009 to 18 May 2009.

	2010 Rm	2009 Rm	2008 Rm
28. Related parties (continued)			
28.3 Directors' and key management personnel remuneration			
Directors			
Executive directors	**(58)**	(64)	(85)
Short-term employee benefits	**(32)**	(44)	(63)
Post-employment benefits	**(5)**	(5)	(8)
Other long-term employee benefits	**(18)**	(15)	(14)
Share-based payments	**(3)**	–	–
Non-executive directors	**(4)**	(2)	(1)
Directors' fees	**(4)**	(2)	(1)
Directors' remuneration paid and accrued by:	**(62)**	(66)	(86)
Vodacom Group Limited	**(37)**	(50)	(71)
Subsidiaries	**(25)**	(16)	(15)
Further details of directors' remuneration and contracts with prior directors can be found in the remuneration report included in the annual report.			
Key management[1]	**(15)**	(85)	(113)
Short-term employee benefits	**(10)**	(67)	(86)
Post-employment benefits	**(2)**	(6)	(9)
Other long-term employee benefits	**(2)**	(11)	(18)
Share-based payments	**(1)**	(1)	–

All transactions with related parties have been made on terms equivalent to those that prevail in arm's length transactions.

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.

	2010 Rm	2009 Rm	2008 Rm
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	(379)	(418)	353
Loans and receivables	(335)	32	64
Available-for-sale financial assets	2	–	2
Financial liabilities held at amortised cost	(1 384)	(1 250)	(821)
Net losses attributable to financial instruments	(2 096)	(1 636)	(402)
29.2 Carrying amounts of financial instruments			
Carrying amounts of financial instruments analysed by category, are as follows:			
Loans and receivables	9 255	9 796	7 498
Financial assets at fair value through profit or loss, classified as held for trading	113	108	415
Available-for-sale financial assets	98	74	110
Financial liabilities held at amortised cost	(20 014)	(25 838)	(16 766)
Financial liabilities at fair value through profit or loss, classified as held for trading	(97)	(53)	(11)
	(10 645)	(15 913)	(8 754)
29.3 Fair value hierarchy			
An analysis of financial instruments measured at fair value, grouped into levels two and three based on the degree to which the fair value is observable, is as follows:			
Level two[1]	16	55	404
Financial assets and liabilities at fair value through profit or loss, classified as held for trading			
Money market investments (Note 11)	102	84	108
Derivative financial assets (Note 13)	11	24	307
Derivative financial liabilities (Note 18)	(97)	(53)	(11)
Level three[2]	–	–	45
Available-for-sale financial assets (Note 11)	–	–	45
	16	55	449

Notes:

1. Inputs other than quoted prices included in level one that are observable for the asset/(liability), either directly as prices or indirectly when derived from prices used to determine fair value.

2. Inputs for the asset that are not based on observable market data used to determine fair value.

29. Financial instruments and risk management (continued)

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, credit, liquidity and insurance risk.

The Group's treasury function provides a centralised service to the Group for coordinating 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.

29.4.1 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. There were no changes in the methods and assumptions used in preparing the sensitivity analyses as disclosed.

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 and South African rand combined as 'Other'.

	Euro Rm	Pound sterling Rm	United States dollar Rm	Other Rm
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
2008				
Functional currency				
South African rand	(1 191)	(265)	(205)	(7)
United States dollar	15	–	–	(35)
Tanzanian shilling	38	–	67	7
Mozambican metical	–	–	(15)	(27)
	(1 138)	(265)	(153)	(62)

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 manages 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 tables below provide a currency split of the Group's net derivative financial assets and liabilities relating to open foreign exchange forward contracts at the reporting date:

	2010 Rm	2009 Rm	2008 Rm
Forward contracts to buy foreign currency			
Euro[1]	(93)	(35)	250
Pound sterling[2]	*	(7)	37
United States dollar[3]	(4)	(1)	3
Net derivative financial (liability)/asset	(97)	(43)	290

Notes:

Foreign contract values amount to:

1. €106 million (2009: €76 million; 2008: €157 million).

2. £1 million (2009: £4 million; 2008: £20 million).

3. US$23 million (2009: US$27 million; 2008: US$31 million).

** Amounts less than R500 000.*

	2010 Rm	2009 Rm	2008 Rm
Forward contracts to sell foreign currency			
Euro[1]	2	1	(11)
Pound sterling[2]	1	1	*
United States dollar[3]	*	*	*
Net derivative financial asset/(liability)	3	2	(11)

Notes:

Foreign contract values amount to:

1. €13 million (2009: €3 million; 2008: €8 million).

2. £0.1 million (2009: £1 million; 2008: £1 million).

3. US$1 million (2009: US$0.3 million; 2008: US$1 million).

** Amounts less than R500 000.*

Of the R94 million net liability (2009: R41 million net liability; 2008: R279 million net asset), R3 million (2009: R12 million; 2008: R290 million) is accounted for in trade and other receivables and R97 million (2009: R53 million; 2008: R11 million) in trade and other payables.

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

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.

	Euro	Pound sterling	United States dollar	Other
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)
2008				
Functional currency				
South African rand (%)	7.6	6.5	9.5	0.1 – 11.0
United States dollar (%)	5.1	2.6	–	5.0 – 10.0
Tanzanian shilling (%)	7.5	5.0	2.5	11.0
Mozambican metical (%)	3.8	6.5	9.4	0.1
Profit post tax (Rm)	(39)	(1)	(5)	2

Closing exchange rates used at the reporting date are as follows:

	Euro	Pound sterling	United States dollar
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**

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's interest rate profile consists of fixed and floating rate loans receivable, borrowings and bank balances which exposes the Group to fair value and cash flow interest rate risk, and can be summarised as follows:

	2010 Rm	2009 Rm	2008 Rm
Financial assets			
Fixed rate financial assets	**1 201**	1 094	708
Floating rate financial assets	**762**	793	759
	1 963	1 887	1 467
Financial liabilities			
Fixed rate financial liabilities	**(709)**	(1 160)	(935)
Floating rate financial liabilities	**(11 985)**	(15 045)	(5 191)
	(12 694)	(16 205)	(6 126)

The floating rates which the Group is exposed to is the South African prime, BA, JIBAR and money market, LIBOR, EURIBOR, Lesotho prime and Tanzanian government 180-days T-bill rates. The Group's policy is to maintain an appropriate mix between fixed and floating rate instruments.

