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 2012 presented on pages 3 to 79 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), the AC 500 standards as issued by the Accounting Practices Board ('APB'), 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 1 June 2012 and are signed on its behalf by:

MP Moyo
Chairman

PJ Uys
Chief Executive Officer

Certificate by the Company Secretary

In terms of Section 268G(d) 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 2012, 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

1 June 2012

Independent auditors' report on the consolidated annual financial statements

To the shareholders of Vodacom Group Limited

We have audited the consolidated annual financial statements of Vodacom Group Limited, which comprise the consolidated statement of financial position as at 31 March 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 3 to 79.

Directors' responsibility for the consolidated annual financial statements

The directors are responsible for the preparation and fair presentation of these consolidated annual financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, the AC 500 standards as issued by the Accounting Practices Board, the JSE Listings Requirements and the requirements of the Companies Act of 2008, as amended, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated annual financial statements.

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

Opinion

In our opinion, the consolidated annual financial statements present fairly, in all material respects, the consolidated financial position of Vodacom Group Limited as at 31 March 2012, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of 2008, as amended.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per PJ Smit
Partner
Johannesburg, South Africa
1 June 2012
Buildings 1 and 2, Deloitte Place
The Woodlands, Woodlands Drive
Woodmead, Sandton

National Executive: GG Gelink *(Chief Executive)*, AE Swiegers *(Chief Operating Officer)*, GM Pinnock *(Audit)*, DL Kennedy *(Risk Advisory & Legal Services)*, NB Kader *(Tax)*, L Geeringh *(Consulting)*, L Bam *(Corporate Finance)*, JK Mazzocco *(Talent & Transformation)*, CR Beukman *(Finance)*, TJ Brown *(Chairman of the Board)*, MJ Comber *(Deputy Chairman of the Board)*.

A full list of partners and directors is available on request.

Directors' report
for the year ended 31 March

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

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

Financial results
Earnings attributable to equity holders of the Group for the year ended 31 March 2012 were R10 156 million (2011: R8 245 million; 2010: R4 196 million) representing basic earnings per share of 694.0 cents (2011: 561.5 cents; 2010: 282.3 cents).

The Group has recognised net impairment losses of R199 million (2011: R1 506 million) relating to its International reportable segment. Full details of the net impairment losses are included in Note 2.

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

Dividends
Dividend distribution

An ordinary dividend of R8 035 million (2011: R5 282 million; 2010: R1 637 million) was declared for the year (Note 8). Details of the final dividend are included under 'Events after the reporting period' in this directors' report.

Rm	2012	2011	2010
Declared 5 November 2009 and paid 7 December 2009	–	–	1 637
Declared 14 May 2010 and paid 5 July 2010	–	2 604	–
Declared 5 November 2010 and paid 6 December 2010	–	2 678	–
Declared 13 May 2011 and paid 4 July 2011	**4 166**	–	–
Declared 3 November 2011 and paid 5 December 2011	**3 869**	–	–
	8 035	5 282	1 637

Dividend policy

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

On 16 May 2012, the Board approved a change in the dividend policy from a pay out of approximately 70% of headline earnings per share to at least 90% of headline earnings per share. The Company declared dividends of 710 cents (2011: 460 cents; 2010: 285 cents) per share for the year ended 31 March 2012, representing approximately 100% (2011: 70%; 2010: 60%) of headline earnings for the year ended 31 March 2012.

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.

Share capital
The authorised and issued share capital are as follows:

Stated capital

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

Full details of the authorised and issued share capital of the Company are contained in Note 15.

Share capital (continued)

Repurchase of shares

Shareholders approved a special resolution granting a general authority for the repurchase of ordinary shares by the Group, to a maximum of 5.0% (2011: 20.0%) of shares in issue, at the annual general meeting held on Thursday 4 August 2011, subject to the JSE Listings Requirements and the provisions of the Companies Act of 2008, as amended. No shares were repurchased in the current year in terms of this general authority, while 15 880 043 ordinary shares were repurchased during the prior year at an average price of R60.14 per share. These shares are held as treasury shares by wholly-owned subsidiary, Wheatfields Investments 276 (Pty) Limited ('Wheatfields'). Approval to renew this general authority will be sought at the forthcoming annual general meeting on Friday 20 July 2012.

In the 2010 financial year, Wheatfields also acquired 2 426 471 shares at R56.61 per share in terms of an odd-lot offer and a specific share repurchase.

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

Forfeitable share plan ('FSP')

During the year the Group acquired 2 033 655 shares which were allocated to eligible employees under its FSP. During the prior year the Group allocated 3 242 476 shares out of treasury shares to eligible employees under its FSP. Further details on the FSP may be found in the 'Remuneration report' included in the integrated report as well as in Note 16.

Shareholder analysis

The Group's shareholder analysis as at 31 March 2012 was as follows:

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 100 shares	10 373	23.83	440 524	0.03
101 – 1000 shares	27 170	62.41	9 023 753	0.61
1 001 – 10 000 shares	4 831	11.1	13 747 852	0.92
10 001 – 50 000 shares	673	1.55	13 693 016	0.92
50 001 – 100 000 shares	210	0.47	15 103 750	1.02
100 001 – 1 000 000 shares	240	0.55	70 400 116	4.73
1 000 001 shares and above	39	0.09	1 365 544 989	91.77
	43 536	**100**	**1 487 954 000**	**100**
Distribution of shareholders				
Close corporations	161	0.37	286 579	0.02
Collective investment schemes	301	0.69	44 127 140	2.97
Custodians	193	0.44	110 988 868	7.46
Foundations & charitable funds	83	0.19	560 045	0.04
Hedge funds	18	0.04	560 709	0.04
Holding company	1	–	967 170 100	65.00
Individuals	39 316	90.31	28 090 489	1.89
Insurance companies	64	0.15	7 559 042	0.51
Investment partnerships	238	0.55	392 776	0.03
Medical aid funds	14	0.03	351 178	0.02
Organs of state	2	–	207 047 520	13.91
Other corporations	106	0.25	3 186 793	0.21
Personal liability companies	7	0.02	156 690	0.01
Private companies[1]	302	0.69	17 705 975	1.19
Public companies	22	0.05	5 033 778	0.33
Retirement benefit funds	258	0.59	79 163 032	5.32
Scrip lending	22	0.05	5 442 420	0.37
Stockbrokers & nominees	17	0.04	2 668 943	0.18
Trusts	2 399	5.51	7 458 876	0.50
Unclaimed assets	12	0.03	3 047	–
	43 536	**100**	**1 487 954 000**	**100**

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

Share capital (continued)

Shareholder analysis (continued)

Non-public and public shareholders	Number of shareholdings	%	Number of shares	%
Non-public shareholders	19	0.05	1 190 461 914	80.01
Directors and associates	14	0.02	823 063	0.06
Wholly-owned subsidiaries	2	0.01	15 421 231	1.04
Strategic holdings (more than 10.0%)	2	0.01	207 047 520	13.91
Holding company	1	0.01	967 170 100	65.00
Public shareholders	43 517	99.95	297 492 086	19.99
	43 536	**100**	**1 487 954 000**	**100**
Geographical holdings by owner				
United Kingdom	95	0.22	982 683 408	66.04
South Africa	43 005	98.79	393 712 195	26.46
United States	120	0.28	92 204 601	6.20
Europe	94	0.22	15 873 186	1.07
Other	222	0.49	3 480 610	0.23
	43 536	**100**	**1 487 954 000**	**100**

Beneficial shareholders holding 5% or more of the issued capital	Total shareholding	% of shares in issue
Vodafone Group	967 170 100	65.00
South African Government	207 047 520	13.91
	1 174 217 620	78.91

Share price performance	2012	2011	2010
Opening price 1 April	**R79.38**	R55.60	R59.50
Closing price 31 March	**R108.15**	R79.38	R55.60
Closing high for the year/period	**R108.15**	R79.95	R59.00
Closing low for the year/period	**R75.06**	R53.39	R51.55
Number of shares in issue	**1 487 954 000**	1 487 954 000	1 487 954 000
Volume traded during the year/period	**484 661 747**	365 746 139	581 075 914
Ratio of volume traded to shares issued (%)	**32.57**	24.58	39.05

Borrowings

Domestic medium-term note programme

During the year 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. As at 31 March 2012, unsecured three month commercial paper with a nominal value of R750 million was in issue.

Vodafone Investments Luxembourg s.a.r.l.

A loan with a nominal value of R3 000 million and a three year term was raised to refinance existing short-term borrowings, and finance capital expenditure and working capital requirements.

Borrowings from South African banks

Loans with a combined nominal value of R2 591 million were repaid during the year using short-term bank borrowings and long-term borrowings raised during the years.

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 23.

Special resolutions

Special resolutions relating to the adoption of new memorandums of incorporation to harmonise with the Companies Act of 2008, as amended, were passed by subsidiary companies during the year under review.

Directorate and secretary

Movements in the directorate during the year under review:

Appointments

12 May 2011	A Kekana
1 September 2011	SN Maseko
4 November 2011	K Witts^
3 January 2012	DH Brown

Resignations

30 October 2011	TA Boardman
3 November 2011	M Lundal~
31 March 2012	RA Shuter

Movements in the directorate after 31 March 2012:

Appointments

15 June 2012	IP Dittrich

In terms of the Company's memorandum of incorporation, Messrs DH Brown, and SN Maseko and Ms K Witts, having been appointed since the last annual general meeting of the Company, retire at the forthcoming annual general meeting to be held on Friday 20 July 2012. In terms of the memorandum of incorporation, Messrs PJ Uys and M Joseph 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, A Kekana, TM Mokgosi-Mwantembe, PJ Moleketi

Non-executive

P Bertoluzzo@, M Joseph*, RAW Schellekens•, NJ Read^, K Witts^, TJ Harrabin (alternate)^

Executive

PJ Uys (Chief Executive Officer), SN Maseko (Chief Operating Officer), IP Dittrich (Chief Financial Officer)[1]

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

^ British, ~ Norwegian, @ Italian, * American, • Dutch

Note:

1. Effective date of appointment is 15 June 2012.

Interests of directors

As at 31 March 2012, the directors of the Company held direct and indirect beneficial interests in 1 456 353 (2011: 842 235) of its issued ordinary shares as set out below:

Shares	2012 Direct	2012 Indirect	2011 Direct	2011 Indirect
Executive				
PJ Uys	**450 027**	**–**	338 723	–
RA Shuter	**293 876**	**–**	230 524	–
MS Aziz Joosub (resigned 31 March 2011)	**–**	**–**	269 200	–
SN Maseko	**74 142**	**–**	–	–
Independent non-executive				
MP Moyo	**250**	**3 645**	250	2 415
PJ Moleketi	**643**	**480**	643	480
Prescribed officers				
MJD Delport	**143 314**			
J Dennelind	**44 040**			
V Jarana	**129 202**			
R Kumalo	**157 459**			
M Nkeli	**23 887**			
NC Nyoka	**135 388**			
	1 452 228	**4 125**	839 340	2 895

There have been no changes in beneficial interests that occurred between the end of the reporting period and the date of this report.

Holding company and ultimate holding company

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

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

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

In terms of Section 94(7) of the Companies Act of 2008, as amended ('the Act'), the ARC Committee discharged all of those functions delegated to it in terms of its mandate, the Act and the JSE Listings Requirements. Further details on the role and function of the ARC Committee may be found in the 'Report of the Audit, Risk and Compliance Committee'.

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

Regulatory matters

Electronic Communications Act ('EC Act')

Universal service obligations ('USOs')

The Independent Communications Authority of South Africa ('ICASA') and the Universal Service and Access Agency of South Africa are in the process of reviewing the licensing terms relating to USOs. It is anticipated that this review process, which will result in the promulgation of the new USO policy framework, will be finalised during the next financial year. The Group is participating in the consultative process.

Interconnect rates

On 29 October 2010 ICASA published the call termination regulations, in terms of which the peak interconnect rate was reduced from R0.89 to R0.73 and the off-peak rate from R0.77 to R0.65 in March 2011. The regulations stipulated further reductions in the peak and off-peak rates to R0.56 and R0.52 respectively in March 2012, and a flat rate of R0.40 for both in March 2013. In terms of the regulations, asymmetrical interconnect rates may also be payable to licensees who meet specific criteria on the basis of spectrum or market share. The Group also published its Reference Interconnection Offer as required in terms of the Call Termination Regulations, which is to form the basis of interconnection discussions going forward.

Regulatory matters (continued)

Consumer Protection Act ('CP Act')

During the year, the National Consumer Commission ('NCC') undertook an investigation into the terms and conditions of the Group's customer airtime agreements in South Africa. In order to comply with the CP Act, Vodacom has amended its customer airtime agreements and has distributed the amended agreements to customers. The NCC nevertheless issued a compliance notice against the Group. The National Consumer Tribunal is considering the validity of the NCC's compliance notice and will make a ruling on the matter in due course.

Spectrum fees regulations

On 31 March 2011 ICASA published the Spectrum Regulations 2011 which states that spectrum fees shall be charged in terms of the Spectrum Fees Regulation of 2010, the implementation of which is expected to result in an overall reduction of in the spectrum fees incurred by the Group. During the current year Vodacom paid spectrum fees based on these regulations. ICASA has instituted review proceedings in the Southern Gauteng High Court to set aside the 1 April 2011 effective date of the Spectrum Fees Regulation of 2010, and their subsequent decision to repeal the old spectrum regulations of 1979. If ICASA's review is successful the Group would have to pay approximately R63 million in additional spectrum fees based on the old spectrum fees regulations.

Radio frequency spectrum regulation

The Minister of communications in South Africa issued policy directions on high demand spectrum and digital dividend proposing licensing of new entrants and a wholesale open access network. These policy directions were issued at the same time as the draft assignment plan for assignment of high demand spectrum and invitation to apply by ICASA. The draft assignment plan and invitation to apply have now been suspended until further notice by ICASA pending the finalisation of the policy directions by the Minister.

Carrier pre-selection regulation

The carrier pre-selection regulations were published on 27 September 2010 and ICASA subsequently postponed the implementation timelines to 30 November 2011 allowing it time to consult with licensees regarding the development of an industry-led code of practice. A fine may be imposed if a licensee does not meet the implementation timelines. The code of practice has not yet been finalised.

Companies Act of 2008, as amended

Shareholders will be asked at the annual general meeting to be held on Friday 20 July 2012 to adopt a new memorandum of incorporation to align the Company's founding documents with the Act.

Other significant matters

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

The Group continues to participate in the International Chamber of Commerce arbitration with Congolese Wireless Network s.p.r.l. ('CWN'), the other shareholder in Vodacom Congo. The arbitration relates to various funding and operational agreements and co-operation in the manner in which the Vodacom Congo business is run. Notwithstanding the arbitration, the Group continues to pursue a constructive resolution with CWN.

Vodacom International Limited ('VIL')

The claim brought by Namemco Energy (Pty) Limited ('Namemco') against VIL for approximately US$41 million, relating to alleged consulting fees due and the ancillary action for the annulment of the ex parte order relating to the attachment of VIL's shares in Vodacom Congo to satisfy the claim, was heard before the Congolese Commercial Tribunal, who found in favour of Namemco on the fees and in favour of VIL on the release of the provisional attachment. It reduced Namemco's claim to US$21 million, plus interest thereon. VIL's petition to the Congolese Court of Appeal to stay execution pending appeal was dismissed. Whilst the judgement debt is enforceable, legal challenges to the enforcement process are being pursued, and VIL has lodged an appeal on the merits. The Congolese Commercial Tribunal has served notice on VIL that, in the event of non-payment, the public sale and auction of VIL's shares in Vodacom Congo will take place on 3 June 2012. On 1 June 2012 the said auction sale was postponed pending the outcome of certain legal proceedings already underway. Namemco's claim was initially brought in South African courts, where it is also being challenged.

Events after the reporting period

Final dividend

A final dividend of R6 696 million (450 cents per ordinary share) was declared for the year ended 31 March 2012, payable on Monday 25 June 2012 to shareholders recorded in the register at the close of business on Friday 22 June 2012.

With effect from 1 April 2012, dividends tax replaces secondary tax on companies ('STC'). Dividends tax is provided for at 15.0% of the amount of any dividend paid by Vodacom Group Limited, subject to certain exemptions. The dividend tax is a tax borne by the beneficial owner of the dividend and will be withheld by either the issuer of the dividend or by regulated intermediaries.

Other matters

In order to effect its financial services strategy the Group invested in newly incorporated entities through which its insurance business will be operated.

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 2012 or the results of its operations or cash flows for the year then ended, other than disclosed below.

