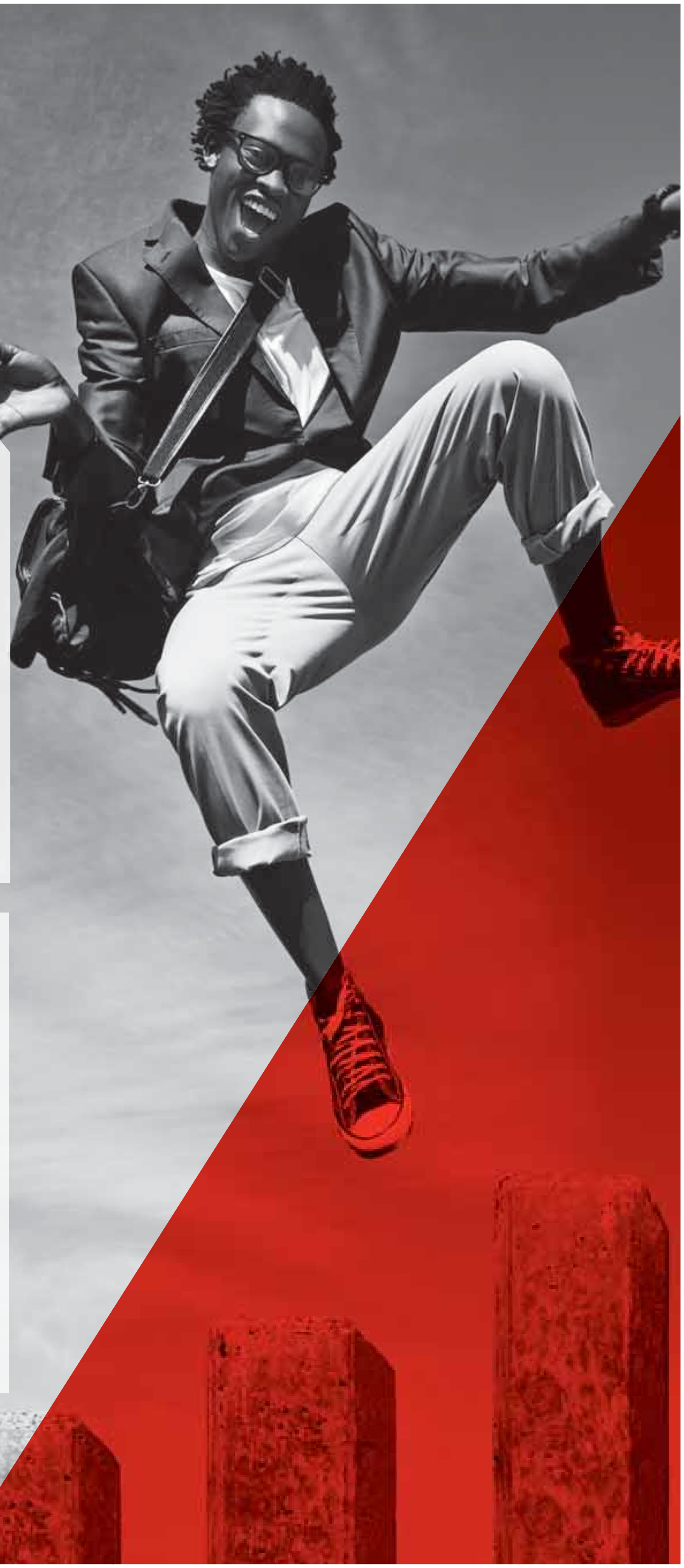
Vodacom

Consolidated annual financial statements

for the year ended 31 March 2016

Contents

Consolidated annual financial statements



Summarised Company financial statements

The preparation of these consolidated annual financial statements was supervised by the Chief Financial Officer, Dr. phil. T. Streichert and they have been audited by the independent auditor, PricewaterhouseCoopers Inc..

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 PricewaterhouseCoopers Inc. 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 2016 presented on pages 03 to 87 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), the Financial Reporting Guides as issued by the South African Institute of Chartered Accountants ('SAICA') Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of 2008, as amended. They are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgements, including judgements involving estimations. The going concern basis has been adopted in preparing the consolidated annual financial statements. The directors have no reason to believe that the Group will not be a going concern in the foreseeable future based on forecasts and available cash resources.

The directors are also responsible for the Group's system of internal controls. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the consolidated annual financial statements and to adequately safeguard, verify and maintain accountability of assets. These controls are monitored throughout the Group by management and employees with the necessary segregation of authority and duties. Processes are in place to monitor internal controls, to identify material breakdowns and implement timely corrective action.

The consolidated annual financial statements were approved by the Board on 3 June 2016 and are signed on its behalf by:

MP Moyo
Chairman

MS Aziz Joosub
Chief Executive Officer

T Streichert
Chief Financial Officer

Certificate by the Company Secretary

In terms of section 88(2)(e) of the Companies Act of 2008, as amended, I certify that, to the best of my knowledge and belief, Vodacom Group Limited has lodged with the Registrar of Companies for the financial year ended 31 March 2016, 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

3 June 2016

Independent auditor's report on the consolidated annual financial statements

To the shareholders of Vodacom Group Limited

Report on the financial statements

We have audited the consolidated financial statements of Vodacom Group Limited ('the Group') set out on pages 13 to 87, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated financial statements for the year ended 31 March 2016, we have read the Directors' report, the report of the Audit, Risk and Compliance Committee and the certificate by the Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Vodacom Group Limited for 2 years.

PricewaterhouseCoopers Inc.
Director: D.B. von Hoesslin
Registered Auditor
Pretoria
3 June 2016

Director's 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 2016 were R12 917 million (2015: R12 672 million) representing basic earnings per share of 881 cents (2015: 864 cents).

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

Dividends

Dividend distribution

An ordinary dividend of R11 829 million (2015: R11 978 million) was declared and paid for the year. Details of the final dividend in respect of the year ended 31 March 2016 are included under 'Events after the reporting period' in this directors' report.

Rm	2016	2015
Declared 16 May 2014 and paid 30 June 2014	**–**	6 398
Declared 7 November 2014 and paid 1 December 2014	**–**	5 580
Declared 14 May 2015 and paid 29 June 2015	**5 952**	–
Declared 6 November 2015 and paid 7 December 2015	**5 877**	–
	11 829	11 978

Dividend policy

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

The dividend policy to pay out at least 90% (2015: at least 90%) of headline earnings per share, remains unchanged. The Company declared dividends of 795 cents (2015: 775 cents) per share for the year ended 31 March 2016, in line with the Group's policy of at least 90% (2015: at least 90%) of headline earnings for the year ended 31 March 2016.

Share capital

The authorised and issued share capital are as follows:

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

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

Directors' report continued

Share capital continued

Repurchase of shares

Shareholders approved a special resolution granting a general authority for the repurchase of ordinary shares by the Group, to a maximum of 5.0% (2015: 5.0%) of shares in issue, at the annual general meeting held on Thursday 16 July 2015, subject to the JSE Listings Requirements and the provisions of the Companies Act of 2008, as amended. Any shares that may be repurchased for the time being shall be in connection with awards made in the normal course in respect of the Group's forfeitable share plan. Approval to renew this general authority will be sought at the forthcoming annual general meeting on Tuesday 19 July 2016.

Treasury shares are held by Wheatfields Investments 276 (Pty) Limited ('Wheatfields'), a wholly-owned subsidiary and do not carry any voting rights.

Forfeitable share plan ('FSP')

During the year the Group allocated 1 765 229 (2015:1 529 808) shares to eligible employees under its FSP and no restricted shares were allocated (2015: 48 210). Further details may be found in the 'Remuneration report' included in the integrated report as well as in Note 17.

