Contents

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 2014 presented on pages 3 to 94 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), the Financial Reporting Guides as issued by the South African Institute of Chartered Accountants ('SAICA') Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of 2008, 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 30 May 2014 and are signed on its behalf by:

MP Moyo
Chairman

MS Aziz Joosub
Chief Executive Officer

IP Dittrich
Chief Financial Officer

Certificate by the Company Secretary

In terms of section 88(2)(e) of the Companies Act of 2008, 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 2014, all such returns and notices as are required of a public company in terms of the Companies Act of 2008, as amended, and that all such returns and notices are true, correct and up to date.

SF Linford
Company Secretary

30 May 2014

Independent auditors' report on the consolidated financial statements

To the shareholders of Vodacom Group Limited

We have audited the consolidated financial statements of Vodacom Group Limited ("the Group") set out on pages 13 to 94, which comprise the consolidated statement of financial position as at 31 March 2014 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Group's directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, as amended, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2014 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of 2008, as amended.

Other reports required by the Companies Act

As part of our audit of the consolidated financial statements for the year ended 31 March 2014 we have read the Directors' report, the Audit, Risk and Compliance Committee's report and the Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per Bester Greyling
Partner
Pretoria, South Africa
30 May 2014
Riverwalk Office Park, Block B
41 Matroosberg Road, Ashlea Gardens, X6
Pretoria, 0081, South Africa

Directors' report
for the year ended 31 March

Nature of business

Vodacom Group Limited ('the Company') is an investment holding company. Its principal subsidiaries are engaged in the provision of a wide range of communications products and services including but not limited to voice, messaging, converged services, broadband and data connectivity.

There have been no material changes to the nature of the Group's business from the prior year.

Financial results

Earnings attributable to equity holders of the Group for the year ended 31 March 2014 were R13 243 million (2013: R12 991 million; 2012: R10 156 million) representing basic earnings per share of 903.3 cents (2013: 887.4 cents; 2012: 694.0 cents).

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

Dividends

Dividend distribution

An ordinary dividend of R12 275 million (2013: R11 978 million; 2012: R8 035 million) was recognised for the year (Note 8). Details of the final dividend are included under 'Events after the reporting period' in this directors' report.

Rm	2014	2013	2012
Declared 13 May 2011 and paid 4 July 2011	–	–	4 166
Declared 3 November 2011 and paid 5 December 2011	–	–	3 869
Declared 16 May 2012 and paid 25 June 2012	–	6 696	–
Declared 7 November 2012 and paid 3 December 2012	–	5 282	–
Declared 16 May 2013 and paid 1 July 2013	**6 398**	–	–
Declared 8 November 2013 and paid 2 December 2013	**5 877**	–	–
	12 275	11 978	8 035

Dividend policy

The Company intends to pay as much of its after tax profits as will be available after retaining such sums and repaying such borrowings owing to third parties as shall be necessary to meet the requirements reflected in the budget and business plan, taking into account monies required for investment opportunities. However, there is no assurance that a dividend will be paid in respect of any financial period and any future dividends will be dependent upon the operating results, financial condition, investment strategy, capital requirements and other factors. It is envisaged that interim dividends will be paid in December and final dividends in July of each year. There is no fixed date on which entitlement to dividends arises and the date of payment will be determined by the Board or shareholders at the time of declaration, subject to the JSE Listings Requirements.

The dividend policy to pay out at least 90% of headline earnings per share, remains unchanged. The Company declared dividends of 825 cents (2013: 785 cents; 2012: 710 cents) per share for the year ended 31 March 2014, in line with the Group's policy of at least 90% (2013 and 2012: 90%) of headline earnings for the year ended 31 March 2014.

Net current liability position

The Group is in a net current liability position, however, management believes that based on its operating cash flows, the Group will be able to meet its obligations as they fall due and that it is in compliance with all covenants contained in material borrowing agreements. The Group uses bank facilities and the normal operating cycle to manage short-term liquidity.

Depending on market conditions, the Group will continue to seek longer-term funding opportunities which will reduce the net current liability position and extend the debt maturity profile of the Group.

Share capital

The authorised and issued share capital are as follows:

Stated capital

- Authorised – 4 000 000 000 ordinary shares of no par value; and
- Issued – 1 487 954 000 ordinary shares of no par value amounting to R100.

Full details of the authorised and issued share capital of the Company are contained in Note 16.

Directors report continued

Share capital continued

Repurchase of shares

Shareholders approved a special resolution granting a general authority for the repurchase of ordinary shares by the Group, to a maximum of 5.0% (2013: 5.0%; 2012: 5.0%) of shares in issue, at the annual general meeting held on Thursday 18 July 2013, subject to the JSE Listings Requirements and the provisions of the Companies Act of 2008, as amended. No shares were repurchased during the current and prior years in terms of the general authority. Approval to renew this general authority will be sought at the forthcoming annual general meeting on Thursday 17 July 2014.

Treasury shares are held by Wheatfields (Pty) Limited, a wholly-owned subsidiary and do not carry any voting rights.

Forfeitable share plan ('FSP')

During the year the Group allocated 1 861 447 (2013: 1 680 373; 2012: 2 033 655) shares to eligible employees under its FSP and 1 847 972 (2013: 26 166) restricted shares. Further details may be found in the 'Remuneration report' included in the integrated report as well as in Note 17.

Shareholder analysis

The Group's shareholder analysis as at 31 March 2014 was as follows:

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 100 shares	11 958	21.09	542 185	0.04
101 – 1 000 shares	34 855	61.48	12 843 177	0.86
1 001 – 10 000 shares	8 547	15.08	24 445 123	1.64
10 001 – 50 000 shares	925	1.63	20 094 572	1.35
50 001 – 100 000 shares	165	0.29	11 790 872	0.79
100 001 – 1 000 000 shares	204	0.36	61 581 356	4.14
1 000 001 shares and above	36	0.07	1 356 656 715	91.18
	56 690	100	1 487 954 000	100
Distribution of shareholders				
Holding companies	1	0.00	967 170 100	65.00
Organs of state	4	0.01	208 946 458	14.04
Custodians	218	0.38	115 148 126	7.74
Retirement benefit funds	307	0.54	63 899 912	4.29
Collective investment schemes	333	0.59	38 082 053	2.56
Individuals	49 304	86.97	36 714 834	2.47
Private companies[1]	667	1.18	19 228 586	1.29
Trusts	4 759	8.39	12 266 412	0.82
Insurance companies	169	0.30	11 761 289	0.79
Sovereign wealth funds	2	0.00	4 422 225	0.30
Public companies	28	0.05	4 129 182	0.28
Stockbrokers and nominees	22	0.04	1 774 103	0.12
Scrip lending	13	0.02	870 678	0.06
Foundations and charitable funds	151	0.27	937 790	0.06
Close corporations	314	0.55	726 875	0.05
Other corporations	119	0.21	640 252	0.05
Medical aid funds	16	0.03	392 416	0.03
Hedge funds	9	0.02	490 995	0.03
Investment partnerships	243	0.43	349 943	0.02
Unclaimed assets	11	0.02	1 771	0.00
	56 690	100	1 487 954 000	100

Note:

1. Includes treasury shares by wholly-owned subsidiary, Wheatfields Investments 276 (Pty) Limited ('Wheatfields').

Directors report continued

Share capital continued

Shareholder analysis continued

Non-public and public shareholders	Number of shareholdings	%	Number of shares	%
Non-public shareholders	33	0.05	1 190 946 304	80.03
Directors and associates	29	0.05	1 250 943	0.08
Wholly-owned subsidiaries	2	0.00	15 421 231	1.04
Strategic holdings (more than 10.0%)	1	0.00	207 038 059	13.91
Holding company	1	0.00	967 170 100	65.00
Public shareholders	56 657	99.95	297 073 667	19.97
	56 690	100	1 487 954 000	100
Geographical holdings by owner				
United Kingdom	199	0.34	1 003 123 390	67.42
South Africa	55 956	98.71	391 288 813	26.30
United States	119	0.21	66 229 255	4.45
Europe	118	0.21	22 292 742	1.50
Other	298	0.53	5 019 800	0.33
	56 690	100	1 487 954 000	100

Beneficial shareholders holding 5% or more of the issued capital	Total shareholding	% of shares in issue
Vodafone Investments SA (Pty) Limited	967 170 100	65.00
South African Government	207 038 059	13.91
	1 174 208 159	78.91

Share price performance	2014	2013	2012
Opening price 1 April	**R109.90**	R108.15	R80.03
Closing price 31 March	**R129.99**	R109.90	R108.15
Closing high for the year	**R134.00**	R129.60	R108.15
Closing low for the year	**R101.55**	R90.05	R75.06
Number of shares in issue	**1 487 954 000**	1 487 954 000	1 487 954 000
Volume traded during the year	**517 988 114**	519 000 013	484 661 747
Ratio of volume traded to shares issued (%)	**34.81**	34.88	32.57

Borrowings

Vodafone Investments Luxembourg s.a.r.l.

On 27 September 2013 the Group obtained loans of R3 000 million and R1 500 million, for a term of five and seven years and repayment dates of 27 September 2018 and 28 September 2020, respectively. The funds were used to repay maturing long term debt, finance capital expenditure and working capital requirements.

Borrowings from South African banks

Loans with a combined nominal value of R4 200 million, were repaid during the year using short-term bank borrowings and long-term borrowings raised during the year.

Directors report continued

Capital expenditure and commitments

Details of the Group's capital expenditure are set out in Notes 9 and 10, and commitments are set out in Note 24.

Special resolutions

Special resolutions relating to financial assistance, non-executive directors' fees, the adoption of new memorandum of incorporation's to harmonise with the Companies Act of 2008, as amended and amendments to existing memorandum of incorporation's were passed by subsidiary companies during the year under review. A special resolution was also passed by Vodacom Payment Services (Pty) Limited for the approval of section 41 issue of subscription shares. Vodacom Health (Pty) Limited passed a special resolution to approve the name change to Vodacom Insurance Administration Company (Pty) Limited.

Holding company and ultimate holding company

The Group is ultimately controlled by Vodafone Group Plc which owns 65.0% of the issued shares through Vodafone Investments SA (Pty) Limited.

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

Directorate and secretary

Movements in the directorate during the year under review:

Appointments

18 July 2013	YZ Cuba
5 February 2014	HMG Dowidar

Resignations

18 July 2013	A Kekana
5 February 2014	NJ Read

In terms of the Company's memorandum of incorporation, Mr HMG Dowidar, having been appointed since the last annual general meeting of the Company, retires at the forthcoming annual general meeting to be held on Thursday 17 July 2014. In terms of the memorandum of incorporation, Ms TM Mokgosi-Mwantembe and Messrs RAW Schellekens and MP Moyo retire by rotation. All retiring directors are eligible and available for re-election. Their profiles appear in the 'Notice of annual general meeting' included in the integrated report.

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

Independent non-executive
MP Moyo (Chairman), DH Brown, YZ Cuba, TM Mokgosi-Mwantembe, PJ Moleketi.

Non-executive
M Joseph*, JWL Otty^, RAW Schellekens•, S Timuray~, HMG Dowidar @.

Executive
MS Aziz Joosub (Chief Executive Officer), IP Dittrich (Chief Financial Officer).

The Company Secretary is SF Linford and her business and postal address appear on the 'Corporate information sheet' included in the integrated report.

^ British, ~ Turkish, @ Egyptian, * American, •Dutch

Directors report continued

Interests of directors and prescribed officers

As at 31 March 2014, the directors of the Company held direct and indirect beneficial interests in 1 250 943 (2013: 806 456; 2012: 1 456 433) of its issued ordinary shares as set out below:

	2014 Direct	2014 Indirect	2013 Direct	2013 Indirect
Executive directors				
MS Aziz Joosub (appointed 6 September 2012)	**500 669**	**–**	190 133	–
IP Dittrich (appointed 15 June 2012)	**89 356**	**–**	71 929	–
Independent non-executive directors				
MP Moyo	**250**	**3 645**	250	3 645
PJ Moleketi	**643**	**480**	643	480
A Kekana (resigned on 18 July 2013)	**–**	**–**	80	–
Prescribed officers				
ADJ Delport	**175 140**	**–**	80 067	–
J Dennelind (resigned on the 30 June 2013)	**–**	**–**	75 384	–
V Jarana	**153 853**	**–**	120 114	–
R Kumalo	**157 569**	**–**	140 217	–
M Nkeli (resigned 30 April 2014)	**42 440**	**–**	34 984	–
NC Nyoka	**109 875**	**–**	79 082	–
M Makanjee	**17 023**	**–**	9 448	–
	1 246 818	**4 125**	802 331	4 125

Regulatory matters

Mobile termination rates ('MTRs')

On 4 February 2014, the Independent Communications Authority of South Africa ('ICASA') gazetted final regulations on MTRs in South Africa. Vodacom launched a High Court application for challenging the legal validity of the MTRs on the basis that ICASA had not followed the required due process for determining the rates. The High Court upheld the challenge and ruled that the MTRs were invalid and unlawful, it however suspended its order for a period of six months from 1 April 2014 to 30 September 2014. From 1 April 2014, MTRs reduced from R0.40 to R0.20 per minute with Vodacom (Pty) Limited and MTN Group Limited paying an asymmetrical rate of R0.44 for calls terminating on Cell C (Pty) Limited and Telkom Mobile networks, a division of Telkom Group Limited. During this six months' period, ICASA is required to, in consultation with the industry, develop an appropriate cost model that will be used to determine the new MTRs that will come into effect on 1 October 2014.

General annual licence fees regulations 2012

ICASA published regulations to amend the annual licence fees regulations on 2 April 2014. The notice amends the definition of 'licenced service' in order to align it to the definition of licenced services as contained in the Electronic Communications Act ('EC Act'). In terms of the amendment ICASA disallows any exclusions and or deduction of revenue and or expenses in the computation of licence fees. The amendment will result in an increase in the Group's licence fee liability by approximately 14% with effect from the next financial year.

Directors report continued

Regulatory matters continued

Electronic Communications Act ('EC Act')

Universal service obligations

ICASA is engaged in a consultative process to renegotiate the Group's licence terms on universal service and access obligations. It is anticipated that the following universal service and access obligations will be imposed with effect from 1 April 2014:

- provision of internet connectivity to schools; and
- provision of internet connectivity to institutions for people with disabilities. ICASA is consulting key stakeholders on the connectivity model to be deployed.

ICASA has proposed that the obligations to provide SIM cards and terminal equipment (attached to the 1800 MHz spectrum licence) be repealed.

Spectrum fees regulations

ICASA withdrew the application before the southern Gauteng High Court where ICASA sought to have the implementation date of the spectrum fees regulations of 2010 moved from 1 April 2011 to 1 April 2012.

Audit, Risk and Compliance Committee ('ARC Committee')

The ARC Committee discharged all of those functions delegated to it in terms of its mandate, section 94(7) of the Companies Act of 2008, as amended and the JSE Listings Requirements. Further details on the role and function of the ARC Committee may be found in the 'Risk management report' included in the integrated report.

The auditors' business and postal address appear on the 'Corporate information' sheet included in the integrated report.

Competence, appropriateness and experience of the Company Secretary

In compliance with JSE Listings Requirements, the Board has considered and is satisfied that Ms Sandi Linford, the company secretary, is competent, has the relevant qualifications and experience and maintains an arm's length relationship with the Board. In evaluating these qualities, the Board has considered the prescribed duties and responsibilities of a company secretary which includes the Companies Act of 2008, as amended, JSE Listings Requirements and governance requirements as set out in King III.

Other significant matters

Vodacom Congo (RDC) s.p.r.l. ('Vodacom Congo')

The Group obtained a favourable outcome in the final hearing with regards to the International Chamber of Commerce arbitration with Congolese Wireless Network s.p.r.l., the other shareholder in Vodacom Congo. At this stage the Group is still pursuing a settlement with that shareholder.

Vodacom Tanzania Limited ('VTL')

During the year VTL finalised a sale and leaseback arrangement with HTT Infraco Limited ('HTT'), a subsidiary of Helios Towers Tanzania Limited ('Helios'), whereby VTL sold its tower infrastructure to HTT and HTT will lease tower infrastructure to VTL. As part of the arrangement, VTL obtained an equity stake in Helios that is reflected as an investment in associate. As at 31 March 2014, ownership of the majority of the sites sold had been transferred to HTT, with the balance expected to change ownership in the next financial year. The assets have been reclassified as 'non-current assets held for sale'.

Competition Commission complaint lodged by Cell C (Pty) Limited

The Group received a complaint from the Competition Commission in which it is alleged that the Group's South African segment has abused their market dominance in contravention of Section 8(a), 8(c) and 8(d) (i) of the Competition Act. The Group has received further communication that the screening phase has been completed and the Competition Commission shall further investigate the complaint.

Directors report continued

Events after the reporting period

Final dividend

A final dividend of R6 398 million (430 cents per ordinary share) for the year ended 31 March 2014, was declared on Friday 16 May 2014, payable on Monday 30 June 2014 to shareholders recorded in the register at the close of business on Friday 27 June 2014. The net dividend after taking into account dividend withholding tax for those shareholders not exempt from dividend withholding tax is 365.50000 cents per share.

Acquisition of a further 17.2% interest in Vodacom Tanzania Limited ('VTL')

The Group entered into an agreement in terms of which it has acquired an additional indirect 17.2% interest in VTL, resulting in the Group increasing its total economic interest in VTL from 65% to 82.2%. The effective date of the transaction is 29 April 2014, the date on which all conditions precedent were met.

Proposed acquisition of Neotel (Pty) Limited ('Neotel')

Further to the announcement on 30 September 2013, the Group has entered into an agreement with the shareholders of Neotel to acquire a 100% equity interest in and related claims of Neotel for a cash consideration equivalent to an enterprise value of R7 billion. The transaction remains subject to the fulfilment of a number of conditions precedent, foremost of which, are the regulatory approvals.

Nashua Mobile (Pty) Limited ('Nashua Mobile')

On 11 April 2014, the Group entered into a sale agreement in terms of which Nashua Mobile will dispose of its Vodacom subscriber base to the Group. Various conditions precedent, amongst others Competition Commission approval, need to be fulfilled before the agreement will become effective.

Other matters

The Board is not aware of any matter or circumstance arising since the end of the reporting period, not otherwise dealt with in the consolidated annual financial statements, which significantly affects the financial position of the Group as at 31 March 2014 or the results of its operations or cash flows for the year then ended.

Auditors

Deloitte & Touche continued in office as the Group's auditors. In terms of best practice, the ARC Committee issued a Request for Proposals ('RFP') during the year in respect of external audit services. Following the conclusion of the RFP process, it is the recommendation of the ARC Committee, supported by the Board, that PricewaterhouseCoopers Inc ('PwC') be appointed as auditor of the Company and as auditor of its subsidiaries in South Africa and certain of its African subsidiaries for the financial year ending 31 March 2015. At the annual general meeting on Thursday 17 July 2014, shareholders will be requested to appoint PwC as the Group's auditors for the 2015 financial year and it will be noted that Mr D von Hoesslin will be the individual registered auditor who will undertake the audit.

Report of the Audit, Risk and Compliance Committee

Mandate and terms of reference

The Group's Audit, Risk and Compliance Committee ('ARC Committee') operates under a Board-approved mandate and terms of reference. In line with the Companies Act of 2008, as amended, the members of the Committee were appointed at the annual general meeting held on 18 July 2013.

The ARC Committee's responsibilities include the following:

- Reviewing the Group's consolidated preliminary results, interim results, integrated report 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;
- Oversee the integrated reporting process;
- 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;
- Approving the internal audit plan for the year;
- Receiving and dealing appropriately with any complaints, internally and externally, relating either to the accounting practices and internal audit or to the content or auditing of all entities within the Group's annual financial statements or related matters;
- Reviewing and monitoring the management and reporting of tax-related matters;
- Monitoring the risk management function and processes and assessing the significant risks facing the Group;
- Monitoring the technology governance framework and associated risks; and
- Monitoring the effectiveness of the processes to create awareness and develop an understanding of relevant legislation and regulation to ensure compliance by management.

Membership

Members: DH Brown (Chairman), YZ Cuba and PJ Moleketi

Following the resignation of Albertinah Kekana on 18 July 2013, David Brown was appointed as ARC Committee Chairman and Yolanda Cuba as a member of the ARC Committee. The Chief Executive Officer and Chief Financial Officer attend ARC Committee meetings by invitation, as do the head of internal audit, the Chief Risk Officer and the external auditors. The primary role of the ARC Committee is to ensure the integrity of financial reporting and the audit process, and that a sound risk management and internal control system is maintained. In pursuing these objectives the ARC Committee oversees relations with the external auditors and reviews the effectiveness of the internal audit function.

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

Four ARC Committee meetings and one teleconference are scheduled per financial year. Additional committee meetings may be convened when necessary. One special committee meeting was convened during the 2014 financial year.

Attendance was as follows:

	9 May 2013	30 May 2013	16 Sep 2013	1 Nov 2013	20 Feb 2014	24 Mar 2014
		Telecon			Special	
YZ Cuba[1]	–	–	✓	✓	✓	X
A Kekana[2]	✓	✓	–	–	–	–
PJ Moleketi	✓	X	✓	✓	✓	✓
DH Brown	✓	✓	✓	✓	✓	✓

Notes

1. YZ Cuba appointed 18 July 2013.
2. A Kekana resigned 18 July 2013.

Report of the Audit, Risk and Compliance Committee continued

Statutory duties

The ARC Committee discharged the functions delegated to it in terms of its mandate, section 94(7) of the Companies Act of 2008, as amended, and the JSE Listings Requirements as listed below:

- Considered and satisfied itself that the external auditors are independent;
- Nominated the external auditors for appointment for the 2014 financial year;
- Determined the fees paid to the external auditors for the 2014 financial year;
- Reviewed the nature of non-audit services that were provided by the external auditors during the year;
- Confirmed the payment of non-audit services which the external auditors performed during the year under review;
- Approved the internal audit plan for the year;
- Monitoring and overseeing the internal audit function;
- Held separate meetings with management, internal audit and the external auditors to discuss any reserved matters;
- Ensured the ARC Committee complied with the membership criteria as set out in the Companies Act of 2008, as amended;
- Considered the appropriateness and experience of the Chief Financial Officer as required by the JSE Listings Requirements;
- Reviewed the consolidated and Company annual financial statements of Vodacom Group Limited; and
- Reviewed the appropriateness of any amendments to accounting policies and internal financial controls.

Internal control

Internal controls comprise methods and procedures adopted by management to provide reasonable assurance in safeguarding assets, prevention and detection of error, accuracy and completeness of accounting records, and reliability of annual financial statements of all entities within the Group. The internal audit function serves management and the Board by performing independent evaluations of the adequacy and effectiveness of the Group's controls, financial reporting mechanisms and records, information systems and operations, and provides additional assurance in safeguarding of assets and financial information.

Vodafone is required to comply with Section 404 of the Sarbanes-Oxley Act ('SOX') due to its listing on the NASDAQ stock exchange. With combined efforts between the Group and Vodafone, specific processes were identified that had to be brought in line with SOX requirements as part of the Group's South African SOX compliance efforts. To be SOX compliant, the processes, systems and controls identified were reviewed for adequacy and tested to prove the effectiveness and ongoing operation thereof. Management has concluded that these internal controls over financial reporting as at 31 March 2014 were effective.

Risk management

Detailed reviews of the Group's risk management, enterprise risk management programmes, business continuity, forensic services and health and safety are performed by the Group's Risk Management Committee which reports to the ARC Committee through the Chief Risk Officer. Critical and high-level strategic risks which are ranked in relation to a scale from catastrophic to negligible are presented to the ARC Committee and are then reported to and considered by the Board. Further details of the Group's key risks are reported in the 'Risk management report' included in the integrated report and online at www.vodacom.com.

From 1 April 2013 to 31 March 2014, Forensic Services investigated over 8 863 cases of which 8 571 were external cases and 292 internal cases. These cases were reported through various channels including direct reports received from customers and service providers, online reports, referrals from within the Company as well as confidential and anonymous reports. Over the same period, 46 reports were received via the whistle-blowing line.

Combined assurance

The combined assurance model aims to optimise the assurance coverage attained from management (first line of defence), internal assurance providers (second line of defence) and external assurance providers (third line of defence) in mitigating the risk areas affecting the Group.

The Group has adopted a combined assurance model which identifies the risk areas affecting the Group and maps the level of assurance being provided by the different lines of defence to mitigate these risks. This model is being rolled out into the business to further improve the co-ordination of the various assurance activities and the assessment of the levels of assurance provided.