On 31 May 2012 the Group entered into an agreement to sell its investments, supplier agreements and assets in Gateway Carrier Services[1] which forms part of the Group's International reportable segment. The agreement will only become effective upon the conditions precendent set out in the agreement being met.

Auditors

Deloitte & Touche continued in office as the Group's auditors. At the annual general meeting of Friday 20 July 2012, shareholders will be requested to appoint Deloitte & Touche as the Group's auditors for the 2013 financial year and it will be noted that PJ Smit will be the individual registered auditor who will undertake the audit.

Note:

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.

Report of the Audit, Risk and Compliance Committee

Mandate and terms of reference

The Group's Audit, Risk and Compliance Committee ('ARC Committee') operates within a Board-approved mandate and terms of reference. In line with the Companies Act of 2008, as amended ('the Act'), the members of the Committee were appointed at the annual general meeting that was held on Thursday 4 August 2011.

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;
- 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 framework 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: A Kekana (Chairman)[2]; DH Brown[3], PJ Moleketi

Members of the ARC Committee during the financial year included the following independent non-executive directors:

TA Boardman (Chairman)[1]
A Kekana
PJ Moleketi

TA Boardman resigned from the Board on 30 October 2011 and was replaced on 3 January 2012 by Mr DH Brown.

The Chief Executive Officer and Chief Financial Officer attend ARC Committee meetings by invitation, as well as the head of internal audit, Chief Risk Officer, Chief Technology Officer and the external auditors. The primary role of the ARC Committee is to ensure the integrity of the 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. During the 2012 financial year, four committee meetings and one teleconference were convened.

Attendance was as follows:

	5.5.2011	2.6.2011 Telecon	9.9.2011	1.11.2011	8.3.2012
TA Boardman (Chairman)[1]	✓	X	✓	–	–
PJ Moleketi	✓	✓	X	✓	✓
A Kekana[2]	–	✓	✓	✓	✓
DH Brown[3]	–	–	–	–	✓

Notes:
1. TA Boardman resigned on 30 October 2011.
2. A Kekana appointed on 12 May 2011.
3. DH Brown appointed 3 January 2012.

Statutory duties

In terms of Section 94(7) of the Act, the ARC Committee discharged all of those functions delegated to it in terms of the ARC Committee mandate, the Act and the JSE Listings Requirements:

- Considered and satisfied itself that the external auditors are independent;
- Nominated the external auditors for appointment for the 2012 financial year;
- Determined the fees paid to the external auditors for the 2012 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;
- Held separate meetings with management and the external auditors to discuss any reserved matters;
- Ensured the ARC Committee complied with the membership criteria as set out in the Act;
- Considered the appropriateness and experience of the Chief Financial Officer as required by the JSE Listings Requirements;
- 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 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 2012 were effective.

Risk management

Detailed reviews of the Group's risk management, ERM 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 2011 to 31 March 2012, Forensic Services investigated over 3 420 cases of which 3 072 related to external cases and 348 to internal cases. These cases were reported through various channels including, but not limited to, direct reports received from customers, service providers, online reports, referrals from business, confidential and anonymous reports. Over the same period 100 reports were received via the KPMG hotline.

Combined assurance

The combined assurance model aims to optimise the assurance coverage attained from management (1st line of defence), internal assurance providers (2nd line of defence) and external assurance providers (3rd 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. This first round of assessment has been compiled with input from the compliance and ethics, risk management and internal audit functions. This model is being rolled out into the business to improve the assessments regarding the levels of assurance provided.

During the November 2011 meeting the ARC Committee approved the Combined Assurance Framework, which lays the foundation for the model.

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.

Appropriateness and experience of Chief Financial Officer

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

Non-audit function policy

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

- There is no other alternative supplier for these services; or
- Where there is no other commercially viable alternative.

The total amount of fees earned during the year by the external auditors in respect of non-audit services was R1 million.

ARC Committee assessment

During the year under review, the ARC Committee conducted a self-assessment of its role and function. The ARC Committee members were satisfied that they have fulfilled their responsibilities in terms of the ARC Committee charter, but that additional training in risk methodology and technology governance was required. This has been addressed.

Integrated report

The ARC Committee has overseen the integrated reporting process and recommended the 2012 integrated report and consolidated annual financial statements for approval by the Board on 1 June 2012.

A Kekana
Chairman
Audit, Risk and Compliance Committee

Consolidated income statement

for the year ended 31 March

Rm	Notes	2012	2011	2010
Revenue	1	**66 929**	61 197	58 535
Direct expenses		**(30 265)**	(27 600)	(26 764)
Staff expenses		**(4 318)**	(4 024)	(3 878)
Publicity expenses		**(1 804)**	(2 086)	(1 848)
Other operating expenses		**(7 844)**	(6 928)	(6 280)
Depreciation and amortisation	9,10	**(5 882)**	(5 355)	(5 157)
Impairment losses	2	**(199)**	(1 508)	(3 370)
Operating profit	3	**16 617**	13 696	11 238
Finance income	4	**109**	109	124
Finance costs	5	**(748)**	(864)	(1 602)
Net loss on remeasurement and disposal of financial instruments	3,6	**(45)**	(303)	(794)
Loss from associate		**–**	–	(21)
Profit before tax		**15 933**	12 638	8 945
Taxation	7	**(5 730)**	(4 659)	(4 745)
Net profit		**10 203**	7 979	4 200
Attributable to:				
Equity shareholders		**10 156**	8 245	4 196
Non-controlling interests		**47**	(266)	4
		10 203	7 979	4 200

Cents		2012	2011	2010
Basic earnings per share	8	**694,0**	561,5	282,3
Diluted earnings per share	8	**691,2**	560,4	282,0

Consolidated statement of comprehensive income

for the year ended 31 March

Rm	Note	2012	2011	2010
Net profit		**10 203**	7 979	4 200
Other comprehensive income	7	**315**	(449)	(2 665)
Foreign currency translation differences, net of tax		**389**	(502)	(2 665)
(Loss)/Gain on hedging instruments in cash flow hedges, net of tax		**(74)**	53	–
Total comprehensive income		**10 518**	7 530	1 535
Attributable to:				
Equity shareholders		**10 583**	7 739	1 645
Non-controlling interests		**(65)**	(209)	(110)
		10 518	7 530	1 535

Consolidated statement of financial position

at 31 March

Rm	Notes	2012	2011	2010
Assets				
Non-current assets		**30 678**	27 982	29 131
Property, plant and equipment	9	**24 367**	21 577	21 383
Intangible assets	10	**5 123**	5 215	6 673
Financial assets	11	**201**	189	181
Trade and other receivables	13	**227**	264	231
Finance lease receivables	14	**447**	307	408
Deferred tax	7	**313**	430	255
Current assets		**17 552**	13 453	12 560
Financial assets	11	**695**	273	153
Inventory	12	**832**	799	707
Trade and other receivables	13	**11 379**	10 773	10 024
Finance lease receivables	14	**691**	462	262
Tax receivable		**174**	276	353
Cash and cash equivalents	22	**3 781**	870	1 061
Total assets		**48 230**	41 435	41 691
Equity and liabilities				
Fully paid share capital	15	*****	*	*
Treasury shares	15	**(1 530)**	(1 384)	(422)
Retained earnings		**20 121**	17 864	14 832
Other reserves	16	**(61)**	(858)	(672)
Equity attributable to owners of the parent		**18 530**	15 622	13 738
Non-controlling interests		**400**	558	898
Total equity		**18 930**	16 180	14 636
Non-current liabilities		**10 932**	8 743	11 590
Borrowings	17	**9 012**	7 280	9 786
Trade and other payables	18	**352**	258	317
Provisions	19	**551**	510	436
Deferred tax	7	**1 017**	695	1 051
Current liabilities		**18 368**	16 512	15 465
Borrowings	17	**2 004**	2 783	3 239
Trade and other payables	18	**15 406**	13 005	11 714
Provisions	19	**355**	298	193
Tax payable		**172**	87	203
Dividends payable		**22**	8	6
Bank overdrafts	22	**409**	331	110
Total equity and liabilities		**48 230**	41 435	41 691

* Fully paid share capital of R100.

Consolidated statement of changes in equity

for the year ended 31 March

Rm	Notes	Fully paid share capital	Treasury shares	Forfeitable share plan reserve	BBBEE reserve[1]	Retained earnings
1 April 2009		*	–	–	1 382	12 265
Total comprehensive income		–	–	–	–	4 196
Net profit		–	–	–	–	4 196
Other comprehensive income	7	–	–	–	–	–
Dividends	8	–	–	–	–	(1 631)
Repurchase of shares	15	–	(422)	–	–	–
Share-based payment expense	8,16	–	–	24	105	–
Transfer to contingency reserve	16	–	–	–	–	2
31 March 2010		*	(422)	24	1 487	14 832
Total comprehensive income		–	–	–	–	8 245
Net profit		–	–	–	–	8 245
Other comprehensive income	7	–	–	–	–	–
Dividends	8	–	–	–	–	(5 212)
Partial disposal of interests in subsidiaries	21	–	–	–	–	–
Repurchase of shares	15	–	(962)	–	–	–
Share-based payment expense	8,16	–	–	98	65	–
Transfer from contingency reserve	16	–	–	–	–	(1)
31 March 2011		*****	**(1 384)**	**122**	**1 552**	**17 864**
Total comprehensive income		**–**	**–**	**0**	**–**	**10 156**
Net profit		**–**	**–**	**–**	**–**	**10 156**
Other comprehensive income	7	**–**	**–**	**0**	**–**	**–**
Dividends	8	**–**	**–**	**–**	**–**	**(7 900)**
Partial disposal of interests in subsidiaries	21	**–**	**–**	**–**	**–**	**–**
Shareholder loan conversion to equity		**–**	**–**	**–**	**–**	**–**
Repurchase and sale of shares	15	**–**	**(146)**	**–**	**–**	**–**
Share-based payment expense	8,16	**–**	**–**	**130**	**43**	**–**
Transfer to contingency reserve	16	**–**	**–**	**–**	**–**	**1**
31 March 2012		*****	**(1 530)**	**252**	**1 595**	**20 121**

Notes:
1. Broad-based black economic empowerment reserve.
2. Includes foreign exchange losses of R340 million (2011: R350 million; 2010: R848 million), net of tax, relating to foreign-denominated loans to subsidiaries classified as part of the net investments in these foreign operations.
* Fully paid share capital of R100.

Contingency reserve	Disposal of interests in subsidiaries	Profit on sale of treasury shares	Other comprehensive income: Foreign currency translation reserve	Other comprehensive income: Cash flow hedge reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
21	–	–	349	–	14 017	1 081	15 098
–	–	–	(2 551)[2]	–	1 645	(110)	1 535
–	–	–	–	–	4 196	4	4 200
–	–	–	(2 551)	–	(2 551)	(114)	(2 665)
–	–	–	–	–	(1 631)	(73)	(1 704)
–	–	–	–	–	(422)	–	(422)
–	–	–	–	–	129	–	129
(2)	–	–	–	–	–	–	–
19	–	–	(2 202)	–	13 738	898	14 636
–	–	–	(559)	53	7 739	(209)	7 530
–	–	–	–	–	8 245	(266)	7 979
–	–	–	(559)[2]	53	(506)	57	(449)
–	–	–	–	–	(5 212)	(71)	(5 283)
–	156	–	–	–	156	(60)	96
–	–	–	–	–	(962)	–	(962)
–	–	–	–	–	163	–	163
1	–	–	–	–	–	–	–
20	**156**	**–**	**(2 761)**	**53**	**15 622**	**558**	**16 180**
–	**–**	**–**	**501**	**(74)**	**10 583**	**(65)**	**10 518**
–	**–**	**–**	**–**	**–**	**10 156**	**47**	**10 203**
–	**–**	**–**	**501**	**(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**

Consolidated statement of cash flows

for the year ended 31 March

Rm	Notes	2012	2011	2010
Cash flows from operating activities				
Cash receipts from customers		**67 024**	60 214	58 717
Cash paid to suppliers and employees		**(42 522)**	(38 829)	(39 006)
Cash generated from operations	20	**24 502**	21 385	19 711
Tax paid		**(5 192)**	(4 982)	(4 764)
Net cash flows from operating activities		**19 310**	16 403	14 947
Cash flows from investing activities				
Additions to property, plant and equipment and intangible assets		**7 651**	(6 643)	(6 306)
Proceeds on disposal of property, plant and equipment and intangible assets		**82**	95	84
Business combinations, net of cash acquired	21	**(23)**	(24)	–
Finance income received		**29**	85	108
Loans granted and equity investments		**1**	(24)	(193)
Other investing activities		**(441)**	(70)	(22)
Net cash flows utilised in investing activities		**(8 002)**	(6 581)	(6 329)
Cash flows from financing activities				
Borrowings incurred		**3 750**	412	3 177
Borrowings repaid		**(3 430)**	(3 250)	(5 811)
Finance costs paid		**(800)**	(1 111)	(1 621)
Dividends paid – equity shareholders		**(7 897)**	(5 211)	(3 830)
Dividends paid – non-controlling interests		**(50)**	(72)	(78)
Repurchase and sale of shares		**(148)**	(984)	(385)
Partial disposal of interests in subsidiaries, net of cash disposed	21	**19**	98	–
Non-controlling interests		**–**	(1)	–
Net cash flows utilised in financing activities		**(8 556)**	(10 119)	(8 548)
Net increase/(decrease) in cash and cash equivalents		**2 752**	(297)	70
Cash and cash equivalents at the beginning of the year		**539**	951	1 084
Effect of foreign exchange rate changes		**81**	(115)	(203)
Cash and cash equivalents at the end of the year	22	**3 372**	539	951

Notes to the consolidated annual financial statements

for the year ended 31 March

Basis of preparation

The consolidated annual financial statements of the Group have been prepared in accordance with IFRS as issued by the IASB and comply with the AC 500 standards as issued by the Accounting Practices Board, the JSE Listings Requirements and the 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 page 29. 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 venture, associate and special purpose entities up to 31 March 2012.

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 joint ventures.

Accounting for subsidiaries

A subsidiary is an entity controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Consolidation (continued)

Accounting for subsidiaries (continued)

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

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

Transactions with non-controlling interests

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

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

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of the investment. Losses of an associate in excess of the Group's interest in that associate are not recognised. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

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

Intangible assets

The following are the main categories of intangible assets:

Intangible assets with an indefinite useful life

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

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

Intangible assets with finite useful lives

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

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

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

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

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

Intangible assets (continued)

Intangible assets with finite useful lives (continued)

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

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

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

Property, plant and equipment

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

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

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

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

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

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

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

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

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

Impairment of assets

An impairment loss is recognised immediately in profit or loss if the recoverable amount of an asset is less than its carrying amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows from continuing use and ultimate disposal of the asset are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Assets that do not generate cash inflows largely independent of those from other assets are grouped at the lowest levels for which there are separately identifiable cash flows, 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.

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 is classified by considering the land and buildings elements separately. Minimum lease payments are allocated between the land and buildings elements in proportion to the relative fair values of the leasehold interest in the land and buildings elements of the lease at inception of the lease.

Group as lessee

Finance leases

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

Operating leases

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

Group as lessor

Finance leases

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

Operating leases

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

Foreign currencies

Transactions and balances

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

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

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

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.

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 temporary difference will reverse in the foreseeable future and taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition, other than in a business combination, of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are not recognised to the extent they arise from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Secondary tax on companies ('STC')

STC is provided for at the prevailing rate on the amount of the net dividend declared by Vodacom Group Limited. It is recorded as a tax expense when dividends are declared.

STC credits on dividends received are recorded as assets in the period that they arise, limited to the amount recoverable based on the reserves available for distribution.

Financial instruments

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

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

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

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.

Financial instruments (continued)

Financial assets, excluding derivative financial instruments (continued)

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

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

Impairment of financial assets

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

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

Financial assets carried at amortised cost

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

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

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

Available-for-sale financial assets

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

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

Financial liabilities, excluding derivative financial instruments, and equity instruments

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

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

Financial instruments (continued)

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

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

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

Derivative financial instruments

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

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

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

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

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

Hedge accounting

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

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

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

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

Put options

A put option which is a contract that contains an obligation for the Group to purchase its own equity instrument for cash or another financial asset gives rise to a financial liability and is accounted for at the present value of the redemption amount. On initial recognition its fair value is reclassified directly from equity. Subsequent changes in the liability are included in profit or loss. On expiry or exercise of the option the carrying amount of the liability is reclassified directly to equity.

Offset

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

Cash and cash equivalents

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

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

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

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 2011, the Group adopted new accounting policies to comply with:

- Improvements to IFRS issued in May 2010;
- Amendments to IAS 24: Related Party Disclosures – state-controlled entities and the definition of a related party;
- Amendments to IFRIC 14: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – prepayments on a minimum funding requirement; and
- IFRIC 19: Extinguishing financial liabilities with Equity Instruments.