Shareholder analysis

The Group's shareholder analysis as at 31 March 2016 was as follows:

Shareholder spread	**Number of shareholdings**	**%**	**Number of shares**	**%**
1 – 100 shares	12 503	22.79	549 395	0.04
101 – 1000 shares	33 436	60.95	12 069 102	0.81
1 001 – 10 000 shares	7 612	13.88	21 913 342	1.47
10 001 – 50 000 shares	872	1.59	19 298 565	1.30
50 001 – 100 000 shares	164	0.30	11 515 415	0.77
100 001 – 1 000 000 shares	219	0.40	70 303 356	4.72
1 000 001 shares and above	52	0.09	1 352 304 825	90.89
	54 858	100	1 487 954 000	100
Distribution of shareholders				
Holding companies	1	0.00	967 170 100	65.00
Organs of state	7	0.01	2 267 192	0.15
Custodians	268	0.49	177 280 610	11.91
Retirement benefit funds	330	0.60	202 868 098	13.63
Collective investment schemes	333	0.61	39 844 493	2.68
Individuals	47 906	87.35	33 788 996	2.29
Private companies[1]	627	1.14	4 197 445	0.28
Trusts	4 409	8.04	10 338 272	0.69
Insurance companies	121	0.22	13 130 560	0.88
Wholly owned subsidiaries	2	0.00	15 421 231	1.04
Public companies	21	0.04	12 032 014	0.81
Stockbrokers and nominees	18	0.03	2 675 059	0.18
Scrip lending	13	0.02	2 897 871	0.19
Foundations and charitable funds	167	0.30	1 455 930	0.10
Close corporations	260	0.47	573 982	0.03
Other corporations	105	0.19	596 325	0.04
Medical aid funds	30	0.05	313 435	0.02
Hedge funds	9	0.02	862 241	0.06
Investment partnerships	219	0.40	155 902	0.01
Treasury	1	0.00	82 473	0.01
Unclaimed assets	11	0.02	1 771	0.00
	54 858	100	1 487 954 000	100

Note:

1. Includes treasury shares held by wholly-owned subsidiary, Wheatfields.

Share capital continued

Non-public and public shareholders	Number of shareholdings	%	Number of shares	%
Non-public shareholders	28	0.05	1 172 155 704	78.78
Directors, prescribed officers and associates	17	0.03	1 015 967	0.06
Treasury	1	0.00	82 473	0.01
Wholly-owned subsidiaries	2	0.01	15 421 231	1.04
Strategic holdings (more than 10.0%)	7	0.01	188 465 933	12.67
Holding company	1	0.00	967 170 100	65.00
Public shareholders	54 830	99.95	315 798 296	21.22
	54 858	100	1 487 954 000	100
Geographical holdings by owner				
United Kingdom	132	0.24	58 823 751	3.95
South Africa[1]	54 286	98.96	1 298 345 182	87.26
United States	124	0.23	88 092 390	5.92
Europe	101	0.18	37 499 208	2.52
Other	215	0.39	5 193 469	0.35
	54 858	100	1 487 954 000	100

Beneficial shareholders holding 5% or more of the issued capital	Total shareholding	% of shares in issue
Vodafone Investments SA (Pty) Limited	967 170 100	65,00
Government Employees Pension Fund	188 465 933	12,67
	1 155 636 033	77,67

Share price performance	2016	2015
Opening price 1 April	**R131.61**	R129.99
Closing price 31 March	**R160.53**	R132.69
Closing high for the year	**R160.53**	R139.20
Closing low for the year	**R127.23**	R121.63
Number of shares in issue	**1 487 954 000**	1 487 954 000
Volume traded during the year	**739 664 289**	404 346 967
Ratio of volume traded to shares issued (%)	**49.71**	27.17

Note:

1. Direct shareholding held by Vodafone Investments SA (Pty) Limited, a South African entity, with the ultimate shareholder being Vodafone Group Plc, registered in the United Kingdom.

Directors' report continued

Borrowings

During the current year, the Group obtained an additional loan from Vodafone Investments Luxembourg s.a.r.l. with a nominal value of R2 000 million which was utilised to settle short-term overnight borrowings. The loan bears interest payable quarterly at three-month JIBAR plus 1.15%, is unsecured, and is repayable on 16 July 2018.

A loan from Old Mutual Specialised Financing (Pty) Limited and Minervois Trading No. 2 (Pty) Limited with a nominal value of R1 000 million was repaid on 30 September 2015. The repayment was funded by a drawdown of R1 000 million on an overall loan facility of R4 000 million from Vodafone Investments Luxembourg s.a.r.l. that was approved during the year. The new loan facility is unsecured and has a three year tenure with a repayment date of 28 September 2018. The loan bears interest at a fixed rate of 8.64% payable quarterly.

The residual R3 000 million drawdown on the R4 000 million facility was used to refinance a R3 000 million term loan provided by Vodafone Investments Luxembourg s.a.r.l. which matured on 22 March 2016. The repayment date for the new term loan is 22 March 2019 and the loan bears interest at a fixed rate of 9.39% per annum.

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 25.

Holding company and ultimate holding company

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

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

Directorate and secretary

Movements in the directorate during the year under review:

Appointments	
1 August 2015	T Streichert
1 October 2015	M Pieters

Resignations	
31 July 2015	IP Dittrich
30 September 2015	HMG Dowidar

In terms of the Company's memorandum of incorporation, Messrs T Streichert and M Pieters, having been appointed since the last annual general meeting of the Company, retire at the forthcoming annual general meeting to be held on Tuesday 19 July 2016. In terms of the memorandum of incorporation, Ms S Timuray and Messrs JWL Otty, PJ Moleketi and MS Aziz Joosub 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.

Directorate and secretary continued

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

Independent non-executive

MP Moyo (Chairman), DH Brown, BP Mabelane, TM Mokgosi-Mwantembe, PJ Moleketi.

Non-executive

M Joseph*, JWL Otty^, M Pieters•, RAW Schellekens•, S Timuray~.

Executive

MS Aziz Joosub (Chief Executive Officer), T Streichert (Chief Financial Officer)@.

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

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

Interests of directors and prescribed officers

	2016		2015	
	Direct	**Indirect**	**Direct**	**Indirect**
Executive directors				
MS Aziz Joosub	**873 319**	**–**	676 103	–
IP Dittrich	**n/a**	**n/a**	107 163	–
Independent non-executive directors				
MP Moyo	**250**	**3 645**	250	3 645
PJ Moleketi	**643**	**15 480**	643	480
Prescribed officers[1]				
YZ Cuba[1]	**n/a**	**n/a**	54 562	–
ADJ Delport[1]	**n/a**	**n/a**	176 054	–
GRM Hagel[1]	**n/a**	**n/a**	27 493	–
V Jarana	**122 630**	**–**	125 125	–
R Kumalo (resigned 31 May 2015)	**–**	**–**	111 179	–
MM Mbungela[1]	**n/a**	**n/a**	109 214	–
M Nkeli[1]	**n/a**	**n/a**	23 500	–
NC Nyoka[1]	**n/a**	**n/a**	116 536	–
M Makanjee[1]	**n/a**	**n/a**	23 399	–
	996 842	**19 125**	1 551 221	4 125

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

Note:

1. During the year the Group reduced its prescribed officers. Further details may be found in the 'Remuneration report' included in the integrated report.

Directors' report continued

Regulatory matters

Call termination rates ('CTR')

The application submitted by Cell C (Pty) Limited ('Cell C') with the High Court to review and set aside the Independent Communications Authority of South Africa's ('Icasa') decision on CTR's has been withdrawn by Cell C.

Competition Commission complaint lodged by Cell C

On 8 October 2013 a complaint was lodged at the Competition Commission in which it is alleged that the Group's South African segment has abused their market dominance in contravention of Section 8 of the Competition Act of 1998. Investigations on this complaint are ongoing and the Group is in the process of complying with new information requests in this regard.