Report of the Audit, Risk and Compliance Committee continued

Effectiveness of the finance function

In terms of King III, the ARC Committee should satisfy itself as to the expertise, resources and experience of the Group's finance function. The ARC Committee has concluded that the finance function is adequately resourced with technically competent individuals and is effective. Vodacom's finance function has started an ongoing transformation process, which included the implementation of a new enterprise resource planning system during the 2014 financial year, improved business partnering and better processes.

Effectiveness of the risk management function

In terms of King III, the ARC Committee should satisfy itself that the following areas have been appropriately addressed:

- Financial reporting risk;
- Internal financial controls;
- Risk appetite and tolerance;
- Fraud risk as it relates to financial reporting; and
- IT risk as it relates to financial reporting.

The ARC Committee has satisfied itself that the above mentioned areas have been appropriately addressed.

Appropriateness and experience of Chief Financial Officer

The ARC Committee confirms that it was satisfied with Mr IP Dittrich, the current Chief Financial Officer, who possessed the appropriate expertise and experience to meet the responsibilities of that position.

Non-audit services policy

Per the Group's policy for non-audit services, the external auditors may only be considered as a supplier of such services where:

- There is no other alternative supplier for these services;
- There is no other commercially viable alternative; or
- The non-audit service is related to and would add value to the external audit.

The total amount paid to the external auditors during the 2014 financial year for non-audit services was R525 000.

Change in auditors for the 2015 financial year

Deloitte & Touche has acted as auditors to Vodacom for over 10 years. In terms of best practice, the ARC Committee issued a Request for Proposals ('RFP') during the year in respect of external audit services. Following the conclusion of the RFP process, it is the recommendation of the ARC Committee, supported by the Board that, subject to shareholder approval at the annual general meeting, PricewaterhouseCoopers Inc be appointed as auditor of the Company and as auditor of its subsidiaries in South Africa and certain of its African subsidiaries for the financial year ending 31 March 2015. Shareholders are referred to the notice of annual general meeting for further details.

Integrated report

The ARC Committee has overseen the integrated reporting process, reviewed the report and has recommended the 2014 integrated report and consolidated annual financial statements for approval by the Board on 30 May 2014.

DH Brown
Chairman
Audit, Risk and Compliance Committee

Consolidated income statement

for the year ended 31 March

Rm	Notes	2014	2013	2012
Revenue	1	**75 711**	69 917	66 929
Direct expenses		**(32 866)**	(30 385)	(30 265)
Staff expenses		**(4 563)**	(4 349)	(4 318)
Publicity expenses		**(2 095)**	(1 960)	(1 804)
Other operating expenses		**(8 779)**	(7 948)	(7 844)
Broad based black economic empowerment charge		**(232)**	–	–
Depreciation and amortisation	9, 10	**(6 785)**	(6 364)	(5 882)
Impairment losses	2	**–**	(14)	(199)
Profit from joint venture		**3**	–	–
Operating profit	3	**20 394**	18 897	16 617
Profit on disposal of subsidiary		**–**	224	–
Finance income	4	**333**	117	109
Finance costs	5	**(1 051)**	(927)	(748)
Net (loss)/gain on remeasurement and disposal of financial instruments	6	**(91)**	123	(45)
Profit before tax		**19 585**	18 434	15 933
Taxation	7	**(5 918)**	(5 210)	(5 730)
Net profit		**13 667**	13 224	10 203
Attributable to:				
Equity shareholders		**13 243**	12 991	10 156
Non-controlling interests		**424**	233	47
		13 667	13 224	10 203

Cents	Note	2014	2013	2012
Basic earnings per share	8	**903.3**	887.4	694.0
Diluted earnings per share	8	**901.9**	885.3	691.2

Consolidated statement of comprehensive income

for the year ended 31 March

Rm	Note	2014	2013	2012
Net profit		**13 667**	13 224	10 203
Other comprehensive income	7	**820**	815	315
Foreign currency translation differences, net of tax		**794**	823	389
Gain/(loss) on hedging instruments in cash flow hedges, net of tax		**26**	(8)	(74)
Total comprehensive income		**14 487**	14 039	10 518
Attributable to:				
Equity shareholders		**14 165**	13 982	10 583
Non-controlling interests		**322**	57	(65)
		14 487	14 039	10 518

Consolidated statement of financial position

as at 31 March

Rm	Notes	2014	2013	2012
Assets				
Non-current assets		**37 954**	34 434	30 678
Property, plant and equipment	9	**30 802**	27 741	24 367
Intangible assets	10	**5 369**	5 332	5 123
Financial assets	11	**141**	198	201
Investment in associate	12	**367**	–	–
Investment in joint venture		**3**	–	–
Trade and other receivables	14	**659**	196	227
Finance lease receivables	15	**591**	726	447
Deferred tax	7	**22**	241	313
Current assets		**22 787**	21 157	17 552
Financial assets	11	**1 822**	1 170	695
Inventory	13	**1 069**	861	832
Trade and other receivables	14	**11 557**	10 971	11 379
Non-current assets held for sale	12	**569**	–	–
Finance lease receivables	15	**1 284**	1 437	691
Tax receivable		**359**	190	174
Cash and cash equivalents	23	**6 127**	6 528	3 781
Total assets		**60 741**	55 591	48 230
Equity and liabilities				
Fully paid share capital	16	*****	*	*
Treasury shares	16	**(1 589)**	(1 389)	(1 530)
Retained earnings		**22 506**	21 342	20 121
Other reserves	17	**2 140**	847	(61)
Equity attributable to owners of the parent		**23 057**	20 800	18 530
Non-controlling interests		**686**	416	400
Total equity		**23 743**	21 216	18 930
Non-current liabilities		**12 010**	9 620	10 932
Borrowings	18	**9 683**	7 881	9 012
Trade and other payables	19	**472**	222	352
Provisions	20	**263**	536	551
Deferred tax	7	**1 592**	981	1 017
Current liabilities		**24 988**	24 755	18 368
Borrowings	18	**4 067**	6 290	2 004
Trade and other payables	19	**20 357**	17 780	15 406
Provisions	20	**169**	283	355
Tax payable		**38**	46	172
Dividends payable		**22**	16	22
Bank overdrafts	23	**335**	340	409
Total equity and liabilities		**60 741**	55 591	48 230

* Fully paid share capital of R100.

Consolidated statement of changes in equity

for the year ended 31 March

Rm	Notes	Fully paid share capital	Treasury shares	Share-based payment reserve[1]	Retained earnings
1 April 2011		*	(1 384)	1 674	17 864
Total comprehensive income		–	–	–	10 156
Net profit		–	–	–	10 156
Other comprehensive income	7	–	–	–	–
Dividends	8	–	–	–	(7 900)
Partial disposal of interests in subsidiaries	22	–	–	–	–
Shareholder loan conversion to equity		–	–	–	–
Repurchase of shares	16	–	(146)	–	–
Share-based payment expense		–	–	173	–
Transfer from contingency reserve	17	–	–	–	1
31 March 2012		*	(1 530)	1 847	20 121
Total comprehensive income		–	–	–	12 991
Net profit		–	–	–	12 991
Other comprehensive income	7	–	–	–	–
Dividends	8	–	–	–	(11 770)
Repurchase and sale of shares	16	–	(124)	–	–
Share based payment vesting		–	268	(268)	–
Restricted share plan[3]		–	(3)	3	–
Share-based payment expense	8,17	–	–	146	–
31 March 2013		*	**(1 389)**	**1 728**	**21 342**
Total comprehensive income		–	–	–	**13 243**
Net profit		–	–	–	**13 243**
Other comprehensive income	7	–	–	–	–
Dividends	8	–	–	–	**(12 098)**
Repurchase and sale of shares	16	–	**(358)**	–	–
Share based payment vesting		–	**158**	**(158)**	–
Restricted share plan[3]		–	–	**207**	–
Share-based payment – deferred tax		–	–	**17**	–
Share-based payment expense	8,17	–	–	**320**	–
Transfer from contingency reserve	17	–	–	–	**19**
Acquisition of additional interest in subsidiary		–	–	–	–
31 March 2014		*	**(1 589)**	**2 114**	**22 506**

Notes:
1. Includes the forfeitable share plan reserve of R32 million (2013: R101 million; 2012; R252 million), the Broad-based black economic empowerment reserve of R1 877 million (2013: R1 624 million; 2012: R1 595 million) and the restricted share plan reserve of R205 million (2013: R3 million; 2012: RNil).
2. Includes foreign exchange losses of R380 million (2013: R456 million; 2012: R340 million), net of tax, relating to foreign-denominated loans to subsidiaries classified as part of the net investments in these foreign operations.
3. Refer to Note 17.2.2 and Note 20.1.

* Fully paid share capital of R100.

			Other comprehensive income				
Other reserve	Change of interests in subsidiaries	Profit on sale of treasury shares	Foreign currency translation reserve	Cash flow hedge reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
20	156	–	(2 761)	53	15 622	558	16 180
–	–	–	501	(74)	10 583	(65)	10 518
–	–	–	–	–	10 156	47	10 203
–	–	–	501[2]	(74)	427	(112)	315
–	–	–	–	–	(7 900)	(61)	(7 961)
–	191	–	–	–	191	(172)	19
–	–	–	–	–	–	140	140
–	–	7	–	–	(139)	–	(139)
–	–	–	–	–	173	–	173
(1)	–	–	–	–	–	–	–
19	347	7	(2 260)	(21)	18 530	400	18 930
–	–	–	999	(8)	13 982	57	14 039
–	–	–	–	–	12 991	233	13 224
–	–	–	999[2]	(8)	991	(176)	815
–	–	–	–	–	(11 770)	(41)	(11 811)
–	–	36	–	–	(88)	–	(88)
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	146	–	146
19	**347**	**43**	**(1 261)**	**(29)**	**20 800**	**416**	**21 216**
–	**–**	**–**	**896**	**26**	**14 165**	**322**	**14 487**
–	**–**	**–**		**–**	**13 243**	**424**	**13 667**
–	**–**	**–**	**896[2]**	**26**	**922**	**(102)**	**820**
–	**–**	**–**	**–**	**–**	**(12 098)**	**(48)**	**(12 146)**
–	**–**	**20**	**–**	**–**	**(338)**	**–**	**(338)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**	**207**	**–**	**207**
–	**–**	**–**	**–**	**–**	**17**	**–**	**17**
–	**–**	**–**	**–**	**–**	**320**	**–**	**320**
(19)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	**(16)**	**–**	**–**	**–**	**(16)**	**(4)**	**(20)**
–	**331**	**63**	**(365)**	**(3)**	**23 057**	**686**	**23 743**

Consolidated statement of cash flows

for the year ended 31 March

Rm	Notes	2014	2013	2012
Cash flows from operating activities				
Cash receipts from customers		**77 157**	70 171	67 024
Cash paid to suppliers and employees		**(48 255)**	(44 851)	(42 522)
Cash generated from operations	21	**28 901**	25 320	24 502
Tax paid		**(5 298)**	(5 323)	(5 192)
Net cash flows from operating activities		**23 603**	19 997	19 310
Cash flows from investing activities				
Additions to property, plant and equipment and intangible assets		**(9 878)**	(7 792)	(7 651)
Proceeds on disposal of property, plant and equipment and intangible assets		**343**	506	82
Business combinations and disposal of interests in subsidiaries, net of cash acquired	22	**–**	357	(23)
Finance income received		**405**	108	29
Loans granted and equity investments		**(22)**	–	1
Other investing activities[1]		**(223)**	(333)	(440)
Net cash flows utilised in investing activities		**(9 375)**	(7 154)	(8 002)
Cash flows from financing activities				
Borrowings incurred		**4 551**	3 000	3 750
Borrowings repaid		**(5 502)**	(425)	(3 430)
Finance costs paid		**(1 284)**	(766)	(800)
Dividends paid – equity shareholders		**(12 093)**	(11 776)	(7 897)
Dividends paid – non-controlling interests		**(48)**	(41)	(50)
Repurchase and sale of shares		**(343)**	(88)	(148)
Partial disposal of interests in subsidiaries, net of cash disposed	22	**–**	–	19
Net cash flows utilised in financing activities		**(14 719)**	(10 096)	(8 556)
Net (decrease)/increase in cash and cash equivalents		**(491)**	2 747	2 752
Cash and cash equivalents at the beginning of the year		**6 188**	3 372	539
Effect of foreign exchange rate changes		**95**	69	81
Cash and cash equivalents at the end of the year	23	**5 792**	6 188	3 372

Notes:

1. Consists mainly of the movement in cash restricted deposits as a result of M-Pesa related activities.

Notes to the consolidated annual financial statements

for the year ended 31 March

Basis of preparation

The consolidated annual financial statements of the Group have been prepared in accordance with IFRS as issued by the IASB and comply with the SAICA Financial Reporting Guides as issued by the SAICA Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of 2008, 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 pages 31 – 34. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The consolidated annual financial statements are presented in South African rand, which is the parent company's functional and presentation currency.

The significant accounting policies are consistent in all material respects with those applied in the previous year.

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 arrangement, associate and structured entities up to 31 March 2014.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree, if any, over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.

Where applicable, the consideration transferred includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Changes in fair value that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Changes in fair value that do not qualify as measurement period adjustments are adjusted prospectively, with the corresponding gain or loss being recognised in profit or loss.

Components of non-controlling interests that are current ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at the acquisition date at either:

- Fair value; or
- The non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The choice of measurement basis is made on an acquisition-by-acquisition basis.

All other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by IFRS.

The difference between the proceeds and the carrying amount of the net assets and liabilities disposed of, adjusted for any related carrying amount of goodwill, is recognised as the profit or loss on disposal of subsidiaries. The same principle applies to a joint arrangement.

Notes to the consolidated annual financial statements continued

Consolidation continued

Accounting for subsidiaries

A subsidiary is an entity controlled by the Group. Control is achieved where the Group has all of the following:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power to affect its returns.

The results of subsidiaries are included in profit or loss from the effective date of acquisition up to the effective date of disposal. Where necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Transactions with non-controlling interests

In transactions with non-controlling interests that do not result in a change in control, the difference between the fair value of the consideration paid or received and the amount by which the non-controlling interest is adjusted is recognised in equity. Where control is lost, any interest retained by the Group is remeasured to fair value. The profit or loss on disposal is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- The previous carrying amounts of the assets, including goodwill, and liabilities of the subsidiary, reduced by any non-controlling interests.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The results, assets and liabilities of associates or joint ventures are incorporated in the consolidated annual financial statements from the date on which the Group has significant influence or joint control, respectively up to the date on which the Group ceases to have such influence, using the equity method of accounting.

Under the equity method, investments in associates or joint ventures 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 or joint venture 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 or joint venture.

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 or joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

The Group's share of intra-group unrealised profits or losses, between Group companies, joint ventures and associate entities are eliminated upon equity accounting of the entities.

Notes to the consolidated annual financial statements continued

Intangible assets

The following are the main categories of intangible assets:

Intangible assets with an indefinite useful life

Goodwill is initially recognised at cost and subsequently stated at cost less accumulated impairment losses, if any. Goodwill is not amortised, but is tested for impairment on an annual basis.

Goodwill is held in the currency of the acquired entity and translated to the closing rate at each reporting date.

Intangible assets with finite useful lives

Intangible assets with finite useful lives are stated at cost, less accumulated amortisation and accumulated impairment losses, if any.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life, and commences when the intangible asset is available for use and ceases at the earlier of the date the asset is classified as held for sale or the date it is derecognised.

Useful lives and amortisation methods are reviewed on an annual basis, with the effect of any changes in estimate accounted for on a prospective basis.

The Group's intangible assets with finite useful lives are as follows:

- Licences;
- Trademarks, patents and other;
- Customer bases; and
- Computer software.

Expenditure incurred to develop, maintain and renew internally generated trademarks and patents is recognised as an expense in the period it is incurred.

Computer software that is not considered to form an integral part of any hardware equipment is recorded as an intangible asset.

The difference between the proceeds and the carrying amount of an intangible asset is recognised as the profit or loss on disposal.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land is not depreciated and is stated at cost less accumulated impairment losses, if any.

Land and buildings in which the Group occupies more than 25.0% of the floor space or for which the primary purpose is the service and connection of customers are classified as property, plant and equipment.

Assets in the course of construction are carried at cost, less any impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

The cost of property, plant and equipment includes directly attributable costs incurred in the acquisition and installation of such assets, as well as the present value of the estimated cost of dismantling, removal or site restoration costs if applicable, so as to bring the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

The cost of small parts as well as repairs and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life and ceases at the earlier of the date the asset is classified as held for sale or the date it is derecognised. Depreciation is not ceased when assets are idle.

Useful lives, residual values and depreciation methods are reviewed on an annual basis with the effect of any changes in estimate accounted for on a prospective basis.

Property, plant and equipment acquired in exchange for non-monetary assets is measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

The difference between the proceeds and the carrying amount of an item of property, plant and equipment is recognised as the profit or loss on disposal.

Notes to the consolidated annual financial statements continued

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, limited to the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss. Goodwill impairment losses are not reversed.

Assets with an indefinite useful life and intangible assets not yet available for use

Goodwill and intangible assets not yet available for use are tested annually for impairment and when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Property, plant and equipment and intangible assets with finite useful lives

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

Revenue recognition

Revenue is recognised to the extent the Group has delivered goods or rendered services under an agreement, provided the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is measured at the fair value of the consideration received or receivable, exclusive of sales taxes and discounts.

The Group principally obtains revenue from providing the following telecommunication services: access charges, airtime usage, messaging, interconnect fees, data services and information provision, connection fees and the sale of equipment. Products and services may be sold separately or in bundled packages.

Revenue for access charges, airtime usage and messaging by contract customers is recognised as services are performed. Unbilled revenue resulting from services already provided are accrued at the end of each period and unearned revenue from services to be provided in future periods are deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

Revenue from interconnect fees is recognised on a usage basis.

Revenue from data services and information provision is recognised when the Group has performed the related service.

Customer connection revenue is recognised together with the related equipment revenue to the extent that the aggregate equipment and connection revenue does not exceed the fair value of the equipment delivered to the customer. Any customer connection revenue not recognised together with related equipment revenue is deferred and recognised over the period in which services are expected to be provided to the customer.

Revenue from the sale of equipment is recognised when the equipment is delivered to the end-customer and the sale is considered complete. For equipment sales made to intermediaries, revenue is recognised if the significant risks and rewards of ownership are transferred and the intermediary has no general right of return. If the significant risks and rewards of ownership are not transferred, revenue recognition is deferred until sale of the equipment to an end-customer by the intermediary or the expiry of the right of return.

Notes to the consolidated annual financial statements continued

Revenue recognition continued

In revenue arrangements including more than one deliverable, the arrangements are divided into separate units of accounting. Deliverables are considered separate units of accounting if the following two conditions are met:

- The deliverable has value to the customer on a stand-alone basis; and
- There is evidence of the fair value of the undelivered item.

The arrangement consideration is allocated to each separate unit of accounting based on its relative fair value on a stand-alone basis as a percentage of the aggregated fair value of the individual deliverables.

Other income

Dividends from investments are recognised when the Group's right to receive payment has been established.

Interest is recognised on a time proportion basis with reference to the principal amount receivable and the effective interest rate applicable.

Presentation: gross versus net

The Group invoices its independent service providers for the revenue billed by them on behalf of the Group.

Where the Group's role in a transaction is that of principal, revenue is recognised on a gross basis. This requires revenue to comprise the gross value of the transaction billed to the customer, after trade discounts, with any related administrative fees charged as an operating cost.

Where the Group's role in a transaction is that of an agent, revenue is recognised on a net basis, with revenue representing the margin earned.

Commissions

Intermediaries are given cash incentives by the Group to connect new customers and upgrade existing customers.

For intermediaries who do not purchase products and services from the Group, such cash incentives are accounted for as an expense. Cash incentives to intermediaries who purchase products and services from the Group are also accounted for as an expense if:

- The Group receives an identifiable benefit in exchange for the cash incentive that is separable from sales transactions to that intermediary; and
- The Group can reliably estimate the fair value of that benefit.

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 are 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.

Notes to the consolidated annual financial statements continued

Leases continued

Group as lessee

Finance leases

Assets held under finance leases are recognised at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in profit or loss.

In sale and leaseback transactions that result in finance leases any profit or loss is deferred and amortised over the lease term.

Operating leases

Operating lease payments, including benefits received and receivable as an incentive to enter into the lease, are expensed on a straight-line basis over the lease term. Early termination penalties are expensed in the period in which the termination occurs.

In sale and leaseback transactions that result in operating leases and the transaction is priced at fair value, any profit or loss is recognised on the effective date of the sale. If the sale price is below fair value, any profit or loss is recognised on the effective date of the sale except that, if a loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period during which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value is recognised immediately.

Group as lessor

Finance leases

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Operating leases

Operating lease income is recognised in profit or loss on a straight-line basis over the lease term. Leased assets are included under property, plant and equipment and depreciated in accordance with its accounting policy.

Foreign currencies

Transactions and balances

The consolidated annual financial statements are presented in South African rand, which is the parent company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the foreign exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency of the entity at the rates prevailing at the reporting date. Exchange differences on the settlement or translation of monetary assets and liabilities identified as being part of operating activities are included in operating profit, while exchange differences on the settlement or translation of monetary assets and liabilities which are not considered as being part of operating activities are included in net loss on remeasurement and disposal of financial instruments in profit or loss in the period in which they arise.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items measured at historical cost in a foreign currency are not retranslated. When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, any exchange component of that gain or loss is recognised directly in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Notes to the consolidated annual financial statements continued

Foreign currencies continued

Foreign operations

For the purpose of presenting consolidated annual financial statements, the assets and liabilities of entities with a functional currency other than rand are expressed in rand using exchange rates prevailing on the reporting date. Income and expense items and cash flows are translated at the foreign exchange rates on the transaction dates or the average exchange rates for the period and exchange differences arising are recognised directly in other comprehensive income. On disposal of a foreign operation, the cumulative amount previously recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated accordingly.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, being monetary items receivable from or payable to foreign entities for which settlement is neither planned nor likely to occur in the foreseeable future, are recognised in other comprehensive income. Taxation on the foreign currency translation reserve relates only to monetary items that form part of the Group's net investment in foreign operations.

Expenses

Expenses are recognised as they are incurred. Prepaid expenses are deferred and recognised in periods to which they relate.

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

Employee benefits

Post-employment benefits

The Group contributes to defined contribution funds for the benefit of employees and these contributions are expensed as they fall due. The Group is not liable for contributions to the medical aid of retired employees.

Short-term and long-term benefits

The cost of all short-term employee benefits, such as salaries, employee entitlements to leave pay, bonuses, medical aid and other contributions, are expensed in the period in which the employee renders the related service.

Long-term employee benefits payable to eligible employees are expensed in the period in which the employee renders the related service.

Deferred compensation benefits

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

Share-based payments

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

Equity-settled share-based payments

Equity-settled shared-based payments are measured at the grant date fair value of the equity instruments granted, and are expensed on a straight-line basis over the vesting period, with a corresponding increase in equity. The annual expense is based on the Group's estimate of the shares that will eventually vest, adjusted for the effect of non-market vesting conditions.

Cash-settled share-based payments

Cash-settled share-based payment liabilities are initially measured at fair value and subsequently remeasured to fair value at each reporting date as well as at the date of settlement, with any changes in fair value recognised in profit or loss. The expense is recognised on a straight-line basis over the vesting period, with a corresponding increase in the liability.

Broad-Based Black Economic Empowerment ('BBBEE') transaction

Where equity instruments are issued to a BBBEE partner at less than fair value, these are accounted for as share-based payments.

The difference between the fair value of the equity instruments issued and the consideration received is accounted for as an expense in profit or loss on the transaction date, with a corresponding increase in equity. No service or other conditions exist for BBBEE partners. A restriction on the BBBEE partner to transfer the equity instrument subsequent to its vesting is not treated as a vesting condition, but is factored into the fair value determination of the instrument.

Notes to the consolidated annual financial statements continued

Taxation

Taxation represents the sum of current tax and deferred tax.

Tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or directly to equity, in which case the tax is also recognised directly in other comprehensive income or in equity.

Tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they either relate to income taxes levied by the same tax authority on either the same taxable entity or on different taxable entities which intend to settle the tax assets and liabilities on a net basis.

Current tax

Current tax payable or receivable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because some items of income or expense are taxable or deductible in different years or may never be taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the deductible 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 joint arrangements, 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.