The Group has two open interest rate swap agreements, which are settled on a net basis. One terminates on 24 August 2012 in terms of which the Group swapped a fixed interest rate of 20.1% nominal annual compounded quarterly for a floating interest rate linked to the BA rate plus a margin of 2.3%. The other terminates on 1 December 2012 in terms of which the Group swapped a fixed interest rate of 13.3% NACS for a floating interest rate linked to the BA rate plus a margin of 2.0%.

The fair value of the interest rate swap assets (Note 13) is represented by a notional principal amount of R93 million (2009: R107 million; 2008: R116 million) at an average floating interest rate of 9.8% nominal annual compounded monthly ('NACM') (2009: 13.5% NACM; 2008: 13.4% NACM) and an average fixed interest rate of 15.1% NACM.

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 are based on economic forecasts as published by Reuters.

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.

	2010	2009	2008
South African prime, BA, JIBAR and money market rates			
Basis point increase	**100**	200	100
Profit post tax (Rm)	**(76)**	(185)	(17)

A reasonable possible change in the remaining interest rates exposed to, being the LIBOR, EURIBOR, Lesotho prime and Tanzanian government 180-days T-bill rates, would have no material impact on profit post tax.

29. Financial instruments and risk management (continued)
29.4 Financial risk management (continued)
29.4.1 Market risk management (continued)
29.4.1.3 Equity price risk

In 2008, the Group was exposed to equity price risk arising from available-for-sale financial assets carried at fair value. These equity investments were held for strategic rather than trading purposes and the Group did not actively trade these investments. The Group had no exposure to equity price risk during 2010 and 2009.

Equity price risk sensitivity analysis

The Group's available-for-sale financial assets carried at fair value was valued using the discounted cash flow method. Assuming a constant growth rate, a 1.0% increase in the discount rate decreased the valuation of the investment by R7 million and a 1.0% decrease in the discount rate increased the valuation by R8 million.

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:

	2010 Rm	2009 Rm	2008 Rm
South Africa	7 697	7 354	6 061
Non-South African	2 329	3 067	2 053
	10 026	10 421	8 114

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 21.2% (2009: 17.4%; 2008: 21.2%) 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. 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 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 (2009: 30 and 75 days; 2008: 20 and 75 days) for the non-South African operations.

The Group holds collateral to the value of R2 265 million (2009: R1 855 million; 2008: R1 086 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.

The Group has not renegotiated the terms of any of its financial assets which resulted in them not being past due or impaired.

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 South African trade receivables which are neither past due nor impaired:

	2010 %	2009 %	2008 %
High[1]	1.0	–	–
Medium[2]	–	14.7	12.3
Low[3]	99.0	85.3	87.7
	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 table below discloses an analysis of the age of financial assets that are past due but not impaired and are presented net of doubtful receivable allowance:

	2010 Rm	2009 Rm	2008 Rm
South Africa			
1 – 30 days past due	62	155	135
31 – 60 days past due	18	63	64
61 – 120 days past due	32	85	194
121 days to 12 months past due	42	2	236
More than 12 months past due	181	75	5
	335	380	634
Non-South African			
1 – 30 days past due	38	65	9
31 – 60 days past due	62	23	19
61 – 120 days past due	42	19	–
121 days to 12 months past due	67	27	–
More than 12 months past due	9	5	–
	218	139	28

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 2010, those financial assets used for managing liquidity risk. The amounts disclosed are the future undiscounted contractual cash (outflows)/inflows. 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 yield curves at the reporting date.

	0 – 1 year Rm	2 years Rm	3 years Rm	4 years Rm	5 years Rm	5+ years Rm	Not determined Rm	Total Rm
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)
2008								
Financial liabilities								
Interest bearing borrowings	(3 156)	(1 819)	(1 290)	(99)	(82)	–	(142)	(6 588)
Non-interest bearing borrowings	–	–	–	–	–	–	(6)	(6)
Trade and other payables	(10 645)	–	–	–	–	–	–	(10 645)
Bank overdrafts	(141)	–	–	–	–	–	–	(141)
	(13 942)	(1 819)	(1 290)	(99)	(82)	–	(148)	(17 380)

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 derivatives, which include foreign exchange forward contracts and interest rate swaps. The amounts disclosed are the future undiscounted contractual cash (outflows)/inflows. 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 yield curves at the reporting date.

	0 – 1 year Rm	2 years Rm	Total Rm
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)
2008			
Net settled	(14)	–	(14)
Gross settled			
Payable	(2 135)	(100)	(2 235)
	(2 149)	(100)	(2 249)

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 R3 916 million (2009: R3 340 million; 2008: R3 332 million) and undrawn foreign-denominated borrowing facilities of US$32 million (2009: US$7 million; 2008: US$10 million), TZSNil million (2009: TZS54 000 million; 2008: TZSNil million), LSL22 million (2009: LSL12 million; 2008: LSL40 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.

29. Financial instruments and risk management (continued)

29.5 Capital risk management

The Group finances its operations through a mixture of retained earnings, bank and other long-term borrowings. Long-term financing is arranged locally by the South African entities.

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, however, in 2008 it was monitored on the basis of net debt to adjusted equity.