Customer registration

In each country where the Group is subject to customer registration requirements, the industry is engaging with authorities to improve the process to ensure customer registration. The difficulties experienced by the Group in the registration process include; limited number of national identity cards, the inefficiency of a paper based process, and the inability of mass market distribution partners to complete the registration processes correctly. Tanzania and Mozambique have replaced the paper based process with an electronic registration process. The Group is continuing to actively register customers and has action plans in each country to achieve full compliance. Further details may be found on page 14 of the Integrated Report.

Implementation of Numbering Plan Regulations 2016

Icasa published Numbering Plan Regulations ('Regulations'), in terms of section 68 of the Electronic Communications Act, 2005 (Act 36 of 2005), as amended, on 24 March 2016. The Group is in the process of implementing these Regulations.

Broad Based Black Economic Empowerment ('BBBEE')

On 29 February 2016, the Department of Trade and Industry ('dti') published the revised draft information and communication technology ('ICT') Sector Code for a 60 day public comment period. This code follows the May 2015 implementation of the revised generic dti Codes on BBBEE, which saw a complete overhaul of the current targets and requirements. The revised codes are expected to be finalised in June 2016, with the effective date being 1 April 2016.

In February 2016, the North Gauteng High Court made the following order on the matter of regulatory requirements emanating from the Electronic Communications Act: Compliance with the 30% equity ownership to be held by historically disadvantaged persons ('HDI') is peremptory and that Icasa does not have any discretion to either waive or relax the immediate requirement to comply with the minimum 30% HDI equity ownership threshold.

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

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

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

Competence, appropriateness and experience of the Company Secretary

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

Other matters

Shared Networks Tanzania Limited ('Shared Networks')

Vodacom Tanzania Limited has entered into an agreement with the shareholders of Shared Networks to acquire 100% of their issued share capital for US$15 million. The acquisition will be funded through available cash resources. The transaction remains subject to the fulfilment of a number of conditions precedent, including the requisite regulatory approvals.

Neotel (Pty) Limited ('Neotel')

The Group and Neotel have confirmed that the agreement between the parties has lapsed due to regulatory complexities in concluding the transaction as well as certain conditions not being fulfilled. Accordingly, the parties have agreed that the proposed restructured transaction can no longer be progressed.

Vodacom Payment Services (Pty) Limited

In March 2016, a decision was taken to phase out the South African M-Pesa product offering during the course of the 2017 financial year.

Events after the reporting period

Kenneth Makate

On 26 April 2016, the Constitutional Court overturned the South Gauteng High Court's decision to dismiss Makate's case, and instructed the Group to enter into negotiations for compensation. Further details may be found in Note 26 and 28.

Final dividend

A final dividend of R5 952 million (400 cents per ordinary share) for the year ended 31 March 2016, was declared on Friday 13 May 2016, payable on Monday 27 June 2016 to shareholders recorded in the register at the close of business on Friday 24 June 2016. The net dividend after taking into account dividend withholding tax for those shareholders not exempt from dividend withholding tax is 340.00000 cents per share.

Other matters

The Board is not aware of any matter or circumstance arising since the end of the reporting period, not otherwise dealt with in the consolidated annual financial statements, which significantly affects the financial position of the Group as at 31 March 2015 or the results of its operations or cash flows for the year then ended.

Auditors

During the current year, PricewaterhouseCoopers Inc. ('PwC') were appointed as the Group's auditors. At the annual general meeting on Tuesday 19 July 2016, shareholders will be requested to appoint PwC as the Group's auditors for the 2017 financial year and it will be noted that Mr DB von Hoesslin will be the individual registered auditor who will undertake the audit.

Report of the Audit, Risk and Compliance Committee

For the year ended 31 March

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 members of the Committee were appointed at the annual general meeting that was held on Thursday 17 July 2015.

The ARC Committee's responsibilities include the following:

- Reviewing the Group's consolidated interim results, preliminary results, integrated report and annual financial statements;
- Monitoring compliance with statutory and the 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;
- Providing oversight of the integrated reporting process;
- Considering the appointment and/or termination of the external auditors, including their audit fee, independence and objectivity and determining the nature and extent of any non-audit services;
- Approving the internal audit plan for the year;
- Receiving and dealing appropriately with any complaints, internally and externally, relating either to the accounting practices and internal audit or to the content or auditing of all entities within the Group's annual financial statements or related matters;
- Reviewing and monitoring the management and reporting of tax-related matters;
- Monitoring the risk management function and processes and assessing the Group's most significant risks;
- Monitoring the technology governance framework and associated risks; and
- Monitoring the effectiveness of the processes to create awareness and develop an understanding of relevant legislation and regulation to ensure compliance by management.

Membership

Members: DH Brown (Chairman), BP Mabelane, PJ Moleketi

The Chief Executive Officer and Chief Financial Officer, as well as the head of internal audit, the Chief Risk Officer and the external auditors, attend ARC Committee meetings by invitation. 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. One special meeting was held during the current year.

Attendance for the year ended March 2016 was as follows:

Name of director	11.5.2015	29.5.2015 Telecon	2.6.2015 Special	4.9.2015	3.11.2015	8.3.2016	17.3.2016 Telecon
DH Brown	✓	✓	✓	✓	✓	✓	✓
BP Mabelane	✓	✓	✓	X	✓	✓	✓
PJ Moleketi	✓	X	✓	✓	✓	✓	✓

Statutory duties

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

- Considered and satisfied itself that the external auditors are independent;
- Nominated the external auditors for appointment for the 2016 financial year;
- Determined the fees paid to the external auditors for the 2016 financial year;
- Reviewed the nature of non-audit services that were provided by the external auditors during the year;
- Confirmed the payment of non-audit services which the external auditors performed during the year under review;
- Approved the internal audit plan for the year;
- Monitoring and providing oversight of the internal audit function;
- 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;
- Reviewed the appropriateness of any amendments to accounting policies and internal financial controls; and
- Reviewed the integrated reporting process.

Internal control

Internal controls comprise systematic measures, policies, procedures and business rules 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. In addition, Vodafone Group Plc ('Vodafone') is required to comply with Section 404 of the Sarbanes-Oxley Act ('SOX') due to its listing on the NASDAQ stock exchange. With combined efforts between the Group and Vodafone, specific processes were identified that had to be brought in line with SOX requirements as part of the Group's South African SOX compliance efforts.

During the year, management revisited the accounting judgements applied in accounting for finance deals, which resulted in the restatement of certain lines in the consolidated annual financial statements (Note 21). Management has adequately responded to the restatement and with the exception of the aforementioned, concluded that the internal controls over financial reporting as at 31 March 2016 were effective.

The internal audit function is governed by the internal audit charter, as approved by the ARC Committee. The internal audit function serves management and the Board by performing independent evaluations of the adequacy and effectiveness of the Group's internal controls, financial reporting mechanisms and records, information systems and operations.

Risk management

Reviews of the Group's risk management, enterprise risk management programmes, business continuity and forensic services are performed by the Group's Risk Management Committee which reports to the ARC Committee through the Chief Risk Officer. Critical and high strategic risks which are ranked in relation to a scale from catastrophic to negligible, are presented annually 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 Vodacom's Integrated Report and online at **www.vodacom.com**.

From 1 April 2015 to 31 March 2016, the Group's forensic services department investigated over 6 344 cases of which 5 983 related to external cases and 361 to internal cases. These cases were reported through various channels, including direct reports received from customers, service providers, online reports, referrals from business and external whistle blowing. Over the same period, 51 reports were received via the whistle blowing line.

Report of the Audit, Risk and Compliance Committee continued

Combined assurance

The integrated assurance model aims to optimise the assurance coverage attained from management (first line of defence), internal assurance providers (second line of defence) and independent assurance providers (third line of defence) in mitigating the risk areas affecting the Group. The Group has adopted an integrated assurance model which identifies the key risk areas affecting the Group, and maps the level of assurance being provided by the different lines of defence to mitigate these risks.