A deferred tax asset for the carryforward of unused tax losses and tax credits is only recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and adjusted to reflect changes in the probability that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the reporting date.

Exchange differences arising from the translation of foreign tax assets and liabilities of foreign entities, where the functional currency is different to the local currency, are classified as a deferred tax expense or income.

Secondary tax on companies ('STC')

STC was replaced by dividend withholding tax effective 1 April 2012. Prior to 1 April 2012, STC was provided for at the prevailing rate on the amount of the net dividend declared by Vodacom Group Limited. It was recorded as a tax expense when dividends were declared.

Financial instruments

Financial assets and liabilities, in respect of financial instruments, are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at fair value, including transaction costs except for those classified as at fair value through profit or loss which are initially measured at fair value, excluding transaction costs.

The fair value of a financial instrument on initial recognition is normally the transaction price unless the fair value is evident from observable market data.

Notes to the consolidated annual financial statements continued

Financial instruments continued

Financial assets, excluding derivative financial instruments

Financial assets are recognised and derecognised on trade date where the purchase or sale of the financial asset is under a contract whose terms require delivery of the instrument within the timeframe established by the market concerned.

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

- Financial assets at fair value through profit or loss and available-for-sale are subsequently stated at fair value. Where securities are held for trading, gains and losses arising from changes in fair value are included in profit or loss. For available-for-sale financial assets, gains and losses arising from changes in fair value are recognised directly in other comprehensive income, until the security is disposed of, it is determined to be impaired or the equity interest is increased, resulting in the asset no longer being accounted for as an available-for-sale financial asset, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss. The net gain or loss recognised in profit or loss incorporates any gains or losses on remeasurement transferred from other comprehensive income to profit or loss, dividends and finance income on the financial asset.
- Loans receivable are subsequently stated at amortised cost using the effective interest rate method, less any impairment losses. The terms of loans granted are renegotiated on a case-by-case basis if circumstances required renegotiation.
- Trade receivables (excluding assets created by statutory requirements, prepayments, deferred cost and operating lease receivables) do not carry any interest and are subsequently reduced by appropriate allowances for estimated irrecoverable amounts.
- Other receivables are subsequently stated at their nominal values.
- Finance lease receivables are subsequently stated at amortised cost using the effective interest rate method, less any impairment losses.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date.

Certain categories of financial assets, such as trade receivables, that are assessed not to be impaired individually, are subsequently assessed for impairment on a collective basis.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, with the exception of trade and other receivables, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For trade and other receivables, the amount of the impairment loss is the irrecoverable amount estimated by management.

The carrying amount is reduced directly by the impairment loss, with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed, either directly or by adjusting the allowance account, through profit or loss. The carrying amount of the financial asset at the date the impairment loss is reversed will not exceed what the amortised cost would have been had the impairment loss not been recognised.

Available-for-sale financial assets

Where there is objective evidence that a decline in the fair value of an available-for-sale financial asset that has been recognised directly in other comprehensive income is as a result of impairment, the cumulative loss is removed from other comprehensive income and recognised as an impairment loss in profit or loss. The amount of the cumulative loss removed is the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in profit or loss.

A reversal of previously recognised impairment losses on available-for-sale equity investments is recognised directly in other comprehensive income.

Notes to the consolidated annual financial statements continued

Financial instruments continued

Financial liabilities, excluding derivative financial instruments, and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the applicable definitions. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities and includes no obligation to deliver cash or other financial asset.

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issuance costs. Own equity instruments that are reacquired (treasury shares) are recognised at cost, including transaction costs, and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in equity.

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

- Borrowings are subsequently stated at amortised cost, using the effective interest rate method. Any difference between the proceeds net of transaction costs and the settlement or redemption of borrowings is recognised over the term of the borrowings.
- Trade and other payables (excluding liabilities created by statutory requirements, revenue charged in advance, deferred revenue and reduced subscriptions) as well as dividends payable are not interest bearing and are subsequently stated at their nominal values.

Derivative financial instruments

The Group's activities expose it to the financial risks of changes in foreign exchange rates and interest rates. The Group's principal derivative financial instruments are option contracts, interest rate swaps and foreign exchange forward contracts.

The use of derivative financial instruments is governed by the Group's policies approved by the Board, which provide written principles consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on contract date and are subsequently remeasured to fair value at each reporting date. Changes in fair value are recorded in profit or loss as they arise unless the derivative is designated and effective as a hedging instrument, in which event the timing of recognition in profit or loss depends on the nature of the hedge relationship. Changes in values of all derivatives of a financing nature are included within net gain/(loss) on remeasurement and disposal of financial instruments in profit or loss.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives unless the risks and characteristics are closely related to those host contracts and the host contracts are carried at fair value with changes in fair value recognised in profit or loss.

Derivatives are classified as current assets or current liabilities if the remaining maturity of the instruments is less than 12 months and is expected to be realised or settled within 12 months.

Hedge accounting

The Group designates certain interest rate swaps as cash flow hedges to hedge its exposure to variability in cash flows that is attributable to changes in interest rates.

The effective portion of changes in the fair value of the designated interest rate swaps is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and included in net gain/(loss) on remeasurement and disposal of financial instruments.

Amounts previously recognised in other comprehensive income are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss.

Similarly, the Group designates certain foreign exchange forward contracts as fair value hedges to hedge its exposure to variability in fair value that is attributable to changes in foreign exchange rates.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are immediately recognised in profit and loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. For unrecognised firm commitments, the change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss and included in the line item relating to the hedging instrument.

Notes to the consolidated annual financial statements continued

Financial instruments continued

Hedge accounting continued

The initial carrying amount of the asset or liability that results from the entity meeting the firm commitment is adjusted to include the cumulative change in the fair value of the firm commitment attributable to the hedged risk that was recognised in the statement of financial position. For recognised hedged assets or liabilities, the change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

Offset

Where a legally enforceable right of offset exists for recognised financial assets and liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, net of bank overdrafts, all of which are available for use by the Group unless otherwise stated.

Cash on hand is initially recognised at fair value and subsequently stated at its face value.

Deposits held on call are classified as loans and receivables by the Group and carried at amortised cost. Due to the short-term nature of these deposits, the amortised cost normally approximates fair value.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect of the time value of money is material.

Operating segments

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

Segment information is prepared in conformity with the measure that is reported to the Group Executive Committee and has been reconciled to the consolidated annual financial statements. The measure reported by the Group is in accordance with the significant accounting policies adopted for preparing and presenting the consolidated annual financial statements.

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

No comparative figures were restated.

New accounting pronouncements

Accounting pronouncements adopted

On 1 April 2013, the Group adopted new accounting policies to comply with:

- Overall revisions to the standards governing the accounting for subsidiaries, joint arrangements and associates, including the introduction of IFRS 10: Consolidated Financial Statements, IFRS 11: Joint Arrangements and IFRS 12: Disclosure of Interest in Other Entities and amendments to IAS 28: Investments in Associates and Joint Ventures. IFRS 11 generally requires interests in jointly controlled entities to be recorded using the equity method, which is consistent with the accounting treatment applied to investments in associates. Under IFRS 11, the Group's principal joint arrangements are incorporated into the consolidated financial statements using the equity method of accounting rather than proportionate consolidation.

Notes to the consolidated annual financial statements continued

New accounting pronouncements continued

Accounting pronouncements adopted continued

In addition, during the year the Group has adopted amendments to:

These changes have no material impact on the results, financial position or cash flows of the Group.

- IAS 1: Presentation of Financial Statements – presentation of items of other comprehensive income;
- IAS 19: Employee Benefits, which requires revised accounting and disclosures for defined benefit pension schemes, including a different measurement basis for asset returns which replaces the expected return on plan assets and interest cost currently recorded in the consolidated income statement with net interest. This results in a revised allocation of costs between the income statement and other comprehensive income. The "corridor approach" method of spreading the recognition of actuarial gains and losses, which was not used by the Group, is prohibited. The amendments also include a revised definition of short – and long-term benefits to employees and revised criteria for the recognition of termination benefits;
- IAS 36: Impairment of Assets, relating to recoverable amounts disclosures, which corrects a previous amendment;
- IFRS 7: Financial Instruments Disclosure – offsetting financial assets and financial liabilities;
- IFRS 13: Fair Value Measurement; and
- Improvements to IFRS 2009 to 2011 Cycle

These changes have no material impact on the results, financial position or cash flows of the Group.

New accounting pronouncements not yet adopted

Other new accounting pronouncements

The Group has not yet adopted the following pronouncements, which have been issued by the IASB. The Group does not currently believe the adoption of these pronouncements, except for the soon to be released revenue standard, will have a material impact on its results, financial position or cash flows.

- Amendment to IAS 32: Offsetting Financial Assets and Financial Liabilities, effective for annual periods beginning on or after 1 January 2014;
- Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting, effective for annual periods beginning on or after 1 January 2014;
- IFRIC 21: Levies, effective for annual periods beginning on or after 1 January 2014;
- Improvements to IFRS 2010 to 2012 cycle, elements are effective variously from 1 July 2014 and for annual periods beginning on or after 1 July 2014;
- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions, effective for annual periods beginning on or after 1 July 2014;
- Improvements to IFRS 2011-2013 Cycle, effective for annual periods beginning on or after 1 July 2014;
- IFRS 15: Revenue from Contracts with Customers, which is effective for annual periods beginning on or after 1 January 2017. The impact of this new standard is on the Group's results and financial position is being assessed, but it is expected to be material. The primary expected impacts are:
  - When the Group provides customers with discounted handsets or other equipment at the inception of a service agreement, it is likely that increased revenue will be accrued and recognised up-front for the equipment sale and that ongoing service revenue will reduce. This change is not expected to apply to service agreements sold by third party agents, such as independent dealers, where the agent may choose to supply equipment to customers themselves; and
  - When the Group sells service agreements the expense for any incremental commission resulting from the sale will be deferred and recognised as related revenue is recorded. The primary impact of this is likely to be in relation to sales of service agreements by third party agents, such as independent dealers;
  - Phase I of IFRS 9: Financial Instruments was issued in November 2009 and has subsequently been updated and amended. The standard introduces changes to the classification and measurement of financial assets, removes the restriction on electing to measure certain financial liabilities at fair value through the income statement from initial recognition and requires changes to the presentation of gains and losses relating to fair value changes. The effective date of the standard is to be confirmed.

Notes to the consolidated annual financial statements continued

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 19.

Management has presented its critical accounting judgements and associated disclosures to the Board.

Impairment reviews

Management undertakes an annual impairment test for goodwill and intangible assets not yet available for use. For assets with finite useful lives, impairment testing is performed if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying amounts of assets can be supported by the higher of their fair value less costs to sell and value in use.

The Group uses parties with the requisite expertise to determine its assets' fair value less costs to sell.

Value in use is calculated as the net present value of future cash flows derived from assets using cash flow projections which have been discounted at appropriate discount rates. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- Growth in EBITDA, calculated as earnings before interest, taxation, depreciation, amortisation, impairment losses, BBBEE charge, profit/(loss) on disposal of property, plant and equipment, intangible assets and investment properties;
- Timing and quantum of future capital expenditure;
- Long-term growth rates; and
- The selection of appropriate discount rates to reflect the risks involved.

Details of the basis for determining values assigned to key assumptions are provided in Note 2.

The Group prepares and annually approves formal five-year management plans for its operations, which are used in the value in use calculations.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and consequently its results.

The Group's review includes a sensitivity analysis of the key assumptions related to the cash flow projections as disclosed in Note 2.

Revenue recognition and presentation

Revenue arrangements including more than one deliverable

In revenue arrangements including more than one deliverable, the deliverables are assigned to one or more separate units of accounting and the arrangement consideration is allocated to each unit of accounting based on its relative fair value.

Determining the fair value of each deliverable can require complex estimates due to the nature of the goods and services provided. The Group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a stand-alone basis, after considering volume discounts where appropriate.

Notes to the consolidated annual financial statements continued

Revenue recognition and presentation continued

Presentation: gross versus net

Determining whether the Group is acting as a principal or as an agent requires judgement and consideration of all relevant facts and circumstances. When deciding the most appropriate basis for presenting the revenue or related costs, both the legal form and substance of the agreement between the Group and its independent service providers are reviewed to determine each party's respective role in the transaction.

Taxation

The Group's tax charge on ordinary activities is the sum of the current income and deferred tax charges. The calculation of the Group's total taxation charge necessarily involves judgements, including those involving estimations, in respect of certain items whose tax treatment cannot be finalised until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The resolution of some of these items may give rise to material profits, losses and/or cash flows.

The complexity of the Group's structure, considering its geographic presence, makes the degree of judgement more challenging. The resolution of issues is not always within the Group's control and it is often dependent on the efficiency of the legal processes in the relevant tax jurisdictions in which the Group operates. Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result, there can be substantial differences between the taxation charge in the consolidated income statement and tax payments.

Significant items on which the Group has exercised judgement include various matters disclosed in Note 24; disclosed amounts are based on the Group's best estimates. Due to the inherent uncertainty surrounding the outcome of these items, eventual resolution could differ from the accounting estimates and therefore impact the Group's results and cash flows.

Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is probable that taxable profits will be available in the future, against which the deductible temporary differences can be utilised. Management therefore exercises judgement in assessing the future financial performance of the particular entity or tax group in which the deferred tax asset is to be recognised.

Fair values

The determination of the fair value of assets and liabilities often requires complex estimations and is based, to a considerable extent, on management's judgement.

Business combinations

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the consideration transferred to the fair value of the identifiable assets acquired and the liabilities assumed.

The Group uses external parties with the requisite expertise to determine the acquisition-date fair values of certain identifiable assets acquired.

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

Allocation of the consideration transferred affects the Group's results as property, plant and equipment as well as intangible assets with finite useful lives are respectively depreciated and amortised, whereas land and goodwill are not. This could result in differing depreciation and amortisation charges based on the allocation.

Financial instruments

The fair value of financial instruments, excluding derivative instruments, not traded in active, liquid and organised financial markets are 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.

Notes to the consolidated annual financial statements continued

Fair values continued

Forfeitable share plan

The share-based payment expense relating to awards of performance shares to the Group's executive directors and selected employees is based on the achievement of financial performance and customer targets. The probability of these financial performance targets being achieved is estimated using the Monte-Carlo simulation model.

Intangible assets with finite useful lives

Intangible assets with finite useful lives include licences, customer bases, computer software, trademarks, patents and other. These assets arise from both separate purchases and from acquisitions as part of business combinations.

The relative size of the Group's intangible assets with finite useful lives makes the judgements surrounding the estimated useful lives critical to the Group's financial position and performance.

At 31 March 2014, intangible assets with finite useful lives amounted to R3 513 million (2013: R3 477 million; 2012: R 3 269 million) and represented 5,8% (2013: 6,3%; 2012: 6,8%) of the Group's total assets.

Estimation of useful lives

The useful lives used to amortise intangible assets relate to the future performance of the assets acquired and management's judgement of the period over which economic benefits will be derived from the assets. The residual values of intangible assets are assumed to be zero.

The basis for determining the useful lives for the various categories of intangible assets is as follows:

Licences

The estimated useful life is, generally, the term of the licence, unless there is a presumption of renewal at a negligible cost. The licence term reflects the period over which the Group will receive economic benefits. For technology-specific licences with a presumption of renewal at a negligible cost, the estimated useful life reflects the Group's expectation of the period over which the Group will continue to receive economic benefits from the licence.

Trademarks, patents and other

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

Customer bases

The estimated useful life principally reflects management's view of the average economic life of the customer base and is assessed by reference to, *inter alia*, customer churn rates or obtained through an independent actuarial valuation. An increase in churn rates may lead to a reduction in the estimated useful life and an increase in the amortisation charge.

Computer software

For computer software licences, the useful life represents management's view of the expected period over which the Group will receive benefits from the software, but not exceeding the licence term. For unique software products controlled by the Group, the life is based on historical experience with similar products as well as anticipation of future events, which may impact the life, such as changes in technology.

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

Years	2014	2013	2012
Licences	**8 – 30**	8 – 30	8 – 30
Trademarks, patents and other	**5 – 13**	5 – 13	5 – 14
Customer bases	**2 – 9**	2 – 9	2 – 10
Computer software	**3 – 10**	3 – 10	3 – 10

Historically, changes in useful lives have not resulted in material changes to the Group's amortisation charge.

Notes to the consolidated annual financial statements continued

Property, plant and equipment

Property, plant and equipment also represent a significant proportion of the Group's asset base, being 50,7% (2013: 49,9%; 2012: 50,5%) of the Group's total assets. Therefore, the estimates and assumptions made to determine their carrying amounts and related depreciation are critical to the Group's financial position and performance.

Estimation of useful lives and residual values

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

The Group assesses the residual value of every item of property, plant and equipment annually. In determining residual values, the Group uses historical sales and management's best estimate for residual values below 10.0% of cost and third-party confirmation for those above 10.0% of cost. Management has determined that there is no active market for the following assets within the network infrastructure and equipment category: radio, transmission, switching, SIM centres and community services, and therefore these assets have no residual value. At the end of the useful life, the value of the asset is expected to be nil or insignificant in respect of the abovementioned assets.

The estimation of useful lives is based on certain indicators such as historical experience with similar assets as well as anticipation of future events, which may impact the lives, such as changes in technology. The useful lives will also depend on the future performance of the assets as well as management's judgement of the period over which economic benefits will be derived from the assets.

Network infrastructure is only depreciated over a period that extends beyond the expiry of the associated licence under which the operator provides telecommunications services if there is a reasonable expectation of renewal or an alternative future use for the asset.

The estimated useful lives of depreciable property, plant and equipment are as follows:

Years	2014	2013	2012
Buildings, included in land and buildings	**15 – 50**	15 – 50	15 – 50
Leasehold improvements, included in land and buildings	**Shorter of lease term and 50**	Shorter of lease term and 50	Shorter of lease term and 50
Network infrastructure and equipment	**5 – 25**	5 – 25	5 – 25
Other assets	**1 – 25**	1 – 25	1 – 25

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

Contingent liabilities

The Group exercises judgements in measuring the exposure to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities (Note 25). Judgements, including those involving estimations, are necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement.

Foreign operations

The Group exercises judgements in determining whether monetary items receivable from or payable to foreign entities form part of the Group's net investment in foreign operations. Judgements, including those involving estimations, are necessary in assessing whether settlement of the monetary items receivable or payable is likely to occur in the foreseeable future. Included in other comprehensive income are exchange losses of R380 million (2013: R456 million; 2012: R340 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 continued

1. Segment analysis

The Group's reportable segments are business units that offer comparable business products and services, which are separately managed since the mobile telecommunication and data communication businesses are located in South Africa and other countries.

The Group has three reportable segments being Corporate, South Africa and International. The segments offer a variety of telecommunication and data communication services and products.

Corporate comprises the holding companies of the Group which do not relate to specific operating segments.

South Africa comprises the segment information relating to the South African-based cellular network, service provider and other business segments.

International comprises the segment information relating to the non-South African-based cellular networks in Tanzania, Mozambique, Lesotho and the Democratic Republic of Congo as well as the operations of Vodacom International Limited, Vodacom Business Africa and for prior years, Gateway Carrier Services.

Transactions between reportable segments are charged at arm's length prices.

Rm	2014	2013	2012
Reconciliation of segment results			
EBITDA	**27 314**	25 253	22 763
Depreciation, amortisation and impairment losses	**(6 785)**	(6 378)	(6 081)
Broad based black economic charge	**(232)**	–	–
Profit from joint venture	**3**	–	–
Other	**94**	22	(65)
Operating profit	**20 394**	18 897	16 617
Profit on disposal of subsidiary	**–**	224	–
Net finance charges	**(809)**	(687)	(684)
Finance income	**333**	117	109
Finance costs	**(1 051)**	(927)	(748)
Net (loss)/profit on remeasurement and disposal of financial instruments	**(91)**	123	(45)
Profit before tax	**19 585**	18 434	15 933
Taxation	**(5 918)**	(5 210)	(5 730)
Net profit	**13 667**	13 224	10 203

Notes to the consolidated annual financial statements continued

1. Segment analysis continued

Rm	Corporate	South Africa	International	Eliminations	Total
	2014				
Segment revenue (including inter-segment)	**93**	**61 806**	**14 356**	**(544)**	**75 711**
Total segment revenue	**–**	**63 043**	**14 646**	**–**	**77 689**
Intra-segment revenue	**93**	**(1 237)**	**(290)**	**(544)**	**(1 978)**
Inter-segment revenue	**(93)**	**(323)**	**(128)**	**544**	**–**
External customers' segment revenue	**–**	**61 483**	**14 228**	**–**	**75 711**
EBITDA	**(56)**	**23 087**	**4 256**	**27**	**27 314**
Net finance income/(charges)	**12 621**	**(1 264)**	**145**	**(12 311)**	**(809)**
Taxation	**(256)**	**(4 942)**	**(866)**	**146**	**(5 918)**
Other material non-cash items included in segment profit/(loss):					
Depreciation and amortisation	**(1)**	**(4 765)**	**(2 039)**	**20**	**(6 785)**
Total assets					
Reportable segment assets	**19 082**	**37 929**	**18 787**	**(15 057)**	**60 741**
Included in reportable segment assets:					
Additions to property, plant and equipment and intangible assets	**3**	**6 858**	**3 964**	**(2)**	**10 823**
Non-current assets other than financial instruments and deferred taxation	**9**	**24 902**	**10 822**	**1 371**	**37 104**
Total liabilities					
Reportable segment liabilities	**(2 393)**	**(32 547)**	**(12 305)**	**10 247**	**(36 998)**

Notes to the consolidated annual financial statements continued

1. Segment analysis continued

Rm	Corporate	South Africa	International	Eliminations	Total
			2013		
Segment revenue (including inter-segment)	578	58 607	11 583	(851)	69 917
Total segment revenue	578	59 754	12 073	–	72 405
Intra-segment revenue	–	(1 147)	(490)	(851)	(2 488)
Inter-segment revenue	(548)	(143)	(160)	851	–
External customers' segment revenue	30	58 464	11 423	–	69 917
EBITDA	84	22 408	2 739	22	25 253
Net finance income/(charges)	16 624	(607)	(135)	(16 569)	(687)
Taxation	(31)	(4 844)	(493)	158	(5 210)
Other material non-cash items included in segment profit/(loss):					
Depreciation and amortisation	(7)	(4 750)	(1 590)	(17)	(6 364)
Impairment losses	–	(35)	21	–	(14)
Total assets					
Reportable segment assets	19 562	35 360	15 035	(14 366)	55 591
Included in reportable segment assets:					
Additions to property, plant and equipment and intangible assets	453	6 967	2 987	(828)	9 579
Non-current assets other than financial instruments and deferred taxation	11	23 217	9 417	1 350	33 995
Total liabilities					
Reportable segment liabilities	(3 050)	(30 126)	(11 049)	9 850	(34 375)

Rm	Corporate	South Africa	International	Eliminations	Total
			2012		
Segment revenue (including inter-segment)	541	56 932	10 426	(970)	66 929
Total segment revenue	541	57 701	11 152	–	69 394
Intra-segment revenue	–	(769)	(726)	(970)	(2 465)
Inter-segment revenue	(515)	(216)	(239)	970	–
External customers' segment revenue	26	56 716	10 187	–	66 929
EBITDA	(114)	21 254	1 461	162	22 763
Net finance income/(charges)	9 800	(453)	(144)	(9 887)	(684)
Taxation	(1 153)	(4 690)	(31)	144	(5 730)
Other material non-cash items included in segment profit/(loss):					
Depreciation and amortisation	(4)	(4 524)	(1 332)	(22)	(5 882)
Impairment losses	1 334	–	(199)	(1 334)	(199)
Total assets					
Reportable segment assets	15 529	33 960	11 818	(13 077)	48 230
Included in reportable segment assets:					
Additions to property, plant and equipment and intangible assets	6	6 927	1 729	–	8 662
Non-current assets other than financial instruments and deferred taxation					
Total liabilities					
Reportable segment liabilities	(3 949)	(24 957)	(9 014)	8 620	(29 300)

Notes to the consolidated annual financial statements continued

Rm	2014	2013	2012
2. Impairment			
Impairment losses			
Impairment losses recognised are as follows:			
Intangible assets (Note 10)	**–**	–	(250)
Property, plant and equipment (Note 9)	**–**	21	51
Available-for-sale financial asset carried at cost (Note 11.3)	**–**	(35)	–
	–	(14)	(199)

In the prior year the value in use of the Group's Mozambique cash-generating unit increased due to improved operating performance and economic growth in Mozambique, resulting in the reversal of previous impairment losses of R21 million (2012: R70 million) for property, plant and equipment and RNil (2012: R47 million) for intangible assets. There were no reversal of previous impairments in the current year.