Net debt comprises interest bearing borrowings, non-interest bearing borrowings, derivative financial instruments and cash and cash equivalents. In prior years, net debt included dividends payable and related STC payable which have now been excluded prospectively, so as to align with practices of the Group's 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 investments.

Adjusted equity comprises fully paid share capital, treasury shares, retained earnings and other reserves less trademark and goodwill.

The Group's strategy is to maintain a net debt to EBITDA multiple of less than two, while it was to maintain a net debt to adjusted equity ratio of below 150% in 2008. These internal ratios establish levels of debt that the Group should not exceed other than for relatively short periods of time and they are reviewed on a semi-annual basis to ensure they are being met. The Group complied with these ratios throughout the year.

The Group is not subject to externally imposed capital requirements.

The net debt to EBITDA multiple and net debt to adjusted equity ratio at the reporting date are as follows:

	2010 Rm	2009 Rm	2008 Rm
Cash and cash equivalents	**1 061**	1 104	978
Bank overdrafts	**(110)**	(20)	(141)
Borrowings and derivative financial instruments	**(13 112)**	(16 191)	(5 991)
Total net debt before dividends and STC payable	**(12 161)**	(15 107)	(5 154)
Dividends and STC payable	**–**	(2 430)	(3 509)
Net debt	**(12 161)**	(17 537)	(8 663)
Adjusted equity	**(10 619)**	(6 398)	(9 308)
EBITDA	**19 782**	18 196	16 463
Net debt/EBITDA (times)	**0.6**	1.0	n/a
Net debt to adjusted equity ratio (%)	**n/a**	n/a	93.1%

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 exercisable between 1 April 2007 and 31 March 2012 for Emotel and Intelec and between 2 October 2008 and 13 March 2013 for Whatana. If exercised they will result in a 10.0% shareholding for each of the non-controlling shareholders and a 70.0% shareholding for the Group. The options can only be exercised after all obligations to the Group have been fully discharged. The option prices are specified in the shareholders' agreement. The options had no value as 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 which expired on 1 December 2009. The option had no value, as at all prior reporting periods, and the obligation to settle the option in cash represented a financial liability of R43 million for 2009 and R397 million for 2008.

29.6.3 Other

The Group holds 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).

Independent auditors’ report on the condensed Company annual financial statements

To the members of Vodacom Group Limited

We have audited the annual financial statements of Vodacom Group Limited (‘the Company’) for the year ended 31 March 2010, from which the condensed Company annual financial statements were derived, in accordance with International Standards on Auditing. In our report dated 28 May 2010 we expressed an unqualified opinion on the Company annual financial statements from which the condensed Company annual financial statements were derived.

In our opinion, the accompanying condensed Company annual financial statements, as set out on pages 151 to 161, are consistent, in all material respects, with the Company annual financial statements from which they were derived, and are presented in accordance with IAS 34: Interim Financial Reporting and in the manner required by the Companies Act, 1973 as amended.

For a better understanding of the Company’s financial position and the results of its operations for the year ended and of the scope of our audit, the condensed Company annual financial statements should be read in conjunction with the Company annual financial statements from which the condensed Company annual financial statements were derived and our audit report thereon.

Deloitte & Touche – Registered Auditors
Per BE Greyling
Audit
Pretoria, South Africa
28 May 2010
Deloitte Waterkloof House
221 Waterkloof Road
Waterkloof

National Executive: GG Gelink (Chief Executive), AE Swiegers (Chief Operating Officer), GM Pinnock (Audit), DL Kennedy (Tax, Legal and Risk Advisory), L Geeringh (Consulting), L Bam (Corporate Finance), CR Beukman (Finance), TJ Brown (Clients & Markets), NT Mtoba (Chairman of the Board), CR Qually (Deputy Chairman of the Board).

A full list of partners and directors is available on request.

Company income statement

for the year ended 31 March

	Notes	2010 Rm	2009 Rm	2008 Rm
Revenue		**595**	586	551
Staff expenses		**(399)**	(321)	(295)
Marketing and advertising expenses		**(16)**	(27)	(8)
Other operating expenses		**(195)**	(144)	(121)
Depreciation and amortisation		**(12)**	(18)	(20)
Impairment losses	1	**(5 172)**	(470)	(320)
Loss from operations		**(5 199)**	(394)	(213)
Finance income		**12 236**	9 291	8 556
Finance costs		**(841)**	(918)	(782)
(Loss)/Gain on remeasurement and disposal of financial instruments	2	**(2 538)**	(341)	39
Profit before tax		**3 658**	7 638	7 600
Taxation		**(7)**	(558)	(715)
Net profit		**3 651**	7 080	6 885

Company statement of comprehensive income

for the year ended 31 March

	2010 Rm	2009 Rm	2008 Rm
Net profit	**3 651**	7 080	6 885
Other comprehensive income:			
Fair value adjustments on available-for-sale financial assets, net of tax	**–**	(17)	17
Total comprehensive income	**3 651**	7 063	6 902

Company statement of financial position

as at 31 March

	Notes	2010 Rm	2009 Rm	2008 Rm
Assets				
Non-current assets		**8 209**	12 900	5 929
Property, plant and equipment		**24**	28	74
Investment properties		**–**	–	288
Intangible assets		**4**	103	59
Financial assets	4	**7 982**	12 716	5 469
Finance lease receivables		**1**	1	1
Deferred tax asset		**198**	52	38
Current assets		**5 227**	2 085	6 395
Financial assets	4	**77**	149	26
Trade and other receivables	5	**4 570**	1 582	6 368
Finance lease receivables		**–**	1	1
Tax receivable		**214**	19	–
Cash and cash equivalents		**40**	8	–
Non-current assets held for sale		**326**	326	–
Total assets		**13 436**	14 985	12 324
Equity and liabilities				
Fully paid share capital	6	*****	*	*
Treasury shares	6	**(84)**	–	–
Retained earnings		**8 793**	6 777	4 897
Other reserves	7	**7**	–	17
Total equity		**8 716**	6 777	4 914
Non-current liabilities		**2 652**	120	113
Borrowings	8	**2 532**	–	–
Provisions		**120**	120	113
Current liabilities		**2 068**	8 088	7 297
Borrowings	8	**1 061**	4 899	2 544
Trade and other payables	9	**979**	721	1 147
Provisions		**27**	50	93
Tax payable		**–**	218	323
Dividends payable		**1**	2 200	3 190
Total equity and liabilities		**13 436**	14 985	12 324