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

New accounting pronouncements not yet adopted

IFRS 9: Financial Instruments ('IFRS 9')

Phase I of IFRS 9 was issued in November 2009 and has subsequently been updated and amended. The standard is effective for annual periods beginning on or after 1 January 2015. The standard introduces changes to the classification and measurement of financial assets and the requirements relating to financial liabilities in relation to the presentation of changes in fair value due to credit risks and the removal of an exemption from measuring certain derivative liabilities at fair value. The Group is currently assessing the impact of the standard on its results, financial position and cash flows.

Other new accounting pronouncements

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

- Amendments to IAS 1: Presentation of Financial Statements – presentation of items of other comprehensive income, effective for annual periods beginning on or after 1 July 2012;
- Amendments to IAS 12: Income Taxes – deferred tax: recovery of underlying assets, effective for annual periods beginning on or after 1 January 2012;
- Amendments to IAS 32: Financial Instruments: Presentation – offsetting financial assets and financial liabilities, effective for annual periods beginning on or after 1 January 2014;
- IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine, effective for annual periods beginning on or after 1 January 2013;
- Amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards – severe hyperinflation and removal of fixed dates for first-timer adopters, effective for annual periods beginning on or after 1 July 2011; and
- Amendments to IFRS 7: Financial Instruments: Disclosures, effective for annual periods beginning on or after 1 July 2011.

New accounting pronouncements (continued)

Other new accounting pronouncements (continued)

The Group has also not adopted the following pronouncements which are effective for annual periods beginning on or after 1 January 2013. The Group has not completed its assessment of the impact of these pronouncements on its results, financial position or cash flows.

- IFRS 10: Consolidated Financial Statements ('IFRS 10'), which replaces parts of IAS 27: Consolidated and Separate Financial Statements, and all of SIC-12: Consolidation – Special Purpose Entities, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The remainder of IAS 27: Separate Financial Statements, now contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates only when an entity prepares separate financial statements and is therefore not applicable in the Group's consolidated financial statements;
- IFRS 11: Joint Arrangements ('IFRS 11'), which replaces IAS 31: Interests in Joint Ventures and SIC-13: Jointly Controlled Entities – Non-Monetary Contributions by Venturers, requires a single method, known as the equity method, to account for interests in jointly controlled entities which is consistent with the accounting treatment currently applied to investments in associates. The proportionate consolidation method currently applied to the Group's interests in joint ventures is prohibited. IAS 28: Investments in Associates and J oint Ventures, was amended as a consequence of the issuance of IFRS 11. In addition to prescribing the accounting for investment in associates, it now sets out the requirements for the application of the equity method when accounting for joint ventures. The application of the equity method has not changed as a result of this amendment;
- IFRS 12: Disclosure of Interest in Other Entities, is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard includes disclosure requirements for entities covered under IFRS 10 and IFRS 11;
- IFRS 13: Fair Value Measurement, provides guidance on how fair value should be applied where its use is already required or permitted by other standards within IFRS, including a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS; and
- Amendments to IAS 19: Employee Benefits, require a revised allocation of costs for defined benefit pension schemes between the income statement and other comprehensive income and prohibit the use of the "corridor approach" to spread the recognition of actuarial gains and losses, which is not used by the Group. The amendments also include a revised definition of short and long term benefits to employees and revised criteria for the recognition of termination benefits.

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 18.

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

Impairment reviews

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

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

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

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

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

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

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

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

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

Revenue recognition and presentation

Revenue arrangements including more than one deliverable

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

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

Presentation: gross versus net

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

Taxation

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

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

Significant items on which the Group has exercised judgement include various matters disclosed in Note 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 is determined using a variety of valuation methods and assumptions that are based on market conditions and risks existing at the reporting date, including independent appraisals and discounted cash flow methods.

BBBEE transaction

The fair value of the BBBEE transaction was measured using the Monte-Carlo option pricing valuation model. The use of different assumptions as set out in Note 16 would have resulted in a different fair value for the transaction.

Forfeitable share plan

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

Intangible assets with finite useful lives

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

Intangible assets with finite useful lives (continued)

At 31 March 2012, intangible assets with finite useful lives amounted to R3 269 million (2011: R3 245 million; 2010: R3 721 million) and represented 6.8% (2011: 7.8%; 2010: 8.9%) 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	2012	2011	2010
Licences	**8 – 30**	8 – 30	8 – 30
Trademarks, patents and other	**5 – 14**	5 – 14	5 – 14
Customer bases	**2 – 10**	2 – 10	4 – 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.

Property, plant and equipment

Property, plant and equipment also represent a significant proportion of the Group's asset base, being 50.5% (2011: 52.1%; 2010: 51.3%) 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	2012	2011	2010
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	1 – 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 24). 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 R340 million (2011: R350 million; 2010: R848 million), net of tax, relating to foreign-denominated loans to subsidiaries classified as net investments in foreign operations.

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 Gateway Carrier Services. Subsequent to the reporting date the Group sold its investment in Gateway Carrier Services.

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

Rm	**2012**	**2011**	**2010**
Reconciliation of segment results			
EBITDA	**22 763**	20 594	19 782
Depreciation, amortisation and impairment losses	**(6 081)**	(6 863)	(8 527)
Other	**(65)**	(35)	(17)
Operating profit	**16 617**	13 696	11 238
Net finance charges	**(684)**	(1 058)	(2 272)
Finance income	**109**	109	124
Finance costs	**(748)**	(864)	(1 602)
Net loss on remeasurement and disposal of financial instruments	**(45)**	(303)	(794)
Loss from associate	**–**	–	(21)
Profit before tax	**15 933**	12 638	8 945
Taxation	**(5 730)**	(4 659)	(4 745)
Net profit	**10 203**	7 979	4 200

Rm	Corporate	South Africa	International	Eliminations	Total
1. Segment analysis (continued)					
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)
Net 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
Total liabilities					
Reportable segment liabilities	(3 949)	(24 957)	(9 014)	8 620	(29 300)

Rm	Corporate	South Africa	International	Eliminations	Total
1. Segment analysis (continued)					
2011					
Segment revenue (including inter-segment)	507	53 371	8 196	(877)	61 197
Total segment revenue	507	54 302	8 891	–	63 700
Intra-segment revenue	–	(931)	(695)	(877)	(2 503)
Inter-segment revenue	(487)	(178)	(212)	877	–
External customers' segment revenue	20	53 193	7 984	–	61 197
EBITDA	(8)	19 653	840	109	20 594
Net finance income/(charges)	7 802	(657)	(454)	(7 749)	(1 058)
Taxation	(463)	(4 226)	166	(136)	(4 659)
Other material non-cash items included in segment profit/(loss):					
Depreciation and amortisation	(5)	(4 091)	(1 244)	(15)	(5 355)
Impairment losses	(1 420)	–	(1 506)	1 418	(1 508)
Total assets					
Reportable segment assets	13 950	31 076	9 743	(13 334)	41 435
Included in reportable segment assets:					
Additions to property, plant and equipment and intangible assets	2	5 254	1 878	10	7 144
Total liabilities					
Reportable segment liabilities	(4 369)	(23 955)	(9 117)	12 186	(25 255)
2010					
Segment revenue (including inter-segment)	596	50 431	8 420	(912)	58 535
Total segment revenue	596	51 064	8 991	–	60 651
Intra-segment revenue	–	(633)	(571)	(912)	(2 116)
Inter-segment revenue	(577)	(141)	(194)	912	–
External customers' segment revenue	19	50 290	8 226	–	58 535
EBITDA	(14)	18 578	1 176	42	19 782
Net finance income/(charges)	8 966	(1 003)	(1 111)	(9 124)	(2 272)
Loss from associate	(21)	–	–	–	(21)
Taxation	(24)	(3 901)	(591)	(229)	(4 745)
Other material non-cash items included in segment profit/(loss):					
Depreciation and amortisation	(12)	(3 810)	(1 308)	(27)	(5 157)
Impairment losses	(5 172)	(8)	(3 227)	5 037	(3 370)
Total assets					
Reportable segment assets	16 292	28 464	11 958	(15 023)	41 691
Included in reportable segment assets:					
Additions to property, plant and equipment and intangible assets	3	4 569	2 069	(3)	6 638
Total liabilities					
Reportable segment liabilities	(4 866)	(22 748)	(9 554)	10 113	(27 055)

Rm	2012	2011	2010
2. Impairment			
Impairment losses			
Impairment losses recognised are as follows:			
Intangible assets (Note 10)	**(250)**	(1 500)	(3 285)
Property, plant and equipment (Note 9)	**51**	(8)	(34)
Investment in associate	**–**	–	(43)
Available-for-sale financial assets carried at cost (Note 11)	**–**	–	(8)
	(199)	(1 508)	(3 370)

Included in the impairment losses is a goodwill impairment of R131 million (2011: R943 million) and impairment of customer bases of R3 million (2011: R52 million) relating to the Group's Vodacom Business Africa cash-generating unit and an impairment of customer bases of R163 million (2011: R503 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 form part of the Group's International reportable segment. In the 2010 financial year, impairment losses included goodwill impairment of R3 039 million relating to the Group's Gateway cash-generating unit, a business unit that constituted the Group's Gateway reportable segment, which was as a result of a decrease in long-term cash flow forecasts resulting from the then economic downturn and increasingly competitive environment.

The value in use of the Group's Mozambique cash-generating unit increased significantly in the current year due to improved operating performance and economic growth in Mozambique, resulting in the reversal of prior year impairment losses of R70 million for property, plant and equipment and R47 million for intangible assets.

Goodwill impairment testing

Rm	2012	2011	2010
Carrying amount of goodwill is as follows:			
Vodacom Service Provider Company (Pty) Limited	**1 739**	1 739	1 739
Gateway	**–**	–	1 099
Other[1]	**115**	231	114
	1 854	1 970	2 952

Note:

1. This constitutes the aggregate carrying amount of goodwill allocated across multiple cash-generating units of which the amounts so allocated to each cash-generating unit is insignificant compared to the total carrying amount of goodwill.

2. Impairment (continued)

Goodwill impairment testing (continued)

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

Key assumptions used in value in use calculations

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

Key assumptions	Basis for determining values assigned to key assumptions
Forecast capital expenditure	The cash flow forecasts for capital expenditure are based on past experience, benchmarks in similar markets and include the ongoing normal capital expenditure required to roll out networks to provide enhanced voice and data products and services and to meet the population coverage requirements in terms of licences, where required. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and computer software.
Forecast EBITDA	Forecast EBITDA has been based on past experience adjusted for the following: • voice and messaging revenue which is expected to benefit from increased usage from new and existing customers, the introduction of new services and traffic moving from fixed networks to mobile networks, though these factors will be partially offset by increased competitor activity, which may result in price declines and the trend of falling termination rates; • non-messaging data revenue which is expected to continue to grow strongly as the penetration of 3G-enabled devices rises and new products and services are introduced; and • margins which are expected to be impacted by negative factors such as an increase in the cost of acquiring and retaining customers in increasingly competitive markets and the expectation of further termination rate cuts by regulators and by positive factors such as the efficiencies expected from the implementation of Group initiatives.
Long-term growth rate	For businesses where the five-year management plans are used for the Group's value in use calculations, a long-term growth rate into perpetuity has been determined as the lower of: • the long-term nominal GDP rate for the country of operation; and • the long-term compound annual growth rate in EBITDA in years six to 10 estimated by management. In prior years, for businesses where the plan data is extended for an additional five years for the Group's value in use calculations, a long-term growth rate into perpetuity was determined as the lower of: • the long-term nominal GDP rate for the country of operation; and • the compound annual growth rate in EBITDA in years eight to 10 of the management plan.
Risk adjusted discount rate used in adjusted present value calculations	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.

2. Impairment (continued)

Goodwill impairment testing (continued)

Sensitivity to changes in key assumptions

In 2012 and 2011, Vodacom Service Provider Company (Pty) Limited was the only cash-generating unit for which the carrying amount of goodwill allocated to that unit is significant in comparison with the Group's total carrying amount of goodwill. In 2010 the goodwill allocated to the Vodacom Service Provider Company (Pty) Limited and Gateway cash-generating units was significant.

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

In 2010 the estimated recoverable amount of the Gateway cash-generating unit exceeded its carrying amount by approximately R716 million.

The table below discloses the key assumptions used in the value in use calculations for Vodacom Service Provider Company (Pty) Limited and Gateway. The discount rate used in the Vodacom Business Africa value in use calculation for 31 March 2012 was 10.0% (2011: 17.8%).

%	Gateway[1]	Vodacom Service Provider Company (Pty) Limited
31 March 2012		
Long-term growth rate	**n/a**	**3.0**
Risk adjusted discount rate	**n/a**	**11.9**
31 March 2011		
Long-term growth rate	n/a	3.1
Risk adjusted discount rate	n/a	12.6
31 March 2010		
Forecast capital expenditure[2]	4.9 – 8.8	–
Forecast EBITDA[3]	17.9	–
Long-term growth rate	6.0	4.5
Risk adjusted discount rate[4]	14.4	16.8

Notes:
1. During 2011, the aggregation of assets for identifying cash-generating units was changed. The Group's Gateway cash-generating unit was restructured and divided into two separate cash-generating units, being Gateway Carrier Services and Vodacom Business Africa (Note 1).
2. Forecast capital expenditure is expressed, throughout this note, as the range of capital expenditure as a percentage of revenue in the initial 10 years of the plans for Gateway as at 31 March 2010.
3. Forecast EBITDA is expressed, throughout this note, as the compound annual growth rates in the initial 10 years of the plans used for Gateway as at 31 March 2010.
4. Stated in United States dollars for Gateway, in line with its reporting currency.

Rm	2012	2011	2010
3. Operating profit			
The operating profit has been arrived at after crediting/(charging):			
Net loss on disposal of property, plant and equipment and intangible assets	**(65)**	(35)	(17)
Auditor's remuneration – audit fees	**(19)**	(24)	(29)
Current year audit fees	**(19)**	(23)	(28)
Prior year under provision of audit fees	**–**	(1)	–
Expenses	**–**	–	(1)
Auditor's remuneration – other services	**(1)**	(1)	(1)
Professional fees for consultancy services	**(314)**	(302)	(321)
Operating lease rentals	**(2 366)**	(2 398)	(2 090)
Transmission and data lines	**(1 758)**	(1 883)	(1 639)
Other	**(608)**	(515)	(451)
Write down of bad debts, not previously provided for	**(269)**	(271)	(281)
Bad debts recovered	**175**	175	130
Net foreign exchange (losses)/gains	**(146)**	11	192

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	2012	2011	2010
4. Finance income			
Interest income			
Banks	**65**	19	24
Loans receivable	**18**	25	73
Tax authorities	**1**	4	–
Other	**25**	61	27
	109	109	124

Interest income on financial assets not at fair value through profit or loss amounted to R84 million (2011: R93 million; 2010: R105 million).

Rm	2012	2011	2010
5. Finance costs			
Interest expense			
Borrowings	**(772)**	(897)	(1 421)
Tax authorities	**87**	46	(149)
Other	**(63)**	(13)	(32)
	(748)	(864)	(1 602)

Interest expense on financial liabilities not at fair value through profit or loss amounted to R796 million (2011: R901 million; 2010: R1 427 million).

Rm	2012	2011	2010
6. Net loss on remeasurement and disposal of financial instruments			
Net gain/(loss) on derivatives	**20**	(164)	(396)
Net loss on translation of foreign-denominated assets and liabilities	**(16)**	(131)	(23)
Remeasurement of loans receivable[1]	**(51)**	28	(375)
Other	**2**	(36)	–
	(45)	(303)	(794)

Note:

1. R36 million (2011: R1 million; 2010: R148 million) of the remeasurement of loans receivable relates to impairments of South African-based loans receivable and R15 million (2011: R 5 million; 2010: R227 million) to non-South African-based loans receivable.