The impairment, in the previous year, of available-for-sale financial assets carried at cost was mainly due to weak business performance in the underlying entities.

In 2012, impairment losses included a goodwill impairment of R131 million and impairment of customer bases of R3 million relating to the Group's Vodacom Business Africa cash-generating unit and an impairment of customer bases of R163 million relating to the Group's Gateway Carrier Services cash-generating unit, as a result of increased price competition in increasingly competitive markets and poorer trading conditions. Both these business operations formed part of the Group's International reportable segment.

Goodwill impairment testing

Rm	2014	2013	2012
Carrying amount of goodwill is as follows:			
Vodacom (Pty) Limited	**1 739**	1 739	1 739
Other[1]	**117**	116	115
	1 856	1 855	1 854

Notes:

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.

Notes to the consolidated annual financial statements continued

2. Impairment continued

Goodwill impairment testing continued

The recoverable amounts of all cash-generating units are based on value in use calculations.

Key assumptions used in value in use calculations

The key assumptions, applicable to all cash-generating units, on which management has based all its cash flow projections for the period covered by the most recent forecasts are:

Key assumptions	Basis for determining values assigned to key assumptions
Forecast capital expenditure	The cash flow forecasts for capital expenditure are based on past experience, benchmarks in similar markets and include the ongoing normal capital expenditure required to roll out networks to provide enhanced voice and data products and services and to meet the population coverage requirements in terms of licences, where required. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and computer software.
Forecast EBITDA	Forecast EBITDA has been based on past experience adjusted for the following: • voice and messaging revenue which is expected to benefit from increased usage from new and existing customers, the introduction of new services and traffic moving from fixed networks to mobile networks, though these factors will be partially offset by increased competitor activity, which may result in price declines and the trend of falling termination rates; • non-messaging data revenue which is expected to continue to grow strongly as the penetration of third generation ('3G') and long term evolution ('LTE') 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 estimated by management.

Notes to the consolidated annual financial statements continued

2. Impairment continued

Goodwill impairment testing continued

Key assumptions	Basis for determining values assigned to key assumptions
Risk adjusted discount rate used in adjusted present value calculations	The discount rate applied to the cash flows of each of the Group's operations is based on the risk-free rate for 10 year bonds issued by the government in the respective market, if available, and, where possible, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific Group operating company. In making this adjustment, inputs required are the equity market risk premium (that is the increased return required over and above a risk-free rate by an investor who is investing in the market as a whole), the risk adjusted beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole and where necessary, a company specific risk premium. In determining the risk adjusted discount rate, management has applied an adjustment for the systematic risk to each of the Group's operations determined using an average of the betas of comparable listed mobile telecommunications companies and, where available and appropriate, across a specific territory. Management has used a forward-looking equity market risk premium that takes into consideration both studies by independent economists, the average equity market risk premium over the past 10 years and the market risk premiums typically used by investment banks in evaluating acquisition proposals.

Sensitivity to changes in key assumptions

Vodacom (Pty) Limited is the only cash-generating unit for which the carrying amount of goodwill allocated to that unit is significant in comparison with the Group's total carrying amount of goodwill.

Management believes that no reasonable possible change in any of the aforementioned key assumptions would cause the carrying amount of any cash-generating unit to which a significant amount of goodwill has been allocated, to exceed its recoverable amount.

%	Vodacom (Pty) Limited
31 March 2014	
Long-term growth rate	**4.0**
Risk adjusted discount rate	**12.8**
31 March 2013	
Long-term growth rate	4.0
Risk adjusted discount rate	12.9
31 March 2012	
Long-term growth rate	3.0
Risk adjusted discount rate	11.9

Notes to the consolidated annual financial statements continued

Rm	2014	2013	2012
3. Operating profit			
The operating profit has been arrived at after crediting/ (charging):			
Net profit/(loss) on disposal of property, plant and equipment and intangible assets	**147**	22	(65)
Auditor's remuneration – audit fees	**(22)**	(22)	(19)
Auditor's remuneration – other services	**(1)**	(1)	(1)
Professional fees for consultancy services	**(248)**	(288)	(314)
Operating lease rentals	**(2 192)**	(2 016)	(2 366)
Transmission and data lines	**(1 342)**	(1 493)	(1 758)
Other	**(850)**	(523)	(608)
Write down of receivables, not previously provided for	**(612)**	(258)	(269)
Bad debts recovered	**177**	129	175
Net foreign exchange gains/(losses)	**88**	(195)	(146)

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

Rm	2014	2013	2012
4. Finance income			
Interest income			
Banks	**130**	70	65
Loans receivable	**22**	18	18
Tax authorities	**1**	1	1
Other	**180**	28	25
	333	117	109

Interest income on financial assets not at fair value through profit or loss amounted to R303 million (2013: R88 million; 2012: R84 million).

Rm	2014	2013	2012
5. Finance costs			
Interest expense			
Borrowings	**(1 001)**	(887)	(772)
Tax authorities	**(15)**	–	87
Other	**(35)**	(40)	(63)
	(1 051)	(927)	(748)

Interest expense on financial liabilities not at fair value through profit or loss amounted to R952 million (2013: R862 million; 2012: R796 million).

Notes to the consolidated annual financial statements continued

Rm	2014	2013	2012
6. Net (loss)/gain on remeasurement and disposal of financial instruments			
Net (loss)/gain on derivatives	**(288)**	113	20
Net gain/(loss) on translation of foreign denominated assets and liabilities	**28**	40	(16)
Remeasurement of loans receivable[1]	**169**	(30)	(51)
Financial liabilities held at amortised cost	**–**	–	2
	(91)	123	(45)

Note:

1. R21 million (2013: R30 million; 2012: R36 million) of the remeasurement of loans receivable relates to the negative remeasurement of South African-based loans receivable and R190 million (2013: RNil million; 2012: R15 million negative) positive remeasurement to non-South African-based loans receivable.

Rm	2014	2013	2012
7. Taxation			
7.1 Income tax expense			
South African current tax	**(4 593)**	(4 929)	(5 342)
Current year	**(4 581)**	(4 913)	(4 508)
Adjustments in respect of prior years	**(12)**	(16)	(28)
Secondary tax on companies	**–**	–	(806)
Foreign current tax	**(601)**	(408)	(107)
Current year	**(435)**	(236)	(98)
Adjustments in respect of prior years	**(2)**	23	69
Withholding tax	**(164)**	(195)	(78)
Total current tax	**(5 194)**	(5 337)	(5 449)
Deferred tax on origination and reversal of temporary differences:			
South African deferred tax	**(463)**	185	(333)
Current year	**(451)**	235	(297)
Current year	**(451)**	235	(278)
Tax rate change[1]	**–**	-	(19)
Adjustments in respect of prior years	**(12)**	(50)	(36)
Foreign deferred tax	**(261)**	(58)	52
Current year	**(165)**	(37)	103
Adjustments in respect of prior years	**(96)**	(21)	(51)
Total deferred tax	**(724)**	127	(281)
Total income tax expense	**(5 918)**	(5 210)	(5 730)
Components of deferred tax charged to profit or loss			
Capital allowances	**(164)**	(96)	(233)
Foreign exchange	**26**	(14)	(266)
Tax losses	**(188)**	(66)	249
Provisions and deferred income	**(307)**	138	(162)
Other	**(91)**	165	131
	(724)	127	(281)

Note:

1. During the 2012 financial year the capital gains tax inclusion rate increased to 66.6%.

Notes to the consolidated annual financial statements continued

Rm	2014	2013	2012
7. Taxation continued			
7.1 Income tax expense continued			
Factors affecting tax expense for the year			
The table below discloses the differences between the expected income tax expense at the South African statutory tax rate and the Group's total income tax expense:			
Expected income tax expense on profit before tax at the South African statutory tax rate	**(5 484)**	(5 161)	(4 461)
Adjusted for:			
Disallowed expenses	**(376)**	(264)	(273)
Unrecognised tax asset	**14**	(130)	(405)
Secondary tax on companies	**–**	–	(806)
Prior year adjustments	**(126)**	(126)	(46)
Tax rate differences	**(13)**	6	(2)
Tax rate changes[1]	**–**	–	(19)
Foreign tax, net of rebates	**(136)**	(116)	(54)
Tax losses	**58**	216	82
Deferred tax asset recognition	**–**	183	149
Other adjustments	**145**	182	105
Total income tax expense	**(5 918)**	(5 210)	(5 730)

Note:

1. During the 2012 financial year the capital gains tax inclusion rate increased to 66.6%.

The South African statutory tax rate is 28.0% for all reporting periods. The Group's effective tax rate is 30.2% (2013: 28.3%; 2012: 36.0%) and the increase is mainly due to an increase in non-deductible expenditure, including BBBEE costs, and the utilisation of tax losses in the prior year for which no deferred tax asset was recognised in the past.

Rm	2014	2013	2012
7.2 Other comprehensive income, net of tax			
Foreign currency translation differences, net of tax	**794**	823	389
Foreign currency translation differences	**937**	993	571
Taxation	**(143)**	(170)	(182)
Gain/(loss) on hedging instruments in cash flow hedges, net of tax	**26**	(8)	(74)
Gain/(loss) on hedging instruments in cash flow hedges	**38**	(11)	(103)
Taxation	**(12)**	3	29
Other comprehensive income, net of tax	**820**	815	315

Notes to the consolidated annual financial statements continued

Rm	2014	2013	2012
7. Taxation continued			
7.3 Tax credited directly to other comprehensive income			
Current tax	**(72)**	(47)	–
Deferred tax	**(83)**	(120)	(153)
	(155)	(167)	(153)
7.4 Deferred tax			
Analysed in the statement of financial position, after offset of balances within companies, as follows:			
Deferred tax assets	**22**	241	313
Deferred tax liabilities	**(1 592)**	(981)	(1 017)
	(1 570)	(740)	(704)
Components			
Gross deferred tax assets and liabilities, before offset of balances within companies, are as follows:			
Capital allowances	**(2 688)**	(2 248)	(2 049)
Deferred tax assets	**–**	–	18
Deferred tax liabilities	**(2 688)**	(2 248)	(2 067)
Foreign exchange	**(91)**	(15)	80
Deferred tax assets	**2**	–	84
Deferred tax liabilities	**(93)**	(15)	(4)
Tax losses	**180**	322	370
Deferred tax assets	**180**	322	370
Provisions and deferred income	**1 136**	1 473	1 233
Deferred tax assets	**1 136**	1 473	1 233
Other	**(107)**	(272)	(338)
Deferred taxation assets	**53**	41	96
Deferred taxation liabilities	**(160)**	(313)	(434)
	(1 570)	(740)	(704)
Reconciliation of net deferred tax balance			
1 April	**(739)**	(704)	(265)
Foreign currency translation differences	**(41)**	(40)	(5)
(Charged)/credited to profit or loss	**(724)**	127	(281)
(Charged)/credited directly to other comprehensive income	**(83)**	(125)	(153)
Credited directly to equity	**17**	–	–
Business combinations and disposal of subsidiaries	**–**	2	–
31 March	**(1 570)**	(740)	(704)

Notes to the consolidated annual financial statements continued

Rm	2014	2013	2012
7. Taxation continued			
7.5 Factors affecting the tax charge in future years			
Total estimated tax losses	**2 389**	2 758	3 148
Utilised to reduce net temporary differences	**(561)**	(1 010)	(1 183)
Estimated unused tax losses	**1 828**	1 748	1 965
Tax credits	**170**	630	583

If the estimated unused tax losses are applied, the available R576 million (2013: R530 million; 2012: R669 million) would result in the current year's R1 570 million net deferred tax liability reducing to R994 million (2013: R740 million net deferred tax liability reducing to R210 million; 2012: R704 million net deferred tax liability to be a R35 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:

	0 – 1 year	2 – 5 years	Unlimited	Total
Rm	**2014**			
Deductible temporary differences	**–**	**2 438**	**9**	**2 447**
Estimated unused tax losses	**–**	**1 095**	**733**	**1 828**
Unused tax credits	**170**	**–**	**–**	**170**
Rm	**2013**			
Deductible temporary differences	–	1 742	7	1 749
Estimated unused tax losses	–	852	896	1 748
Unused tax credits	630	–	–	630
Rm	**2012**			
Deductible temporary differences	–	1 419	656	2 075
Estimated unused tax losses	–	997	968	1 965
Unused tax credits	–	583	–	583

Notes to the consolidated annual financial statements continued

Cents	2014	2013	2012
8. Earnings and dividends per share			
Basic earnings per share	**903.3**	887.4	694.0
Diluted earnings per share	**901.9**	885.3	691.2
Headline earnings per share	**895.8**	872.4	708.9
Diluted headline earnings per share	**894.4**	870.2	706.0
Dividends per share[1]	**825.0**	805.0	540.0

Note:
1. The Group declared a final dividend after the reporting period (Note 27).

8.1 Earnings per share

Earnings per share calculations are based on earnings and the weighted average number of ordinary shares outstanding as set out below:

Rm	2014	2013	2012
8.1.1 Earnings			
Headline earnings reconciliation:			
Earnings, attributable to equity shareholders, for basic and diluted earnings per share	**13 243**	12 991	10 156
Adjusted for:			
Profit on disposal of subsidiary	**–**	(224)	–
Net (profit)/loss on disposal of property, plant and equipment and intangible assets (Note 3)	**(110)**	(15)	47
Net (profit)/loss on disposal of property, plant and equipment and intangible assets (Note 3)	**(147)**	(22)	65
Tax and non-controlling interest impact	**37**	7	(18)
Impairment losses (Note 2)	**–**	18	171
Impairment losses (Note 2)	**–**	14	199
Tax and non-controlling interest impact	**–**	4	(28)
Headline earnings for headline and diluted headline earnings per share[1]	**13 133**	12 770	10 374

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 3/2012 as issued by the SAICA.

Shares	2014	2013	2012
8.1.2 Reconciliation of weighted average number of ordinary shares outstanding			
For basic and headline earnings per share	**1 466 056 191**	1 463 804 093	1 463 464 480
Diluted earnings and diluted headline earnings per share	**2 336 900**	3 730 229	5 927 748
For diluted earnings and diluted headline earnings per share[1]	**1 468 393 091**	1 467 534 322	1 469 392 228

Note:
1. Includes shares held under the forfeitable share plan (Note 17.2.1).

8.2 Dividends per share

Vodacom Group Limited acquired 3 709 419 shares in the market during the year at an average price of R112.48 per share. Dividends per share calculations are based on a declared dividend of R12 275 million (2013: R11 978 million; 2012: R8 035 million) and shares of 1 487 954 000 for all reporting periods. R46 million (2013: R78 million; 2012: R50 million) of the dividend declared was offset against the forfeitable share plan reserve, R4 million (2013: R6 million; 2012: R2 million) expensed as staff costs and R127 million (2013: R124 million; 2012: R83 million) paid to Wheatfields 276 (Pty) Limited, a wholly-owned subsidiary holding treasury shares on behalf of the Group.

Notes to the consolidated annual financial statements continued

9. Property, plant and equipment

Rm	Land and buildings	Network infrastructure and equipment	Other assets	Total
1 April 2011	2 399	18 884	294	21 577
Cost	3 314	45 347	879	49 540
Accumulated depreciation and impairment losses	(915)	(26 463)	(585)	(27 963)
Additions	410	7 185	142	7 737
Disposals	(1)	(500)	(6)	(507)
Foreign currency translation differences	13	538	11	562
Depreciation	(227)	(4 458)	(92)	(4 777)
Impairment losses reversed (Note 2)	6	27	18	51
Net transfer to intangible assets (Note 10)	–	(276)	–	(276)
Category and other transfers	10	(5)	(5)	–
31 March 2012	2 610	21 395	362	24 367
Cost	3 757	49 564	1 081	54 402
Accumulated depreciation and impairment losses	(1 147)	(28 169)	(719)	(30 035)
Additions	415	7 809	120	8 344
Disposals	(11)	(672)	(18)	(701)
Foreign currency translation differences	27	1 100	19	1 146
Depreciation	(295)	(4 764)	(110)	(5 169)
Disposal of subsidiary (Note 22)	–	(180)	(1)	(181)
Impairment losses reversed (Note 2)	–	21	–	21
Net transfer to intangible assets (Note 10)	–	(76)	(2)	(78)
Category and other transfers	(12)	3	1	(8)
31 March 2013	**2 734**	**24 636**	**371**	**27 741**
Cost	**4 193**	**55 548**	**1 184**	**60 925**
Accumulated depreciation and impairment losses	**(1 459)**	**(30 912)**	**(813)**	**(33 184)**
Additions	**416**	**9 000**	**188**	**9 604**
Disposals	**(4)**	**(613)**	**(7)**	**(624)**
Foreign currency translation differences	**23**	**958**	**14**	**995**
Depreciation	**(200)**	**(5 176)**	**(118)**	**(5 494)**
Net transfer to intangible assets (Note 10)	**–**	**(6)**	**–**	**(6)**
Transfer to non-current assets held for sale	**–**	**(1 385)**	**(1)**	**(1 386)**
Category and other transfers	**–**	**(29)**	**1**	**(28)**
31 March 2014	**2 969**	**27 385**	**448**	**30 802**
Cost	**4 644**	**56 347**	**1 294**	**62 285**
Accumulated depreciation and impairment losses	**(1 675)**	**(28 962)**	**(846)**	**(31 483)**

The carrying amount of network infrastructure and equipment includes R1 178 million (2013: R872 million; 2012: R520 million) in relation to assets held under finance leases (Note 18).

The Group's South African operations pledged certain of its property, plant and equipment with a carrying amount of R1 178 million (2013: R872 million; 2012: R774 million) as security against borrowings with a fair value of R1 112 million (2013: R862 million; 2012: R577 million) (Note 18). The respective pledges are limited to the carrying amount of the borrowings. In the prior year Vodacom Tanzania Limited pledged its property, plant and equipment with a carrying amount of R4 077 million (2012: R3 035 million) and its intangible assets with a carrying amount of R138 million (2012: R90 million), in the form of an asset debenture, as security against borrowings with a fair value of R382 million (2012: R637 million) (Note 18).

Notes to the consolidated annual financial statements continued

9. Property, plant and equipment continued

Included in the carrying amount of network infrastructure and equipment and other assets are assets in the course of construction, which are not depreciated, with a cost of R797 million (2013: R499 million; 2012: R633 million) and RNil million (2013: R16 million; 2012: R12 million) respectively.

A register with details of the cost price, cost of improvements and date of acquisition of all land and buildings is available for inspection at the Group's registered office.

For the year ended March 2014 staff expenses of R490 million (2013: R310 million; 2012: R240 million) were capitalised.

10. Intangible assets

Rm	Goodwill	Licences	Trademark. patents and other	Customer bases	Computer software	Total
1 April 2011	1 970	298	182	339	2 426	5 215
Cost	6 321	560	445	2 267	6 434	16 027
Accumulated amortisation and impairment losses	(4 351)	(262)	(263)	(1 928)	(4 008)	(10 812)
Additions	–	–	–	–	925	925
Disposals	–	–	–	–	(10)	(10)
Foreign currency translation differences	15	5	7	21	24	72
Amortisation	–	(29)	(27)	(71)	(978)	(1 105)
Impairment losses (Note 2)	(131)	42	–	(166)	5	(250)
Transfer from property, plant and equipment (Note 9)	–	–	–	–	276	276
31 March 2012	1 854	316	162	123	2 668	5 123
Cost	6 839	594	454	2 413	6 635	16 935
Accumulated amortisation and impairment losses	(4 985)	(278)	(292)	(2 290)	(3 967)	(11 812)
Additions	–	123	–	–	1 112	1 235
Foreign currency translation differences	1	38	5	–	58	102
Amortisation	–	(44)	(28)	(46)	(1 077)	(1 195)
Disposal of subsidiary (Note 22)	–	–	–	–	(11)	(11)
Transfer from property, plant and equipment (Note 9)	–	–	–	–	78	78
31 March 2013	**1 855**	**433**	**139**	**77**	**2 828**	**5 332**
Cost	**6 795**	**781**	**459**	**1 381**	**7 402**	**16 818**
Accumulated amortisation and impairment losses	**(4 940)**	**(348)**	**(320)**	**(1 304)**	**(4 574)**	**(11 486)**
Additions	**–**	**44**	**–**	**–**	**1 175**	**1 219**
Foreign currency translation differences	**1**	**38**	**5**	**–**	**60**	**104**
Amortisation	**–**	**(76)**	**(28)**	**(32)**	**(1 155)**	**(1 291)**
Transfer to non-current assets held for sale	**–**	**–**	**–**	**–**	**(1)**	**(1)**
Transfer from property, plant and equipment (Note 9)	**–**	**–**	**–**	**–**	**6**	**6**
31 March 2014	**1 856**	**439**	**116**	**45**	**2 913**	**5 369**
Cost	**7 383**	**891**	**466**	**1 411**	**8 614**	**18 765**
Accumulated amortisation and impairment losses	**(5 527)**	**(452)**	**(350)**	**(1 366)**	**(5 701)**	**(13 396)**

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

Notes to the consolidated annual financial statements continued

Rm	2014	2013	2012
11. Financial assets			
Non-current			
Loans receivable (Note 11.1)	**79**	134	102
Available-for-sale financial assets (Note 11.3)	**62**	64	99
	141	198	201
Current			
Loans receivable (Note 11.1)	**406**	50	39
Financial assets at fair value through profit or loss, classified as held for trading (Note 11.2)	**224**	93	199
Cash held in restricted deposits (Note 11.4)	**1 192**	1 027	457
	1 822	1 170	695
11.1 Loans receivable			
Mirambo Limited	**406**	173	134
The loan with a nominal value of US$14.9 million, bears interest at LIBOR plus 5.0%, shall be repaid from any cash distributions by Vodacom Tanzania Limited to Mirambo Limited, is collateralised by cession over all shareholder distributions and a pledge over 10.0% (2013 and 2012: 10.0%) of Mirambo Limited's shares in Vodacom Tanzania Limited and was partially impaired during 2010. The loan will be repaid in the next financial year (Note 27).			
Helios Towers Tanzania Limited	**63**	–	–
The loan with a nominal value of US$6 million, bears interest at 15%, is unsecured and is repayable on 31 December 2019.			
Other loans receivable	**16**	11	7
	485	184	141
11.2 Financial assets at fair value through profit or loss, classified as held for trading			
Money market investments	**104**	93	199
Unit trust investments	**120**	–	–
	224	93	199
Fair value of money market investments is determined with reference to quoted market prices of identical assets. Fair value of unit trust investments are determined by reference to quoted market prices.			
11.3 Available-for-sale financial assets			
Unlisted equity investments	**62**	64	99
The carrying amount of available-for-sale financial assets carried at cost, approximates its fair value. A register with details of the entities and the percentages of share capital and voting power, if different, held in each unlisted investment is available for inspection at the Group's registered office.			
11.4 Cash held in restricted deposits	**1 192**	1 027	457

The carrying amount approximates fair value and mainly represented by cash from M-Pesa activities which is held in accounts with reputable financial institutions.

Notes to the consolidated annual financial statements continued

12. Investment in associate

As at 31 March 2014, the Group held an 18.24% equity interest in Helios Towers Tanzania Limited ('Helios'), an independent telecommunications tower operator. This holding was acquired as part of a sale and leaseback transaction of Vodacom Tanzania's telecommunications towers to HTT Infraco Limited ('HTT'), a subsidiary of Helios. As at 31 March 2014, ownership of the majority of the sites sold had been transferred to HTT, with the balance expected to change ownership in the next financial year. The assets have been reclassified as 'non-current assets held for sale', which are reported under the International reportable segment (Note 1). The final holding in Helios, once all sites have transferred, will be 24.5%. Helios principally operates and is incorporated in Tanzania. The investment is equity accounted. There were no distributions made during the current year. Refer to Note 11 for details on loans granted to Helios.

Rm	2014	2013	2012
Investment at cost	**367**	–	–
Dividends received from associate	**–**	–	–
The year end of Helios is 31 December and its summarised financial information for the year ended 31 December 2012 was as follows[1]:			
Assets	**2 140**	–	–
Liabilities	**(1 167)**	–	–
Revenue	**317**	–	–
Net profit	**(331)**	–	–

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

The Group's associate had no contingent liabilities.

There are no significant restrictions on the liability of the associate to transfer funds to the Group in the form of cash dividends or repayment of loans other than the fact that the associate may not declare and/or pay any dividends or make any capital distribution to shareholders without the prior written consent of the existing shareholders.