* *Fully paid share capital of R100.*

Company statement of changes in equity

for the year ended 31 March

	Notes	Fully paid share capital Rm	Treasury shares Rm	Forfeitable share plan reserve Rm	Retained earnings Rm	Other comprehensive income: Investment revaluation reserve Rm	Total equity Rm
1 April 2007		*	–	–	3 952	–	3 952
Total comprehensive income		–	–	–	6 885	17	6 902
Net profit		–	–	–	6 885	–	6 885
Other comprehensive income		–	–	–	–	17	17
Dividends declared	3	–	–	–	(5 940)	–	(5 940)
31 March 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 declared	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
Other comprehensive income		–	–	–	–	–	–
Dividends declared	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

* *Fully paid share capital of R100.*

Company statement of cash flows

for the year ended 31 March

	2010 Rm	2009 Rm	2008 Rm
Cash flows from operating activities			
Cash receipts from customers	**541**	610	510
Cash paid to suppliers and employees	**(617)**	(552)	(355)
Cash (utilised in)/generated from operations	**(76)**	58	155
Tax paid	**(544)**	(696)	(746)
Net cash flows utilised in operating activities	**(620)**	(638)	(591)
Cash flows from investing activities			
Additions to property, plant and equipment, investment properties and intangible assets	**(3)**	(58)	(167)
Proceeds on disposal of property, plant and equipment and intangible assets	**–**	2	–
Finance income received	**467**	1 125	1 045
Dividends received	**11 596**	8 223	7 667
Loans granted and equity investments	**(2 608)**	(7 702)	(1 916)
Other investing activities	**(117)**	(88)	31
Net cash flows from investing activities	**9 335**	1 502	6 660
Cash flows from financing activities			
Borrowings incurred	**2 488**	2 984	2 456
Borrowings repaid	**(3 825)**	(571)	–
Finance costs paid	**(784)**	(1 325)	(727)
Dividends paid	**(3 834)**	(6 190)	(5 650)
Repurchase of shares	**(84)**	–	–
Intercompany money market movement	**(2 644)**	4 246	(1 360)
Net cash flows utilised in financing activities	**(8 683)**	(856)	(5 281)
Net increase in cash and cash equivalents	**32**	8	788
Cash and cash equivalents at the beginning of the year	**8**	–	(788)
Cash and cash equivalents at the end of the year	**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 as issued by the IASB and comply with the disclosure requirements of International Accounting Standard 34: Interim Financial Reporting, 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 currency.

The significant accounting policies and methods of computation are consistent in all material respects with those applied in the previous period, except as described at the end of the Group's significant accounting policies disclosed on pages 91 to 100. The Company's critical accounting judgements, including those involving estimates, are disclosed on pages 101 to 103.

		2010 Rm	2009 Rm	2008 Rm
1.	**Impairment losses**			
	Investments in subsidiaries	**(4 987)**	(267)	(163)
	Other	**(185)**	(203)	(157)
		(5 172)	(470)	(320)

During the year, the Company impaired its equity investments in Vodacom International Limited and Vodacom UK Limited largely due to the economic downturn and an increasingly competitive environment. The recoverable amounts of all equity investments are based on value in use calculations.

2. (Loss)/Gain on remeasurement and disposal of financial instruments

Included in (loss)/gain on remeasurement and disposal of financial instruments are impairment losses of R1 733 million relating to loans receivable from subsidiaries.

3. Dividends

Refer to the directors' report on page 82 for details of dividends.

		2010 Rm	2009 Rm	2008 Rm
4.	**Financial assets**			
	Non-current			
	Investments in subsidiaries (Note 4.1)	**5 067**	9 342	4 319
	Loans receivable from subsidiaries (Note 4.2)	**2 851**	3 218	1 041
	Investment in associate	**–**	92	–
	Other investments	**64**	64	109
		7 982	12 716	5 469
	Current			
	Loans receivable from subsidiaries (Note 4.2)	**77**	32	–
	Loans receivable from associate	**–**	117	26
		77	149	26
4.1	**Investments in subsidiaries**			
	Vodacom (Pty) Limited	**2 255**	2 255	2 385
	Vodacom UK Limited	**1 712**	4 938	–
	Vodacom International Limited	**575**	1 965	1 733
	VM, SA	**341**	–	–
	Vodacom Tanzania Limited	**184**	184	201
		5 067	9 342	4 319

		2010 Rm	2009 Rm	2008 Rm
4.	**Financial assets (continued)**			
4.2	**Loans receivable from subsidiaries**			
	Non-current			
	Vodacom UK Limited	**1 563**	1 926	–
	Vodacom Tanzania Limited	**1 132**	1 155	895
	Other	**156**	137	146
		2 851	3 218	1 041
	Current			
	Vodacom UK Limited	**–**	32	–
	Other	**77**	–	–
		77	32	–
5.	**Trade and other receivables**			
	Money market lendings to subsidiaries	**4 317**	1 466	6 103
	Amounts owed by subsidiaries	**176**	92	167
	Other	**77**	24	98
	Total current trade and other receivables	**4 570**	1 582	6 368

		2010 R	2009 R	2008 R
6.	**Share capital**			
	Authorised			
	4 000 000 000 ordinary shares with no par value (2009 and 2008: 100 000 ordinary shares of R0.01 each)	**–**	1 000	1 000