Rm	2012	2011	2010
7. Taxation			
7.1 Income tax expense			
South African current tax	**(5 342)**	(4 848)	(3 992)
Current year	**(4 508)**	(4 327)	(3 933)
Adjustments in respect of prior years	**(28)**	10	112
Secondary tax on companies	**(806)**	(531)	(171)
Foreign current tax	**(107)**	(179)	(263)
Current year	**(98)**	(140)	(115)
Adjustments in respect of prior years	**69**	33	(58)
Withholding tax	**(78)**	(72)	(90)
Total current tax	**(5 449)**	(5 027)	(4 255)
Deferred tax on origination and reversal of temporary differences:			
South African deferred tax	**(333)**	99	(5)
Current year	**(297)**	104	41
Current year	**(278)**	104	41
Tax rate change[1]	**(19)**	–	–
Adjustments in respect of prior years	**(36)**	(5)	(46)
Foreign deferred tax	**52**	269	(485)
Current year	**103**	266	(424)
Adjustments in respect of prior years	**(51)**	3	(61)
Total deferred tax	**(281)**	368	(490)
Total income tax expense	**(5 730)**	(4 659)	(4 745)
Components of deferred tax charged to profit or loss			
Capital allowances	**(233)**	(102)	(70)
Foreign exchange	**(266)**	81	(387)
Tax losses	**249**	73	(25)
Provisions and deferred income	**(162)**	167	223
Other	**131**	149	(231)
	(281)	368	(490)

Rm	2012	2011	2010
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	**(4 461)**	(3 539)	(2 505)
Adjusted for:			
Disallowed expenses	**(273)**	(510)	(1 384)
Unrecognised tax asset	**(405)**	(171)	(1 314)
Foreign currency translations	**32**	59	268
Secondary tax on companies	**(806)**	(531)	(171)
Adjustments in respect of prior years	**(46)**	41	(53)
Tax rate differences	**(2)**	77	91
Tax rate change[1]	**(19)**	–	–
Foreign tax, net of rebates	**(54)**	(63)	(108)
Utilisation and surrender of tax losses	**82**	6	14
Revaluation of tax base of qualifying assets	**72**	9	293
Deferred tax asset recognition	**149**	–	–
Other adjustments	**1**	(37)	124
Total income tax expense	**(5 730)**	(4 659)	(4 745)

Notes:

1. During the current year the capital gains tax inclusion rate increased to 66.6% (2011 and 2010: 50.0%).

The South African statutory tax rate is 28.0% for all reporting periods. The Group's effective tax rate is 36.0% (2011: 36.9%; 2010: 53.0%) and decreased mainly due to a decrease in the impairment of intangible assets and the net derecognition of deferred tax assets, offset by an increase in secondary tax on companies.

Rm	2012	2011	2010
7.2 Other comprehensive income, net of tax			
Foreign currency translation differences, net of tax	**389**	(502)	(2 665)
Foreign currency translation differences	**571**	(644)	(2 901)
Taxation	**(182)**	142	236
Gains on hedging instruments in cash flow hedges, net of tax	**(74)**	53	–
Gains on hedging instruments in cash flow hedges	**(103)**	73	–
Taxation	**29**	(20)	–
Other comprehensive income, net of tax	**315**	(449)	(2 665)

Rm	2012	2011	2010
7. Taxation (continued)			
7.3 Tax (credited)/charged directly to other comprehensive income			
Current tax	**–**	54	53
Deferred tax	**(153)**	68	183
	(153)	122	236
7.4 Deferred tax			
Analysed in the statement of financial position, after offset of balances within companies, as follows:			
Deferred tax assets	**313**	430	255
Deferred tax liabilities	**(1 017)**	(695)	(1 051)
	(704)	(265)	(796)
Components			
Gross deferred tax assets and liabilities, before offset of balances within companies, are as follows:			
Capital allowances	**(2 049)**	(1 792)	(1 872)
Deferred tax assets	**18**	37	3 041
Deferred tax liabilities	**(2 067)**	(1 829)	(4 913)
Foreign exchange	**80**	569	356
Deferred tax assets	**84**	569	356
Deferred tax liabilities	**(4)**	–	–
Tax losses	**370**	71	–
Deferred tax assets	**370**	71	–
Provisions and deferred income	**1 233**	1 399	1 338
Deferred tax assets	**1 233**	1 399	1 338
Other	**(338)**	(512)	(618)
Deferred tax assets	**96**	79	230
Deferred tax liabilities	**(434)**	(591)	(848)
	(704)	(265)	(796)
Reconciliation of net deferred tax balance			
1 April	**(265)**	(796)	(578)
Foreign currency translation differences	**(5)**	89	89
(Charged)/Credited to profit or loss	**(281)**	368	(490)
(Charged)/Credited directly to other comprehensive income	**(153)**	68	183
Business combinations and disposal of subsidiaries	**–**	6	–
31 March	**(704)**	(265)	(796)

Rm	2012	2011	2010
7. Taxation (continued)			
7.5 Factors affecting the tax charge in future years			
Total estimated tax losses	**3 148**	2 707	2 539
Utilised to reduce net temporary differences	**(1 183)**	(246)	–
Estimated unused tax losses	**1 965**	2 461	2 539
Tax credits	**583**	326	274

If the estimated unused tax losses are applied, the available R669 million (2011: R856 million; 2010: R827 million) would result in the current year's R704 million net deferred tax liability reducing to R35 million (2011: R265 million net deferred tax liability to be a R591 million net deferred tax asset; 2010: R796 million net deferred tax liability to be a R31 million net deferred tax asset), if sufficient future taxable profits will be available against which the unused tax losses can be utilised.

The gross amounts and expiry dates of deductible temporary differences, estimated unused tax losses and unused tax credits, for which no deferred tax asset is recognised, are as follows:

Rm	0 – 1 year	2 – 5 years	Unlimited	Total
2012				
Deductible temporary differences	**–**	**1 419**	**656**	**2 075**
Estimated unused tax losses	**–**	**997**	**968**	**1 965**
Unused tax credits	**–**	**583**	**–**	**583**
2011				
Deductible temporary differences	–	1 669	8	1 677
Estimated unused tax losses	550	1 781	130	2 461
Unused tax credits	–	326	–	326
2010				
Deductible temporary differences	–	2 170	–	2 170
Estimated unused tax losses	164	2 210	165	2 539
Unused tax credits	–	274	–	274

Cents	2012	2011	2010
8. Earnings and dividends per share			
Basic earnings per share	**694.0**	561.5	282.3
Diluted earnings per share	**691.2**	560.4	282.0
Headline earnings per share	**708.9**	655.5	509.9
Diluted headline earnings per share	**706.0**	654.3	509.4
Dividends per share[1]	**540.0**	355.0	110.0

Note:
1. The Group declared a final dividend after the reporting period (Note 26).

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	2012	2011	2010
8.1.1 Earnings			
Headline earnings reconciliation:			
Earnings, attributable to equity shareholders, for basic and diluted earnings per share	**10 156**	8 245	4 196
Adjusted for:			
Net loss on disposal of property, plant and equipment and intangible assets	**47**	27	12
Net loss on disposal of property, plant and equipment and intangible assets (Note 3)	**65**	35	17
Tax and non-controlling interests impact	**(18)**	(8)	(5)
Impairment losses	**171**	1 354	3 370
Impairment losses (Note 2)	**199**	1 508	3 370
Tax and non-controlling interests impact	**(28)**	(154)	–
Other	**–**	–	1
Headline earnings for headline and diluted headline earnings per share[1]	**10 374**	9 626	7 579

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

8.1.2 Reconciliation of weighted average number of ordinary shares outstanding

Shares	2012	2011	2010
For basic and headline earnings per share	**1 463 464 480**	1 468 409 301	1 486 283 980
Effect of dilutive potential shares: FSP	**5 927 748**	2 721 011	1 598 895
For diluted earnings and diluted headline earnings per share	**1 469 392 228**	1 471 130 312	1 487 882 875

8.2 Dividends per share

Dividends per share calculations are based on a declared dividend of R8 035 million (2011: R5 282 million; 2010: R1 637 million) and shares of 1 487 954 000 for all reporting periods. R50 million (2011: R25 million; 2010: R6 million) of the dividend declared was offset against the forfeitable share plan reserve, R2 million (2011: R2 million; 2010: Rnil) expensed as staff costs and R83 million (2011: R43 million; 2010: Rnil) paid to Wheatfields, a wholly-owned subsidiary holding treasury shares on behalf of Vodacom Group Limited.

Rm	Land and buildings	Network infrastructure and equipment	Other assets	Total
9. Property, plant and equipment				
1 April 2009	2 059	19 391	394	21 844
Cost	2 670	40 565	885	44 120
Accumulated depreciation and impairment losses	(611)	(21 174)	(491)	(22 276)
Additions	365	5 518	84	5 967
Disposals	(3)	(94)	(4)	(101)
Foreign currency translation differences	(36)	(1 779)	(32)	(1 847)
Depreciation	(148)	(3 933)	(102)	(4 183)
Impairment losses (Note 2)	(2)	(24)	(8)	(34)
Net transfer to intangible assets (Note 10)	–	(177)	–	(177)
Category and other transfers	(65)	(15)	(6)	(86)
31 March 2010	2 170	18 887	326	21 383
Cost	2 900	42 262	865	46 027
Accumulated depreciation and impairment losses	(730)	(23 375)	(539)	(24 644)
Additions	434	5 064	97	5 595
Disposals	(1)	(41)	(5)	(47)
Foreign currency translation differences	(20)	(711)	(7)	(738)
Depreciation	(183)	(4 017)	(94)	(4 294)
Business combinations (Note 21)	–	9	2	11
Impairment losses (Note 2)	(11)	18	(15)	(8)
Net transfer to intangible assets (Note 10)	–	(311)	–	(311)
Category and other transfers	10	(14)	(10)	(14)
31 March 2011	**2 399**	**18 884**	**294**	**21 577**
Cost	**3 314**	**45 347**	**879**	**49 540**
Accumulated depreciation and impairment losses	**(915)**	**(26 463)**	**(585)**	**(27 963)**
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 (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)**

The carrying amount of network infrastructure and equipment includes R520 million (2011: R26 million) in relation to assets held under finance leases (Note 17).

The Group's South African operations pledged certain of its property, plant and equipment with a carrying amount of R774 million (2011: R472 million; 2010: R910 million) as security against borrowings with a fair value of R577 million (2011: R192 million; 2010: R338 million) (Note 17). Vodacom Tanzania Limited pledged its property, plant and equipment with a carrying amount of R3 035 million (2011: R2 838 million; 2010: R3 418 million) and its intangible assets with a carrying amount of R90 million (2011: R86 million; 2010: R106 million), in the form of an asset debenture, as security against borrowings with a fair value of R637 million (2011: R837 million; 2010: R663 million) (Note 17). The respective pledges are limited to the carrying amounts of the related borrowings.

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 R633 million (2011: R624 million) and R12 million (2011: R10 million) respectively.

9. Property, plant and equipment (continued)

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.

Effective 1 April 2011 the Group commenced with the capitalisation of staff expenses relating to capital expenditure, so as to align with practices of the Group's ultimate parent Vodafone Group Plc. Staff expenses were not retrospectively capitalised as data was not collected in prior periods in a way that allows retrospective application. For the year ended 31 March 2012 staff expenses of R240 million were capitalised.

10. Intangible assets

Rm	Goodwill	Licences	Trademark, patents and other	Customer bases	Computer software	Total
1 April 2009	7 430	211	287	1 616	2 250	11 794
Cost	7 969	514	514	2 713	4 816	16 526
Accumulated amortisation and impairment losses	(539)	(303)	(227)	(1 097)	(2 566)	(4 732)
Additions	–	2	–	–	669	671
Foreign currency translation differences	(1 297)	(29)	–	(305)	(79)	(1 710)
Amortisation	–	(16)	(28)	(189)	(741)	(974)
Impairment losses (Note 2)	(3 181)	–	(93)	(6)	(5)	(3 285)
Transfer from property, plant and equipment (Note 9)	–	–	–	–	177	177
31 March 2010	2 952	168	166	1 116	2 271	6 673
Cost	6 646	425	514	2 347	5 525	15 457
Accumulated amortisation and impairment losses	(3 694)	(257)	(348)	(1 231)	(3 254)	(8 784)
Additions	635	153	32	13	716	1 549
Disposals	(633)	–	–	–	(1)	(634)
Foreign currency translation differences	(77)	(7)	4	(54)	(32)	(166)
Amortisation	–	(16)	(24)	(185)	(836)	(1 061)
Business combinations (Note 21)	36	–	4	4	(1)	43
Impairment losses (Note 2)	(943)	–	–	(555)	(2)	(1 500)
Transfer from property, plant and equipment (Note 9)	–	–	–	–	311	311
31 March 2011	**1 970**	**298**	**182**	**339**	**2 426**	**5 215**
Cost	**6 321**	**560**	**445**	**2 267**	**6 434**	**16 027**
Accumulated amortisation and impairment losses	**(4 351)**	**(262)**	**(263)**	**(1 928)**	**(4 008)**	**(10 812)**
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)**

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

Rm		2012	2011	2010
11.	**Financial assets**			
	Non-current			
	Loans receivable (Note 11.1)	**102**	81	83
	Available-for-sale financial assets (Note 11.3)	**99**	108	98
		201	189	181
	Current			
	Loans receivable (Note 11.1)	**39**	57	51
	Financial assets at fair value through profit or loss, classified as held for trading (Note 11.2)	**199**	106	102
	Cash held in restricted deposits (Note 11.4)	**457**	110	–
		695	273	153
11.1	**Loans receivable**			
	Mirambo Limited	**134**	106	88
	The loan granted in 2003 with a nominal value of US$14.9 million, bears interest at LIBOR plus 5.0%, shall be repaid from any cash distributions by Vodacom Tanzania Limited to Mirambo Limited, is collateralised by cession over all shareholder distributions and a pledge over 10.0% (2011 and 2010: 10.0%) of Mirambo Limited's shares in Vodacom Tanzania Limited and was partially impaired during 2010. During 2010, US$2.5 million was advanced to Mirambo Limited, which bore interest at LIBOR plus 5.5%, was repaid in September 2010 and was unsecured.			
	Other loans receivable	**7**	32	46
		141	138	134
11.2	**Financial assets at fair value through profit or loss, classified as held for trading**			
	Money market investments	**199**	106	102
	Fair value is determined with reference to quoted market prices of identical assets.			
11.3	**Available-for-sale financial assets**			
	Unlisted equity investments	**99**	108	98
	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**	**457**	110	–

The carrying amount approximates fair value.

Rm	2012	2011	2010
12. Inventory			
Goods held for resale	**832**	799	707
Inventory valuation allowance included above:			
1 April	**(50)**	(57)	(46)
Foreign currency translation differences	**(2)**	1	2
(Charged)/Credited to profit or loss	**(28)**	6	(13)
31 March	**(80)**	(50)	(57)

The cost of inventories recognised as an expense during the period amounts to R7 627 million (2011: R7 385 million; 2010: R5 848 million).

Rm	2012	2011	2010
13. Trade and other receivables			
Trade receivables	**8 859**	8 459	7 851
Prepayments	**2 210**	1 969	1 947
Value-added tax	**140**	182	68
Derivative financial assets	**20**	83	11
Other	**377**	344	378
	11 606	11 037	10 255
Timing			
Current	**11 379**	10 773	10 024
Non-current	**227**	264	231
	11 606	11 037	10 255
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	**(132)**	(130)	(136)
Foreign currency translation differences	**(12)**	7	21
Charged to profit or loss	**(71)**	(11)	(15)
Utilised	**1**	1	–
31 March	**(214)**	(133)	(130)

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

Rm	2012	2011	2010
13. Trade and other receivables (continued)			
Included within derivative financial assets:			
At fair value through profit or loss, classified as held for trading:			
Interest rate swaps	**2**	6	8
Foreign exchange forward contracts	**18**	4	3
	20	10	11
Cash flow hedges:			
Interest rate swaps	**–**	73	–
	20	83	11

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

14. Finance lease receivables

The Group provides terminal equipment to customers at an additional contractual charge. The interest rate implicit in these leases is between nil and 15.5% (2011: nil and 0.08%, 2010: nil and 0.08%) per annum. The fair value of the leases is R1 189 million (2011: R817 million; 2010: R601 million).

The Group provides motor vehicles to its executives for their use, who may retain these assets at the end of the lease period, which is normally between three and four years. The cost of these assets is capitalised as finance lease receivables and depreciated on a straight-line basis over the period of the agreement to employee costs. The implicit interest rate is nil. In 2011 executives were given the option to withdraw from the scheme by buying these motor vehicles.