13. Inventory

Rm	2014	2013	2012
Goods held for resale	**1 069**	861	832
Inventory valuation allowance included above:			
1 April	**(85)**	(80)	(50)
Foreign currency translation differences	**(5)**	(6)	(2)
Credited/(charged) to profit or loss	**5**	1	(28)
31 March	**(85)**	(85)	(80)

The cost of inventories recognised as an expense during the period amounts to R9 264 million (2013: R7 687 million; 2012: R7 627 million).

Notes to the consolidated annual financial statements continued

Rm	2014	2013	2012
14. Trade and other receivables			
Trade receivables	**8 738**	8 436	8 859
Prepayments and accrued income	**2 669**	2 034	2 210
Value-added tax	**53**	219	140
Derivative financial assets	**53**	18	20
Other	**703**	460	377
	12 216	11 167	11 606
Timing			
Current	**11 557**	10 971	11 379
Non-current	**659**	196	227
	12 216	11 167	11 606
Doubtful receivable allowance included above:			
The Group's trade receivables are stated after allowances for doubtful receivables based on management's assessment of creditworthiness, an analysis of which is as follows:			
1 April	**(251)**	(214)	(132)
Foreign currency translation differences	**(28)**	(28)	(12)
Disposal of subsidiary	**–**	3	–
Charged to profit or loss	**(56)**	(134)	(71)
Utilised	**16**	122	1
31 March	**(319)**	(251)	(214)
Trade receivables are carried 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:			
Interest rate swaps	**–**	–	2
Foreign exchange forward contracts	**–**	18	18
	–	18	20
Fair value hedges:			
Foreign exchange forward contracts	**23**	–	–
Firm commitment asset – fair value hedge	**30**	–	–
	53	18	20

The fair value of foreign exchange forward contracts is determined with reference to quoted market prices for similar instruments, being the mid forward rates as at the reporting date. The fair value of interest rate swaps is determined by means of a discounted cash flow method, where the discount rates and forward floating interest rates, the latter used to determine future floating cash flows, are derived from a zero coupon yield curve as at the reporting date. During the current year the Group designated certain forward exchange contract's as fair value hedges to hedge its exposure to variability in the fair value that is attributable to changes in foreign exchange rates.

Notes to the consolidated annual financial statements continued

15. Finance lease receivables

The Group provides terminal equipment to customers at an additional contractual charge. The interest rate implicit in these leases is between nil and 13.8% (2013 and 2012: nil and 15.5%) per annum. The fair value of the leases is R1 965 million (2013: R2 272 million; 2012: R1 189 million).

Rm	Within one year	Between one and five years	After five years	Total
2014				
Future minimum lease payments receivable	**1 429**	**612**	**13**	**2 054**
Unearned finance income	**(145)**	**(32)**	**(2)**	**(179)**
Present value of minimum lease payments receivable	**1 284**	**580**	**11**	**1 875**
2013				
Future minimum lease payments receivable	1 687	780	–	2 467
Unearned finance income	(250)	(54)	–	(304)
Present value of minimum lease payments receivable	1 437	726	–	2 163
2012				
Future minimum lease payments receivable	809	484	–	1 293
Unearned finance income	(118)	(37)	–	(155)
Present value of minimum lease payments receivable	691	447	–	1 138

Notes to the consolidated annual financial statements continued

Rm	2014	2013	2012
16. Share capital			
Authorised			
4 000 000 000 ordinary shares with no par value			
Issued			
Fully paid share capital			
1 487 954 000 ordinary shares with no par value	*	*	*
Treasury shares			
21 779 006 (2013: 21 355 767; 2012: 24 782 592) ordinary shares with no par value	**1 589**	1 389	1 530
	1 589	1 389	1 530

Shares	2014	2013	2012
Movements in the number of ordinary shares outstanding:			
1 April	**1 466 598 233**	1 463 171 408	1 464 818 502
Statutory shares in issue	**1 487 954 000**	1 487 954 000	1 487 954 000
Treasury shares	**(21 355 767)**	(24 782 592)	(23 135 498)
Repurchase of shares			
Forfeitable share plan[1]	**(1 861 447)**	(1 680 373)	(2 033 655)
Restricted shares[1]	**(1 847 972)**	–	–
Forfeitable share plan – forfeited shares sold	**709 439**	884 342	258 686
Forfeitable share plan – vested shares	**2 531 762**	4 222 856	127 875
Restricted shares – vested	**44 979**	–	–
31 March	**1 466 174 994**	1 466 598 233	1 463 171 408
Statutory shares in issue	**1 487 954 000**	1 487 954 000	1 487 954 000
Treasury shares	**(21 779 006)**	(21 355 767)	(24 782 592)
Treasury shares held by:			
Vodacom Group Limited	**6 357 774**	4 153 709	4 322 248
Subsidiaries	**15 421 231**	17 202 058	20 460 344
	21 779 006	21 355 767	24 782 592

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:

* Fully paid share capital of R100.

1. Forfeitable and restricted shares held by employees are treated as treasury shares for accounting in terms of IAS 32: Financial Instruments: Presentation, since shares awarded under the forfeitable share plan have not fully vested for the purposes of IFRS 2: Share-based Payment until the potential forfeiture period has expired (Note 17).

Notes to the consolidated annual financial statements continued

17. Other reserves

17.1 Contingency reserve

In terms of the Short-term Insurance Act of 1998 the Group's cell captive partner, Centriq Insurance Company Limited, was required to recognise a contingency reserve equal to 10.0% of premiums written less approved reinsurance, as defined in the aforementioned act. This reserve could be utilised only with the prior permission of the Registrar of Short-term Insurance. During the current year the reserve was released to retained earnings as this is no longer a requirement.

17.2 Share-based payment reserve

The following equity-settled share-based payment expense is recognised in profit or loss in terms of IFRS 2: Share-based Payment:

Rm	2014	2013	2012
Forfeitable share plan (Note 17.2.1)	**(113)**	(195)	(192)
Restricted share plan (Note 17.2.2)	**(95)**	(29)	(43)
Broad-based black economic empowerment charge (Note 17.2.3)	**(232)**	–	–
	(440)	(224)	(235)

17.2.1 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 vesting of these shares is subject to continued employment, and is conditional upon achievement of performance targets, measured over a three-year period, for directors, senior management and other selected employees.

	Weighted average fair value at grant date R	Number of shares	Weighted average fair value at grant date R	Number of shares	Weighted average fair value at grant date R	Number of shares
	2014	2014	2013	2013	2012	2012
Share Awards						
Movements in non-vested shares:						
1 April	**79.90**	**5 782 676**	65.75	9 319 120	60.30	7 733 461
Granted	**111.82**	**1 861 447**	103.15	1 680 373	85.93	2 033 655
Forfeited	**84.24**	**(587 868)**	74.39	(993 961)	64.50	(320 121)
Vested	**63.19**	**(2 531 762)**	59.23	(4 222 856)	60.52	(127 875)
31 March	**101.83**	**4 524 493**	79.90	5 782 676	65.75	9 319 120
Ordinary shares available for utilisation:						
Opening balance		**68 217 327**		64 680 880		66 266 539
Granted		**(1 861 447)**		(1 680 373)		(2 033 655)
Forfeited		**587 868**		993 961		320 121
Vested		**2 531 762**		4 222 859		127 875
31 March		**69 475 510**		68 217 327		64 680 880

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.

Notes to the consolidated annual financial statements continued

17. Other reserves continued

17.2 Share-based payment reserve continued

17.2.2 Restricted share plan

This share-based payment arrangement is accounted for as an equity-settled share-based payment transaction.

Executives who have a conditional benefit in terms of their previous service contract have the option to convert a portion or all of their benefit to restricted shares for the purpose of meeting the shareholding guidelines. These shares are subject to the same conditions as those of the underlying conditional benefit.

	Weighted average fair value at grant date R 2014	Number of shares 2014	Weighted average fair value at grant date R 2013	Number of shares 2013	Weighted average fair value at grant date R 2012	Number of shares 2012
Share Awards						
Movements in non-vested shares:						
1 April	**117.93**	**26 166**	–	–	–	–
Granted	**111.59**	**1 847 972**	117.93	26 166	–	–
Forfeited	**–**	**–**	–	–	–	–
Vested	**110.17**	**(44 979)**	–	–	–	–
31 March	**111.71**	**1 829 159**	117.93	26 166	–	–

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.

17.2.3 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	Cumulative share-based payment expense	Cash received	Weighted average remaining life
Employees: YeboYethu Employee Participation Trust ('the Trust')	17.2.3.1	1.56	1 875	(405)	–	2.5
Black Public and Business Partners: YeboYethu Limited	17.2.3.2	1.88	2 250	(622)	360	2.5
Strategic Partner: Royal Bafokeng Holdings (Pty) Limited	17.2.3.3	1.97	2 366	(648)	378	2.5
Strategic Partner: Thebe Investment Corporation (Pty) Limited	17.2.3.3	0.84	1 009	(276)	162	2.5
		6.25	7 500	(1 951)	900	

Notes to the consolidated annual financial statements continued

17. Other reserves continued

17.2 Share-based payment reserve continued

17.2.3 Broad-based black economic empowerment reserve continued

17.2.3.1 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, 2.0% (2013: 2.9%; 2012: 5.5%) was allocated to new employees that joined the Group between 1 September 2012 and 30 August 2013.

The units vest annually on 1 September in five equal tranches and can be converted into YeboYethu Limited shares effective 1 March 2019.

17.2.3.2 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.

17.2.3.3 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 structured entity in terms of IFRS 10: Consolidated Financial Statements – as issued by the IASB.

17.2.3.4 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. Refer to note 17.2.3.7 for the modification note.

Notes to the consolidated annual financial statements continued

17. Other reserves continued

17.2 Share-based payment reserve continued

17.2.3 Broad-based black economic empowerment reserve continued

17.2.3.4 Funding continued

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 650 million (2013: R1 672 million; 2012: R1 747 million), for Black Public and Business Partners R1 483 million (2013: R1 540 million; 2012: R1 650 million) and for Strategic Partners R2 225 million (2013: R2 310 million; 2012: R2 475 million).

17.2.3.5 Share rights

	2014	2013	2012
Movements in non-vested share rights:			
1 April	**285 015 543**	285 650 648	282 843 843
Granted	**1 514 049**	2 111 057	4 144 081
Forfeited	**(746 753)**	(2 746 162)	(1 337 276)
31 March	**285 782 839**	285 015 543	285 650 648
Vesting period of share rights granted:			
Vested	**282 743 075**	270 684 306	258 413 836
Within one year	**2 071 393**	12 058 768	12 270 470
Between one and five years	**968 371**	2 272 469	14 966 342
	285 782 839	285 015 544	285 650 648

Unallocated share rights amount to 14 217 161 (2013: 14 984 456; 2012: 14 349 352). 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.

Notes to the consolidated annual financial statements continued

17. Other reserves continued

17.2 Share-based payment reserve continued

17.2.3 Broad-based black economic empowerment reserve continued

17.2.3.6 BBBEE valuation

BBBEE credentials are not separable and cannot be valued other than by reference to the fair value of the equity instruments granted. The share-based payment expense was calculated using the Monte-Carlo option pricing model, which is reflective of the underlying characteristics of the BBBEE transaction, using the following assumptions at grant dates:

	Employees: 2014 issue	Employees: 2013 issue	Employees: 2012 issue	Black Public and Business Partners	Strategic Partners
Exercise price	**–**	–	–	R25	R25
Risk-free rate (%)[1]	**5.5 – 7.9**	4.8 – 5.4	5.3 – 6.5	8.9 – 11.7	8.9 – 11.7
Expected volatility (%)[2]	**23.0**	22.0	29.0	30.0	30.0
Vesting period (years)	**2**	3	5	–	–
Contractual life (years)	**2**	3	4	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.

17.2.3.7 BBBEE modification

During the current financial year the terms and conditions of the notional loan were amended. Effective 1 April 2015, the notional interest decreased from 9.8% to 8.0% and the notional term was extended to 30 September 2018. The trading commencement date for employees changed from 1 March 2016 to 1 March 2019.

To compensate for the reduced liquidity as a result of the extended terms of the units, the Group will provide employees with the option to subscribe for an interest free loan, repayable 1 March 2019. The employee will pledge the interest held in units as security for the interest free loan. It is proposed that the value of the interest free loan available to the employees will be 50% of the amount which the Group determines as a bona fide estimate of what the after taxation value of the borrower's participation rights would have been at the original vesting date, had the notional loan period not been extended. If an employee elects to receive the funding, the Group will pay the employee the fridge benefit taxation that is levied on the employee arising from the interest free loans. The same will apply if the Group decides to waive the loan.

The above resulted in the modification of the original instrument granted.

Notes to the consolidated annual financial statements continued

	Rm	2014	2013	2012
18.	Borrowings			
	In terms of the memorandum of incorporation of Vodacom Group Limited, the borrowing powers of the Company are unlimited.			
	Non-current			
	Interest bearing borrowings (Note 18.1)	**9 683**	7 881	9 005
	Non-interest bearing borrowings (Note 18.2)	**–**	–	7
		9 683	7 881	9 012
	Current			
	Interest bearing borrowings (Note 18.1)	**3 631**	5 854	1 568
	Non-interest bearing borrowings (Note 18.2)	**436**	436	436
		4 067	6 290	2 004
18.1	**Interest bearing borrowings**			
	Domestic medium-term note programme	**–**	753	754
	During 2012, the Group established and registered a domestic medium-term note programme on the interest rate market of the JSE Limited, under which notes including commercial paper may be issued by the Group from time to time. The maximum aggregate nominal amount of all notes outstanding may not exceed R10 000 million. During the period unsecured three month commercial paper with a nominal value of R750 million, bearing interest at three month JIBAR plus 0.10%, was settled on 8 October 2013.			
	Vodafone Investments Luxembourg s.a.r.l.	**10 532**	6 024	3 022
	During the current year, two additional loans, with a combined nominal value of R4 500 million were raised. The loans with a combined nominal value of R10 500 million were utilised to refinance existing borrowings, capital expenditure and working capital requirements and are unsecured. The terms of the loans vary between three and seven years. The loans bear interest payable quarterly between JIBAR plus 1.15% and 1.45% and is ultimately repayable between 23 November 2014 and 28 September 2020.			
	Dark Fibre Africa (Pty) Limited	**1 229**	898	529
	The Group leases access transmission links under finance leases. These leases bear interest at a fixed interest rate of 6.71% and lease payments are made monthly over a lease term of 15 years per link. The finance lease liability is secured by the lessor's title to the leased assets (Note 9).			
	Balance carried forward	**11 761**	7 675	4 305

Notes to the consolidated annual financial statements continued

Rm	2014	2013	2012
18. Borrowings continued			
18.1 Interest bearing borrowings continued			
Balance brought forward	**11 761**	7 675	4 305
Citibank syndicated loans	**–**	382	636
These loans with nominal values of US$23 million (2013: US$23 million; 2012: US$47 million) and TZS28 872 million (2013: TZS28 872 million; 2012: TZS57 745 million) were utilised to refinance existing borrowings, for capital expenditure and for general corporate requirements. They bore interest, payable quarterly, at LIBOR plus 2.0% to 3.5% on the US$ denominated borrowings and the reference treasury bill rate plus 2.25% to 3.0% on the TZS denominated borrowings. The loans were repayable in equal bi-annual instalments with the last instalment paid on 16 December 2013. The loans were secured by an asset debenture, granted by Vodacom Tanzania Limited, and a mortgage over certain property (Notes 9 and 10).			
Nedbank Limited and Absa Bank Limited	**–**	3 736	3 718
The loan with a nominal value of R3 750 million was utilised to refinance existing borrowings, for capital expenditure and working capital requirements. It bore interest, payable quarterly, at JIBAR plus 1.5%, was repaid on 30 September 2013 and was unsecured (Note 30.4.1.2).			
Momentum Group Limited and Futuregrowth Asset Management (Pty) Limited	**–**	450	446
The loan with a nominal value of R450 million was utilised to refinance existing borrowings, for capital expenditure and working capital requirements. It bore interest, payable quarterly, at JIBAR plus 1.5%, was repaid on 30 September 2013 and was unsecured.			
Old Mutual Specialised Financing (Pty) Limited and Minervois Trading No. 2 (Pty) Limited	**1 002**	1 000	994
The loan with a nominal value of R1 000 million was utilised to refinance existing borrowings, for capital expenditure and working capital requirements. It bears interest, payable quarterly, at JIBAR plus 1.8%, is repayable on 30 September 2015 and is unsecured (Note 30.4.1.2).			
Balance carried forward	**12 763**	13 243	10 099

Notes to the consolidated annual financial statements continued

Rm	2014	2013	2012
18. Borrowings continued			
18.1 Interest bearing borrowings continued			
Balance brought forward	**12 763**	13 243	10 099
Mirambo Limited	**9**	7	6
The loan with a nominal value of US$18 million was provided to Vodacom Tanzania Limited ('VTL'). In the prior year the nominal value of the loan was converted to equity. The remaining portion of the loan bears interest, payable quarterly, at LIBOR plus 5.0%. The loan shall be repaid in the next financial year (Note 27).			
FirstRand Bank Limited	**–**	–	77
The loans were used to purchase various land and buildings and were collateralised (Note 9). They bore interest at fixed effective interest rates of between 12.1% and 16.9% per annum. Repayments were made monthly, quarterly or bi-annually with final settlement during November 2012 (Note 30.4.1.2).			
Congolese Wireless Network s.p.r.l.	**542**	466	376
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.			
Other loans	**–**	19	15
	13 314	13 735	10 573

The aggregate fair value, if determinable, of interest bearing borrowings with a carrying amount of R12 772 million (2013: R13 262 million; 2012: R10 197 million) amounts to R12 490 million (2013: R13 320 million; 2012: R10 188 million) and was determined by using the discounted cash flow method, with a discount rate based on market-related interest rates. The discount rate varied between 6.9% and 8.9% (2013: 6.6% and 7.7%; 2012: 7.2% and 8.2%) for rand-denominated borrowings. No foreign denominated borrowings were valued during the current and prior year, as they were all repaid during the current year. In 2012 the discount rates varied between 2.5% and 4.0% for United States dollar-denominated borrowings and 16.4% and 17.2% for Tanzanian shilling-denominated borrowings.

Notes to the consolidated annual financial statements continued

18. Borrowings continued

18.1 Interest bearing borrowings continued

Maturity of finance lease liabilities:

Rm	0 – 1 year	2 – 5 years	5 + years
2014			
Future minimum lease payments payable	**140**	**560**	**1 165**
Future finance costs	**(81)**	**(279)**	**(276)**
Present value of minimum lease payments payable	**59**	**281**	**889**
2013			
Future minimum lease payments payable	100	399	885
Future finance costs	(59)	(206)	(220)
Present value of minimum lease payments payable	41	193	665
2012			
Future minimum lease payments payable	58	231	535
Future finance costs	(35)	(122)	(138)
Present value of minimum lease payments payable	23	109	397

Interest rate and currency of interest bearing borrowings:

Rm	Total	Floating rate	Fixed rate
2014			
Currency			
South African rand	**12 763**	**7 511**	**5 252**
United States dollar	**551**	**–**	**–**
	13 314	**7 511**	**5 252**
2013			
Currency			
South African rand	12 861	8 217	4 644
Tanzanian shilling	165	165	–
United States dollar	709	225	484
	13 735	8 607	5 128
2012			
Currency			
South African rand	9 540	5 238	4 302
Tanzanian shilling	278	278	–
United States dollar	755	364	391
	10 573	5 880	4 693

Rm	2014	2013	2012
18.2 Non-interest bearing borrowings			
Royal Bafokeng Holdings (Pty) Limited	**436**	436	436
Number Portability Company (Pty) Limited	**–**	–	7
	436	436	443

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

Notes to the consolidated annual financial statements continued

	Rm	2014	2013	2012
19.	Trade and other payables			
	Trade payables	**6 894**	7 060	6 768
	Capital expenditure creditors	**3 693**	3 050	2 225
	Value-added tax	**1 058**	905	517
	Accruals	**5 108**	2 192	2 143
	Deferred revenue	**3 513**	4 387	3 617
	Derivative financial liabilities	**146**	43	42
	Other	**417**	365	446
		20 829	18 002	15 758
	Timing			
	Current	**20 357**	17 780	15 406
	Non-current	**472**	222	352
		20 829	18 002	15 758
	Trade payables are carried at cost which normally approximates fair value due to short-term maturity.			
	Included within derivative financial liabilities:			
	At fair value through profit or loss, classified as held for trading:			
	Foreign exchange forward contracts	**3**	3	13
	Cash flow hedges:			
	Interest rate swaps	**4**	40	29
	Fair value hedges:			
	Foreign exchange forward contracts	**115**		
	Firm commitment liability – fair value hedge	**24**	–	–
		146	43	42

The fair value of foreign exchange forward contracts is determined with reference to quoted market prices for similar instruments, being the mid forward rates as at the reporting dates. During the current year the Group designated certain foreign exchange forward contracts as fair value hedges to hedge its exposure to variability in the fair value that is attributable to changes in foreign exchange rates.

Notes to the consolidated annual financial statements continued

20. Provisions

Rm	Employee benefits provisions	Other provisions	Total
1 April 2011	552	256	808
Provision created	111	103	214
Provision utilised	(108)	(8)	(116)
31 March 2012	555	351	906
Provision created	20	61	81
Provision utilised	(103)	(63)	(166)
Disposal of subsidiary	(12)	–	(12)
Unwinding of interest	–	10	10
31 March 2013	**460**	**359**	**819**
Provision created	**(63)**	**10**	**(53)**
Provision utilised	**(248)**	**(96)**	**(344)**
Unwinding of interest	**–**	**10**	**10**
31 March 2014	**149**	**283**	**432**

Rm	2014	2013	2012
Timing			
Current	**169**	283	355
Non-current	**263**	536	551
	432	819	906

20.1 Employee benefits provisions

Deferred bonus incentive provision

The value of entitlements 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 continued to increase in value, based on defined profit increase, until 31 March 2014. The 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. The provision is utilised when eligible employees receive the value of vested entitlements.

Other employee benefits provision

The provision is measured based on contractually agreed terms and increases as the employee renders the related service. The provision is utilised when eligible employees terminate their service as set out in the agreement.

Rm	2014	2013	2012
1 April	**329**	384	382
Current service cost	**5**	20	30
Total benefit payments	**(62)**	(63)	(28)
Restricted share plan (Note 17.2.2)	**(207)**	–	–
Disposal of subsidiary (Note 22)	**–**	(12)	–
31 March	**65**	329	384

Notes to the consolidated annual financial statements continued

20. Provisions continued

20.2 Other provisions

Other provisions include provisions for asset retirement obligations. In the course of the Group's activities, a number of sites and other assets are utilised which are expected to have costs associated with exiting and ceasing their use. The associated cash outflows are generally expected to occur at the dates of exit of the assets to which they relate, which are long-term and short-term in nature.

Rm	2014	2013	2012
21. Cash generated from operations			
Operating profit	**20 394**	18 897	16 617
Adjusted for:			
Depreciation and amortisation (Notes 9 and 10)	**6 785**	6 364	5 882
Net (profit)/loss on disposal of property, plant and equipment and intangible assets (Note 3)	**(147)**	(22)	65
Impairment losses (Note 2)	**–**	14	199
Other non-cash flow items	**871**	487	615
Cash flows from operations before working capital changes	**27 903**	25 740	23 378
(Increase)/decrease in inventory	**(190)**	14	(162)
Decrease/(increase) in trade and other receivables	**369**	(1 296)	(262)
Increase in trade and other payables and provisions	**819**	862	1 548
Cash generated from operations	**28 901**	25 320	24 502
22. Business combinations and disposal of interests in subsidiaries			
Aggregate net cash consideration paid			
Consideration transferred (including directly attributable costs)	**–**	272	–
Deferred contingent consideration	**–**	–	(23)
	–	272	(23)
Net cash and cash equivalents disposed	**–**	85	–
	–	357	(23)

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Notes to the consolidated annual financial statements continued

22. Business combinations and disposal of interests in subsidiaries continued

22.1 Business combinations

22.1.1 Stortech Converged Communications (Pty) Limited

Effective 1 October 2011, the Group acquired a 61% interest for a consideration of R610.

22.2 Partial disposal of interests in subsidiaries

During 2012 the Group sold 9.0% of its stake in VM,SA to the non-controlling parties.