	2010 Rm	2009 Rm	2008 Rm
Issued			
Fully paid share capital			
1 487 954 000 ordinary shares with no par value (2009 and 2008: 10 000 ordinary shares of R0.01 each)	**	*	*
Treasury shares			
1 433 868 ordinary shares with no par value	**(84)**[1]	–	–
	(84)	*	*

Notes:

1. *The Group acquired 4 722 504 shares as part of the current year forfeitable share plan allocation, of which 1 433 868 shares were acquired by the Company for participants employed by the Company. Refer to Notes 15 and 16.2.1 of the consolidated annual financial statements for further details.*

* *Fully paid share capital of R100.*

	2010	2009	2008
6. Share capital (continued)			
Movements in the number of shares outstanding:			
1 April	1 487 954 000	10 000	10 000
Statutory shares in issue	1 487 954 000	10 000	10 000
Treasury shares	–	–	–
Repurchase of shares – forfeitable share plan	(1 433 868)	–	–
31 March	1 486 520 132	10 000	10 000
Statutory shares in issue	1 487 954 000	10 000	10 000
Treasury shares (held by the Company)	(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 reserve

The Company granted 1 439 192 forfeitable shares at a weighted average grant date fair value of R58.69, of which 5 324 shares were forfeited during the year. The total share-based payment expense recognised in the Company's profit or loss relating to these forfeitable shares amounted to R9 million. R2 million of the current year's dividend declared was offset against the forfeitable share plan reserve. No forfeitable shares have vested as at 31 March 2010. Refer to Note 16.2.1 of the consolidated annual financial statements for further details on the Company's forfeitable share plan.

	2010 Rm	2009 Rm	2008 Rm
8. Borrowings			
Non-current			
Interest bearing borrowings (Note 8.1)	2 532	–	–
Current			
Interest bearing borrowings (Note 8.1)	1 061	4 878	2 456
Financial guarantee liability	–	21	88
	1 061	4 899	2 544
8.1 Interest bearing borrowings			
The Standard Bank of South Africa Limited/Rand Merchant Bank	2 532	–	–
Absa Bank Limited capital facility	–	2 991	–
Bank borrowings classified as financing activities	1 061	1 887	2 456
	3 593	4 878	2 456
Refer to Note 17 of the consolidated annual financial statements for further details.			
9. Trade and other payables			
Money market deposits from subsidiaries	716	508	899
Amounts owed to subsidiaries	90	80	108
Other	173	133	140
Total current trade and other payables	979	721	1 147

10. Reclassifications

The Company had similar reclassifications than those disclosed in Note 23 of the consolidated annual financial statements. The Company also reclassified dividends received from operating activities to investing activities.

	2010 Rm	2009 Rm	2008 Rm
11. Commitments			
Capital	7	16	33
Other	1 655	1 455	751
	1 662	1 471	784

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

Various legal 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 2010. 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.

	2010 Rm	2009 Rm	2008 Rm
14.2 Transactions with related parties			
Subsidiaries	12 401	9 101	8 607
Revenue	577	631	606
Other operating expenses	(62)	(18)	(16)
Finance income	553	960	1 003
Finance costs	(333)	(422)	(362)
Dividends received	11 666	7 950	7 376

14.3 Directors' and key management personnel remuneration

Refer to Note 28.3 of the consolidated annual financial statements for details of directors' and key management personnel remuneration.

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		
		2010	2009	2008	2010 %	2009 %	2008 %
Subsidiaries							
Cellular network operators							
Direct							
Vodacom (Pty) Limited	RSA						
Ordinary share capital[1]		R45 180	R45 180	R100	100	100	100
'A' ordinary share capital[1]		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	88.3	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	90.0
Preference share capital[2]		MZN9 158 334 043	–	–	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	–	100	100	–
Preference share capital		US$510 999 999	US$510 999 999	–	100	100	–
Indirect							
Vodacom UK Limited	UK						
'A' ordinary share capital		US$100	US$100	–	100	100	–
Gateway Communications Africa (UK) Limited	UK						
Ordinary share capital		£1	£1	–	100	100	–
Gateway Telecoms Integrated Services Limited	NGR						
Ordinary share capital		NGN1 250 000	NGN1 250 000	–	100	100	–
GS Telecom Africa Limited	GUE						
Ordinary share capital		£3	£3	–	100	100	–
Other							
Indirect							
Vodacom International Limited	MAU						
Ordinary share capital		US$100	US$100	US$100	100	100	100
Preference share capital		US$500 802 473	US$409 246 747	US$355 770 148	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 BBBEE transaction (Note 16.2).

2. 51.0% held directly by Vodacom Group Limited.