Rm	Within one year	Between one and five years	After five years	Total
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**
2011				
Future minimum lease payments receivable	557	341	–	898
Unearned finance income	(95)	(34)	–	(129)
Present value of minimum lease payments receivable	462	307	–	769
2010				
Future minimum lease payments receivable	271	421	–	692
Unearned finance income	(9)	(13)	–	(22)
Present value of minimum lease payments receivable	262	408	–	670

Rm	2012	2011	2010
15. 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			
24 782 592 (2011: 23 135 498; 2010: 7 264 107) ordinary shares with no par value	**(1 530)**	(1 384)	(422)
	(1 530)	(1 384)	(422)

Shares	2012	2011	2010
Movements in the number of ordinary shares outstanding:			
1 April	**1 464 818 502**	1 480 689 893	1 487 954 000
Statutory shares in issue	**1 487 954 000**	1 487 954 000	1 487 954 000
Treasury shares	**(23 135 498)**	(7 264 107)	–
Repurchase of shares			
Forfeitable share plan[1]	**(2 033 655)**	–	(4 717 180)
Share repurchase offers	–	(15 880 043)	(2 426 471)
Other	**258 686**	–	(120 456)
Forfeitable share plan – vested shares	**127 875**	8 652	–
31 March	**1 463 171 408**	1 464 818 502	1 480 689 893
Statutory shares in issue	**1 487 954 000**	1 487 954 000	1 487 954 000
Treasury shares	**(24 782 592)**	(23 135 498)	(7 264 107)
Treasury shares held by:			
Vodacom Group Limited	**4 322 248**	2 225 312	1 433 868
Subsidiaries	**20 460 344**	20 910 186	5 830 239
	24 782 592	23 135 498	7 264 107

The unissued share capital is under the control of the current shareholders and the directors do not have the authority to issue any unissued shares.

Notes:

1. Forfeitable shares held by employees are treated as treasury shares for accounting in terms of IAS 32: Financial Instruments: Presentation, since shares awarded under the forfeitable share plan have not fully vested for the purposes of IFRS 2: Share-based Payment until the potential forfeiture period has expired (Note 16).

* Fully paid share capital of R100.

16. Other reserves

16.1 Contingency reserve

In terms of the Short-term Insurance Act ('the Act') of 1998 the Group's cell captive partner, Centriq Insurance Company Limited, is required to recognise a contingency reserve equal to 10.0% of premiums written less approved reinsurance, as defined in the Act. This reserve can be utilised only with the prior permission of the Registrar of Short-term Insurance.

16.2 Share-based payment arrangements

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

Rm	2012	2011	2010
Forfeitable share plan (Note 16.2.1)	**(192)**	(125)	(30)
Employee share ownership plan (Note 16.2.2)	**(43)**	(65)	(105)
	(235)	(190)	(135)

16.2.1 Forfeitable share plan reserve

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

Under the FSP, awards of performance shares are granted to executive directors and selected employees of the Group. The 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.

Number of shares	Weighted average fair value at grant date	Number of shares	Weighted average fair value at grant date	Number of shares	Weighted average fair value at grant date	Number of shares
	2012	**2012**	**2011**	**2011**	**2010**	**2010**
Share awards						
Movements in non-vested shares:						
1 April	**R60.30**	**7 733 461**	R58.69	4 717 180	–	–
Granted	**R85.93**	**2 033 655**	R62.79	3 242 476	R58.69	4 722 504
Forfeited	**R64.50**	**(320 121)**	R62.46	(217 543)	R58.69	(5 324)
Vested	**R60.52**	**(127 875)**	R59.11	(8 652)	–	–
31 March	**R65.75**	**9 319 120**	R60.30	7 733 461	R58.69	4 717 180
Ordinary shares available for utilisation:						
Opening balance		**66 266 539**		69 282 820		74 000 000
Granted		**(2 033 655)**		(3 242 476)		(4 722 504)
Forfeited		**320 121**		217 543		5 324
Vested		**127 875**		8 652		–
31 March		**64 680 880**		66 266 539		69 282 820

The fair value of the share awards on grant date were measured using the quoted market price of a Vodacom Group Limited share without adjusting for expected dividends and performance conditions, as these are non-market conditions.

16. Other reserves (continued)

16.2 Share-based payment arrangements (continued)

16.2.2 Broad-based black economic empowerment reserve

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

In October 2008 the Group's shareholders approved a BBBEE transaction which entailed the issue and allotment of ordinary shares and 'A' ordinary shares representing, in aggregate, 6.25% of Vodacom (Pty) Limited's ('Vodacom SA') issued share capital to eligible employees who are permanent employees of Vodacom Group Limited and any of its wholly-owned South African subsidiaries from time to time, as well as Vodacom SA and its wholly-owned South African subsidiaries, including employees of the said entities who are on secondment outside of South Africa ('Employees'), broad-based black South African public ('Black Public'), black business partners ('Business Partners') and broad-based strategic partners ('Strategic Partners'). The transaction was introduced to assist the Group in meeting its empowerment objectives for its South African operations.

Components of the transaction	Notes	Percentage allocated %	Transaction value Rm	Cumulative share-based payment expense Rm	Cash received Rm	Weighted average remaining life Years
Employees: YeboYethu Employee Participation Trust ('the Trust')	16.2.2.1	**1.56**	**1 875**	**(280)**	**–**	**3.5**
Black Public and Business Partners: YeboYethu Limited	16.2.2.2	**1.88**	**2 250**	**(527)**	**360**	**3.5**
Strategic Partner: Royal Bafokeng Holdings (Pty) Limited	16.2.2.3	**1.97**	**2 366**	**(552)**	**378**	**3.5**
Strategic Partner: Thebe Investment Corporation (Pty) Limited	16.2.2.3	**0.84**	**1 009**	**(236)**	**162**	**3.5**
		6.25	**7 500**	**(1 595)**	**900**	

16.2.2.1 Employees

The Trust, an employee share ownership plan, was established for the benefit of all eligible employees. The Trust holds 'A' ordinary shares in Vodacom SA through its interest in YeboYethu Limited[1]. The 'A' ordinary shares are a separate class of shares in Vodacom SA, ranking *pari passu* with the ordinary shares except that they do not entitle the holder to dividends in cash until a notional loan is repaid.

Employees participated in the transaction by being allocated units in the Trust based on a varying percentage of their guaranteed total cost of employment per annum taking into account their employment level and racial and gender classification. Altogether 75.0% of the Trust units were allocated to the employees on or about 1 October 2008 and 25.0% was reserved for future allocations to future employees. Of the 75.0% of allocated units, 74.8% was taken up by employees in 2008. In the current financial year, 5.5% (2011: 5.1%; 2010: 8.9%) was allocated to new employees that joined the Group between 1 September 2010 and 30 August 2011.

The units vest annually on 1 September in five equal tranches and can be converted into YeboYethu Limited shares effective 1 March 2016.

16.2.2.2 Black Public and Business Partners

The Black Public and Business Partners hold ordinary and 'A' ordinary shares in Vodacom SA through YeboYethu Limited.

For the first five years the Black Public and Business Partners will not be entitled to sell their ordinary and 'A' ordinary shares in Vodacom SA. After the fifth anniversary until the expiry of the 10 year lock-in period they will be entitled to sell or transfer these shares to approved BBBEE parties. After the expiry of the 10 year lock-in period the Black Public and Business Partners will be entitled to freely trade the ordinary and 'A' ordinary shares.

16. Other reserves (continued)

16.2 Share-based payment arrangements (continued)

16.2.2 Broad-based black economic empowerment reserve (continued)

16.2.2.3 Strategic Partners: Royal Bafokeng Holdings (Pty) Limited and Thebe Investment Corporation (Pty) Limited

The two Strategic Partners respectively hold ordinary and 'A' ordinary shares in Vodacom SA through two wholly-owned ring-fenced private companies named Lisinfo 209 Investments (Pty) Limited[1] and Main Street 661 (Pty) Limited[1].

The Strategic Partners will not be able to trade their shares during the first seven years of the 10 year lock-in period. After the seventh anniversary and until the expiry of the lock-in period, the Strategic Partners will be entitled to trade their shares subject to Vodacom SA having a first pre-emptive right to repurchase, and other Strategic Partners, if introduced with Vodacom SA's approval, having a second ranking pre-emptive right to purchase the shares. If none of the parties exercise their right, the Strategic Partners will be entitled to sell their shares to any other party with similar or higher BBBEE rating than themselves, subject to Vodacom SA approval. After the expiry of the 10 year lock-in period the Strategic Partners will be entitled to freely trade their shares.

Note:

1. Consolidated by the Group as a special purpose entity in terms of SIC 12: Consolidation – Special Purpose Entities, as issued by the IASB.

16.2.2.4 Funding

Funding for the Trust units and for discounts given on the 'A' ordinary shares was provided by Vodacom SA on a notional funding basis. In terms of the original notional vendor finance structure, the notional funding earned notional interest at a 10.0% notional nominal annual rate compounded semi-annually ('NACS'). To simplify the matter, the notional interest is now calculated using an equivalent converted notional nominal annual rate compounded daily of 9.8% which in the absence of any cash flow would yield the same result. The change from NACS was approved by the shareholders of Vodacom SA on 2 March 2010.

The BBBEE participants receive a notional dividend on the 'A' ordinary shares, which is used as a notional payment against the notional loan. A market condition has been included in the grant of the share rights through the repurchase feature, since the growth in the market value of Vodacom SA's shares impact the variable number of shares to be repurchased. This market condition has been taken into account when estimating the fair value of the share rights granted. If the notional loan has not been fully repaid after seven years, Vodacom SA has the legal right and option to repurchase a variable number of shares from the BBBEE participants at par value. The variable number of shares will be calculated based on a specified formula which takes into account the outstanding balance of the notional loan and the underlying value of the shares held in Vodacom SA. This repurchase feature is a mechanism to redeem any outstanding notional loan balances and since there is no obligation on Vodacom SA to repurchase any shares, it does not render the share-based payment to be cash-settled, nor does it impact the vesting rights.

The notional funding closing balance for employees amounted to R1 747 million (2011: R1 722 million; 2010: R1 697 million), for Black Public and Business Partners R1 650 million (2011: R1 649 million; 2010: R1 645 million) and for Strategic Partners R2 475 million (2011: R2 474 million; 2010: R2 467 million).

	2012	2011	2010
16. Other reserves (continued)			
16.2 Share-based payment arrangements (continued)			
16.2.2 Broad-based black economic empowerment reserve (continued)			
16.2.2.5 Share rights			
Movements in non-vested share rights:			
1 April	**282 843 843**	282 370 223	278 550 156
Granted	**4 144 081**	3 824 531	6 669 883
Forfeited	**(1 337 276)**	(3 350 911)	(2 849 816)
31 March	**285 650 648**	282 843 843	282 370 223
Vesting period of share rights granted:			
Vested	**258 413 836**	246 845 068	235 371 023
Within one year	**12 270 470**	11 568 769	11 474 045
Between one and five years	**14 966 342**	24 430 006	35 525 155
	285 650 648	282 843 843	282 370 223

Unallocated share rights amount to 14 349 352 (2011: 17 156 157; 2010: 17 629 777). No share rights are currently exercisable through the notional funding mechanism. Since the funded portion of the fair value is repaid through notional dividends on the 'A' ordinary shares issued, the exercise price at the date the share rights become exercisable can vary depending to what extent the notional amounts outstanding have been recouped.

16.2.2.6 BBBEE valuation

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

	Employees: 2012 issue	Employees: 2011 issue	Employees: 2010 issue	Black Public and Business Partners	Strategic Partners
Exercise price	**–**	–	–	R25	R25
Risk-free rate (%)[1]	**5.3 – 6.5**	5.2 – 7.9	6.6 – 8.0	8.9 – 11.7	8.9 – 11.7
Expected volatility (%)[2]	**29,0**	32,0	32,0	30,0	30,0
Vesting period (years)	**5**	5	5	–	–
Contractual life (years)	**4**	5	6	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.

	Rm	2012	2011	2010
17.	**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 17.1)	**9 005**	7 273	9 780
	Non-interest bearing borrowings (Note 17.2)	**7**	7	6
		9 012	7 280	9 786
	Current			
	Interest bearing borrowings (Note 17.1)	**1 568**	2 347	2 803
	Non-interest bearing borrowings (Note 17.2)	**436**	436	436
		2 004	2 783	3 239
17.1	**Interest bearing borrowings**			
	Domestic medium-term note programme	**754**	–	–
	During the period 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%, with a final redemption date of 28 May 2012 was issued at full value, and the funds were used to repay short-term bank borrowings classified as financing activities.			
	Vodafone Investments Luxembourg s.a.r.l	**3 022**	–	–
	The loan with a nominal value of R3 000 million was utilised to refinance existing short-term borrowings, capital expenditure and working capital requirements. It has a three year term, bears interest payable quarterly at JIBAR plus 1.45%, is unsecured and ultimately repayable on 23 November 2014.			
	Dark Fibre Africa (Pty) Limited	**529**	26	–
	The Group leases access transmission links under finance leases. These leases bear interest at a fixed interest rate of 6.71% and lease payments are made monthly over a lease term of 15 years per link. The finance lease liability is secured by the lessor's title to the leased assets (Note 9).			
	The Standard Bank of South Africa Limited/Rand Merchant Bank	**–**	1 354	2 532
	The loan with a nominal value of R1 341 million (2011: R1 341 million; 2010: R2 500 million) was utilised to settle the loan from Standard Bank Plc and RMB International (Dublin) Limited and for general corporate requirements. It bore interest, payable quarterly, at JIBAR plus 2.15%, was collateralised by guarantees provided in the Group and was repaid on 21 February 2012.			
	Balance carried forward	**4 305**	1 380	2 532

Rm	2012	2011	2010
17. Borrowings (continued)			
17.1 Interest bearing borrowings (continued)			
Balance brought forward	**4 305**	1 380	2 532
Citibank syndicated loans	**636**	799	640
These loans with nominal values of US$47 million (2011: US$60 million; 2010: US$47 million) and TZS57 745 million (2011: TZS86 628 million; 2010: TZS54 000 million) were utilised to refinance existing borrowings, for capital expenditure and for general corporate requirements. They bear interest, payable quarterly, at LIBOR plus 2.0% to 3.5% on the US$ denominated borrowings and the reference treasury bill rate plus 2.25% to 3.0% on the TZS denominated borrowings. The loans are repayable in equal bi-annual instalments with the last instalment due on 16 December 2013. The loans are secured by an asset debenture, granted by Vodacom Tanzania Limited, and a mortgage over certain property (Notes 9 and 10).			
Absa Bank Limited	**–**	1 242	1 242
The loan with a nominal value of R1 250 million was utilised to refinance existing borrowings, for capital expenditure and working capital requirements. It bore interest, payable quarterly, at JIBAR plus 1.25%, was repaid on 30 September 2011 and was unsecured.			
Nedbank Limited and Absa Bank Limited	**3 718**	3 721	3 724
The loan with a nominal value of R3 750 million was utilised to refinance existing borrowings, for capital expenditure and working capital requirements. It bears interest, payable quarterly, at JIBAR plus 1.5%, is repayable on 30 September 2013 and is unsecured (Note 28.4.1.2).			
Momentum Group Limited and Futuregrowth Asset Management (Pty) Limited	**446**	447	447
The loan with a nominal value of R450 million was utilised to refinance existing borrowings, for capital expenditure and working capital requirements. It bears interest, payable quarterly, at JIBAR plus 1.5%, is repayable on 30 September 2013 and is unsecured.			
Old Mutual Specialised Financing (Pty) Limited and Minervois Trading No. 2 (Pty) Limited	**994**	992	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 28.4.1.2).			
Asset Backed Arbitraged Securities (Pty) Limited	**–**	–	1 000
The Group issued promissory notes with a nominal value of R1 000 million which were utilised to refinance borrowings, for capital expenditure and working capital requirements. The notes bore interest, payable quartely, at JIBAR plus a fixed credit margin of 0.4% and a floating funding margin between 0.33% and 0.40% (2010: 0.35% and 0.40%), were repaid in 2011 and were unsecured.			
Balance carried forward	**10 099**	8 581	10 579

Rm	2012	2011	2010
17. Borrowings (continued)			
17.1 Interest bearing borrowings (continued)			
Balance brought forward	**10 099**	8 581	10 579
Mirambo Limited	**6**	124	136
The loan with a nominal value of US$18 million was provided to Vodacom Tanzania Limited ('VTL'). In the current 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 by approval of at least 60.0% of the shareholders of VTL and is unsecured.			
The Standard Bank of South Africa Limited	**–**	45	118
The loans were used to purchase and were collateralised by various land and buildings (Note 9). They bore interest at an effective interest rate of 13.4% per annum. Repayments were made bi-annually with final settlement on 1 September 2011.			
FirstRand Bank Limited	**77**	116	204
The loans were used to purchase and are collateralised by various land and buildings (Note 9). They bear interest at fixed effective interest rates of between 12.1% and 16.9% per annum. Repayments are made monthly, quarterly or bi-annually with residual payments of R20 million (2011: R38 million; 2010: R68 million). The loans will be settled during November 2012 (Note 28.4.1.2).			
Congolese Wireless Network s.p.r.l.	**376**	250	273
The loan with a nominal value of US$37 million, forms part of the capital structure of Vodacom Congo (RDC) s.p.r.l., bears interest at 4.0% per annum and is repayable at the discretion of the shareholders and simultaneously in proportion to their shareholding.			
Bank borrowings classified as financing activities	**–**	489	1 266
Other loans	**15**	15	7
	10 573	9 620	12 583

The aggregate fair value, if determinable, of interest bearing borrowings with a carrying amount of R10 197 million (2011: R9 246 million; 2010: R12 174 million) amounts to R10 188 million (2011: R9 225 million; 2010: R12 233 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 7.2% and 8.2% (2011: 6.9% and 9.6%; 2010: 7.9% and 10.1%) for rand-denominated borrowings, varied between 2.5% and 4.0% (2011: 3.4% and 4.9%; 2010: 3.9%) for United States dollar-denominated borrowings and varied between 16.4% and 17.2% (2011: 11.4% and 12.1%; 2010: 14.8%) for Tanzanian shilling-denominated borrowings.