Effectiveness of the finance function

In accordance with King III requirements, the ARC Committee has concluded that the finance function is adequately resourced with technically competent individuals, and that it is effective.

Effectiveness of the risk management function

In alignment with King III, the ARC Committee has satisfied itself that the following areas have been appropriately addressed:

- Financial reporting risk;
- Internal financial controls;
- Fraud risk as it relates to financial reporting; and
- Information technology risk as it relates to financial reporting.

Appropriateness and experience of Chief Financial Officer

The ARC Committee confirms that it is satisfied that Dr. phil. T Streichert, the current Chief Financial Officer, possesses the appropriate expertise and experience to meet the responsibilities of this 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 service where:

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

The total amount of fees earned during the year by the external auditors in respect of non-audit services was R626 642.

Integrated report

The ARC Committee has overseen the integrated reporting process, reviewed the report and has recommended the 2016 Integrated Report and consolidated Annual Financial Statements for approval by the Board on 3 June 2016.

DH Brown
Chairman
Audit, Risk and Compliance Committee

Consolidated income statement

For the year ended 31 March

Rm	Notes	2016	2015 Restated[1]
Revenue	1, 21	**80 077**	74 500
Direct expenses	21	**(31 594)**	(30 589)
Staff expenses		**(5 557)**	(4 836)
Publicity expenses		**(1 986)**	(2 008)
Other operating expenses		**(10 844)**	(10 118)
Broad-based black economic empowerment (charge)/income		**(55)**	47
Depreciation and amortisation	9,10	**(8 735)**	(7 581)
Impairment losses	2	**(14)**	–
Net loss from associate and joint venture		**(233)**	(180)
Operating profit	3	**21 059**	19 235
Finance income	4	**716**	346
Finance costs	5	**(2 196)**	(1 737)
Net (loss)/gain on remeasurement and disposal of financial instruments	6	**(735)**	7
Profit before tax		**18 844**	17 851
Taxation	7	**(5 934)**	(5 341)
Net profit		**12 910**	12 510
Attributable to:			
Equity shareholders		**12 917**	12 672
Non-controlling interests		**(7)**	(162)
		12 910	12 510

Cents	Notes	2016	2015
Basic earnings per share	8	**881**	864
Diluted earnings per share	8	**857**	845

Notes:
1. Refer to Note 21.

Consolidated statement of comprehensive income

For the year ended 31 March

Rm	Note	2016	2015
Net profit		**12 910**	12 510
Other comprehensive income[1]	7	**264**	278
Foreign currency translation differences, net of tax		**260**	279
Gain/(loss) on hedging instruments in cash flow hedges, net of tax		**4**	(1)
Total comprehensive income		**13 174**	12 788
Attributable to:			
Equity shareholders		**13 779**	13 259
Non-controlling interests		**(605)**	(471)
		13 174	12 788

Notes:
1. Other comprehensive income can subsequently be recognised in profit or loss on the disposal of foreign operations and/or when the hedged item is recognised in profit or loss.

Consolidated statement of financial position

For the year ended 31 March

Rm	Notes	2016	2015
Assets			
Non-current assets		**51 085**	45 954
Property, plant and equipment	9	**39 744**	35 959
Intangible assets	10	**9 517**	7 603
Financial assets	11	**280**	605
Investment in associate	12	**–**	306
Investment in joint venture		**4**	4
Trade and other receivables	14	**754**	763
Finance receivables	15	**761**	696
Deferred tax	7	**25**	18
Current assets		**27 618**	25 353
Financial assets	11	**2 641**	2 016
Inventory	13	**1 675**	1 189
Trade and other receivables	14	**13 275**	11 559
Non-current assets held for sale	12	**589**	94
Finance receivables	15	**1 390**	1 122
Tax receivable		**114**	123
Bank and cash balances	24	**7 934**	9 250
Total assets		**78 703**	71 307
Equity and liabilities			
Fully paid share capital	16	*****	*
Treasury shares	16	**(1 658)**	(1 606)
Retained earnings		**24 635**	23 378
Other reserves	17	**1 181**	290
Equity attributable to owners of the parent		**24 158**	22 062
Non-controlling interests		**(1 134)**	(419)
Total equity		**23 024**	21 643
Non-current liabilities		**29 909**	23 050
Borrowings	18	**26 658**	20 308
Trade and other payables	19	**815**	759
Provisions	20	**164**	225
Deferred tax	7	**2 272**	1 758
Current liabilities		**25 770**	26 614
Borrowings	18	**2 284**	5 351
Trade and other payables	19	**22 845**	20 589
Provisions	20	**92**	91
Tax payable		**344**	182
Dividends payable		**22**	21
Bank overdrafts	24	**183**	380
Total equity and liabilities		**78 703**	71 307

* Fully paid share capital of R100.

Consolidated statement of changes in equity

For the year ended 31 March

Rm	Notes	Fully paid share capital	Treasury shares	Share-based payment reserve[1]	Retained earnings
31 March 2014		*	(1 589)	2 114	22 506
Total comprehensive income		–	–	–	12 672
Net profit		–	–	–	12 672
Other comprehensive income	7	–	–	–	–
Dividends	8	–	–	–	(11 800)
Repurchase and sale of shares	16	–	(177)	–	–
Share-based payment vesting		–	160	(160)	–
Restricted share plan[3]		–	–	4	–
Share-based payment – deferred tax		–	–	(4)	–
Share-based payment expense	8,17	–	–	103	–
Reclassification of BBBEE reserve to liability		–	–	(322)	–
Changes in subsidiary holdings		–	–	–	–
31 March 2015		*****	**(1 606)**	**1 735**	**23 378**
Total comprehensive income		**–**	**–**	**–**	**12 917**
Net profit		**–**	**–**	**–**	**12 917**
Other comprehensive income	7	**–**	**–**	**–**	**–**
Dividends	8	**–**	**–**	**–**	**(11 660)**
Repurchase and sale of shares	16	**–**	**(181)**	**–**	**–**
Share-based payment vesting		**–**	**129**	**(129)**	**–**
Share-based payment – deferred tax		**–**	**–**	**(2)**	**–**
Share-based payment expense	8,17	**–**	**–**	**194**	**–**
Changes in subsidiary holdings		**–**	**–**	**–**	**–**
31 March 2016		*****	**(1 658)**	**1 798**	**24 635**

Notes:
1. Includes the broad-based black economic empowerment reserve of R1 644 million (2015: R1 562 million) and other employee share-based payment scheme reserves of R154 million (2015: R173 million).
2. Includes foreign exchange gains of R427 million (2015: R269 million), net of tax, relating to foreign-denominated loans to subsidiaries classified as part of the net investments in these foreign operations.
3. Refer to Note 17.1.2

* Fully paid share capital of R100.