Addendum B

as at 31 March

Shareholder analysis

	Number of shareholders	%	Number of shares	%
Shareholder spread				
1 – 100 shares	10 904	24.67	464 152	0.03
101 – 1 000 shares	28 025	63.41	8 922 661	0.60
1 001 – 10 000 shares	4 204	9.51	11 832 049	0.80
10 001 – 50 000 shares	541	1.22	13 340 698	0.90
50 001 – 100 000 shares	188	0.43	13 566 709	0.91
100 001 – 1 000 000 shares	289	0.65	79 983 057	5.38
1 000 001 shares and over	47	0.11	1 359 844 674	91.38
Total	44 198	100	1 487 954 000	100
Distribution of shareholders				
Banks	6	0.01	97 518	0.01
Close corporations	166	0.38	428 249	0.03
Collective investment schemes	305	0.70	58 538 628	3.93
Custodians	111	0.25	35 883 158	2.41
Foundations and charitable funds	63	0.14	715 904	0.05
Hedge funds	10	0.02	432 628	0.03
Holding company	2	0.00	967 170 100	65.00
Individuals	40 231	91.03	21 787 748	1.46
Insurance companies	74	0.17	26 866 123	1.81
Investment partnerships	240	0.55	213 195	0.01
Medical aid funds	25	0.06	977 224	0.07
Organs of state	13	0.03	91 917 594	6.18
Other corporations	115	0.26	207 583 261	13.94
Personal liability companies	5	0.01	7 782	0.00
Private companies	267	0.60	8 035 228	0.54
Public companies	28	0.06	3 360 580	0.23
Public entities	2	0.00	116 580	0.01
Retirement benefit funds	364	0.82	38 224 100	2.57
Scrip lending	33	0.07	6 720 875	0.45
Stockbrokers and nominees	30	0.07	12 926 722	0.87
Trusts	2 097	4.75	5 949 032	0.40
Unclaimed assets	11	0.02	1 771	0.00
Total	44 198	100	1 487 954 000	100
Public/Non-public shareholders				
Non-public shareholders	15	0.03	1 174 831 931	78.96
Directors and associates	10	0.03	493 855	0.04
Wholly owned subsidiary	1	0.00	120 456	0.01
Strategic holdings (more than 10.0%)	2	0.00	207 047 520	13.91
Holding company	2	0.00	967 170 100	65.00
Public shareholders	44 183	99.97	313 122 069	21.04
Total	44 198	100	1 487 954 000	100

Addendum B

as at 31 March

	Number of shareholders	%	Number of shares	%
Geographical holdings by owner				
United Kingdom	103	0.23	975 282 572	65.55
South Africa	43 757	99.00	474 911 013	31.91
United States	78	0.18	32 223 874	2.17
Europe	65	0.15	3 164 803	0.21
Other	195	0.44	2 371 738	0.16
Total	44 198	100	1 487 954 000	100

	Total shareholding	% of shares in issue
Beneficial shareholders holding 5.0% or more of the issued capital		
Vodafone Group	967 170 100	65.00
South African government	207 047 520	13.91
Government employees pension fund	91 211 404	6.13
Total	1 265 429 024	85.04

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
Vodavalley
Midrand
1685
South Africa
(Private Bag X9904, Sandton 2146, South Africa)
Telephone: +27 11 653 5000
Telefax: +27 11 848 8563
Email: sandi.linford@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 Executive Investor Relations

Belinda Williams
Vodacom Corporate Park
082 Vodacom Boulevard
Vodavalley
Midrand
1685
South Africa
(Private Bag X9904, Sandton 2146, South Africa)
Telephone: +27 11 653 5000
Telefax: +27 11 653 5991
Email: investorrelations@vodacom.co.za

Definitions

2G	Second Generation
3G	Third Generation
ADSL	Asymmetric Digital Subscriber Line (ADSL)
Aids	Acquired immune deficiency syndrome
ARPU	Average Revenue Per User per month
BA	Bankers' Acceptance rate
Bandwidth	Is a measure of the quantity of signals that can travel over a transmission medium such as copper or a glass fibre strand. It is the space available to carry a signal. The greater the bandwidth, the greater the information carrying capacity. Bandwidth is measured in bits per second.
BBBEE	Broad-based Black Economic Empowerment
BEE	Black Economic Empowerment
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.
BSC	Base Station Controller
BTS	Base Transceiver Station
CAGR	Compound Annual Growth Rate
Capex	Capital expenditure
CDMA	Code Division Multiple Access
Cell C	Cell C (Pty) Limited, a company incorporated in the Republic of South Africa
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMT	Corruption, Money laundering and Terrorism
Computershare	Computershare Investor Services (Pty) Limited
CR	Corporate Responsibility
CSDP	Central Securities Depository Participant
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
CSTO	Community Services Telephone Operators
CWN	Congolese Wireless Network s.p.r.l
DoC	Department of Communications
DRC	Democratic Republic of Congo
DTI	Department of Trade and Industry
DTI CoGP	Department of Trade and Industry's Code of Good Practice
EAP	Employee Assistance Programme
Earth station	A surface-based end of a satellite communications link
EASSy Cable	Eastern Africa Submarine Cable System (EASSy)
EBITDA	Earnings before interest, taxation, depreciation, amortisation, impairment, losses, BBBEE charge, profit/loss on disposal of property, plant and equipment, investment properties, intangible assets and investments.
ECA	Electronic Communication Act (formerly Convergence Bill)
ECNS	Electronic Communications Network Service
ECS	Electronic Communications Service
EDGE	Enhanced Data for GSM Evolution
EME	Exempted Micro Enterprises
EMF	Electromagnetic Field
Emotel	Empresa Moçambicana de Telecommunicações SA
EPS	Earnings per share
Ethernet	Family of frame-based computer networking technologies for local area networks (LANs)
EURIBOR	Euro Interbank Offer Rate
Fibre optics	Is where messages or signals are sent via light rather than electrical signals down a very thin strand of glass. Light transmission enables much higher data rates than conventional wire, coaxial cable and many forms of radio. Signals travel at the speed of light and do not generate nor are subject to interference.
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.
FSP	Forfeitable Share Plan
Gateway	100% 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.
GDP	Gross Domestic Product
GPFT	The Graduate Programme for Females in Technology
GPRS	General Packet Radio Service