Rm	0 – 1 year	2 – 5 years	5+ years
Maturity of finance lease liabilities:			
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**
2011			
Future minimum lease payments payable	2	11	29
Future finance costs	(1)	(6)	(9)
Present value of minimum lease payments payable	1	5	20

17. Borrowings (continued)

17.1 Interest bearing borrowings (continued)

Interest rate and currency of interest bearing borrowings:

Rm	Total	Floating rate	Fixed rate
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**
2011			
Currency			
South African rand	8 244	5 154	3 090
Tanzanian shilling	391	391	–
United States dollar	985	721	264
	9 620	6 266	3 354
2010			
Currency			
South African rand	11 322	11 000	322
Tanzanian shilling	293	293	–
United States dollar	968	688	280
	12 583	11 981	602

Rm	2012	2011	2010
17.2 Non-interest bearing borrowings			
Royal Bafokeng Holdings (Pty) Limited	**436**	436	436
Number Portability Company (Pty) Limited	**7**	7	6
	443	443	442

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

Rm	2012	2011	2010
18. Trade and other payables			
Trade payables	**6 768**	5 451	4 087
Capital expenditure creditors	**2 225**	1 817	1 917
Value-added tax	**517**	441	700
Accruals	**2 143**	1 707	1 644
Deferred revenue	**3 617**	3 359	3 256
Derivative financial liabilities	**42**	16	97
Other	**446**	472	330
	15 758	13 263	12 031
Timing			
Current	**15 406**	13 005	11 714
Non-current	**352**	258	317
	15 758	13 263	12 031
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	**13**	16	97
Cash flow hedges:			
Interest rate swaps	**29**	–	–

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.

Rm	Employee benefits provisions	Other provisions	Total
19. Provisions			
1 April 2009	593	10	603
Provision created	196	(6)	190
Provision utilised	(160)	(4)	(164)
31 March 2010	629	–	629
Provision created	60	260	320
Provision utilised	(137)	(4)	(141)
31 March 2011	**552**	**256**	**808**
Provision created	**111**	**103**	**214**
Provision utilised	**(108)**	**(8)**	**(116)**
31 March 2012	**555**	**351**	**906**

Rm	2012	2011	2010
Timing			
Current	**355**	298	193
Non-current	**551**	510	436
	906	808	629

19. Provisions (continued)

19.1 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 will continue to increase in value, based on defined profit increase, until expiry. 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, which was revised in 2010, and increases as the employee renders the related service. The provision is utilised when eligible employees terminate their services as set out in the agreement.

Rm	2012	2011	2010
1 April	**382**	398	249
Interest cost	**–**	–	13
Current service cost	**30**	25	62
Recognised actuarial losses	**–**	–	45
Curtailments	**–**	–	67
Net cost	**412**	423	436
Total benefit payments	**(28)**	(41)	(38)
31 March	**384**	382	398

19.2 Other provisions

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

Rm	2012	2011	2010
20. Cash generated from operations			
Operating profit	**16 617**	13 696	11 238
Adjusted for:			
Depreciation and amortisation (Notes 9 and 10)	**5 882**	5 355	5 157
Net loss on disposal of property, plant and equipment and intangible assets (Note 3)	**65**	35	17
Impairment losses (Note 2)	**199**	1 508	3 370
Other non-cash flow items	**615**	432	451
Cash flows from operations before working capital changes	**23 378**	21 026	20 233
Increase in trade and other receivables	**(262)**	(1 120)	(912)
Increase in inventory	**(162)**	(117)	(122)
Increase in trade and other payables and provisions	**1 548**	1 596	512
Cash generated from operations	**24 502**	21 385	19 710
21. Business combinations and partial disposal of interests in subsidiaries			
21.1 Business combinations			
Aggregate net cash consideration paid			
Consideration transferred (including directly attributable costs)	**–**	(52)	–
Deferred contingent consideration (Note 21.1.2)	**(23)**	24	–
	(23)	(28)	–
Net cash and cash equivalents acquired	**–**	4	–
	(23)	(24)	–

21. Business combinations and partial disposal of interests in subsidiaries (continued)

21.1 Business combinations (continued)

21.1.1 Stortech Converged Communications (Pty) Limited

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

21.1.2 AfriConnect Zambia Limited

Effective 30 June 2010, the Group acquired a 100% interest in AfriConnect Zambia Limited, an internet service provider company, for a consideration of R52 million. Cash and cash equivalents of R4 million were acquired. The aggregate fair values of the identifiable net assets acquired were determined as R12 million. Goodwill of R36 million relating to this acquisition represents future synergies and was allocated to the Vodacom Business Africa cash-generating unit. The deferred contingent consideration of R23 million was paid during the current year.

21.2 Partial disposal of interests in subsidiaries

During the year the Group sold 9.0% (2011: 4.0%) of its stake in VM,SA to the non-controlling parties. Effective 28 June 2010, the Group sold 8.28% of its stake in Vodacom Lesotho (Pty) Limited to the non-controlling party.

Rm	2012	2011	2010
Total cash consideration	**19**	98	–
Net liabilities disposed	**172**	58	–
Net gain on disposal	**191**	156	–

22. Cash and cash equivalents

Rm	2012	2011	2010
Bank and cash balances	**3 781**	870	1 061
Bank overdrafts[1]	**(409)**	(331)	(110)
	3 372	539	951

The carrying amount of cash and cash equivalents normally approximates its fair value due to short-term maturity. Included in cash and cash equivalents for 2010 is a restricted amount of R44.0 million, which was not available for use by the Group.

Note:
1. Bank overdrafts, excluding those classified as financing activities in the statement of cash flows, are regarded as part of the Group's integral cash management system.

Rm	2012	2011	2010
23. Commitments			
Operating leases (Note 23.1)	**5 900**	4 677	4 070
Transmission and data lines (Note 23.2)	**3 601**	4 774	6 270
Capital expenditure contracted for but not yet incurred (Note 23.3)	**2 043[1]**	2 547	2 213[1]
Capital expenditure approved by the Board but not yet contracted for (Note 23.3)	**9 184[1]**	8 471[1]	6 364[1]
Other (Note 23.4)	**5 510**	3 314	1 760
23.1 Operating leases			
Future minimum lease payments under non-cancellable operating leases comprise:			
Within one year	**949**	980	783
Between one and five years	**2 655**	2 720	2 169
After five years	**2 296**	977	1 118
	5 900	4 677	4 070

Operating leases include leases of certain transmission and data lines, offices, distribution outlets, sites, buildings, office equipment and motor vehicles. The remaining lease terms vary between one and 19 years (2011: one and 19 years; 2010: six months and 18 years) with escalation clauses that vary from an annual fixed escalation rate between 2.0% and 12.0% (2011: 2.0% and 12.0%; 2010: 3.5% 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 R584 million (2011: R326 million; 2010: R267 million).

Note:
1. Capital expenditure approved for the 2013 financial year at forecasted exchange rates, limited to R8 863 million (2011: R8 844 million; 2010: R7 375 million), was translated at the closing rates as at the reporting date.

23. Commitments (continued)

23.2 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.

23.3 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.

23.4 Other

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

23.5 Unquantifiable commitments

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

23.5.1 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 precentage of benefit received.

23.5.2 Other

The Group has various other unquantifiable commitments under service contracts and licence agreements which are in the normal course of business.

24. Contingent liabilities

24.1 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.

24.2 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 2012. Litigations, current or pending, are not likely to have a material adverse effect on the Group.

24.3 Guarantees

The Group issued various guarantees, relating to the financial obligations of its subsidiaries, which amounted to R57 million (2011: R53 million; 2010: R48 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 (2011: R1 655 million; 2010: R3 593 million).

25. 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 R191 million (2011: R179 million; 2010: R163 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.

26. Events after the reporting period

Dividend declared after the reporting period and not recognised as a liability

A final dividend of R6 696 million (450 cents per ordinary share) was declared for the year ended 31 March 2012, payable on Monday 25 June 2012 to shareholders recorded in the register at the close of business on Friday 22 June 2012.

27. Related parties

The Group's related parties are its parent, joint venture, associate, pension schemes (Note 25) and key management including directors (Note 27.3). In prior years, Telkom SA Limited and its subsidiaries were included in related parties since Telkom SA Limited had joint control over the Group. In prior years, the Group held WBS Holdings (Pty) Limited as an associate. All transactions with related parties have been made on terms equivalent to those that prevail in arm's length transactions.

	Rm	2012	2011	2010
27.1	**Balances with related parties**			
	Accounts receivable			
	Telkom SA Limited and subsidiaries	**–**	–	1
	Vodafone Group Plc and subsidiaries	**249**	277	151
	WBS Holdings (Pty) Limited	**–**	–	38
	Other	**8**	1	8
	Accounts payable			
	Vodafone Group Plc and subsidiaries	**(285)**	(264)	(154)
	Balances with entities in which related parties have an interest	**–**	(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, except for the provision for the loans granted to WBS Holdings (Pty) Limited during 2010 which was partially recovered during 2011.			
	Borrowings			
	Vodafone Investments Luxembourg s.a.r.l (Note 17)	**(3 022)**	–	–

Rm	2012	2011	2010
27. Related parties (continued)			
27.2 Transactions with related parties			
Telkom SA Limited and subsidiaries	–	–	775
Revenue	–	–	776
Direct expenses	–	–	(1)
Vodafone Group Plc and subsidiaries	**(5 617)**	(3 764)	(1 457)
Revenue	**167**	120	138
Direct expenses	**(198)**	(158)	(164)
Secondment fees	**(37)**	(8)	(14)
Other operating expenses	**(326)**	(285)	(353)
Dividends declared	**(5 223)**	(3 433)	(1 064)
WBS Holdings (Pty) Limited	–	18	49
Revenue	–	21	53
Direct expenses	–	–	(2)
Other operating expenses	–	(3)	(2)
Other	**14**	8	(24)
Revenue	**22**	26	27
Direct expenses	**(4)**	(4)	(38)
Other operating expenses	**(4)**	(14)	(13)
Transactions with entities in which related parties have an interest	–	(6)	(6)
27.3 Key management personnel and directors' remuneration			
Key management	**(68)**	(23)[2]	(15)
Short-term employee benefits	**(44)**	(15)	(10)
Post-employment benefits	**(1)**	(1)	(2)
Other long-term employee benefits	**(6)**	(2)	(2)
Share-based payments	**(17)**	(5)	(1)
Directors			
Executive directors	**(63)**	(63)	(58)
Short-term employee benefits	**(34)**	(39)	(31)
Post-employment benefits[1]	**(3)**	(5)	(5)
Other long-term employee benefits	**(6)**	(4)	(19)
Share-based payments	**(20)**	(15)	(3)
Non-executive directors	**(5)**	(4)	(4)
Directors' fees	**(5)**	(4)	(4)
Directors' remuneration paid and accrued by:	**(68)**	(67)	(62)
Vodacom Group Limited	**(60)**	(50)	(37)
Subsidiaries	**(8)**	(17)	(25)

Note:
1. Included in 'Post-employment benefits' is an amount of R1 million (2011: R2 million; 2010: R3 million) relating to contributions to provident funds made annually from bonus allocations.
2. Includes key management personnel paid by subsidiaries.

27. Related parties (continued)

27.3 Key management personnel and directors' remuneration

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[4]	331 083	–	–	–
DH Brown[5]	128 750	–	–	–
M Joseph*	264 000	–	–	–
A Kekana[5]	376 875	–	–	–
M Lundal*[4]	147 333	–	–	–
TM Mokgosi-Mwantembe	518 589	–	–	–
PJ Moleketi	514 000	–	–	–
NJ Read*	439 833	–	–	–
RAW Schellekens*	510 667	–	–	–
K Witts*[5]	116 667	–	–	–
Directors	**4 961 797**	**13 267 492**	**1 766 883**	**3 545 128**
2012				
Key management personnel (Prescribed officers)				
MJD 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
	–	**20 664 963**	**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

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	68 125 815
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	43 375 710	–	1 586 426	23 383 388	68 345 524

27. Related parties (continued)

27.3 Key management personnel and directors' remuneration (continued)

R	Directors' fees	Salary	Retirement contributions	Other[1]
2011				
Executive directors				
PJ Uys	–	5 636 117	1 092 008	8 339
MS Aziz Joosub	–	4 574 595	758 655	1 001 144
RA Shuter	–	3 775 830	1 011 045	4 348
Non-executive directors				
MP Moyo	1 033 333	–	–	–
P Bertoluzzo*	227 999	–	–	–
TA Boardman	537 999	–	–	–
M Joseph*	227 999	–	–	–
M Lundal*	370 499	–	–	–
P Malabie	190 915	–	–	–
TM Mokgosi-Mwantembe	448 002	–	–	–
PJ Moleketi	383 832	–	–	–
NJ Read*	116 000	–	–	–
RAW Schellekens*	370 499	–	–	–
RC Snow*	111 999	–	–	–
	4 019 076	13 986 542	2 861 708	1 013 831
2010				
Executive directors				
PJ Uys	–	5 379 500	945 500	215 766
MS Aziz Joosub	–	3 876 417	644 416	145 377
RA Shuter	–	2 523 411	676 589	8 404 477
J van der Watt[4]	–	661 702	113 298	117 450
Non-executive directors				
MP Moyo	870 968	–	–	–
P Bertoluzzo*	55 000	–	–	–
TA Boardman	520 000	–	–	–
M Joseph*	191 613	–	–	–
M Lundal*	345 000	–	–	–
JCG Maclaurin*	165 000	–	–	–
P Malabie	320 000	–	–	–
TM Mokgosi-Mwantembe	341 210	–	–	–
PJ Moleketi	91 667	–	–	–
RAW Schellekens*	345 000	–	–	–
RC Snow*	220 000	–	–	–
	3 465 458	12 441 030	2 379 803	8 883 070

Notes:

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

1. Includes relocation allowance, acting allowance, leave encashment and employee gifts. In 2010, a sign-on arrangement/restraint of trade was included for RA Shuter, which was expensed over a two-year period.
2. Includes mobile phone benefit and subsistence allowance.
3. Expenses provided for the year ended 31 March 2011 and 2010.
4. J van der Watt served as director from 1 April 2009 to 30 June 2009 (three months data reflected).