	Change 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
	331	63	(365)	(3)	23 057	686	23 743
	–	–	588	(1)	13 259	(471)	12 788
	–	–	–	–	12 672	(162)	12 510
	–	–	588[2]	(1)	587	(309)	278
	–	–	–	–	(11 800)	(109)	(11 909)
	–	5	–	–	(172)	–	(172)
	–	–	–	–	–	–	–
	–	–	–	–	4	–	4
	–	–	–	–	(4)	–	(4)
	–	–	–	–	103	–	103
	–	–	–	–	(322)	–	(322)
	(2 063)	–	–	–	(2 063)	(525)	(2 588)
	(1 732)	**68**	**223**	**(4)**	**22 062**	**(419)**	**21 643**
	–	**–**	**858**	**4**	**13 779**	**(605)**	**13 174**
	–	**–**	**–**	**–**	**12 917**	**(7)**	**12 910**
	–	**–**	**858**	**4**	**862**	**(598)**	**264**
	–	**–**	**–**	**–**	**(11 660)**	**(78)**	**(11 738)**
	–	**14**	**–**	**–**	**(167)**	**–**	**(167)**
	–	**–**	**–**	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**	**(2)**	**–**	**(2)**
	–	**–**	**–**	**–**	**194**	**–**	**194**
	(48)	**–**	**–**	**–**	**(48)**	**(32)**	**(80)**
	(1 780)	**82**	**1 081**	**–**	**24 158**	**(1 134)**	**23 024**

Consolidated statement of cash flows

For the year ended 31 March

Rm	Notes	2016	2015
Cash generated from operations[1]	22	**29 800**	26 198
Tax paid		**(5 456)**	(4 979)
Net cash flows from operating activities		**24 344**	21 219
Cash flows from investing activities			
Additions to property, plant and equipment and intangible assets		**(13 565)**	(12 810)
Proceeds on disposal of property, plant and equipment and intangible assets		**336**	528
Business combinations	23	**(573)**	(1 018)
Finance income received		**683**	598
Repayment of loans granted and equity investments		**(39)**	172
Other investing activities[2]		**(522)**	(601)
Net cash flows utilised in investing activities		**(13 680)**	(13 131)
Cash flows from financing activities			
Borrowings incurred		**6 789**	11 424
Borrowings repaid		**(4 004)**	(63)
Finance costs paid		**(2 397)**	(1 751)
Dividends paid – equity shareholders		**(11 658)**	(11 800)
Dividends paid – non-controlling interests		**(78)**	(109)
Repurchase and sale of shares		**(167)**	(168)
Acquisition of additional interest in subsidiary		**(129)**	(2 576)
Net cash flows utilised in financing activities		**(11 644)**	(5 043)
Net (decrease)/increase in cash and cash equivalents		**(980)**	3 045
Cash and cash equivalents at the beginning of the year		**8 870**	5 792
Effect of foreign exchange rate changes		**(139)**	33
Cash and cash equivalents at the end of the year	24	**7 751**	8 870

Notes:

1. The Group changed the presentation of its statement of cash flows from the direct method to the indirect method in order to align with the Group's ultimate parent, Vodafone Group Plc.
2. Consists mainly of the movement in cash restricted deposits as a result of M-Pesa related activities

Notes to the consolidated annual financial statements

For the year ended 31 March

Basis of preparation

The consolidated annual financial statements of the Group have been prepared in accordance with IFRS as issued by the IASB and comply with the SAICA Financial Reporting Guides as issued by the SAICA Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of 2008, as amended.

The preparation of the consolidated annual financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. For a discussion on the Group's critical accounting judgements, see 'Critical accounting judgements' on pages 32 to 36. 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. During the year, management revisited the accounting judgements applied in accounting for finance deals. Refer to Note 21 for more details. There have been no other material changes in judgements or estimates of amounts reported in prior reporting periods.

Significant accounting policies

Accounting convention

The consolidated annual financial statements are prepared on a historical cost basis, except for certain financial instruments which are measured at fair value or at amortised cost.

Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of Vodacom Group Limited, its subsidiaries, joint arrangement, associate and structured entities up to 31 March 2016.

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.

Notes to the consolidated annual financial continued

Consolidation continued

Business combinations continued

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

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

Accounting for subsidiaries

A subsidiary is an entity controlled by the Group. Control is achieved where the Group has existing rights that give it the current ability to direct the activities that affect the Company's returns and exposure or rights to variable returns from the entity.

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

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

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

Transactions with non-controlling interests

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

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

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

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

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

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

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.

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 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.

Notes to the consolidated annual financial continued

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment loss, 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 that do not meet the definition of property, plant and equipment, 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 shorter of the lease term, if applicable, or 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.

Government grants

The Group may be entitled to receive grants from national or regional government which are primarily for the purpose of purchasing property, plant and equipment ('capital grants').

Government grants are recognised when there is reasonable assurance that the Group will comply with any condition on which payment or retention of the grant is dependent and the grant will be paid.

It is the Group's policy to deduct capital grants from the cost of the assets acquired which will result in the depreciation expense for the related assets being reduced during the useful life of the related assets.

In the event that a capital grant becomes repayable, the cost of the related assets are increased by the amount of the repayment and cumulative depreciation that would have been recognised in profit or loss had the repaid amount not originally been recorded will be recognised immediately in the profit or loss.

Government grants related to income are recognised in profit or loss on a systematic basis over the periods in which the Group recognises the related costs as expenses, for which the grant is intended to compensate.

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 denominated in the currency of the acquired entity and revalued to the closing rate at each reporting date.

Intangible assets with finite useful lives

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

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

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

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

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

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

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

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

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 of disposal 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 reversible in subsequent periods.

Notes to the consolidated annual financial continued

Impairment of assets continued

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.

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 time frame established by the market concerned.

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

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

Impairment of financial assets

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

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

Financial assets carried at amortised cost

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

Financial instruments continued

Financial assets carried at amortised cost continued

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

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

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

Derivative financial instruments

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

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

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

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

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

Notes to the consolidated annual financial continued

Financial instruments continued

Hedge accounting

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

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

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

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are immediately recognised in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. For unrecognised firm commitments, the change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss and included in the line item relating to the hedging instrument. The initial carrying amount of the asset or liability that results from the entity meeting the firm commitment is adjusted to include the cumulative change in the fair value of the firm commitment attributable to the hedged risk that was recognised in the statement of financial position. For recognised hedged assets or liabilities, the change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. If a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

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.

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.

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

Leases continued

Group as lessee continued

Operating leases

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

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

Group as lessor

Finance leases

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

Operating leases

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

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.

Non-current assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

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.

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.

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.

Notes to the consolidated annual financial continued

Taxation continued

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

Current tax

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

Deferred tax

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

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

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

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

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

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

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

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 at the time the services are performed.

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

Revenue recognition continued

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 customer and the significant risks and rewards of ownership have transferred. 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. Revenue allocated to deliverables is restricted to the amount that is receivable without the delivery of additional goods or services. This restriction typically applies to revenue recognised for devices provided to customers, including handsets.

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

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 that do not meet these criteria are recognised as a reduction of the related revenue.

Distribution incentives paid to service providers and dealers for exclusivity are deferred and expensed over the contractual relationship period.

Notes to the consolidated annual financial continued

Expenses

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets.

Borrowing costs include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The portion of exchange differences to be capitalised is estimated based on interest rates on similar borrowings in the entity's functional currency. Foreign exchange gains and losses are assessed cumulatively over the construction period.

Other borrowing costs are expensed as they are incurred.

Employee benefits

Post-employment benefits

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

Short-term and long-term benefits

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

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

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.

Comparatives

Refer to Note 21 for the line items restated.

New accounting pronouncements

Accounting pronouncements adopted

On 1 April 2015, the Group adopted the following new accounting policies to comply with amendments to IFRS:

- IAS 19: Defined Benefit Plans: Employee Contributions;
- Improvements to IFRS 2010 to 2012 cycle amendment to IFRS 8: Operating Segments; and
- Improvements to IFRS 2011 to 2013 cycle.

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

New accounting pronouncements to be adopted 1 April 2016

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;
- Amendments to IAS 16: Property, Plant and Equipment and IAS 38: Intangible Assets, clarification of acceptable methods of depreciation and amortisation;
- Amendments to IAS 27: Separate Financial Statements, equity method in separate financial statements;
- Amendments to IFRS 11: Joint Arrangements, accounting for acquisitions of interests in joint operations; and
- Improvements to IFRS 2012 to 2014 Cycle.