Definitions

GSM	Global System for Mobile communications
HAART	Highly Active Antiretroviral Therapy
HEPS	Headline earnings per share
HIV	Human Immunodeficiency Virus
HSDPA	High-speed Downlink Packet Access
HSPA	High-speed Packet Access
HSPA+	High-speed Packet Access plus
HSUPA	High-speed Uplink Packet Access
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICASA	Independent Communications Authority of South Africa
ICC	International Chamber of Commerce
ICT	Information and Communications Technology
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
Intelec	Intelec Holdings Limitada
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.
IP	Internet Protocol
ISDN	Integrated Services Digital Network is a data communications standard used to transmit digital signals over ordinary copper telephone cables. This is one technology for improving the last mile of copper cables from the local exchange to the customer's premises, which has proved a bottleneck for internet access, for example. ISDN allows carrying voice and data simultaneously, in each of at least two channels capable of carrying 64 kbps. It provides up to 128 kbps and a total capacity of 144 kbps exist
ISETT SETA	Information Systems, Electronics and Telecommunications Technologies Sector Education Training Authority
ISO	International Standards Organisation
IT	Information Technology
JIBAR	Johannesburg Interbank Agreed Rate
JSE	JSE Limited
King III	King Report on Governance for South Africa 2009
KPI	Key Performance Indicator
Leased line	Is a telecommunications transmission circuit that is reserved by a communications provider for the private use of a customer.
LIBOR	London Interbank Offered Rate
LTE	Long-term Evolution
Markinor	Ipsos Markinor (Pty) Limited, a company incorporated in the Republic of South Africa
Mbps	Megabits per second
Microwave	Is radio transmission using very short wavelengths
Mirambo	Mirambo Limited, a company incorporated in the United Republic of Tanzania
MMS	Multimedia Messaging Service
Mobile churn	Vodacom's churn is calculated by dividing the average monthly number of disconnections during the period by the average monthly total reported customer base during the period.
Mobile penetration	Vodacom calculates penetration, or teledensity, based on the total number penetration of customers at the end of the period per 100 persons in the population of each country. Population is the estimate population at the mid-year in the periods indicated.
Mobile traffic	Vodacom's traffic comprises total traffic registered on Vodacom's network, including bundled minutes, outgoing international roaming calls and calls to free services, but excluding national and incoming international roaming calls.
MOU	Minutes of Use – Vodacom's average monthly minutes of use per customer, or average MOU, is calculated by dividing the average monthly minutes during the period by its average monthly total reported customer base during the period. MOU excludes calls to free services, bundled minutes and data minutes.
M-PESA	A mobile payment solution that enables customers to complete simple financial transactions by mobile phone
MPLS	Multi-protocol Label Switching
MSC	Mobile services Switching Centre
MSISDN	Mobile Station International Subscriber Directory Number

Definitions

MTN	MTN Group Limited, a company incorporated in the Republic of South Africa
MTR	Mobile Termination Rate
MVNO	Mobile Virtual Network Operator
NACD	Nominal Annual rate Compounded Daily
NACM	Nominal Annual rate Compounded Monthly
NACQ	Nominal Annual rate Compounded Quarterly
NACS	Nominal Annual rate Compounded Semi-annually
Neotel	Neotel (Pty) Limited, a company incorporated in the Republic of South Africa
NFB	No-frills Base Station
NGO	Non-Government Organisation
Packet	Is designed specifically for data traffic, as it cuts the information up into switching small packets, which are each sent across the network separately and are then reassembled at the final destination. This allows more users to share a given amount of bandwidth. X.25 and frame relay are all packet switching techniques.
QSE	Qualifying Small Enterprises
RAN	Radio Access Network
R&D	Research and Development
RF	Radio Frequency
RemCo	The Vodacom Group Remuneration Committee
RICA	Regulation of Interception of Communication and Provision of Communication-Related Information Act
Safaricom	Safaricom Limited, a company incorporated in the Republic of Kenya
SAICA	South African Institute of Chartered Accountants
SDA	Skills Development Act
SDLA	Skills Development Levies Act
SEACOM	A privately funded venture which built, owns and operates a submarine fibre-optic cable connecting communication carriers in south and east Africa
SIM	Subscriber Identity Module
SIM penetration	Is the measurement of the number of active SIM cards in the country penetration expressed as a percentage of the total population
SME	Small to Medium sized Enterprise
SMME	Small, Medium and Micro-sized Enterprises
SMS	Short Message Service
STC	Secondary Tax on Companies
StorTech	Storage Technology Services (Pty) Limited
Switch	Is a computer that acts as a conduit and director of traffic. It is a means of sharing resources on a network.
TB	Terabytes
T-bill	Treasury-bill rate
Telkom	Telkom SA Limited, a public company incorporated in the Republic of South Africa
The Board	The Vodacom Group Board of Directors
The Group	Vodacom Group Limited, its subsidiaries, joint venture, associate and special purpose entities
The Trust	YeboYethu Employee Participation Trust
TSH	Tanzanian shilling
TSI	Technology Strategy Initiative
UMTS	Universal Mobile Telecommunications System is the Western European name for the 3G WCDMA standard adopted as an evolutionary path by the GSM world. However, it ulitises the radio spectrum in a fundamentally different manner than GSM. UMTS is based on CDMA technology and the GSM standard is based on TDMA technology
Unique customer	The holder of a unique number identifying a subscription in an ASM or UMTS mobile network, being the telephone number to the SIM card in a mobile phone.
UNISA	University of South Africa
USAL	Under Serviced Area Licence
USB	Universal Serial Bus
USD	United States dollar
USO	Universal Service Obligation
USSD	Unstructured Supplementary Service Data
VAEP	Vodacom Advanced Executive development Programme
VAS	Value-Added Services
VCT	Voluntary Counselling and Testing
VEBS	Vodacom External Bursary Scheme
VEMCI	Vodacom Emerging Market Collaboration and Innovation
VIL	Vodacom International Limited (‘Vodacom Mauritius’)