Expense allowances[2]	Short-term incentives ('STI')[3]	Remuneration report	Expensed over term	STI actual vs provision	Long-term incentives and other[3]	Total
9 239	6 445 123	13 190 826	–	1 104 655	8 532 289	22 827 770
15 100	7 233 817	13 583 311	–	(852 948)	9 157 662	21 888 025
21 641	5 419 282	10 232 146	4 200 000	(47 801)	4 091 147	18 475 492
5 816	–	1 039 149	–	–	–	1 039 149
–	–	227 999	–	–	–	227 999
–	–	537 999	–	–	–	537 999
–	–	227 999	–	–	–	227 999
–	–	370 499	–	–	–	370 499
–	–	190 915	–	–	–	190 915
–	–	448 002	–	–	–	448 002
–	–	383 832	–	–	–	383 832
–	–	116 000	–	–	–	116 000
–	–	370 499	–	–	–	370 499
–	–	111 999	–	–	–	111 999
51 796	19 098 222	41 031 175	4 200 000	203 906	21 781 098	67 216 179
7 908	4 151 897	10 700 571	–	1 477 353	8 517 437	20 695 361
19 633	4 766 842	9 452 685	6 000 000	(1 287 842)	11 196 291	25 361 134
1 957	2 599 448	14 205 882	(5 250 000)	(203 198)	1 548 301	10 300 985
–	1 010 275	1 902 725	–	(165 525)	218 894	1 956 094
–	–	870 968	–	–	–	870 968
–	–	55 000	–	–	–	55 000
–	–	520 000	–	–	–	520 000
–	–	191 613	–	–	–	191 613
–	–	345 000	–	–	–	345 000
–	–	165 000	–	–	–	165 000
–	–	320 000	–	–	–	320 000
–	–	341 210	–	–	–	341 210
–	–	91 667	–	–	–	91 667
–	–	345 000	–	–	–	345 000
–	–	220 000	–	–	–	220 000
29 498	12 528 462	39 727 321	750 000	(179 212)	21 480 923	61 779 032

Rm	2012	2011	2010
28. Financial instruments and risk management			
28.1 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	**35**	(154)	(379)
Loans and receivables	**47**	28	(335)
Available-for-sale financial assets	**12**	(34)	2
Financial liabilities measured at amortised cost	**(827)**	(940)	(1 384)
Net losses attributable to financial instruments	**(733)**	(1 100)	(2 096)
28.2 Carrying amounts of financial instruments			
Carrying amounts of financial instruments analysed by category, are as follows:			
Loans and receivables	**13 496**	9 780	9 255
Financial assets at fair value through profit or loss, classified as held for trading	**219**	116	113
Available-for-sale financial assets	**99**	108	98
Derivatives designated as cash flow hedging instruments	**(29)**	73	–
Financial liabilities measured at amortised cost	**(21 470)**	(18 507)	(20 014)
Financial liabilities at fair value through profit or loss, classified as held for trading	**(13)**	(16)	(97)
	(7 698)	(8 446)	(10 645)
28.3 Fair value hierarchy			
The table below sets out the valuation basis of financial instruments measured at fair value:			
Level two[1]			
Financial assets and liabilities at fair value through profit or loss, classified as held for trading			
Money market investments (Note 11)	**199**	106	102
Derivative financial assets (Note 13)	**20**	10	11
Derivative financial liabilities (Note 18)	**(13)**	(16)	(97)
Derivatives designated as cash flow hedging instruments			
Derivative financial assets (Note 13)	**–**	73	–
Derivative financial liabilities (Note 18)	**(29)**	–	–
	177	173	16

Note:

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

28.4 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.

28. Financial instruments and risk management (continued)

28.4 Financial risk management (continued)

28.4.1 Market risk management

The Group's activities expose it to the risks of fluctuations in foreign currency exchange rates (Note 28.4.1.1), interest rates (Note 28.4.1.2) and equity prices (Note 28.4.1.3).

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.

28.4.1.1 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'.

Rm	Euro	United States dollar	Other
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)**
2011			
Functional currency			
South African rand	(34)	(505)	(58)
United States dollar	(3)	–	34
Tanzanian shilling	(6)	(543)	(6)
Mozambican metical	7	68	(17)
	(36)	(980)	(47)
2010			
Functional currency			
South African rand	(606)	(26)	(20)
United States dollar	(112)	–	59
Tanzanian shilling	(56)	(664)	(12)
Mozambican metical	28	35	(13)
	(746)	(655)	13

28. Financial instruments and risk management (continued)

28.4 Financial risk management (continued)

28.4.1 Market risk management (continued)

28.4.1.1 Foreign currency risk management (continued)

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

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

Rm	2012	2011	2010
Forward contracts to buy foreign currency			
Euro[1]	**3**	(8)	(93)
United States dollar[2]	**2**	(4)	(4)
Net derivative financial asset/(liability)	**5**	(12)	(97)

Notes:
Foreign contract values amount to:
1. €66 million (2011: €100 million; 2010: €106 million).
2. US$125 million (2011: US$57 million; 2010: US$23 million).

Rm	2012	2011	2010
Forward contracts to sell foreign currency			
Euro[1]	**–**	–	2
Pound sterling[2]	**–**	–	1
Net derivative financial asset	**–**	–	3

Notes:
Foreign contract values amount to:
1. 2011: €0 million and 2010: €13 million.
2. 2011: £0 million and 2010: £0.1 million.

Of the R5 million net asset (2011: R12 million net liability; 2010: R94 million net liability), R18 million (2011: R4 million; 2010: R3 million) is reported in trade and other receivables and R13 million (2011: R16 million; 2010: R97 million) in trade and other payables.

Foreign currency sensitivity analysis

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

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

A positive number indicates an increase and a negative number a decrease in profit post tax, where the functional currencies are expected to strengthen against the relevant foreign currencies. For the same percentage weakening the impact would be equal and opposite.

28. Financial instruments and risk management (continued)

28.4 Financial risk management (continued)

28.4.1 Market risk management (continued)

28.4.1.1 Foreign currency risk management (continued)

Foreign currency sensitivity analysis (continued)

	Euro	Pound sterling	United States dollar	Other
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**
2011				
Functional currency				
South African rand (%)	3.7	2.1	5.1	0.1 – 5.7
United States dollar (%)	8.4	2.9	–	0.9 – 10.0
Tanzanian shilling (%)	5.8	0.1	2.9	1.1 – 6.5
Mozambican metical (%)	0.8	6.8	10.0	3.5 – 11.0
Profit post tax (Rm)	(12)	(24)	(47)	1
2010				
Functional currency				
South African rand (%)	5.3	5.5	5.3	0.5 – 19.2
United States dollar (%)	0.2	–	–	0.2 – 23.2
Tanzanian shilling (%)	12.7	12.9	12.9	7.2
Mozambican metical (%)	15.6	15.8	15.8	10.0
Profit post tax (Rm)	(56)	(6)	40	(6)

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

	Euro	Pound sterling	United States dollar
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**
2011			
Functional currency			
South African rand	9.6	10.9	6.8
United States dollar	1.4	1.6	–
Tanzanian shilling	2 129.0	2 410.1	1 500.3
Mozambican metical	43.9	49.7	31.0
2010			
Functional currency			
South African rand	9.9	11.1	7.4
United States dollar	1.3	1.5	–
Tanzanian shilling	1 822.3	2 046.7	1 360.0
Mozambican metical	43.0	48.3	32.1

28. Financial instruments and risk management (continued)

28.4 Financial risk management (continued)

28.4.1 Market risk management (continued)

28.4.1.2 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	2012	2011	2010
Financial assets			
Fixed rate financial assets	**1 644**	1 180	1 201
Floating rate financial assets	**4 052**	870	762
	5 696	2 050	1 963
Financial liabilities			
Fixed rate financial liabilities	**(4 936)**	(3 426)	(709)
Floating rate financial liabilities	**(6 075)**	(6 526)	(11 985)
	(11 011)	(9 952)	(12 694)

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

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

At the reporting date the Group had five open interest rate swap agreements, all settled on a net basis.

Details of interest rate swaps designated as hedging instruments in cash flow hedging arrangements and utilised to swap a portion of the Group's floating interest bearing borrowings to fixed:

	Swap one[1]	Swap two[1]	Swap three[2]
Floating interest rate	**JIBAR + 1.5%**	**JIBAR + 1.5%**	**JIBAR + 1.8%**
Fixed interest rate	**6.3% NACQ**	**6.4% NACQ**	**7.1% NACQ**
Notional principal amount (Rm)	**1 000**	**1 000**	**1 000**
Termination date	**30 September 2013**	**30 September 2013**	**30 September 2015**

Details of interest rate swaps not designated as hedging instruments and utilised to swap a portion of the Group's fixed interest bearing borrowings to floating:

	Swap four[3]	Swap five[3]
Fixed interest rate	**20.1% NACQ**	**13.3% NACS**
Floating interest rate	**BA + 2.3%**	**BA + 2.0%**
Notional principal amount (Rm)	**2012: 6**	**2012: 40**
	2011: 17	**2011: 56**
	2010: 24	**2010: 69**
Termination date	**24 August 2012**	**1 December 2012**

Notes:
1. Swaps one and two relate to the interest bearing borrowings from Nedbank Limited and Absa Bank Limited (Note 17).
2. Swap three relates to the interest bearing borrowings from Old Mutual Specialised Financing (Pty) Limited and Minervois Trading No. 2 (Pty) Limited (Note 17).
3. Swaps four and five relate to the interest bearing borrowings from FirstRand Bank Limited (Note 17).

28. Financial instruments and risk management (continued)

28.4 Financial risk management (continued)

28.4.1 Market risk management (continued)

28.4.1.2 Interest rate risk management (continued)

The fair value of interest rate swaps is calculated by means of a discounted cash flow method and with reference to the notional principal amounts and fixed interest rates as disclosed above and the following ranges of forward floating interest rates, as determined with reference to the applicable zero coupon yield curve as at 31 March (Note 13).

%	2012	2011	2010
Swaps one and two	**5.7 – 6.5**	5.6 – 8.6	–
Swap three	**5.7 – 7.7**	5.6 – 9.3	–
Swap four	**8.1 – 14.8**	8.1 – 9.6	9.5 – 9.6
Swap five	**5.9 – 7.8**	5.9 – 9.8	9.8 – 13.9

Interest rate sensitivity analysis

The analysis below, expressed in the Group's presentation currency, discloses the Group's sensitivity to the specified basis point change in the market interest rates exposed to. Management's assessment of a reasonable possible change in market interest rates for 2012 and 2011 are based on economic forecasts as published by Bloomberg whereas for prior reporting periods it was based on economic forecasts as published by Reuters. The change is as a result of aligning with practices of the Group's ultimate parent, Vodafone Group Plc.

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

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

	2012	2011	2010
South African prime, South African BA, JIBAR and South African money market rates			
Basis point increase	**50**	100	100
Profit post tax (Rm)	**(18)**	(36)	(76)

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.

28.4.1.3 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. The Group had no exposure to equity price risk during 2010.

28. Financial instruments and risk management (continued)

28.4 Financial risk management (continued)

28.4.2 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	2012	2011	2010
South Africa	**11 015**	8 072	7 697
Non-South African	**3 830**	2 654	2 329
	14 845	10 726	10 026

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 17.7% (2011: 18.5%; 2010: 21.2%) of the total trade receivable balance. With the exception of the aforementioned, the credit risk for trade, finance lease and other receivables is generally limited due to the customer base being large and unrelated in conjunction with stringent credit approval processes. Due to this management believes there is no further provision required in excess of the normal provision for doubtful receivables. Credit risk is limited for loans receivable due to collateral held and for cash and cash equivalents as they are placed with high credit quality financial institutions. Credit risk relating to derivatives is minimised by limiting the counterparties to major local and international banks, which are closely monitored, and the Group does not expect to incur any losses as a result of non-performance by these counterparties.

The average legally agreed credit period on trade receivables is between 30 and 60 days, for all reporting periods, for the South African operations and between 30 and 75 days, for all reporting periods, for the non-South African operations.

The Group holds collateral to the value of R1 232 million (2011: R1 371 million; 2010: R2 265 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.

28. Financial instruments and risk management (continued)

28.4 Financial risk management (continued)

28.4.2 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:

%	2012	2011	2010
High[1]	**1.0**	–	1.0
Medium[2]	**–**	–	–
Low[3]	**99.0**	100.0	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	2012	2011	2010
South Africa			
1 – 30 days past due	**79**	83	62
31 – 60 days past due	**38**	14	18
61 – 120 days past due	**55**	33	32
121 days to 12 months past due	**60**	8	42
More than 12 months past due	**18**	7	181
	250	145	335
Non-South African			
1 – 30 days past due	**148**	221	38
31 – 60 days past due	**77**	83	62
61 – 120 days past due	**252**	173	42
121 days to 12 months past due	**10**	34	67
More than 12 months past due	**41**	18	9
	528	529	218

The Group holds collateral, in the form of guarantees and deposits, with a fair value of R11 million (2011: R29 million), over South African-based financial assets that are past due but not impaired.

28. Financial instruments and risk management (continued)

28.4 Financial risk management (continued)

28.4.3 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 for 2012 and 2011 and Reuters for 2010. The change is as a result of aligning with practices of the Group's ultimate parent, Vodafone Group Plc.

Rm	0 – 1 year	2 years	3 years	4 years	5 years	5+ years	Not determinable	Total
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**
2011								
Financial liabilities								
Interest bearing borrowings	(3 104)	(2 282)	(4 812)	(107)	(1 060)	(153)	–	(11 518)
Non-interest bearing borrowings	(436)	–	–	–	–	–	(7)	(443)
Trade and other payables	(8 112)	–	–	–	–	–	–	(8 112)
Bank overdrafts	(331)	–	–	–	–	–	–	(331)
	(11 983)	(2 282)	(4 812)	(107)	(1 060)	(153)	(7)	(20 404)
Financial assets								
Trade and other receivables	9 420	–	–	–	–	–	–	9 420
Cash and cash equivalents	870	–	–	–	–	–	–	870
	10 290	–	–	–	–	–	–	10 290
2010								
Financial liabilities								
Interest bearing borrowings	(3 293)	(1 961)	(3 073)	(4 528)	(10)	(1 185)	–	(14 050)
Non-interest bearing borrowings	(436)	–	–	–	–	–	(6)	(442)
Trade and other payables	(6 958)	(18)	–	–	–	–	–	(6 976)
Bank overdrafts	(110)	–	–	–	–	–	–	(110)
	(10 797)	(1 979)	(3 073)	(4 528)	(10)	(1 185)	(6)	(21 578)
Financial assets								
Trade and other receivables	8 328	320	81	–	–	–	–	8 729
Cash and cash equivalents	1 061	–	–	–	–	–	–	1 061
	9 389	320	81	–	–	–	–	9 790

28. Financial instruments and risk management (continued)

28.4 Financial risk management (continued)

28.4.3 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
2012								
Net settled	**(53)**	**(5)**	**2**	**3**	**–**	**–**	**–**	**(53)**
Gross settled								
Payable	**(1 055)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1 055)**
	(1 109)	**(5)**	**2**	**3**	**–**	**–**	**–**	**(1 108)**
2011								
Net settled	(27)	34	37	19	10	–	–	73
Gross settled								
Payable	(1 164)	–	–	–	–	–	–	(1 164)
	(1 191)	34	37	19	10	–	–	(1 091)
2010								
Net settled	(30)	–	–	–	–	–	–	(30)
Gross settled								
Payable	(1 186)	–	–	–	–	–	–	(1 186)
Receivable	5	–	–	–	–	–	–	5
	(1 211)	–	–	–	–	–	–	(1 211)

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 R4 797 million (2011: R4 453 million; 2010: R3 916 million) and undrawn foreign-denominated borrowing facilities of US$11 million (2011: US$16 million; 2010: US$ 32 million) and LSL12 million (2011: LSL14 million; 2010: LSL22 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.

28.4.4 Insurance risk management

The Group is exposed to insurance risk as a result of its asset base as well as its customer commitments. In terms of its insurance risk profile, the Group ensures that there is adequate insurance cover through the utilisation of a special purpose insurance vehicle.

28. Financial instruments and risk management (continued)

28.5 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 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	2012	2011	2010
Bank and cash balances	**3 781**	870	1 061
Bank overdrafts	**(409)**	(331)	(110)
Borrowings and derivative financial instruments	**(11 039)**	(9 997)	(13 112)
Net debt	**(7 667)**	(9 458)	(12 161)
Equity	**(18 930)**	(16 180)	(14 636)
Capital	**(26 597)**	(25 638)	(26 797)
EBITDA and the net debt to EBITDA multiple at the reporting date is as follows:			
EBITDA	**22 763**	20 594	19 782
Net debt/EBITDA (times)	**0.3**	0.5	0.6

28.6 Option agreements and similar arrangements

28.6.1 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 options had nil values as at all reporting dates.

Independent auditors' report on the condensed Company annual financial statements

To the shareholders of Vodacom Group Limited

The accompanying condensed Company annual financial statements, which comprise the condensed Company statement of financial position as at 31 March 2012, the condensed Company income statement, the condensed Company statement of comprehensive income, condensed Company statement of changes in equity and condensed Company statement of cash flows for the year then ended, and related notes, are derived from the audited annual financial statements of Vodacom Group Limited ('the Company') for the year ended 31 March 2012. We expressed an unmodified audit opinion on those annual financial statements in our report dated 1 June 2012. Those annual financial statements, and the condensed Company annual financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those annual financial statements.

The condensed Company annual financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the condensed Company annual financial statements, therefore, is not a substitute for reading the audited annual financial statements of the Company.

Directors' responsibility for the condensed Company annual financial statements

The directors are responsible for the preparation of the condensed Company annual financial statements in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards as issued by the International Accounting Standards Board, the AC 500 standards as issued by the Accounting Practices Board and the information as required by IAS 34: Interim Financial Reporting.

Auditors' responsibility

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

Opinion

In our opinion, the condensed Company annual financial statements, as set out on pages 81 to 89, derived from the audited annual financial statements of the Company for the year ended 31 March 2012 are consistent, in all material respects, with those annual financial statements, in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards, the AC 500 standards as issued by the Accounting Practices Board and the information as required by IAS 34: Interim Financial Reporting.