New accounting pronouncements to be adopted on or after 1 April 2017

The Group is currently assessing the impact of the following new pronouncements, which have been issued by the IASB. Unless otherwise stated, 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 12: Income Taxes, recognition of deferred tax assets for unrealised losses, effective for annual periods beginning on or after 1 January 2017;
- Amendments to IAS 7: Statement of Cash Flows, disclosure initiative, effective for annual periods beginning on or after 1 January 2017;
- IFRS 15: Revenue from Contracts with Customers, which is effective for annual periods beginning on or after 1 January 2018. IFRS 15 will have a material impact on the Group's reporting of revenue and costs as follows:
  - IFRS 15 will require the Group to identify deliverables in contracts with customers that qualify as "performance obligations". The transaction price receivable from customers must be allocated between the performance obligations under the contracts on a relative standalone selling price basis. Currently revenue allocated to deliverables is restricted to the amount that is receivable without the delivery of additional goods or services; this restriction will no longer be applied under IFRS 15. The primary impact on revenue reporting will be that when the Group sells subsidised devices together with airtime service agreements to customers, revenue allocated to equipment and recognised when control of the device passes to the customer will increase and revenue recognised as services are delivered will reduce. Where additional up-front unbilled revenue is recorded for the sale of devices, this will be reflected in the balance sheet as a contract asset;
  - Under IFRS 15, certain incremental costs incurred in acquiring a contract with a customer will be deferred on the balance sheet and amortised as revenue is recognised under the related contract; this will generally lead to the later recognition of charges for some commissions payable to third party dealers and employees; and
  - Certain costs incurred in fulfilling customer contracts will be deferred on the balance sheet under IFRS 15 and recognised as related revenue is recognised under the related contract. Such deferred costs are likely to relate to the provision of deliverables to customers that do not qualify as performance obligations and for which revenue is not recognised; currently such costs are generally expensed as incurred.

The Group is continuing to assess the impact of these and other accounting changes that will arise under IFRS 15; however, the changes highlighted above will have a material impact on the consolidated income statement and consolidated statement of financial position after the Group adopts IFRS 15 on 1 April 2018.

Notes to the consolidated annual financial continued

New accounting pronouncements continued

New accounting pronouncements to be adopted on or after 1 April 2017 continued

When IFRS 15 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative retrospective impact of IFRS 15 applied as an adjustment to equity on the date of adoption; when the latter approach is applied it is necessary to disclose the impact of IFRS 15 on each line item in the financial statements in the reporting period. The Group currently intends to reflect the cumulative impact of IFRS 15 in equity on the date of adoption.

- IFRS 9: Financial Instruments was issued in July 2014 to replace IAS 39: Financial Instruments: Recognition and Measurement. The standard will impact the classification and measurement of the Group's financial instruments and will require certain additional disclosures. The changes to recognition and measurement of financial instruments and changes to hedge accounting rules are not currently considered likely to have any major impact on the Group's current accounting treatment or hedging activities. The standard is effective for annual periods beginning on or after 1 January 2018.
- IFRS 16: Leases was issued in January 2016 to replace IAS 17: Leases. The standard is effective for accounting periods beginning on or after 1 January 2019 with early adoption permitted if IFRS 15: Revenue from Contracts with Customers has been adopted.

  IFRS 16 will primarily change lease accounting for lessees; lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a loan obligation for future lease payables. Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability. Lessee accounting under IFRS 16 will be similar to existing IAS 17 accounting for finance leases, but will be substantively different for operating leases where rental charges are currently recognised on straight-line basis and no lease asset or lease loan obligation is recognised.

  Lessor accounting under IFRS 16 is similar to existing IAS 17 accounting. The Group is assessing the impact of the accounting changes that will arise under IFRS 16; however, the changes are expected to have a material impact on the consolidated income statement and consolidated statement of financial position.

  The Group has not yet decided whether to adopt IFRS 16 when IFRS 15 is adopted, on 1 April 2018, or on 1 April 2019.

Critical accounting judgements including those involving estimations

The Group prepares its consolidated annual financial statements in accordance with IFRS as issued by the IASB, the application of which often requires management to make judgements when formulating the Group's financial position and results. Judgements, including those involving estimations, made in the process of applying the Group's accounting policies are discussed below. Management considers these judgements to have a material effect on the consolidated annual financial statements.

The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience, current and expected economic conditions. Although estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from these estimates. Accounting estimates and the underlying assumptions are reviewed on an ongoing basis.

The discussion below should also be read in conjunction with the Group's disclosure of 'Significant accounting policies', which is provided on page 19.

Management has presented its critical accounting judgements and associated disclosures to the Audit, Risk and Compliance Committee who has recommended it to the Board.

Investment in subsidiaries, associates and joint ventures

Judgement is required in the assessment of whether the Group has control or significant influence in terms of the variability of returns from the Group's involvement in the investee, the ability to use power to affect those returns and the significance of the Group's investment in the investee. The Group classified its investment considering this assessment of control or significant influence (Note 12 and 29).

The Group concluded that its cell captive arrangement does not satisfy the criteria to be a 'deemed separate entity' and accordingly is not subject to consolidation. Similarly, the Group assessed its broad-based black economic empowerment transactions, to determine whether the Group has control over the entities it has partnered with in the transactions, resulting in the consolidation of these entities.

Critical accounting judgements including those involving estimations continued

Intangible assets with finite useful lives

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

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

At 31 March 2016, intangible assets with finite useful lives amounted to R6 842 million (2015: R5 299 million) and represented 8.7% (2015: 7,4%) 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	2016	2015
Licences	**8 – 30**	8 – 30
Trademarks, patents and other	**5 – 12**	5 – 13
Customer bases	**2 – 10**	2 – 9
Computer software	**3 – 10**	3 – 10

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

Notes to the consolidated annual financial continued

Property, plant and equipment

Property, plant and equipment also represent a significant proportion of the Group's asset base, being 50,5% (2015: 50,4%) 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 above-mentioned 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	2016	2015
Buildings, included in land and buildings	**15 – 50**	15 – 50
Leasehold improvements, included in land and buildings	**Shorter of lease term and 50**	Shorter of lease term and 50
Network infrastructure and equipment	**5 – 25**	5 – 25
Other assets	**1 – 15**	1 – 25

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

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 of disposal and value in use.

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

Impairment reviews continued

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 or 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.

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. Refer to Note 17 for assumptions used.

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. Please refer to forfeitable share plan note (Note 17).

Notes to the consolidated annual financial continued

Taxation

The Group's tax charge on ordinary activities is the sum of the current and deferred tax charges. The calculation of the Group's total taxation charge necessarily involves judgements, including those involving estimations, in respect of certain matters where the tax impact is uncertain until a conclusion has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits, losses and/or cash flows.

The complexity of the Group's structure, considering its geographic presence, makes the degree of judgement more challenging. The resolution of issues is not always within the 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 26. 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, particularly in respect of tax losses and tax credits, is based upon whether it is probable that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future. 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.

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. The fair values determined for deliverables may impact the timing of the recognition of revenue.

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 business partners are reviewed to determine each party's respective role in the transaction. Such judgements impact the amount of reported revenue and operating expenses but do not impact reported assets, liabilities or net cash flows from operating activities.

Provisions and contingent liabilities

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

Foreign operations

The Group exercises judgements in determining whether monetary items receivable from or payable to foreign entities form part of the Group's net investment in foreign operations. Judgements, including those involving estimations, are necessary in assessing whether settlement of the monetary items receivable or payable is likely to occur in the foreseeable future. Included in other comprehensive income are exchange gains of R427 million (2015: R269 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 segments offer a variety of telecommunication and data communication services and products.