Rm	2014	2013	2012
Profit on disposal	–	–	191
Net liabilities disposed	–	–	(172)
Total cash consideration	–	–	19

22.3 Disposal of subsidiary

During 2013, the Group sold its investment, supplier agreements and assets in Gateway Carrier Services[1], which formed part of the Group's International reportable segment, for US$35 million. The profit on sale is disclosed as profit on sale of subsidiary.

Rm	2014	2013	2012
Net assets disposed	–	43	–
Foreign exchange	–	5	–
Profit on sale of subsidiary	–	224	–
Consideration received	–	272	–
Bank overdraft	–	85	–
	–	357	–

Notes:
1. Gateway Communications (Pty) Limited, Gateway Communications SA (Belgium), Gateway Communications UK Limited, Gateway Communications Mozambique Limitada and Gateway Communications SAS (France), as well as the customer contracts of Gateway Communications Africa (UK) Limited.

Rm	2014	2013	2012
23. Cash and cash equivalents			
Bank and cash balances	**6 127**	6 528	3 781
Bank overdrafts[1]	**(335)**	(340)	(409)
	5 792	6 188	3 372

The carrying amount of cash and cash equivalents normally approximates its fair value due to short-term maturity.

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.

Notes to the consolidated annual financial statements continued

	Rm	2014	2013	2012
24.	**Commitments**			
	Operating leases (Note 24.1)	**6 933**	7 063	5 900
	Transmission and data lines (Note 24.2)	**2 625**	2 998	3 601
	Capital expenditure contracted for but not yet incurred (Note 24.3)	**2 390**	3 254	2 043
	Other (Note 24.4)	**4 279**	3 585	5 510
24.1	**Operating leases**			
	Future minimum lease payments under non-cancellable operating leases comprise:			
	Within one year	**1 045**	992	949
	Between one and five years	**3 244**	3 134	2 655
	After five years	**2 644**	2 937	2 296
		6 933	7 063	5 900

Operating leases include leases of certain transmission and data lines, offices, distribution outlets, sites, buildings, office equipment and motor vehicles. The remaining lease terms vary between one and 20 years (2013: one year and 20 years and 2012: one year and 19 years) with escalation clauses that vary from an annual fixed escalation rate between 2.0% and 10.0% (2013: 2.0% and 10.0% and 2012: 2.0% and 12.0%) per annum or an annual variable consumer price index rate. Various options to renew exist.

The total of future minimum sublease payments expected to be received under non-cancellable subleases is R919 million (2013: R905 million; 2012: R584 million).

24.2 Transmission and data lines

Some of the Group's transmission and data line commitments are not classified as operating leases. The commitments are for the duration of the initial period which varies between one and five years depending on the option chosen.

24.3 Capital commitments

Capital commitments for property, plant and equipment and computer software will be financed through internal cash generation, extended supplier credit and bank credit.

24.4 Other

Other includes sport, marketing, functions, events, retention incentives, activation bonuses, activation commissions, other accommodation, licence, handset purchase and other purchase commitments.

24.5 Unquantifiable commitments

The Group has the following commitments which have not been quantified as the amounts are dependent on unknown future factors:

24.5.1 Global alliance fee

The Group pays annual fees for services provided to the Group by Vodafone Group Plc calculated based on an allocation of costs for services rendered multiplied by a percentage of benefit received.

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.

Notes to the consolidated annual financial statements continued

25. Contingent liabilities

25.1 Unresolved tax matters

The Group is regularly subject to an evaluation, by tax authorities, of its direct and indirect tax filings. The consequence of such reviews is that disputes can arise with tax authorities over the interpretation or application of certain tax rules applicable to the Group's business. These disputes may not necessarily be resolved in a manner that is favourable to the Group. Additionally, the resolution of the disputes could result in an obligation to the Group.

The Group has discussions with relevant tax authorities on specific matters regarding the application and interpretation of tax legislation affecting the Group and the industry in which it operates. All reliable assessments of tax exposure identified have been quantified and accounted for as appropriate.

The Group has considered all matters in dispute with tax authorities and has accounted for any exposure identified, if required.

25.2 Various legal contingencies

The Group is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the outcome of these proceedings. Following this assessment, the Group's management has determined that no provision is required in respect of these legal proceedings as at 31 March 2014. Litigations, current or pending, are not likely to have a material adverse effect on the Group.

25.3 Guarantees

The Group issued various guarantees, relating to the financial obligations of its subsidiaries, which amounted to R93 million (2013: R65 million; 2012: R57 million).

Vodacom (Pty) Limited provides an unlimited guarantee for borrowings entered into by Vodacom Group Limited. There were no related outstanding borrowings on the statement of financial position at the end of the year (2013 and 2012: RNil).

Notes to the consolidated annual financial statements continued

26. Post-employment benefits

The Group operates a number of pension plans for the benefit of all its employees throughout the Group, which vary depending on the conditions and practices in the countries concerned. The Group's pension plans are provided through defined contribution schemes. Defined contribution schemes offer employees individual funds that are converted into benefits at the time of retirement. Current contributions to the defined contribution schemes amounted to R223 million (2013: R204 million; 2012: R191 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 R6 398 million (430 cents per ordinary share) was declared for the year ended 31 March 2014, payable on Monday 30 June 2014 to shareholders recorded in the register at the close of business on Friday 27 June 2013. The net dividend after taking into account dividend withholding tax for those shareholders not exempt from dividend withholding tax is 365.50000 cents per share.

Acquisition of a further 17.2% interest in Vodacom Tanzania Limited ('VTL')

The Group entered into an agreement in terms of which it has acquired an additional indirect 17.2% interest in VTL, resulting in the Group increasing its total economic interest in VTL from 65% to 82.2%. The effective date of the transaction is 29 April 2014, the date on which all conditions precedent were met.

Nashua Mobile (Pty) Limited ('Nashua Mobile')

On 11 April 2014, the Group entered into a sale agreement in terms of which Nashua Mobile will dispose of its Vodacom subscriber base to the Group. Various conditions precedent, amongst others competition commission approval, need to be fulfilled before the agreement will become effective.

Proposed acquisition of Neotel (Pty) Limited ('Neotel')

Further to the announcement on 30 September 2013, the Group has entered into an agreement with the shareholders of Neotel to acquire a 100% equity interest in and related claims of Neotel, for a cash consideration equivalent to an enterprise value of R7 billion. The transaction remains subject to the fulfilment of a number of conditions precedent, foremost of which are the regulatory approvals.

Notes to the consolidated annual financial statements continued

28. Interest in subsidiaries

Information disclosed below are for subsidiaries of the Group that have material non-controlling interests.

28.1 Vodacom Tanzania Limited ('VTL')

The Group holds a 65%[1] (2013 and 2012: 65%) interest in VTL which operates and is incorporated in Tanzania.
There are no restrictions on VTL's ability to access or use assets, and settle liabilities of the Group.

Rm	2014	2013	2012
Statement of financial position			
Non-current assets	**4 479**	4 235	3 150
Current assets	**3 449**	2 271	1 569
Total assets	**7 928**	6 506	4 719
Equity attributable to owners of the parent	**(2 150)**	(1 419)	(799)
Non-controlling interests	**(1 123)**	(733)	(411)
Current liabilities	**(4 164)**	(3 930)	(2 340)
Non-current liabilities	**(491)**	(424)	(1 170)
Total equity and liabilities	**(7 928)**	(6 506)	(4 720)
Income statement			
Revenue	**5 764**	4 127	2 688
Net profit attributable to equity shareholders	**537**	434	79
Net profit attributable to non-controlling interests	**290**	227	43
Net profit	**827**	661	122
Statement of cash flows			
Net cash flows from operating activities	**2 105**	1 501	693
Net cash flows utilised in investing activities	**(1 729)**	(916)	(500)
Net cash flows utilised in financing activities	**(453)**	(413)	(301)
Net (decrease)/increase in cash and cash equivalents	**(75)**	172	(108)

Notes:
1. Effective 29 April 2014 the Group increased its holding to 82.2%.

Notes to the consolidated annual financial statements continued

28. Interest in subsidiaries continued

28.2 Vodacom Congo (RDC) s.p.r.l. ('Vodacom Congo')

The Group holds a 51% (2013 and 2012: 51%) interest in Vodacom Congo which operates and is incorporated in The Democratic Republic of Congo. There are no restrictions on Vodacom Congo's ability to access or use assets, and settle liabilities of the Group.

Rm	2014	2013	2012
Statement of financial position			
Non-current assets	**3 205**	2 458	1 725
Current assets	**1 631**	1 014	576
Total assets	**4 836**	3 472	2 301
Equity attributable to owners of the parent	**3 049**	2 883	2 521
Non-controlling interests	**881**	722	373
Current liabilities	**(8 734)**	(7 039)	(5 174)
Non-current liabilities	**(32)**	(38)	(21)
Total equity and liabilities	**(4 836)**	(3 472)	(2 301)
Income statement			
Revenue	**3 853**	2 742	2 108
Net profit attributable to equity shareholders	**84**	(49)	(88)
Net profit attributable to non-controlling interests	**81**	(47)	(85)
Net profit	**165**	(96)	(173)
Statement of cash flows			
Net cash flows from operating activities	**1 057**	748	328
Net cash flows utilised in investing activities	**(755)**	(445)	(272)
Net cash flows utilised in financing activities	**(73)**	(53)	(224)
Net increase/(decrease) in cash and cash equivalents	**229**	250	(168)

Notes to the consolidated annual financial statements continued

28. Interest in subsidiaries continued

28.3 VM, SA

The Group holds a 85% (2013 and 2012: 85%) interest in VM, SA which operates and is incorporated in Mozambique. There are no restrictions on VM, SA's ability to access or use assets, and settle liabilities of the Group.

Rm	2014	2013	2012
Statement of financial position			
Non-current assets	**2 876**	2 074	1 632
Current assets	**887**	872	680
Total assets	**3 763**	2 946	2 312
Equity attributable to owners of the parent	**(2 682)**	(2 361)	(2 106)
Non-controlling interests	**77**	133	177
Current liabilities	**(1 146)**	(710)	(372)
Non-current liabilities	**(12)**	(8)	(11)
Total equity and liabilities	**(3 763)**	(2 946)	(2 312)
Income statement			
Revenue	**2 757**	1 944	1 467
Net profit attributable to equity shareholders	**105**	77	232
Net profit attributable to non-controlling interests	**19**	13	44
Net profit	**124**	90	276
Statement of cash flows			
Net cash flows from operating activities	**1 082**	465	190
Net cash flows utilised in investing activities	**(1 034)**	(478)	(586)
Net cash flows utilised in financing activities	**–**	7	345
Net increase/(decrease) in cash and cash equivalents	**48**	(6)	(51)

Notes to the consolidated annual financial statements continued

28. Interest in subsidiaries continued

28.4 Vodacom Lesotho (Pty) Limited ('Vodacom Lesotho')

The Group holds a 80% (2013 and 2012: 80%) interest in Vodacom Lesotho which operates and is incorporated in Lesotho. There are no restrictions on Vodacom Lesotho's ability to access or use assets, and settle liabilities of the Group.

Rm	2014	2013	2012
Statement of financial position			
Non-current assets	**488**	376	339
Current assets	**152**	156	140
Total assets	**640**	532	479
Equity attributable to owners of the parent	**(359)**	(305)	(271)
Non-controlling interests[1]	**(90)**	(76)	(68)
Current liabilities	**(174)**	(136)	(119)
Non-current liabilities	**(17)**	(15)	(21)
Total equity and liabilities	**(640)**	(532)	(479)
Income statement			
Revenue	**708**	660	651
Net profit attributable to equity shareholders	**112**	155	164
Net profit attributable to non-controlling interests	**28**	39	41
Net profit	**140**	194	205
Statement of cash flows			
Net cash flows from operating activities	**236**	225	257
Net cash flows utilised in investing activities	**(184)**	(72)	(86)
Net cash flows utilised in financing activities	**(72)**	(162)	(145)
Net (decrease)/increase in cash and cash equivalents	**(20)**	(9)	26

Notes:
1. Dividend paid to non-controlling interest amounted to R14 million (2013: R31 million).

Notes to the consolidated annual financial statements continued

29. Related parties

The Group's related parties are its parent, joint venture, associate, pension schemes (Note 26) and key management including directors (Note 29.3). All transactions with related parties have been made on terms equivalent to those that prevail in arm's length transactions.

	Rm	2014	2013	2012
29.1	**Balances with related parties**			
	Accounts receivable			
	Vodafone Group Plc and subsidiaries	**221**	115	249
	Other	**29**	26	8
	Accounts payable			
	Vodafone Group Plc and subsidiaries	**(544)**	(207)	(285)
	Other	**(17)**	1	–
	The outstanding balances listed above are unsecured and will be settled in cash in the ordinary course of business. No guarantees or provision for doubtful debts have been recognised.			
	Borrowings			
	Vodafone Investments Luxembourg s.a.r.l (Note 18)	**10 532**	6 024	3 022
29.2	**Transactions with related parties**			
	Vodafone Group Plc and subsidiaries	**(9 067)**	(8 819)	(5 617)
	Revenue	**40**	178	167
	Direct expenses	**(327)**	(156)	(198)
	Secondment fees	**(15)**	(7)	(37)
	Other operating expenses	**(787)**	(1 048)	(326)
	Dividends declared	**(7 978)**	(7 786)	(5 223)
	Other	**(2)**	7	14
	Revenue	**7**	17	22
	Direct expenses	**–**	(3)	(4)
	Other operating expenses	**(9)**	(7)	(4)
	Transactions with entities in which related parties have an interest	**(4)**	2	–

Notes to the consolidated annual financial statements continued

Rm	2014	2013	2012
29. Related parties continued			
29.3 Key management personnel and directors' remuneration			
Key management	**(65)**	(88)[3]	(68)
Short-term employee benefits	**(52)**	(53)	(44)
Post-employment benefits[1]	**(3)**	(2)	(1)
Other long-term employee benefits	**(1)**	(5)	(6)
Share-based payments	**(9)**	(28)	(17)
Directors			
Executive directors	**(30)**	(63)	(63)
Short-term employee benefits	**(22)**	(40)	(34)
Post-employment benefits[2]	**(1)**	(1)	(3)
Other long-term employee benefits	**(1)**	(6)	(6)
Share-based payments	**(6)**	(16)	(20)
Non-executive directors	**(6)**	(6)	(5)
Directors' fees	**(6)**	(6)	(5)
Directors' remuneration paid and accrued by:	**(36)**	(69)	(68)
Vodacom Group Limited	**(36)**	(53)	(60)
Subsidiaries	**–**	(16)	(8)

Notes:
1. Included in 'Post-employment benefits' is an amount of R1 million (2013: R0.3 million) relating to contributions to provident funds made annually from bonus allocations.
2. Included in 'Post-employment benefits' is an amount of R0.4 million (2013: R1 million; 2012: R1 million) relating to contributions to provident funds made annually from bonus allocations.
3. Includes key management personnel paid by subsidiaries.

Notes to the consolidated annual financial statements continued

29. Related parties continued

29.3 Key management personnel and directors' remuneration continued

Included in the aggregate directors' remuneration above are the following individual director's remunerations (further details can be found in the remuneration report):

R	Directors' fees	Salary	Retirement contributions	Other[1]
2014				
Executive directors				
MS Aziz Joosub[5]	–	5 935 617	951 883	–
IP Dittrich[5]	–	4 313 776	201 724	–
Non-executive directors				
MP Moyo	1 666 667	–	–	–
DH Brown	708 322	–	–	–
M Joseph*	373 334	–	–	–
A Kekana[4]	158 147	–	–	–
TM Mokgosi-Mwantembe	588 335	–	–	–
PJ Moleketi	636 668	–	–	–
JWL Otty*[5]	398 334	–	–	–
NJ Read*[4]	480 894	–	–	–
RAW Schellekens*	633 335	–	–	–
S Timuray*[5]	353 721	–	–	–
YZ Cuba[5]	316 371	–	–	–
HMG Dowidar*[5]	47 054	–	–	–
Directors	6 361 182	10 249 393	1 153 607	–
2014				
Key management personnel (Prescribed officers)				
ADJ Delport	–	3 513 846	314 154	–
J Dennelind[4]	–	1 659 716	–	–
N Gough[6]	–	4 627 954	–	1 630 610
V Jarana	–	3 063 859	273 527	–
R Kumalo	–	3 115 394	278 106	–
PP Kesha Patel[6]	–	3 707 951	–	884 278
G Hagel[5]	–	850 564	–	3 016 703
M Nkeli[4]		1 936 934	728 216	–
NC Nyoka	–	2 601 558	803 540	–
M Makanjee	–	2 502 908	123 592	–
	-	27 580 684	2 521 135	5 531 591

Notes:

* Fees due to these directors were paid to Vodafone Group Plc, the company by which the director is employed. No other payments were made to third parties in lieu of directors' fees. .

1. Includes relocation allowance, assignment allowance, acting allowance, leave encashment, employee gifts and exit benefits. In the prior year, a sign-on arrangement/restraint of trade was included for IP Dittrich, which is expensed over a two-year period.
2. Includes mobile phone benefit and subsistence allowance.
3. Expenses provided for the year ended 31 March 2014.
4. Resignations: J Dennelind: 30 June 2013; A Kekana: 18 July 2013; N Read: 5 February 2014 and M Nkeli: 30 April 2014.
5. Appointments: YZ Cuba: 18 July 2013; G Hagel: 1 February 2014 and HMG Dowidar: 5 February 2014.
6. Remuneration paid/payable to Vodafone Group Plc.

Notes to the consolidated annual financial statements continued

Expense allowances[2]	Short-term incentives ('STI')[3]	Remuneration report	Expensed over term	STI actual vs provision	Long-term incentives and other[3]	Total
4 800	6 088 200	12 980 500	-	937 208	4 124 764	18 042 472
4 800	3 021 898	7 542 198	500 000	430 660	2 654 537	11 127 395
–	–	1 666 667	–	–	–	1 666 667
–	–	708 322	–	–	–	708 322
–	–	373 334	–	–	–	373 334
–	–	158 147	–	–	–	158 147
–	–	588 335	–	–	–	588 335
–	–	636 668	–	–	–	636 668
–	–	398 334	–	–	–	398 334
–	–	480 894	–	–	–	480 894
–	–	633 335	–	–	–	633 335
–	–	353 721	–	–	–	353 721
–	–	316 371	–	–	–	316 371
–	–	47 054	–	–	–	47 054
9 600	**9 110 098**	**26 883 880**	**500 000**	**1 367 868**	**6 779 301**	**35 531 049**
–	2 484 577	6 312 577	–	203 530	2 327 297	8 843 404
1 200	-	1 660 916	–	3 382 237	(2 147 926)	2 895 227
–	1 950 407	8 208 971	–	(705 623)	–	7 503 348
4 800	1 877 677	5 219 863	–	487 023	3 324 632	9 031 518
4 800	1 063 053	4 461 353	–	397 860	2 782 205	7 641 418
–	2 186 450	6 778 679	–	(449 346)	–	6 329 333
–	510 117	4 377 384	–	(510 117)	–	3 867 267
–	1 540 186	4 205 336	–	322 568	1 195 211	5 723 115
4 536	2 047 044	5 456 678	–	341 393	2 055 086	7 853 157
2 137	1 239 863	3 868 500	–	606 852	547 441	5 022 793
17 473	**14 899 374**	**50 550 257**	**-**	**4 076 377**	**10 083 946**	**64 710 582**

Notes to the consolidated annual financial statements continued

29. Related parties continued

29.3 Key management personnel and directors' remuneration continued

Included in the aggregate directors' remuneration above are the following individual director's remunerations (further details can be found in the remuneration report):

R	Directors' fees	Salary	Retirement contributions	Other[1]
2013				
Executive directors				
PJ Uys[4]	–	2 827 875	319 773	7 157 500
SN Maseko[4]	–	884 580	136 959	9 548 585
IP Dittrich[5]	–	3 329 970	156 184	1 000 000
MS Aziz Joosub[5]	–	3 525 422	305 604	317 522
Non-executive directors				
MP Moyo	1 566 667	–	–	–
P Bertoluzzo*[4]	122 500	–	–	–
DH Brown	531 666	–	–	–
M Joseph*	293 333	–	–	–
A Kekana	516 666	–	–	–
TM Mokgosi-Mwantembe	557 917	–	–	–
PJ Moleketi	579 999	–	–	–
JWL Otty*[5]	170 883	–	–	–
NJ Read*	478 333	–	–	–
RAW Schellekens*	571 666	–	–	–
S Timuray*[5]	170 883	–	–	–
K Witts*[4]	122 500	–	–	–
	5 683 013	10 567 847	918 520	18 023 607

R	Directors' fees	Salary	Retirement contributions	Other[1]
2013				
Key management personnel (Prescribed officers)				
ADJ Delport	–	3 367 057	305 693	–
J Dennelind	–	5 186 504	–	–
N Gough[6]	–	3 783 209	–	1 407 491
V Jarana	–	2 844 038	253 996	–
R Kumalo	–	2 931 254	261 746	–
PP Kesha Patel[6]	–	2 338 549	–	721 763
M Nkeli	–	2 256 576	347 549	–
NC Nyoka	–	2 962 978	315 522	–
M Makanjee	–	2 024 977	100 023	780 000
	–	27 695 142	1 584 529	2 909 254

Notes:

* Fees due to these directors were paid to Vodafone Group Plc, the company by which the director is employed. No other payments were made to third parties in lieu of directors' fees.

1. Includes relocation allowance, assignment allowance, acting allowance, leave encashment and employee gifts. In 2010 and 2012, sign-on arrangements/restraint of trades were included for RA Shuter and SN Maseko respectively. These were expensed over a two-year period.
2. Includes mobile phone benefit and subsistence allowance.
3. Expenses provided for the year ended 31 March 2013.
4. Resignations: SN Maseko: 14 June 2012; P Bertoluzzo: 6 September 2012; K Witts: 6 September 2012; PJ Uys: 6 September 2012.
5. Appointments: MS Aziz Joosub: 6 September 2012; JWL Otty: 6 September 2012; S Timuray: 6 September 2012; IP Dittrich: 15 June 2012.
6. Remuneration paid/payable to Vodafone Group Plc.

Notes to the consolidated annual financial statements continued

Expense allowances[2]	Short-term incentives ('STI')[3]	Remuneration report	Expensed over term	STI actual vs provision	Long-term incentives and other[3]	Total
10 049	5 457 487	15 772 684	–	(2 541 069)	11 060 483	24 292 098
–	–	10 570 124	–	4 879 878	–	15 450 002
9 979	1 905 429	6 401 562	(602 778)	(203 443)	1 888 499	7 483 840
2 745	5 125 500	9 276 793	–	(1 537 994)	8 815 334	16 554 133
–	–	1 566 667	–	–	–	1 566 667
–	–	122 500	–	–	–	122 500
–	–	531 666	–	–	–	531 666
–	–	293 333	–	–	–	293 333
–	–	516 666	–	–	–	516 666
–	–	557 917	–	–	–	557 917
–	–	579 999	–	–	–	579 999
–	–	170 883	–	–	–	170 883
–	–	478 333	–	–	–	478 333
–	–	571 666	–	–	–	571 666
–	–	170 883	–	–	–	170 883
–	–	122 500	–	–	–	122 500
22 773	12 488 416	47 704 176	(602 778)	597 372	21 764 317	69 463 086
6 557	1 364 882	5 044 189	–	456 820	7 847 407	13 348 416
52 620	6 649 543	11 888 667	–	499 846	2 553 179	14 941 692
–	1 084 575	6 275 275	–	–	–	6 275 275
12 797	1 156 513	4 267 344	–	387 079	6 773 318	11 427 741
36 962	2 577 072	5 807 034	–	412 425	7 228 686	13 448 145
–	1 224 729	4 285 041	–	3 373 333	–	7 658 374
9 879	774 204	3 388 208	–	509 021	1 249 338	5 146 567
11 716	1 279 288	4 569 504	–	346 864	6 989 535	11 905 903
6 725	858 330	3 770 055	(455 000)	383 265	291 145	3 989 465
137 256	16 969 136	49 295 317	(455 000)	6 368 653	32 932 608	88 141 578

Notes to the consolidated annual financial statements continued

29. Related parties continued

29.3 Key management personnel and directors' remuneration continued

Included in the aggregate directors' remuneration above are the following individual director's remunerations (further details can be found in the remuneration report):

R	Directors' fees	Salary	Retirement contributions	Other[1]
2012				
Executive directors				
PJ Uys	–	6 358 550	725 200	4 800
RA Shuter[4]	–	4 278 136	767 489	840 328
SN Maseko[5]	–	2 630 806	274 194	2 700 000
Non-executive directors				
MP Moyo	1 350 000	–	–	–
P Bertoluzzo*	264 000	–	–	–
TA Boardman	331 083	–	–	–
DH Brown[5]	128 750	–	–	–
M Joseph*	264 000	–	–	–
A Kekana[5]	376 875	–	–	–
M Lundal*	147 333	–	–	–
TM Mokgosi-Mwantembe	518 589	–	–	–
PJ Moleketi	514 000	–	–	–
NJ Read*	439 833	–	–	–
RAW Schellekens*	510 667	–	–	–
K Witts*[5]	116 667	–	–	–
	4 961 797	13 267 492	1 766 883	3 545 128
2012				
Key management personnel (Prescribed officers)				
ADJ Delport	–	3 205 741	290 134	–
J Dennelind	–	4 659 707	–	24 800
N Gough[6]	–	2 272 135	–	1 061 160
V Jarana	–	2 703 061	240 439	4 800
R Kumalo	–	2 846 841	253 159	4 747
M Nkeli	–	2 152 222	330 278	–
NC Nyoka	–	2 825 255	302 189	4 541
	–	20 664 962	1 416 199	1 100 048

Notes:

* Fees due to these directors were paid to Vodafone Group Plc, the company by which the director is employed. No other payments were made to third parties in lieu of directors' fees.