Deloitte & Touche
Registered Auditors
Per PJ Smit
Partner
Johannesburg, South Africa
1 June 2012
Buildings 1 and 2, Deloitte Place
The Woodlands, Woodlands Drive
Woodmead, Sandton

National Executive: GG Gelink *(Chief Executive)*, AE Swiegers *(Chief Operating Officer)*, GM Pinnock *(Audit)*, DL Kennedy *(Risk Advisory & Legal Services)*, NB Kader *(Tax)*, L Geeringh *(Consulting)*, L Bam *(Corporate Finance)*, JK Mazzocco *(Talent & Transformation)*, CR Beukman *(Finance)*, TJ Brown *(Chairman of the Board)*, MJ Comber *(Deputy Chairman of the Board)*.

A full list of partners and directors is available on request.

Condensed Company income statement

for the year ended 31 March

Rm	Notes	2012	2011	2010
Revenue		**540**	506	595
Staff expenses		**(437)**	(319)	(381)
Other operating expenses		**(218)**	(144)	(229)
Depreciation and amortisation		**(4)**	(5)	(12)
Impairment reversals/(losses)	1	**1 334**	(1 420)	(5 172)
Operating loss		**1 215**	(1 382)	(5 199)
Finance income		**10 136**	9 981	12 236
Finance costs		**(408)**	(435)	(841)
Net loss on remeasurement and disposal of financial instruments	2	**(129)**	(1 907)	(2 538)
Profit before tax		**10 814**	6 257	3 658
Taxation		**(1 137)**	(445)	(7)
Net profit		**9 677**	5 812	3 651

Condensed Company statement of comprehensive income

for the year ended 31 March

Rm	2012	2011	2010
Net profit	**9 677**	5 812	3 651
Total comprehensive income	**9 677**	5 812	3 651

Condensed Company statement of financial position

as at 31 March

Rm	Notes	2012	2011	2010
Assets				
Non-current assets		**8 453**	6 804	8 209
Property, plant and equipment		**8**	7	24
Intangible assets		**4**	3	4
Financial assets	4	**8 441**	6 501	7 982
Finance lease receivables		**–**	2	1
Deferred tax		**–**	291	198
Current assets		**5 348**	5 860	5 227
Financial assets	4	**–**	–	77
Trade and other receivables	5	**2 469**	5 373	4 570
Finance lease receivables		**1**	–	-
Tax receivable		**2**	142	214
Cash and cash equivalents		**2 550**	19	40
Non-current assets held for sale		**326**	326	326
Total assets		**13 801**	12 664	13 436
Equity and liabilities				
Fully paid share capital	6	*****	*	*
Treasury shares	6	**(321)**	(138)	(84)
Retained earnings		**10 995**	9 330	8 793
Other reserves	7	**112**	34	7
Total equity		**10 786**	9 226	8 716
Non-current liabilities		**197**	1 473	2 652
Borrowings	8	**–**	1 354	2 532
Trade and other payables	9	**64**	–	–
Provisions		**133**	119	120
Current liabilities		**2 818**	1 965	2 068
Borrowings	8	**754**	301	1 061
Trade and other payables	9	**2 026**	1 632	979
Provisions		**31**	29	27
Dividends payable		**7**	3	1
Total equity and liabilities		**13 801**	12 664	13 436

Note:
* Fully paid share capital of R100.

Condensed Company statement of changes in equity

for the year ended 31 March

Rm	Notes	Fully paid share capital	Treasury shares	Forfeitable share plan reserve	Retained earnings	Profit on sale of treasury shares	Total equity
1 April 2009		*	–	–	6 777	–	6 777
Total comprehensive income		–	–	–	3 651	–	3 651
Net profit		–	–	–	3 651	–	3 651
Dividends	3	–	–	–	(1 635)	–	(1 635)
Repurchase of shares	6	–	(84)	–	–	–	(84)
Share-based payment expense	7	–	–	7	–	–	7
31 March 2010		*	(84)	7	8 793	–	8 716
Total comprehensive income		–	–	–	5 812	–	5 812
Net profit		–	–	–	5 812	–	5 812
Dividends	3	–	–	–	(5 275)	–	(5 275)
Repurchase of shares	6	–	(54)	–	–	–	(54)
Share-based payment expense	7	–	–	27	–	–	27
31 March 2011		*****	**(138)**	**34**	**9 330**	**–**	**9 226**
Total comprehensive income		**–**	**–**	**–**	**9 677**	**–**	**9 677**
Net profit		**–**	**–**	**–**	**9 677**	**–**	**9 677**
Dividends	3	**–**	**–**	**–**	**(8 012)**	**–**	**(8 012)**
Repurchase and sale of shares	6	**–**	**(183)**	**–**	**–**	**6**	**(177)**
Share-based payment expense	7	**–**	**–**	**72**	**–**	**–**	**72**
31 March 2012		*****	**(321)**	**106**	**10 995**	**6**	**10 786**

Note:
* Fully paid share capital of R100.

Condensed Company statement of cash flows

for the year ended 31 March

Rm	2012	2011	2010
Cash flows from operating activities			
Cash receipts from customers	**553**	505	541
Cash paid to suppliers and employees	**(462)**	(418)	(617)
Cash generated from/(utilised in) operations	**91**	87	(76)
Tax paid	**(692)**	(464)	(544)
Net cash flows utilised in operating activities	**(601)**	(377)	(620)
Cash flows from investing activities			
Additions to property, plant and equipment, investment properties and intangible assets	**(70)**	(222)	(3)
Proceeds on disposal of property, plant and equipment and intangible assets	**–**	1	–
Finance income received	**537**	591	467
Dividends received	**9 594**	9 447	11 596
Loans granted and equity investments	**(736)**	(1 778)	(2 608)
Other investing activities	**–**	73	(117)
Net cash flows from investing activities	**9 325**	8 112	9 335
Cash flows from financing activities			
Borrowings incurred	**750**	–	2 488
Borrowings repaid	**(1 637)**	(1 963)	(3 825)
Finance costs paid	**(424)**	(435)	(784)
Dividends paid	**(8 009)**	(5 273)	(3 834)
Repurchase of shares	**(59)**	(54)	(84)
Inter-company money market movement	**3 186**	(31)	(2 644)
Net cash flows utilised in financing activities	**(6 193)**	(7 756)	(8 683)
Net increase/(decrease) in cash and cash equivalents	**2 531**	(21)	32
Cash and cash equivalents at the beginning of the year	**19**	40	8
Cash and cash equivalents at the end of the year	**2 550**	19	40

Notes to the condensed Company annual financial statements

for the year ended 31 March

Basis of preparation

These condensed annual financial statements of the Company have been prepared in accordance with the recognition and measurement criteria of IFRS and the information required by International Accounting Standard 34: Interim Financial Reporting as issued by the IASB, the AC 500 standards as issued by the APB, the JSE Listings Requirements and the Companies Act of 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 29 to 32 of the consolidated annual financial statements of which the Company's critical accounting judgements, including those involving estimates form a part.

	Rm	2012	2011	2010
1.	**Impairment reversals/(losses)**			
	Investments in subsidiaries	**1 334**	(1 417)	(4 987)
	Other	**–**	(3)	(185)
		1 334	(1 420)	(5 172)

Due to improved operating performance and economic growth in Mozambique, the value in use of the Company's investments in VM, SA and Vodacom International Limited ('VIL') increased significantly in the current year, resulting in the reversal of prior year impairment losses of R560 million and R966 million respectively. In addition, impairment losses were recognised due to irrecoverability of investments made by VIL. Included in the prior year is impairments of the Company's equity investments in its subsidiaries Vodacom UK Limited of R1 223 million (2010: 3 266 million) and Vodacom Business Africa (Mauritius) Limited of R67 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 ranged between 17.9% and 20.1% (2011: 17.8%; 2010: 14.4%).

2. Net loss on remeasurement and disposal of financial instruments

Included in net loss on remeasurement and disposal of financial instruments are impairment losses of R616 million (2011: R1 741 million; 2010: R1 807 million) relating to loans and other receivables from subsidiaries as well as net gains on remeasurement of foreign-denominated assets and liabilities of R487 million (2011: R307 million net loss; 2010: R731 million net loss).

3. Dividends

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

	Rm	2012	2011	2010
4.	**Financial assets**			
	Non-current			
	Investments in subsidiaries (Note 4.1)	**6 400**	4 258	5 067
	Loans receivable from subsidiaries (Note 4.2)	**2 041**	2 243	2 851
	Other investments	**–**	–	64
		8 441	6 501	7 982
	Current			
	Loans receivable from subsidiaries (Note 4.2)	**–**	–	77
4.1	**Investments in subsidiaries**			
	Vodacom (Pty) Limited	**2 255**	2 255	2 255
	Vodacom UK Limited	**489**	489	1 712
	Vodacom International Limited	**2 083**	762	575
	VM, SA	**1 128**	568	341
	Vodacom Tanzania Limited	**445**	184	184
		6 400	4 258	5 067

Rm	2012	2011	2010
4. Financial assets (continued)			
4.2 Loans receivable from subsidiaries			
Non-current			
Vodacom UK Limited	**–**	–	1 563
Vodacom Tanzania Limited	**1 081**	1 191	1 132
Wheatfields 276 (Pty) Limited	**781**	872	–
Other	**179**	180	156
	2 041	2 243	2 851
Current			
Other	**–**	–	77
	–	–	77
5. Trade and other receivables			
Money market lendings to subsidiaries	**2 039**	5 013	4 317
Amounts owed by subsidiaries	**34**	48	176
Prepayments	**379**	297	67
Other	**17**	15	10
Total current trade and other receivables	**2 469**	5 373	4 570

Rm	2012	2011	2010
6. Share capital			
Authorised			
Issued			
Fully paid share capital			
1 487 954 000 ordinary shares with no par value	*****	*	*
Treasury shares			
4 322 248 (2011: 2 225 312; 2010: 1 433 868) ordinary shares with no par value	**(321)**	(138)[1]	(84)
	(321)	(138)	(84)

Shares	2012	2011	2010
Movements in the number of ordinary shares outstanding:			
1 April	**1 485 728 688**	1 486 520 132	1 487 954 000
Statutory shares in issue	**1 487 954 000**	1 487 954 000	1 487 954 000
Treasury shares (held by the Company)	**(2 225 312)**	(1 433 868)	–
Share movements – forfeitable share plan (Note 7)	**(2 096 936)**	(791 444)	(1 433 868)
31 March	**1 483 631 752**	1 485 728 688	1 486 520 132
Statutory shares in issue	**1 487 954 000**	1 487 954 000	1 487 954 000
Treasury shares (held by the Company)	**(4 322 248)**	(2 225 312)	(1 433 868)

The unissued share capital is under the control of the current shareholders and the directors do not have the authority to issue any unissued shares.

Notes:
1. The Group acquired 2 033 655 (2011: 3 242 476; 2010: 4 722 504) shares as part of the current year forfeitable share plan allocation of which 834 747 (2011: 925 487; 2010: 1 433 868) shares were acquired by the Company for participants employed by the Company and Vodacom Lesotho (Pty) Limited. Refer to Notes 15 and 16.2.1 of the consolidated annual financial statements for further details.

* Fully paid share capital of R100.

7. Other reserves

Forfeitable share plan ('FSP') reserve

The Company granted 834 747 (2011: 925 487; 2010: 1 439 192) forfeitable shares at a weighted average grant date fair value of R77.58 (2011: R62.70; 2010: R58.69), of which 220 070 (2011: 166 478; 2010: 5 324) shares were forfeited and 7 037 (2011: 8 652; 2010: Nil) vested during the year. The expense recognised amounted to R62 million (2011: R32 million; 2010: R9 million). R26 million (2011: R7 million; 2010: R2 million) of the dividend declared was offset against the FSP reserve. Refer to Note 16.2.1 of the consolidated annual financial statements for further details.

During the current year the scheme rules were amended, resulting in the Company now being 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 new rules confer upon Employer Companies the obligation to reimburse the Company for such settlement upon the award being made. Previously the Employer Companies were responsible to procure the settlement of the benefits of their own participating employees. The amendment results in the Company recognising an IFRS 2 reserve for all employees participating in the scheme for awards made subsequent to the change in rules, regardless who their Employer Company is. The up-front reimbursement received from the Employer Companies is treated as an advance distribution received and deferred as a liability (refer to Note 9), 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 still expensed by each of the individual Employer Companies.

	Rm	2012	2011	2010
8.	**Borrowings**			
	Non-current			
	Interest bearing borrowings (Note 8.1)	–	1 354	2 532
	Current			
	Interest bearing borrowings (Note 8.1)	**754**	301	1 061
		754	1 655	1 593
8.1	**Interest bearing borrowings**			
	The Standard Bank of South Africa Limited/Rand Merchant Bank	–	1 354	2 532
	Bank borrowings classified as financing activities	–	301	1 061
	Domestic medium-term note programme	**754**	–	–
		754	1 655	3 593
	Refer to Note 17 of the consolidated annual financial statements for further details.			
9.	**Trade and other payables**			
	Money market deposits from subsidiaries	**1 591**	1 382	716
	Amounts owed to subsidiaries	**108**	59	90
	Advance distribution received from subsidiaries	**98**	–	–
	Other	**293**	191	173
	Total trade and other payables	**2 090**	1 632	979
	Timing			
	Current	**2 026**	1 632	979
	Non current	**64**	–	–
		2 090	1 632	979

Rm	2012	2011	2010
10. Commitments			
Capital	**106**	7	7
Other	**861**	1 091	1 655
	967	1 098	1 662

Capital commitments for property, plant and equipment and computer software will be financed through internal cash generation and bank credit. Other consists of commitments relating to functions and events, funding of subsidiaries and transmission and data lines.

11. 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 2012. Litigations, current or pending, are not likely to have a material adverse effect on the Company.

12. Events after the reporting period

Refer to Note 26 of the consolidated annual financial statements for details of events after the reporting period.

13. Related parties

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

13.1 Balances with related parties

Refer to Notes 4, 5 and 9 for details of balances with subsidiaries. These outstanding balances are unsecured and will be settled in cash in the ordinary course of business.

Rm	2012	2011	2010
13.2 Transactions with related parties			
Subsidiaries	**10 332**	10 213	12 401
Revenue[1]	**535**	489	577
Other operating expenses	**(50)**	(1)	(62)
Finance income	**500**	571	553
Finance costs	**(247)**	(241)	(333)
Dividends received	**9 594**	9 395	11 666

13.3 Key management personnel and directors' remuneration

Refer to Note 27.3 of the consolidated annual financial statements for details of directors' and key management personnel remuneration.

Note:

1. Revenue consists of administration fees charged to subsidiaries.

Addendum A

as at 31 March

Interest in material subsidiaries

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

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

	Country of incorporation	Issued share capital			Interest in issued share capital		
		2012	2011	2010	2012 %	2011 %	2010 %
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**	TZS10 000	TZS10 000	**65.0**	65.0	65.0
Indirect							
Vodacom Lesotho (Pty) Limited	LES						
Ordinary share capital		**LSL4 180**	LSL4 180	LSL4 180	**80.0**	80.0	88,3
VM, SA	MZ						
Ordinary share capital		**MZN1 380 000 000**	MZN1 380 000 000	MZN1 380 000 000	**85.0**	85.0	85.0
Preference share capital[2]		**MZN11 639 662 716**	MZN10 802 884 214	MZN9 158 334 043	**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		**R20**	R20	R20	**100**	100	100
Interconnect service providers via satellite							
Direct							
Vodacom UK Limited	UK						
'B' ordinary share capital		**US$1**	US$1	US$1	**100**	100	100
Preference share capital		**US$710 999 999**	US$510 999 999	US$510 999 999	**100**	100	100
Indirect							
Vodacom UK Limited	UK						
'A' ordinary share capital		**US$100**	US$100	US$100	**100**	100	100
Gateway Communications Africa (UK) Limited	UK						
Ordinary share capital		**£1**	£1	£1	**100**	100	100
Gateway Telecoms Integrated Services Limited	NGR						
Ordinary share capital		**NGN1 250 000**	NGN1 250 000	NGN1 250 000	**100**	100	100
GS Telecom Africa Limited	GUE						
Ordinary share capital							
Other							
Indirect							
Vodacom International Limited	MAU						
Ordinary share capital		**US$100**	US$100	US$100	**100**	100	100
Preference share capital		**US$648 377 679**	US$575 840 505	US$500 802 473	**100**	100	100

Notes:

1. 6.25% held indirectly through special purpose entities which are consolidated in terms of SIC 12: Consolidation - Special Purpose Entities as part of the broad-based black economic empowerment transaction (Note 16.2).
2. 40.04% (2011: 43.23%; 2010: 51%) held directly through Vodacom Group Limited.
3. Shareholder loan converted to equity in the current year.