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

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

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

Rm	2016	2015
Reconciliation of segment results		
EBITDA	**30 345**	26 905
Depreciation, amortisation and impairment losses	**(8 749)**	(7 581)
Broad-based black economic empowerment (charge)/income	**(55)**	47
Net loss from associate and joint venture	**(233)**	(180)
Other	**(249)**	44
Operating profit	**21 059**	19 235

Rm	Corporate	South Africa	International	Eliminations	Total
2016					
Segment revenue (including inter-segment)	**190**	**62 278**	**18 357**	**(748)**	**80 077**
Total segment revenue	**–**	**63 758**	**18 870**	**–**	**82 628**
Intra-segment revenue	**190**	**(1 480)**	**(513)**	**(748)**	**(2 551)**
Inter-segment revenue	**(190)**	**(319)**	**(239)**	**748**	**–**
External customer segment revenue	**–**	**61 959**	**18 118**	**–**	**80 077**
EBITDA	**(48)**	**25 016**	**5 385**	**(8)**	**30 345**
Net finance income/(charges)	**12 093**	**(1 835)**	**(681)**	**(11 792)**	**(2 215)**
Taxation	**(313)**	**(5 071)**	**(767)**	**217**	**(5 934)**
Other material non-cash items included in segment profit or loss:					
Depreciation and amortisation	**(3)**	**(5 691)**	**(3 041)**	**–**	**(8 735)**
Total assets					
Reportable segment assets which includes:	**21 388**	**48 430**	**25 014**	**(16 129)**	**78 703**
Additions to property, plant and equipment and intangible assets	**38**	**8 747**	**4 473**	**–**	**13 258**
Non-current assets other than financial instruments and deferred taxation	**45**	**33 408**	**15 482**	**1 400**	**50 335**
Total liabilities					
Reportable segment liabilities	**(7 304)**	**(40 664)**	**(16 852)**	**9 141**	**(55 679)**

Note:
For a reconciliation of operating profit and net profit for the year, refer to the consolidated income statement on page 13.

Notes to the consolidated annual financial continued

Rm	Corporate	South Africa[1] Restated	International	Eliminations	Total
1. Segment analysis continued					
2015					
Segment revenue (including inter-segment)	114	59 203	15 747	(564)	74 500
Total segment revenue	–	60 451	16 097	–	76 549
Intra-segment revenue	114	(1 248)	(350)	(564)	(2 049)
Inter-segment revenue	(114)	(326)	(124)	564	–
External customer segment revenue[1]	–	58 877	15 623	–	74 500
EBITDA	(36)	22 837	4 104	–	26 905
Net finance income/(charges)	9 661	(1 186)	(473)	(9 386)	(1 384)
Taxation	(220)	(4 621)	(622)	122	(5 341)
Other material non-cash items included in segment profit or loss:					
Depreciation and amortisation	(3)	(5 161)	(2 429)	12	(7 581)
Total assets					
Reportable segment assets	22 682	46 354	21 861	(19 590)	71 307
which includes:					
Additions to property, plant and equipment and intangible assets	5	8 724	4 680	–	13 409
Non-current assets other than financial instruments and deferred taxation	58	29 629	13 774	1 386	44 847
Total liabilities					
Reportable segment liabilities	(8 637)	(39 112)	(14 438)	12 523	(49 664)

Note:
1. The classification of revenue changed during the year in the South African segment. Refer to Note 21.

Rm	2016	2015
2. Impairment		
Impairment losses		
Impairment losses recognised are as follows:		
Intangible assets (Note 10)	**(10)**	–
Property, plant and equipment (Note 9)	**(4)**	–
	(14)	–
Goodwill impairment testing		
Carrying amount of goodwill is as follows:		
Vodacom (Pty) Limited	**2 549**	2 185
Other[1]	**126**	119
	2 675	2 304

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 five-year 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 voice and data products and services and to meet the population coverage requirements in terms of licences, where required. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and computer software.
Forecast EBITDA	Forecast EBITDA has been based on past experience adjusted for the following: • voice and messaging revenue which is expected to benefit from increased usage from new and existing customers, the introduction of new services and traffic moving from fixed networks to mobile networks, though these factors will be partially offset by increased competitor activity, which may result in price declines and the trend of falling termination rates; • non-messaging data revenue which is expected to continue to grow strongly as the penetration of third generation ('3G') and long term evolution ('LTE') enabled devices rises and new products and services are introduced; • fixed-line revenue growth expectations as a result of entering the 'Fibre to the Business and Home' market as well as continued expansion of fixed services to enterprise businesses; 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 five-year compound annual growth rate in EBITDA estimated by management.
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 capital asset pricing model. Inputs include the risk-free rate for 10-year bonds issued by the government in the respective market, if available, adjusted for a risk premium to reflect the risk associated with investing in equities, as well as an adjustment for 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 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 a beta based on 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 observed long term market average equity market risk premium, and the market risk premiums typically used by investment banks in evaluating acquisition proposals.

Notes to the consolidated annual financial continued

2. Impairment continued

Goodwill impairment testing continued

%	Vodacom (Pty) Limited
31 March 2016	
Long-term growth rate	**2,9**
Risk adjusted discount rate	**12.4**
31 March 2015	
Long-term growth rate	3.6
Risk adjusted discount rate	10.9

Sensitivity to changes in key assumptions

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

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

3. Operating profit

Rm	2016	2015
The operating profit has been arrived at after (charging)/crediting:		
Net (loss)/profit on disposal of property, plant and equipment and intangible assets	**(50)**	110
Auditor's remuneration – audit fees	**(31)**	(26)
Auditor's remuneration – other services	**(1)**	(1)
Professional fees for consultancy services	**(354)**	(321)
Operating lease rentals	**(3 226)**	(2 914)
Network infrastructure	**(2 700)**	(2 423)
Other	**(526)**	(491)
Bad debts	**(479)**	(697)
Inventory written off	**(38)**	(9)
Net foreign exchange gains/(losses)	**383**	(174)

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.

4. Finance income

Rm	2016	2015
Interest income		
Banks	**408**	175
Loans receivable	**116**	8
Tax authorities	**14**	–
Other	**178**	163
	716	346

Interest income on financial assets not at fair value through profit or loss amounted to R700 million (2015: R334 million).

Rm	2016	2015
5. Finance costs		
Interest expense	**(2 027)**	(1 505)
Borrowings	**–**	(1)
Tax authorities	**(169)**	(231)
Other	**(2 196)**	(1 737)

Interest expense on financial liabilities not at fair value through profit or loss amounted to R2 082 million (2015: R1 640 million).

Rm	2016	2015
6. Net (loss)/gain on remeasurement and disposal of financial instruments		
Net (loss)/gain on derivatives	**(361)**	40
Net loss on translation of foreign denominated assets and liabilities	**(302)**	(17)
Remeasurement of loans receivable	**(70)**	(15)
Financial liabilities held at amortised cost	**(2)**	–
Financial assets at fair value through profit or loss	**–**	(1)
	(735)	7

Rm	2016	2015
7. Taxation		
7.1 Income tax expense		
South African current tax	**(5 045)**	(4 721)
Current year	**(5 038)**	(4 721)
Adjustments in respect of prior years	**(7)**	–
Foreign current tax	**(634)**	(822)
Current year	**(716)**	(536)
Adjustments in respect of prior years	**138**	(99)
Withholding tax	**(56)**	(187)
Current year	**(61)**	(188)
Adjustments in respect of prior years	**5**	1
Total current tax	**(5 679)**	(5 543)
Deferred tax on origination and reversal of temporary differences:		
South African deferred tax	**(100)**	42
Current year	**(98)**	5
Adjustments in respect of prior years	**(2)**	37
Foreign deferred tax	**(155)**	160
Current year	**(12)**	(107)
Adjustments in respect of prior years	**(143)**	267
Total deferred tax	**(255)**	202
Total income tax expense	**(5 934)**	(5 341)
Components of deferred tax charged to profit or loss		
Capital allowances	**(311)**	416
Foreign exchange	**61**	4
Tax losses	**–**	(184)
Provisions and deferred income	**106**	(12)
Other	**(111)**	(22)
	(255)	202