Definitions

Vodacom Business	A division of Vodacom (Pty) Limited, with the primary objective is to deliver end-to-end converged solutions, extending from mobile to fixed line voice and data, managed data networks, VoIP solutions, hosted facilities and applications, security and managed hosting solutions.
Vodacom Congo	Vodacom Congo (RDC) s.p.r.l., a company incorporated in the Democratic Republic of Congo
Vodacom Lesotho	Vodacom Lesotho (Pty) Limited, a company incorporated in the Kingdom of Lesotho
Vodacom Mauritius	Vodacom International Limited, a company incorporated in the Republic of Mauritius
Vodacom Mozambique	VM, SA (trading as Vodacom Mozambique), a company incorporated in the Republic of Mozambique
Vodacom SA	Vodacom (Pty) Limited, including all subsidiaries and joint venture companies incorporated in the Republic of South Africa
Vodacom Service Provider	Vodacom Service Provider Company (Pty) Limited, a company incorporated in the Republic of South Africa
Vodacom Tanzania	Vodacom Tanzania Limited, a company incorporated in the United Republic of Tanzania
Vodacom Ventures	Vodacom Ventures (Pty) Limited, a company incorporated in the Republic of South Africa
Vodafone	Vodafone Group Plc, a public company incorporated in England and Wales
VOIP	Voice Over Internet Protocol
VPN	Virtual Private Network
WACS	West Africa Cable System
WAP	Wireless Application Protocol
WASP	Wireless Application Service Provider
WBS	WBS Holdings (Pty) Limited, a company incorporated in the Republic of South Africa
W-CDMA	Wide band code division multiple access
Whatana	Whatana Investments Limitada
Wheatfields	Wheatfields Investments 276 (Pty) Limited
WiMax	Worldwide Interoperability for Microwave Access
YeboYethu	YeboYethu Limited, a public limited liability company incorporated in South Africa
ZAR	South African rand

Disclaimer

This annual report contains statements about Vodacom that are or may be forward looking statements. All statements, other than statements of historical facts included in this annual 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 SA 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 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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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 fifteenth annual general meeting of the Company will be held on Friday 30 July 2010 in the Bytes Conference Centre, Bytes Business Park, Block C, 241 Third Road, Halfway Gardens, Midrand, Johannesburg, South Africa at 11:00 to conduct the following business:

1. To receive and consider the annual financial statements for the year ended 31 March 2010.

2. To elect:

2.1 Messrs P Bertoluzzo, PJ Moleketi and RA Shuter, 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.

2.2 Messrs MS Aziz Joosub and RC Snow are obliged to retire by rotation at this annual general meeting in accordance with the articles of association. Having so retired, both Messrs MS Aziz Joosub and RC Snow are eligible for re-election as directors.

All retiring directors are eligible and available for re-election.

The profiles of the directors up for re-election appear on pages 58 and 59 of the annual report.

3. To re-appoint Deloitte & Touche, as nominated by the Company's Audit 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 2011 is Mr PJ Smit.

4. To approve an increase of 5% (five percent) in the level of non-executive directors' fees with effect from 1 August 2010 as follows:

	Current R	Proposed R
Chairman of the Board	1 000 000	1 050 000
Members of the Board	220 000	232 000
Chairman of the Audit Committee	200 000	210 000
Members of the Audit Committee	100 000	105 000
Chairman of the Remuneration Committee	175 000	183 750
Members of the Remuneration Committee	100 000	105 000
Chairman of other committees	100 000	105 000
Members of other committees	50 000	52 500

The annual fee payable to the Chairman of the Board is inclusive of any committee fees. No fees are payable for any special board meetings that could be convened.

5. To consider and approve the Remuneration report for the year ended 31 March 2010 as set on page 68 to 78 of the annual report.

6. Special business

To consider and if deemed fit, pass with or without modification the following special resolution:

6.1 Special resolution

'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, 1973, as amended, 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 20% (twenty 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 and the counter party (reported trades are prohibited);

(e) the Company 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;

(g) the general authority may be varied or revoked by special resolution of the members prior to the next annual general meeting of the Company; and

(h) 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 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 annual financial statements of the Group for the year ended 31 March 2010;

– 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; and

– 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.'

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 the special resolution

The reason for the special resolution is to grant the Company a general authority or permit a subsidiary Company 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 20% (twenty percent) of the Company's shares, being 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.

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 annual financial statements and this annual report as set out below:

	Page
Directors and management	58
Major shareholders	160
Directors' interest in securities	84
Share capital	82

Directors' responsibility statement

The directors, whose names appear on pages 58 and 59 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 pages 58 and 59 are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the previous 12 months a material effect on the Group's financial position.

Material change

There have been no material changes in the affairs of or financial position of the company and its subsidiaries since year end.

Voting and proxies

Ordinary shareholders are entitled to attend, speak and vote at the annual general meeting.

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.

Shareholders holding dematerialised shares, but not in their own name must furnish their Central Securities Depositary 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 authority to you. Shareholders holding dematerialised shares in their own name, or holding shares that are not dematerialised, 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.

Forms 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 Thursday 29 July 2010.

The completion of a form of proxy does not preclude any shareholder attending the annual general meeting.

By order of the Board

Sandi Linford – Group Company Secretary

30 June 2010

Form of proxy

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')

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 the Bytes Conference Centre, Bytes Business Park, Block C, 241 Third Road, Halfway Gardens, Midrand, Johannesburg, South Africa on Friday 30 July 2010.

I/We (Please print full names) ______________________________

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 with or without modification, 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)

		For	Against	Abstain
1.	Adoption of annual financial statements			
2.	Re-election of directors: 2.1 P Bertoluzzo			
	2.2 PJ Moleketi			
	2.3 RA Shuter			
	2.4 MS Aziz Joosub			
	2.5 RC Snow			
3.	Re-appoint Deloitte & Touche as auditors			
4.	Non-executive directors' fees			
5.	Approve the Remuneration report			
6.	Special resolution			

Insert an 'X' in the relevant spaces above according to how you wish your votes to be cast. Unless otherwise directed, the proxy may vote as he/she thinks fit.

Signed at ______________________________ on ______________________________ 2010

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 Thursday 29 July 2010.

Please read the notes on the reverse side of this proxy form.

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 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. Forms 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 Thursday 29 July 2010.
4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person at the meeting to the exclusion of any proxy appointed in terms of this proxy form.
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 alteration or correction made to this proxy form 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.