1. Includes relocation allowance, assignment allowance, acting allowance, leave encashment and employee gifts. In 2012, a sign-on arrangement/restraint of trade was included for SN Maseko, which is expensed over a two-year period.
2. Includes mobile phone benefit and subsistence allowance.
3. Expenses provided for the year ended 31 March 2012.
4. Resignations: TA Boardman: 30 October 2011; M Lundal: 3 November 2011; RA Shuter: 31 March 2012.
5. Appointments: A Kekana: 12 May 2011; SN Maseko: 1 September 2011; K Witts: 4 November 2011; DH Brown: 3 January 2012.
6. Remuneration paid/payable to Vodafone Group Plc.

Notes to the consolidated annual financial statements continued

Expense allowances[2]	Short-term incentives ('STI')[3]	Remuneration report	Expensed over term	STI actual vs provision	Long-term incentives and other[3]	Total
8 418	9 426 696	16 523 664	14 735	(346 229)	17 625 163	33 817 333
14 735	6 649 517	12 550 205	1 050 000	(237 782)	7 687 399	21 049 822
1 092	2 967 378	8 573 470	(1 912 500)	629 972	1 005 920	8 296 862
–	–	1 350 000	–	–	–	1 350 000
–	–	264 000	–	–	–	264 000
–	–	331 083	–	–	–	331 083
–	–	128 750	–	–	–	128 750
–	–	264 000	–	–	–	264 000
–	–	376 875	–	–	–	376 875
–	–	147 333	–	–	–	147 333
–	–	518 589	–	–	–	518 589
–	–	514 000	–	–	–	514 000
–	–	439 833	–	–	–	439 833
–	–	510 667	–	–	–	510 667
–	–	116 667	–	–	–	116 667
24 245	19 043 591	42 609 136	(847 765)	45 961	26 318 482	68 125 814
8 261	2 913 278	6 417 414	–	453 763	6 315 577	13 186 754
31 274	6 997 531	11 713 312	–	(908 375)	1 450 047	12 254 984
–	1 344 548	4 677 843	–	–	–	4 677 843
–	2 422 383	5 370 683	–	283 889	4 714 929	10 369 501
8 787	1 785 823	4 899 357	–	1 218 278	5 347 126	11 464 761
1 448	2 065 630	4 549 578	–	296 340	707 955	5 553 873
14 983	2 600 554	5 747 522	–	242 531	4 847 754	10 837 807
64 753	20 129 747	43 375 709	–	1 586 426	23 383 388	68 345 523

Notes to the consolidated annual financial statements continued

Rm	2014	2013	2012
30. Financial instruments and risk management			
30.1 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	**(289)**	115	35
Loans and receivables	**526**	123	47
Available-for-sale financial assets	**11**	9	12
Financial liabilities measured at amortised cost	**(955)**	(857)	(827)
Net losses attributable to financial instruments	**(707)**	(610)	(733)
30.2 Carrying amounts of financial instruments			
Carrying amounts of financial instruments analysed by category, are as follows:			
Financial assets measured at amortised cost[1]	**17 374**	17 173	13 496
Financial assets at fair value through profit or loss, classified as held for trading	**223**	111	219
Available-for-sale financial assets (Note 11.3)	**62**	64	99
Derivatives designated as fair value hedging instruments (Note 14 and 19)	**(86)**	–	–
Derivatives designated as cash flow hedging instruments (Note 14 and 19)	**(4)**	(40)	(29)
Financial liabilities measured at amortised cost	**(28 523)**	(25 765)	(21 470)
Financial liabilities at fair value through profit or loss, classified as held for trading (Note 19)	**(3)**	(3)	(13)
	(10 957)	(8 460)	(7 698)

Note:
1. Included in the current and previous years amounts are cash held in restricted deposits.

Rm	2014	2013	2012
30.3 Fair value hierarchy			
The table below sets out the valuation basis of financial instruments measured at fair value:			
Level one[1]			
Financial assets and liabilities at fair value through profit or loss, classified as held for trading			
Unit trust investments	**120**	–	–
Level two[2]			
Financial assets and liabilities at fair value through profit or loss, classified as held for trading			
Money market investments (Note 11)	**104**	93	199
Derivative financial assets (Note 14)	**–**	18	20
Derivative financial liabilities (Note 19)	**(3)**	(3)	(13)
Derivatives designated as fair value hedging instruments			
Derivative financial assets (Note 14)	**53**	–	–
Derivative financial liabilities (Note 19)	**(139)**	–	–
Derivatives designated as cash flow hedging instruments			
Derivative financial liabilities (Note 19)	**(4)**	(40)	(29)
	131	68	177

Note:
1. Level one classification is used when the valuation is determined using quoted prices from an active market.
2. Level two classification is used when valuation inputs used to determine fair value are observable for the asset/(liability), either directly as prices or indirectly when derived from prices. The Group has no level one or three financial instruments measured at fair value.

Notes to the consolidated annual financial statements continued

30. Financial instruments and risk management continued

30.4 Financial risk management

The Group's normal operations, its sources of finance and changing market conditions expose it to various financial risks, which highlights the importance of financial risk management as an element of control. Principal financial risks faced by the Group are foreign currency, interest rate, equity price, credit, liquidity and insurance risk.

The Group's treasury function provides a centralised service to the Group for co-ordinating access to domestic and international financial markets and the managing of foreign currency, interest rate and liquidity risk. The aforementioned risks are managed, subject to the limitations of the local markets in which the various Group companies operate and the South African Reserve Bank Regulations. Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed annually by the Board.

The Group uses a number of derivative instruments that are transacted for foreign currency and interest rate risk management purposes only. There has been no significant change during the reporting period, or since the end of the reporting period, to the types of financial risks faced by the Group, the measures used to measure them or the objectives, policies and processes for managing them.

30.4.1 Market risk management

The Group's activities expose it to the risks of fluctuations in foreign currency exchange rates (Note 30.4.1.1), interest rates (Note 30.4.1.2) and equity prices (Note 30.4.1.3).

Market risk exposures are measured using sensitivity analyses, which show how profit post tax or equity post tax would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date. Sensitivity analyses are for illustrative purposes only as, in practice, market rates rarely change in isolation. Details of changes in the methods and assumptions used in preparing the sensitivity analyses are disclosed in the respective sensitivity analyses.

30.4.1.1 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 and United States dollar and to a lesser extent to the Congolese franc, pound sterling, Swiss franc, Australian dollar, Tanzanian shilling, Mozambican metical, Mauritian rupee, Lesotho maloti, Nigerian naira, Zambian kwacha and South African rand which is combined as 'Other'.

Notes to the consolidated annual financial statements continued

30. Financial instruments and risk management continued

30.4 Financial risk management continued

30.4.1 Market risk management continued

30.4.1.1 Foreign currency risk management continued

Rm	Euro	United States dollar	Other
	2014		
Functional currency			
South African rand	**(501)**	**(672)**	**(26)**
United States dollar	**(5)**	**–**	**297**
Tanzanian shilling	**(80)**	**(257)**	**(7)**
Mozambican metical	**(164)**	**73**	**(36)**
	(750)	**(856)**	**228**
	2013		
Functional currency			
South African rand	262	(412)	(4)
United States dollar	(3)	–	162
Tanzanian shilling	(186)	(141)	(1)
Mozambican metical	(74)	–	(27)
	(1)	(553)	130
	2012		
Functional currency			
South African rand	(96)	(693)	(333)
United States dollar	(13)	–	(25)
Tanzanian shilling	(40)	(184)	(5)
Mozambican metical	(22)	22	(23)
	(171)	(855)	(386)

The Group's South African operations manage its exposure to fluctuations in foreign currency exchange rates by entering into foreign exchange forward contracts for foreign-denominated transactions above certain monetary levels. The contracts are entered into for specific transactions and are matched with anticipated future cash flows, in foreign currencies, primarily for the purchase of capital equipment and to a lesser extent operating expenditure. The Group's policy is generally that entities within the Group borrow funds denominated in their respective functional currencies, however, in those instances where funds are borrowed in foreign-denominated currencies and a forward market exists, exposure to fluctuations in foreign currency exchange rates are managed by entering into foreign exchange forward contracts.

Notes to the consolidated annual financial statements continued

30. Financial instruments and risk management continued

30.4 Financial risk management continued

30.4.1 Market risk management continued

30.4.1.1 Foreign currency risk management continued

The tables below provide a currency split of the Group's net derivative financial assets and liabilities relating to material open foreign exchange forward contracts at the reporting date:

Rm	2014	2013	2012
Forward contracts to buy foreign currency			
Euro[1]	**(23)**	10	3
Pound sterling[2]	**2**	–	–
United States dollar[3]	**(83)**	5	2
Net derivative financial (liability)/asset	**(104)**	15	5

Notes:
Foreign contract values amount to:
1. €77 million (2013: €33 million; 2012: €66 million)
2. £3 million (2013 and 2012: £Nil)
3. US$188 million (2013: US$48 million; 2012: US$125 million)

Rm	2014	2013	2012
Forward contracts to sell foreign currency			
Euro[1]	**11**	–	–
Pound sterling[2]	**(1)**	–	–
United States dollar[3]	**1**	–	–
Net derivative financial liability	**11**	–	–

Notes:
Foreign contract values amount to:
1. €26 million (2013: €5 million and 2012: €Nil)
2. £2 million (2013 and 2012: £Nil)
3. US$5 million (2013 and 2012: US$Nil)

Of the R93 million net liability (2013: R15 million net asset; 2012: R5 million net asset), R53 million (2013: R18 million; 2012: R18 million) is reported in trade and other receivables and R146 million (2013: R3 million; 2012: R13 million) in trade and other payables.

Foreign currency sensitivity analysis

The analysis below, expressed in the Group's presentation currency, discloses the Group's sensitivity to the specified percentage change in the functional currencies against the relevant foreign currencies exposed to. Management's assessment of a reasonable possible change in prevailing non-African and African foreign currency exchange rates is based on estimated interest rate differentials.

The analysis includes outstanding foreign-denominated monetary items only and adjusts their translations, at the reporting date, to the relevant functional currencies with the specified percentage change.

Notes to the consolidated annual financial statements continued

30. Financial instruments and risk management continued

30.4 Financial risk management continued

30.4.1 Market risk management continued

30.4.1.1 Foreign currency risk management continued

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
		2014		
Functional currency				
South African rand (%)	**1.7**	**3.4**	**0.1**	**0.7 – 6.4**
United States dollar (%)	**1.8**	**3.5**	**–**	**0.1 – 6.5**
Tanzanian shilling (%)	**4.6**	**2.8**	**6.5**	**3.2 – 7.6**
Mozambican metical (%)	**2.8**	**4.5**	**1.0**	**1.0 – 4.2**
Profit post tax (Rm)	**22**	**–**	**17**	**3**
		2013		
Functional currency				
South African rand (%)	2.6	6.1	0.6	3.7 – 12.7
United States dollar (%)	2.0	5.9	–	0.1 – 13.3
Tanzanian shilling (%)	15.5	20.0	13.3	6.6 – 17.0
Mozambican metical (%)	1.8	5.8	0.1	2.8 – 11.8
Profit post tax (Rm)	12	–	15	1
		2012		
Functional currency				
South African rand (%)	5.8	5.8	10.6	3.6 – 13.0
United States dollar (%)	4.4	4.3	–	0.7 – 25.0
Tanzanian shilling (%)	19.6	19.6	25.0	0.4 – 26.0
Mozambican metical (%)	5.1	5.0	0.7	5.0 – 20.6
Profit post tax (Rm)	4	12	54	5

Notes to the consolidated annual financial statements continued

30. Financial instruments and risk management continued

30.4 Financial risk management continued

30.4.1 Market risk management continued

30.4.1.1 Foreign currency risk management continued

Closing exchange rates used at the reporting date are as follows:

	Euro	Pound sterling	United States dollar
		2014	
Functional currency			
South African rand	**14.5**	**17.6**	**10.5**
United States dollar	**1.4**	**1.7**	**–**
Tanzanian shilling	**2 256.1**	**2 731.9**	**1 637.7**
Mozambican metical	**43.2**	**53.4**	**31.4**
		2013	
Functional currency			
South African rand	11.8	14.1	9.2
United States dollar	1.3	1.5	–
Tanzanian shilling	2 063.8	2 466.1	1 617.7
Mozambican metical	39.4	46.5	30.8
		2012	
Functional currency			
South African rand	10.2	12.2	7.6
United States dollar	1.3	1.6	–
Tanzanian shilling	2 123.7	2 547.1	1 592.9
Mozambican metical	37.5	45.0	28.1

Notes to the consolidated annual financial statements continued

30. Financial instruments and risk management continued

30.4 Financial risk management continued

30.4.1 Market risk management continued

30.4.1.2 Interest rate risk management

The Group is exposed to fair value and cash flow interest rate risk as a result of its fixed and floating rate loans receivable, borrowings, finance lease receivables, interest rate swaps and bank balances. The Group's interest rate profile can be summarised as follows:

Rm	2014	2013	2012
Financial assets			
Fixed rate financial assets	**3 879**	3 545	1 644
Floating rate financial assets	**5 840**	6 433	4 052
	9 719	9 978	5 696
Financial liabilities			
Fixed rate financial liabilities	**(2 956)**	(5 303)	(4 936)
Floating rate financial liabilities	**(10 697)**	(8 807)	(6 075)
	(13 653)	(14 110)	(11 011)

The floating rates which the Group is exposed to, is the South African prime, South African BA, JIBAR, South African money market, LIBOR, EURIBOR, Lesotho prime and Tanzanian reference treasury bill rates.

The Group's policy is to maintain an appropriate mix between fixed and floating rate instruments. The Group specifically manages its exposure to interest rate risk relating to interest bearing borrowings through a target ratio of fixed and variable rate borrowings. To achieve this ratio the Group may borrow at fixed rates or enter into approved derivative financial instruments. The target ratio is a third fixed, a third floating and a third managed, being either fixed or floating.

At the reporting date the Group had one open interest rate swap agreement, settled on a net basis. Detail of this interest rate swap designated as hedging instrument in cash flow hedging arrangements and utilised to swap a portion of the Group's floating interest bearing borrowings to fixed:

	Swap three[2]
Floating interest rate	**JIBAR + 1.8%**
Fixed interest rate	**7.1% NACQ**
Notional principal amount (Rm)	**1 000**
Termination date	**30 September 2015**

During the current year two interest rate swap agreements terminated, all settled on a net basis. Details of these interest rate swaps designated as hedging instruments and utilised to swap a portion of the Group's floating interest bearing borrowings to fixed:

	Swap one[1]	Swap two[1]
Floating interest rate	JIBAR + 1.5%	JIBAR + 1.5%
Fixed interest rate	6.3% NACQ	6.4% NACQ
Notional principal amount (Rm)	1 000	1 000
Termination date	30 September 2013	30 September 2013

Notes:
1. Swaps one and two relate to the interest bearing borrowings from Nedbank Limited and Absa Bank Limited (Note 18).
2. Swap three relates to the interest bearing borrowings from Old Mutual Specialised Financing (Pty) Limited and Minervois Trading No. 2 (Pty) Limited (Note 18).

Notes to the consolidated annual financial statements continued

30. Financial instruments and risk management continued

30.4 Financial risk management continued

30.4.1 Market risk management continued

30.4.1.2 Interest rate risk management

The fair value of interest rate swaps is calculated by means of a discounted cash flow method and with reference to the notional principal amounts and fixed interest rates as disclosed above and the following ranges of forward floating interest rates, as determined with reference to the applicable zero coupon yield curve as at 31 March (Note 14).

%	2014	2013	2012
Swaps one and two	**n/a**	5.13	5.7 – 6.5
Swap three	**5.73 – 7.47**	5.13 – 6.01	5.7 – 7.7

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 Bloomberg.

The analysis includes both derivative and non-derivative instruments at the reporting date and in the case of floating rate instruments, the analysis is prepared assuming the amount outstanding at the reporting date was outstanding for the whole year.

A negative number indicates a decrease in profit post tax if interest rates were higher by the specified basis points. If interest rates were lower by the specified basis points, the impact would be equal and opposite. There would be no material impact on equity.

	2014	2013	2012
South African prime, South African BA, JIBAR and South African money market rates			
Basis point increase	**100**	50	50
Profit post tax (Rm)	**(47)**	(25)	(18)

A reasonable possible change in the remaining interest rates exposed to, being LIBOR, EURIBOR, Lesotho prime and Tanzanian reference treasury bill rates, would have no material impact on profit post tax.

30.4.1.3 Equity price risk

The Group is only exposed to equity price risk to a small extent and therefore a reasonable possible change in equity prices will not have a material impact on profit post tax.

Notes to the consolidated annual financial statements continued

30. Financial instruments and risk management continued

30.4 Financial risk management continued

30.4.2 Credit risk management

Loans receivable, money market investments, trade and other receivables, derivative financial instruments, finance lease receivables, cash and cash equivalents, and financial guarantees granted potentially expose the Group to credit risk.

The carrying amounts of financial assets, which are net of impairment losses, represent the Group's maximum exposure to credit risk, with the exception of financial guarantees granted where the amount the Group could be required to pay or fund, if called on, represents the Group's maximum exposure. The Group considers its maximum exposure per geographical class, without taking into account any collateral and financial guarantees, to be as follows:

Rm	2014	2013	2012
South Africa	**12 810**	13 414	11 015
Non-South African	**4 505**	4 208	3 830
	17 315	17 622	14 845

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 15.4% (2013: 17.9%; 2012:17.7%) of the total trade receivable balance. With the exception of the aforementioned, the credit risk for trade, finance lease and other receivables is generally limited due to the customer base being large and unrelated in conjunction with stringent credit approval processes. Due to this management believes there is no further provision required in excess of the normal provision for doubtful receivables. Credit risk is limited for loans receivable due to collateral held and for cash and cash equivalents as they are placed with high credit quality financial institutions. Credit risk relating to derivatives is minimised by limiting the counterparties to major local and international banks, which are closely monitored, and the Group does not expect to incur any losses as a result of non-performance by these counterparties.

The average legally agreed credit period on trade receivables is between 30 and 60 days, for all reporting periods, for the South African operations and between 30 and 85 days, for all reporting periods, for the non-South African operations.

The Group holds collateral to the value of R2 197 million (2013: R1 423 million; 2012: R1 232 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.

Notes to the consolidated annual financial statements continued

30. Financial instruments and risk management continued

30.4 Financial risk management continued

30.4.2 Credit risk management continued

The table below discloses the credit quality of the trade receivables of the Group's South African-based operations which are neither past due nor impaired:

%	2014	2013	2012
High[1]	**1.0**	1.0	1.0
Medium[2]	**–**	–	–
Low[3]	**99.0**	99.0	99.0
	100.0	100.0	100.0

Notes:

1. High: probability of default in payments exists and possible delinquency scenario.
2. Medium: probability of financial difficulties exists resulting in arrears.
3. Low: no default in payment occurred or anticipated.

The tables below disclose an analysis of the age of financial assets that are past due but not impaired:

Rm	2014	2013	2012
South Africa			
1 – 30 days past due	**90**	142	79
31 – 60 days past due	**110**	86	38
61 – 120 days past due	**157**	94	55
121 days to 12 months past due	**99**	71	60
More than 12 months past due	**170**	49	18
	626	442	250
Non-South African			
1 – 30 days past due	**134**	279	148
31 – 60 days past due	**114**	102	77
61 – 120 days past due	**676**	365	252
121 days to 12 months past due	**16**	17	10
More than 12 months past due	**1**	12	41
	941	775	528

The Group holds collateral, in the form of guarantees and deposits, with a fair value of RNil (2013: R0.3 million; 2012: R11 million), over South African-based financial assets that are past due but not impaired.

Notes to the consolidated annual financial statements continued

30. Financial instruments and risk management continued

30.4 Financial risk management continued

30.4.3 Liquidity risk management

The tables below disclose the maturity profile of the Group's non-derivative financial liabilities and those financial assets used for managing liquidity risk. The amounts disclosed are the future undiscounted contractual cash (outflows)/inflows which therefore differ from both the carrying amount and the fair value. The tables have been drawn up based on the earliest date on which the Group can be required to settle or can require settlement and include both estimated interest and principal cash flows. Estimated interest for floating interest rate financial liabilities is calculated with reference to the applicable zero coupon yield curves, at the reporting date, as published by Bloomberg.

Rm	0 – 1 year	2 years	3 years	4 years	5 years	5 + years	Not determinable	Total
2014								
Financial liabilities								
Interest bearing borrowings	**(4 460)**	**(4 763)**	**(507)**	**(525)**	**(3 412)**	**(2 878)**	**–**	**(16 545)**
Non-interest bearing borrowings	**(436)**	**–**	**–**	**–**	**–**	**–**	**–**	**(436)**
Trade and other payables	**14 362**	**–**	**–**	**–**	**–**	**–**	**–**	**(14 362)**
Bank overdrafts	**(335)**	**–**	**–**	**–**	**–**	**–**	**–**	**(335)**
	(19 593)	**(4 763)**	**(507)**	**(525)**	**(3 412)**	**(2 878)**	**–**	**(31 678)**
Financial assets								
Trade and other receivables	**9 606**	**91**	**–**	**–**	**–**	**–**	**–**	**9 697**
Cash and cash equivalents	**6 127**	**–**	**–**	**–**	**–**	**–**	**–**	**6 127**
	15 733	**91**	**–**	**–**	**–**	**–**	**–**	**15 824**
2013								
Financial liabilities								
Interest bearing borrowings	(11 522)	(4 635)	(4 331)	(100)	(100)	(974)	–	(21 662)
Non-interest bearing borrowings	(436)	–	–	–	–	–	–	(436)
Trade and other payables	(11 327)	(3)	–	–	–	–	–	(11 330)
Bank overdrafts	(340)	–	–	–	–	–	–	(340)
	(23 625)	(4 638)	(4 331)	(100)	(100)	(974)	–	(33 768)
Financial assets								
Trade and other receivables	9 386	58	–	–	–	–	–	9 444
Cash and cash equivalents	6 528	–	–	–	–	–	–	6 528
	15 914	58	–	–	–	–	–	15 972
2012								
Financial liabilities								
Interest bearing borrowings	(2 283)	(5 148)	(3 332)	(1 101)	(58)	(535)	–	(12 457)
Non-interest bearing borrowings	(436)	–	–	–	–	–	(7)	(443)
Trade and other payables	(10 021)	–	–	–	–	–	–	(10 021)
Bank overdrafts	(409)	–	–	–	–	–	–	(409)
	(13 149)	(5 148)	(3 332)	(1 101)	(58)	(535)	(7)	(23 330)
Financial assets								
Trade and other receivables	9 084	33	–	–	–	–	–	9 117
Cash and cash equivalents	3 781	–	–	–	–	–	–	3 781
	12 865	33	–	–	–	–	–	12 898

Notes to the consolidated annual financial statements continued

30. Financial instruments and risk management continued

30.4 Financial risk management continued

30.4.3 Liquidity risk management continued

The tables below disclose the maturity profile of the Group's derivative financial assets and liabilities which include foreign exchange forward contracts and interest rate swaps. The amounts disclosed are the future undiscounted contractual cash (outflows)/inflows, however, for those derivative financial instruments for which gross settlement has been agreed, the cash outflows are matched in part by cash inflows, which are not reported in the tables below and if reported, the cash flows presented would be substantially lower. In the case of the interest rate swaps, where the amounts payable or receivable are not fixed, the amounts are calculated with reference to the applicable zero coupon yield curves at the reporting date.

Rm	0 – 1 year	2 years	3 years	4 years	5 years	5 + years	Not determinable	Total
2014								
Net settled	**(195)**	**(3)**	–	–	–	–	–	**(198)**
Gross settled								
Payable	**(2 609)**	–	–	–	–	–	–	**(2 609)**
	(2 804)	**(3)**	–	–	–	–	–	**(2 807)**
2013								
Net settled	(32)	(15)	(5)	–	–	–	–	(52)
Gross settled								
Payable	(714)	–	–	–	–	–	–	(714)
	(746)	(15)	(5)	–	–	–	–	(766)
2012								
Net settled	(53)	(5)	2	3	–	–	–	(53)
Gross settled								
Payable	(1 055)	–	–	–	–	–	–	(1 055)
	(1 108)	(5)	2	3	–	–	–	(1 108)

The Group ensures that adequate funds are available to meet its expected and unexpected financial commitments through undrawn borrowing facilities and access to the debt capital market via its recently listed domestic medium-term note programme. At the reporting date the Group had undrawn rand-denominated borrowing facilities of R3 968 million (2013: R4 667 million; 2012: R4 797 million) and undrawn foreign-denominated borrowing facilities of US$31 million (2013: US$30 million; 2012: US$11 million), MZN118 million (2013: MZN558 million; 2012: MZNNil million); LSL7 million (2013: LSL14 million; 2012: LSL12 million) and NGN200 million (2013: NGN121 million; 2012: NGNNil 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.

30.4.4 Insurance risk management

The Group is exposed to insurance risk as a result of its asset base as well as its customer commitments and value added services rendered. The Group is adequately covered in terms of its insurance risk profile. The annual financial statements of Vodacom Insurance Company (Pty) Limited and Vodacom Life Assurance Company (RF) Limited are available at the registered office of the Group and contain further details of the value-added services and insurance risk.

Notes to the consolidated annual financial statements continued

30. Financial instruments and risk management continued

30.5 Capital risk management

The Group finances its operations through a mixture of cash generated from operations, retained earnings, bank and other long-term borrowings. These borrowings together with surplus cash may be loaned internally or contributed as equity to certain subsidiaries.

The capital structure of the Group consists of net debt and equity. The Group manages its capital to ensure that entities within the Group will be able to continue as going concerns while maximising return to shareholders. Capital is monitored on the basis of net debt to EBITDA.

Net debt comprises interest bearing borrowings, non-interest bearing borrowings, derivative financial instruments, bank and cash balances, bank overdrafts and financial guarantees.

EBITDA comprises earnings before interest, taxation, depreciation, amortisation, impairment losses, BBBEE charge, profit/loss on disposal of property, plant and equipment, intangible assets, subsidiaries and investment properties.

The Group's strategy is to maintain a net debt to EBITDA multiple of less than two. The Group's overall strategy remains unchanged from prior reporting periods. This internal ratio establishes levels of debt that the Group should not exceed other than for relatively short periods of time and it is reviewed on a semi-annual basis to ensure it is being met. The Group complied with this ratio throughout the year.

The Group is not subject to externally imposed capital requirements.

The following table summarises the capital of the Group:

Rm	2014	2013	2012
Bank and cash balances	**6 127**	6 528	3 781
Bank overdrafts	**(335)**	(340)	(409)
Borrowings and derivative financial instruments	**(13 844)**	(14 195)	(11 039)
Net debt	**(8 052)**	(8 007)	(7 667)
Equity	**(23 724)**	(21 216)	(18 930)
Capital	**(31 776)**	(29 223)	(26 597)
EBITDA and the net debt to EBITDA multiple at the reporting date is as follows:			
EBITDA	**(27 314)**	(25 253)	(22 763)
Net debt/EBITDA (times)	**(0.3)**	(0.3)	(0.3)

30.6 Option agreements and similar arrangements

30.6.1 VM, SA

Empresa Moçambicana de Telecommunicaçòes SA ('Emotel'), Intelec Holdings Limitada ('Intelec') and Whatana Investments Limitada ('Whatana') each hold a call option to acquire shares equivalent to their respective equity interests in VM, SA. The aggregate shares so acquired may not exceed 15.0% of the issued ordinary shares of VM, SA. The option period commenced on 26 August 2011 and will terminate thirty six months from that date. If exercised, the call options will result in a 70.0% shareholding by the Group. The option is a derivative that will be settled by exchanging a fixed amount of the Group's own equity instruments for a fixed amount of cash and is therefore classified as an equity instrument in accordance with IAS 32, with changes in the fair value only being recognised upon exercise of the options.

Independent auditors' report on the summarised Company financial statements

To the shareholders of Vodacom Group Limited

The accompanying summarised Company financial statements of Vodacom Group Limited ('the Company'), which comprise the summarised Company statement of financial position as at 31 March 2014, the summarised Company income statement, the summarised Company statement of comprehensive income, summarised Company statement of changes in equity and summarised Company statement of cash flows for the year then ended, and related notes, are derived from the audited financial statements of the Company for the year ended 31 March 2014. We expressed an unmodified audit opinion on those financial statements in our report dated 30 May 2014. Our auditor's report on the audited financial statements contained an Other Matter paragraph "Other reports required by the Companies Act" (refer below). Those financial statements, and the summarised Company financial statements, do not reflect the effect of events that occurred subsequent to the date of our report on those financial statements.

The summarised Company financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa, as amended, as applicable to financial statements. Reading the summarised Company financial statements, therefore, is not a substitute for reading the audited financial statements of the Company.

Directors' responsibility for the summarised Company financial statements

The directors are responsible for the preparation of the summarised Company financial statements in accordance with the requirements of the Companies Act of South Africa, as amended, as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the summarised Company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the summarised Company financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810, "Engagements to Report on Summary Company Financial Statements."

Opinion

In our opinion, the summarised Company financial statements derived from the audited financial statements of the Company for the year ended 31 March 2014 are consistent, in all material respects, with those financial statements, in accordance with the requirements of the Companies Act of South Africa, as amended, as applicable to summary financial statements.

Other reports required by the Companies Act

The "other reports required by the Companies Act" paragraph in our audit report dated 30 May 2014 states that as part of our audit of the financial statements for the year ended 31 March 2014, we have read the Directors' report, the Audit, Risk and Compliance Committee's report and the Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summarised Company financial statements or our opinion thereon.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per B Greyling
Partner
Pretoria, South Africa
30 May 2014
Riverwalk Office Park, Block B
41 Matroosberg Road, Ashlea Gardens, X6
Pretoria, 0081, South Africa

Summarised Company income statement
for the year ended 31 March

Rm	Notes	2014	2013	2012
Revenue		**537**	576	540
Staff expenses		**(309)**	(334)	(437)
Other operating income/(expenses)		**(299)**	164	(218)
Depreciation and amortisation		**(1)**	(7)	(4)
Impairment reversal/(losses)	1	**(32)**	540	1 334
Operating profit		**(104)**	939	1 215
Finance income		**12 907**	16 406	10 136
Finance costs		**(259)**	(350)	(408)
Net loss on remeasurement and disposal of financial instruments	2	**(181)**	(219)	(129)
Profit before tax		**12 363**	16 776	10 814
Taxation		**(246)**	(12)	(1 137)
Net profit		**12 117**	16 764	9 677

Summarised Company statement of comprehensive income
for the year ended 31 March

Rm	2014	2013	2012
Net profit	**12 117**	16 764	9 677
Total comprehensive income	**12 117**	16 764	9 677

Summarised Company statement of financial position

as at 31 March

Rm	Notes	2014	2013	2012
Assets				
Non-current assets		**8 848**	8 714	8 453
Property, plant and equipment		**6**	11	8
Intangible assets		**3**	–	4
Investments in subsidiaries	4	**7 170**	7 168	6 400
Financial assets	5	**1 355**	1 218	2 041
Finance lease receivables		**314**	317	–
Current assets		**8 219**	9 086	5 348
Financial assets	5	**587**	774	–
Trade and other receivables	6	**3 868**	3 502	2 469
Finance lease receivables		**16**	13	1
Tax receivable		**–**	–	2
Cash and cash equivalents		**3 748**	4 797	2 550
Non-current assets held for sale		**–**	–	326
Total assets		**17 067**	17 800	13 801
Equity and liabilities				
Fully paid share capital	7	*****	*	*
Treasury shares	7	**(667)**	(379)	(321)
Retained earnings		**15 711**	15 827	10 995
Other reserves	8	**374**	123	112
Total equity		**15 418**	15 571	10 786
Non-current liabilities		**268**	211	197
Trade and other payables	10	**100**	74	64
Provisions		**5**	123	133
Deferred tax		**163**	14	–
Current liabilities		**1 381**	2 018	2 818
Borrowings	9	**–**	753	754
Trade and other payables	10	**1 337**	1 202	2 026
Provisions		**9**	30	31
Tax payable		**17**	18	–
Dividends payable		**18**	15	7
Total equity and liabilities		**17 067**	17 800	13 801

* Fully paid share capital of R100.

Summarised Company statement of changes in equity

for the year ended 31 March

Rm	Notes	Fully paid share capital	Treasury shares	Share-based payment reserve	Retained earnings	Profit on sale of treasury shares	Total equity
1 April 2011		*	(138)	34	9 330	–	9 226
Total comprehensive income		–	–	–	9 677	–	9 677
Dividends	3	–	–	–	(8 012)	–	(8 012)
Repurchase of shares	6	–	(183)	–	–	6	(177)
Share-based payment expense	7	–	–	72	–	–	72
31 March 2012		*	(321)	106	10 995	6	10 786
Total comprehensive income		–	–	–	16 764	–	16 764
Dividends	3	–	–	–	(11 932)	–	(11 932)
Share based payment vesting		–	92	(92)	–	–	–
Advanced distribution received		–	–	69	–	–	69
Restricted share plan		–	(3)	3	–	–	–
Repurchase and sale of shares	6	–	(147)	–	–	21	(126)
Share-based payment expense	7	–	–	10	–	–	10
31 March 2013		*****	**(379)**	**96**	**15 827**	**27**	**15 571**
Total comprehensive income		**–**	**–**	**–**	**12 117**	**–**	**12 117**
Dividends	3	**–**	**–**	**–**	**(12 233)**	**–**	**(12 233)**
Share based payment vesting		**–**	**72**	**(72)**	**–**	**–**	**–**
Advanced distribution received		**–**	**–**	**81**	**–**	**–**	**81**
Restricted share plan		**–**	**–**	**207**	**–**	**–**	**207**
Share based payment – deferred Tax		**–**	**–**	**17**	**–**	**–**	**17**
Repurchase and sale of shares	6	**–**	**(360)**	**–**	**–**	**18**	**(342)**
31 March 2014		*****	**(667)**	**329**	**15 711**	**45**	**15 418**

Summarised Company statement of cash flows

for the year ended 31 March

Rm	2014	2013	2012
Cash flows from operating activities			
Cash receipts from customers	**650**	556	553
Cash paid to suppliers and employees	**(742)**	(474)	(462)
Cash generated from operations	**(92)**	82	91
Tax (paid)/refund	**(64)**	35	(692)
Net cash flows from/(utilised in) operating activities	**(156)**	117	(601)
Cash flows from investing activities			
Additions to property, plant and equipment and intangible assets	**(11)**	(141)	(70)
Proceeds on disposal of property, plant and equipment and intangible assets	**2**	773	–
Finance income received	**105**	336	537
Dividends received	**12 210**	15 793	9 594
Loans granted and equity investments	**(32)**	(71)	(736)
Net cash flows from investing activities	**12 274**	16 690	9 325
Cash flows from financing activities			
Borrowings incurred	**750**	–	750
Borrowings repaid	**(1 557)**	–	(1 637)
Finance costs paid	**(93)**	(345)	(424)
Dividends paid – equity shareholders	**(12 229)**	(11 923)	(8 009)
Repurchase and sale of shares	**(115)**	(46)	(59)
Intercompany money market movement	**77**	(2 246)	3 186
Net cash flows utilised in financing activities	**(13 167)**	(14 560)	(6 193)
Net (decrease)/increase in cash and cash equivalents	**(1 049)**	2 247	2 531
Cash and cash equivalents at the beginning of the year	**4 797**	2 550	19
Cash and cash equivalents at the end of the year	**3 748**	4 797	2 550

Notes to the summarised Company financial statements

for the year ended 31 March

Basis of preparation

These summarised financial statements of the Company have been prepared in accordance with the recognition and measurement criteria of IFRS and the information required by International Accounting Standard 34: Interim Financial Reporting as issued by the IASB, the Financial Reporting Guides as issued by the SAICA Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Report Standards Council, the JSE Listings Requirements and the Companies Act of 2008, 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 cost, and are presented in South African rand, the Company's functional and presentation currency.

The significant accounting policies and methods of computation are consistent in all material respects with those applied in the previous period. The Group's critical accounting judgements, including those involving estimates, are disclosed on pages 31 to 34 of the consolidated annual financial statements of which the Company's critical accounting judgements, including those involving estimates form a part.

Rm	2014	2013	2012
1. Impairment (losses)/reversals			
Investments in subsidiaries	**(32)**	540	1 334
	(32)	540	1 334

There was no reversal of previously recognised impairment losses in the current year (2013: R743 million; 2012: R1 526 million). Impairment losses for the current year were recognised against the VIL investment relating to the investment in the Gateway onerous contract of R32 million. Included in the 2013 figure is impairment losses that were recognised against the VIL investment relating to the investment in Vodacom (RDC) s.p.r.l. of R173 million and the Gateway onerous contract of R31 million. The recoverable amounts of these equity investments are based on value in use calculations and the discount rate used in the value in use calculations is 16.9% (2013: 19.4; 2012: 17.9% and 20.1%).

2. Net loss on remeasurement and disposal of financial instruments

Included in net loss on remeasurement and disposal of financial instruments are impairment losses of R595 million (2013: R713 million; 2012: R616 million) relating to loans and other receivables from subsidiaries as well as net gains on remeasurement of foreign-denominated assets and liabilities of R415 million (2013: R491 million; 2012: R487 million).

Notes to the summarised Company financial statements continued

3. Dividends

Refer to the directors' report in the consolidated annual financial statements for details of dividends.

Rm	2014	2013	2012
4. Investments in subsidiaries			
Vodacom (Pty) Limited	**2 258**	2 256	2 255
Vodacom UK Limited	**489**	489	489
Vodacom International Limited	**2 633**	2 632	2 083
VM, SA	**1 324**	1 324	1 128
Vodacom Tanzania Limited	**445**	445	445
Other	**21**	22	–
	7 170	7 168	6 400
5. Financial assets			
Loans receivable from subsidiaries			
Non-current			
Vodacom Tanzania Limited	**1 355**	1 218	1 081
Wheatfields Investments 276 (Pty) Limited	**–**	–	781
Other	**–**	–	179
	1 355	1 218	2 041
Current			
Wheatfields Investments 276 (Pty) Limited	**527**	654	–
Other	**60**	120	–
	587	774	–
6. Trade and other receivables			
Money market lendings to subsidiaries	**3 581**	3 369	2 039
Amounts owed by subsidiaries	**233**	97	34
Prepayments	**44**	24	379
Other	**10**	12	17
Total current trade and other receivables	**3 868**	3 502	2 469

Notes to the summarised Company financial statements continued

Rm	2014	2013	2012
7. Share capital			
Authorised			
Issued			
Fully paid share capital			
1 487 954 000 ordinary shares with no par value	*	*	*
Treasury shares			
6 357 774 (2013: 4 153 709; 2012: 4 322 248) ordinary shares with no par value	(667)[1]	(379)[1]	(321)[1]
	(667)	(379)	(321)

Shares	2014	2013	2012
Movements in the number of ordinary shares outstanding:			
1 April	**1 483 800 291**	1 483 631 752	1 485 728 688
Statutory shares in issue	**1 487 954 000**	1 487 954 000	1 487 954 000
Treasury shares (held by the Company)	**(4 153 709)**	(4 322 248)	(2 225 312)
Share movements	**(2 204 065)**	168 539	(2 096 936)
31 March	**1 481 596 226**	1 483 800 291	1 483 631 752
Statutory shares in issue	**1 487 954 000**	1 487 954 000	1 487 954 000
Treasury shares (held by the Company)	**(6 357 774)**	(4 153 709)	(4 322 248)

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. The Group acquired 1 861 447 (2013: 1 680 373; 2012: 2 033 655) shares as part of the current year forfeitable share plan allocation of which 680 015 (2013: 796 267; 2012: 834 747), shares were acquired by the Company for participants employed by the Company and Vodacom Lesotho (Pty) Limited. The Group also acquired 1 847 972 shares as part of the restricted share buy-in, of which 556 144 shares were acquired by the Company for participants employed by the Company. Refer to Note 16, 17.2.1 and Note 17.2.2 of the consolidated annual financial statements for further details.

* Fully paid share capital of R100.

8. Other reserves

Forfeitable share plan ('FSP') reserve

The Company granted 680 015 (2013: 796 267; 2012: 834 747) forfeitable shares at a weighted average grant date fair value of R111.71 (2013: R100.68; 2012: R77.58), of which 209 970 (2013: 634 199; 2012: 220 070) shares were forfeited and 806 883 (2013: 1 394 587; 2012: 7 037) vested during the year. The expense recognised amounted to R39 million (2013: R52 million; 2012: R62 million). R39 million (2013: R42 million; 2012: R26 million) of the dividend declared was offset against the FSP reserve. Refer to Note 17.2.1 of the consolidated annual financial statements for further details.

The Company is responsible to procure the settlement of the benefits in terms of the FSP to the participants employed by its subsidiaries participating in the scheme ('Employer Companies') on award date. The Employer Companies have the obligation to reimburse the Company for such settlement upon the award being made. The up-front reimbursement received from the Employer Companies is treated as an advance distribution received and deferred as a liability (refer to Note 10), which is amortised to zero over the vesting period as the IFRS 2 reserve is recognised. The staff costs relating to the Employer Companies' employees are expensed by each of the individual Employer Companies.

Notes to the summarised Company financial statements continued

	Rm		2014	2013	2012
9.	Borrowings				
	Current				
	Interest bearing borrowings (Note 9.1)		**–**	753	754
			–	753	754
9.1	**Interest bearing borrowings**				
	Bank borrowings classified as financing activities		**–**	–	–
	Domestic medium-term note programme		**–**	753	754
			–	753	754
	Refer to Note 18 of the consolidated annual financial statements for further details.				
10.	Trade and other payables				
	Money market deposits from subsidiaries		**630**	683	1 591
	Amounts owed to subsidiaries		**376**	113	108
	Advance distribution received from subsidiaries	8	**209**	139	98
	Other		**222**	341	293
	Total trade and other payables		**1 437**	1 276	2 090
	Timing				
	Current		**1 337**	1 202	2 026
	Non-current		**100**	74	64
			1 437	1 276	2 090
11.	Commitments				
	Capital		**1**	21	106
	Other		**2 177**	370	861
			2 178	391	967

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 and funding of subsidiaries.

12. Contingencies

The Company is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the outcome of these proceedings. Following this assessment, the Company's management has determined that no provision is required in respect of these legal proceedings as at 31 March 2014. 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.

Notes to the summarised Company financial statements continued

14. Related parties

The Company's related parties are its parent, subsidiaries, associate, pension schemes and key management including directors.

14.1 Balances with related parties

Refer to Notes 4, 6 and 10 for details of balances with subsidiaries. These outstanding balances are unsecured and will be settled in cash in the ordinary course of business.

Rm	2014	2013	2012
14.2 Transactions with related parties			
Parent	**(7 964)**	(7 756)	(5 233)
Revenue	**–**	21	22
Other operating expenses	**14**	9	(32)
Dividends declared	**(7 978)**	(7 786)	(5 223)
Subsidiaries	**12 930**	16 481	10 249
Revenue[1]	**537**	553	535
Other operating expenses	**(59)**	(55)	(50)
Finance income	**585**	570	500
Finance costs	**(216)**	(256)	(247)
Dividends declared	**(127)**	(124)	(83)
Dividends received	**12 210**	15 793	9 594

14.3 Key management personnel and directors' remuneration

Refer to Note 29.3 of the consolidated annual financial statements for details of directors' and key management personnel remuneration.

Note:
1. Revenue consists of mainly administration fees charged to subsidiaries.

Addendum A

as at 31 March

Interest in material subsidiaries

The information discloses interests in subsidiaries material to the financial position of Vodacom Group Limited. The interest in ordinary share capital is representative of the voting power except for 'B' ordinary shares where each share entitles the holder to two votes.

RSA – Republic of South Africa; UK – United Kingdom; LES – Lesotho; TZN – Tanzania; MZ – Mozambique; DRC – The Democratic Republic of Congo; MAU – Mauritius; NGR – Nigeria and GUE – Guernsey.

	Country of incorporation	Issued share capital			% Interest in issued share capital		
		2014	**2013**	**2012**	**2014**	**2013**	**2012**
Subsidiaries							
Cellular network operators							
Direct							
Vodacom (Pty) Limited	RSA						
Ordinary share capital[1]		**R45 180**	R45 180	R45 180	**100**	100	100
'A' ordinary share capital[1]		**R2 820**	R2 820	R2 820	**100**	100	100
Vodacom Tanzania Limited	TZN						
Ordinary share capital[3]		**TZS84 000 010 000**	TZS84 000 010 000	TZS84 000 010 000	**65.0**	65.0	65.0
Indirect							
Vodacom Lesotho (Pty) Limited	LES						
Ordinary share capital		**LSL4 180**	LSL4 180	LSL4 180	**80.0**	80.0	80.0
VM, SA	MZ						
Ordinary share capital		**MZN1 380 000 000**	MZN1 380 000 000	MZN1 380 000 000	**85.0**	85.0	85.0
Preference share capital[2]		**MZN12 612 064 858**	MZN12 612 064 858	MZN11 639 662 716	**100**	100	100
Vodacom Congo (RDC) s.p.r.l.	DRC						
Ordinary share capital		**US$1 000 000**	US$1 000 000	US$1 000 000	**51.0**	51.0	51.0
Service providers							
Indirect							
Vodacom Service Provider Company (Pty) Limited	RSA						
Ordinary share capital[4]		**N/A**	N/A	R20	**N/A**	N/A	100

Addendum A continued

	Country of incorporation	Issued share capital			% Interest in issued share capital		
		2014	**2013**	**2012**	**2014**	**2013**	**2012**
Interconnect service providers via satellite							
Direct							
Vodacom UK Limited	UK						
'B' ordinary share capital		**US$1**	US$1	US$1	**100**	100	100
Preference share capital		**US$710 999 999**	US$710 999 999	US$710 999 999	**100**	100	100
Indirect							
Vodacom UK Limited	UK						
'A' ordinary share capital		**US$100**	US$100	US$100	**100**	100	100
Vodacom Business Africa (Nigeria) Limited[5]	NGR						
Ordinary share capital		**NGN5 000 000**	NGN5 000 000	NGN5 000 000	**100**	100	100
Preference share capital[7]		**NGN7 262 273 299**	–	–	**100**	–	–
VBA International Limited[6]	GUE						
Ordinary share capital		**£3**	£3	£3	**100**	100	100
Preference share capital[7]		**US$3 496 631**	–	–	**100**	–	–
Other							
Indirect							
Vodacom International Limited	MAU						
Ordinary share capital		**US$100**	US$100	US$100	**100**	100	100
Preference share capital		**US$676 964 640**	US$673 779 414	US$648 377 679	**100**	100	100

Notes:
1. 6.25% held indirectly through special purpose entities which are consolidated in terms of SIC 12: Consolidation – Special Purpose Entities as part of the broad-based black economic empowerment transaction (Note 17.2).
2. 37.03% (2013: 37.03%; 2012: 40.04%) held directly through Vodacom Group Limited.
3. Shareholder loan converted to equity in the 2012 year. Shareholding was increased to 82.2% post 31 March 2014.
4. Vodacom Service Provider Company (Pty) Limited amalgamated with Vodacom (Pty) Limited with effect from 1 July 2012.
5. During the year, the Group sold its supplier agreements and assets as well as the customer contracts of Gateway Communications Africa (UK) Limited.
5. Formerly Gateway Telecoms Integrated Services Limited.
6. Formerly GS Telecom Africa Limited.
7. Shareholder loan converted to equity in the current year.