Notes to the consolidated annual financial continued

Rm	2016	2015
7. Taxation continued		
7.1 Income tax expense continued		
Factors affecting tax expense for the year		
The table below discloses the differences between the expected income tax expense at the South African statutory tax rate and the Group's total income tax expense:		
Expected income tax expense on profit before tax at the South African statutory tax rate	**(5 276)**	(4 998)
Adjusted for:		
Non-deductible operating expenditure	**(229)**	(154)
Non-deductible finance costs	**(106)**	(180)
Non-deductible depreciation and amortisation	**(46)**	(41)
Unrecognised tax asset	**(187)**	(160)
Irrecoverable foreign taxes	**(13)**	(115)
Effect of taxation of associate and joint venture reported within operating profit	**(70)**	(45)
Minimum alternative taxes	**(59)**	(43)
Adjustments in respect of prior years	**(9)**	206
Effect of different statutory tax rates of jurisdictions other than South Africa	**49**	87
Non-taxable income	**12**	102
Total income tax expense	**(5 934)**	(5 341)

The South African statutory tax rate is 28.0% for all reporting periods. The Group's effective tax rate is 31.5% (2015: 29.9%) the increase was mainly due prior year adjustments in 2015.

Rm	2016	2015
7.2 Other comprehensive income, net of tax		
Foreign currency translation differences, net of tax	**260**	279
Foreign currency translation differences	**418**	379
Taxation	**(158)**	(100)
Gain/(Loss) on hedging instruments in cash flow hedges, net of tax	**4**	(1)
Gain/(Loss) on hedging instruments in cash flow hedges	**3**	(1)
Taxation	**1**	–
Other comprehensive income, net of tax	**264**	278
7.3 Tax credited charged directly to other comprehensive income		
Deferred tax	**(157)**	(100)
	(157)	(100)

Rm	2016	2015
7. Taxation continued		
7.4 Deferred tax		
Analysed in the statement of financial position, after offset of balances within companies, as follows:		
Deferred tax assets	**25**	18
Deferred tax liabilities	**(2 272)**	(1 758)
	(2 247)	(1 740)
Components		
Gross deferred tax assets and liabilities, before offset of balances within companies, are as follows:		
Capital allowances	**(3 071)**	(2 593)
Deferred tax liabilities	**(3 071)**	(2 593)
Foreign exchange	**(235)**	(184)
Deferred tax assets	**107**	29
Deferred tax liabilities	**(342)**	(213)
Tax losses	**2**	–
Deferred tax assets	**2**	–
Provisions and deferred income	**1 264**	1 157
Deferred tax assets	**1 266**	1 157
Deferred tax liabilities	**(2)**	–
Other	**(207)**	(120)
Deferred taxation assets	**17**	9
Deferred taxation liabilities	**(224)**	(129)
	(2 247)	(1 740)
Reconciliation of net deferred tax balance		
1 April	**(1 740)**	(1 570)
Foreign currency translation differences	**27**	1
Credited/(charged) to profit or loss	**(255)**	202
Charged directly to other comprehensive income	**(157)**	(100)
(Charged)/credited directly to equity	**14**	(36)
Business combinations and disposal of subsidiaries	**(136)**	(237)
31 March	**(2 247)**	(1 740)

Notes to the consolidated annual financial continued

Rm	2016	2015
7. Taxation continued		
7.5 Factors affecting the tax charge in future years		
Total estimated tax losses	**3 169**	2 268
Utilised to reduce net temporary differences	**(6)**	–
Estimated unused tax losses	**3 163**	2 268
Tax credits	**–**	–

If the estimated unused tax losses are applied, the available R1 002 million (2015: R726 million) would result in the current year's R2 247 million net deferred tax liability reducing to R1 245 million (2015: R1 740 million net deferred tax liability reducing to R1 014 million), 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	2 – 5 years	Unlimited	Total
2016			
Deductible temporary differences	**2**	**3 650**	**3 652**
Estimated unused tax losses[1]	**211**	**2 952**	**3 163**
Unused tax credits	**–**	**–**	**–**
2015			
Deductible temporary differences	1	3 082	3 083
Estimated unused tax losses	111	2 157	2 268
Unused tax credits	–	–	–

Note:
1. Effective 1 January 2016 the utilisation of tax losses of Vodacom Congo (RDC) SA are limited to 60% of the taxable income for years of assessment ending on or after 31 December 2016.

Cents	2016	2015
8. Earnings and dividends per share		
Basic earnings per share	**881**	864
Diluted earnings per share	**857**	845
Headline earnings per share	**883**	860
Diluted headline earnings per share	**860**	840
Dividends per share[1]	**795**	805

Note:
1. Includes dividends of 400 cents per share and 395 cents per share, declared on 14 May 2015 and 6 November 2015, respectively. The Group declared a final dividend in respect of the year ended 31 March 2016 after the reporting period (Note 28).

8. Earnings and dividends per share continued

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	2016	2015
8.1.1 Diluted earnings reconciliation		
Earnings attributable to equity shareholders for basic earnings per share	**12 917**	12 672
Adjusted for:		
Dilutive effect of potential ordinary shares in subsidiary	**(333)**	(268)
Earnings for diluted earnings per share	**12 584**	12 404
8.1.2 Headline earnings reconciliation		
Earnings, attributable to equity shareholders, for basic earnings per share	**12 917**	12 672
Adjusted for:		
Net loss/(profit) on disposal of property, plant and equipment and intangible assets (Note 3)	**26**	(68)
Net loss/(profit) on disposal of property, plant and equipment and intangible assets (Note 3)	**50**	(110)
Tax and non-controlling interest impact	**(24)**	42
Impairment losses (Note 2)	**14**	–
Impairment losses (Note 2)	**14**	–
Tax and non-controlling interest impact	**–**	–
Headline earnings for headline earnings per share[1]	**12 957**	12 604
Dilutive effect of potential ordinary shares in subsidiary	**(333)**	(268)
Headline earnings for diluted headline earnings per share	**12 624**	12 336

Note:

1. This disclosure is a requirement of the JSE Limited and is not a recognised measure under IFRS. It has been calculated in accordance with Circular 2/2015 as issued by SAICA.

Shares	2016	2015
8.1.3 Reconciliation of weighted average number of ordinary shares outstanding		
For basic and headline earnings per share	**1 466 641 659**	1 466 400 489
Diluted earnings and diluted headline earnings per share	**2 041 696**	2 021 143
For diluted earnings and diluted headline earnings per share[1]	**1 468 683 355**	1 468 421 632

Note:

1. Includes shares held under the forfeitable share plan (Note 17.1.1).

8.2 Dividends per share

Vodacom Group Limited acquired 1 767 453 shares in the market during the year at an average price of R136.81 per share. Dividends per share calculations are based on a declared dividend of R11 829 million (2015: R11 978 million) and shares of 1 487 954 000 for all reporting periods. R41 million (2015: R50 million) of the dividend declared was offset against the forfeitable share plan reserve, R5 million (2015: R5 million) expensed as staff expenses and R123 million (2015: R124 million) paid to Wheatfields, a wholly-owned subsidiary holding treasury shares on behalf of the Group.

Notes to the consolidated annual financial continued

	Rm	Land and buildings	Network infrastructure & equipment	Other assets	Total
9.	**Property, plant and equipment**				
	31 March 2014	2 969	27 385	448	30 802
	Cost	4 644	56 347	1 294	62 285
	Accumulated depreciation and impairment losses	(1 675)	(28 962)	(846)	(31 483)
	Additions	459	10 548	302	11 309
	Disposals	(4)	(208)	(10)	(222)
	Foreign currency translation differences	17	368	10	395
	Depreciation	(226)	(5 963)	(145)	(6 334)
	Net transfer to intangible assets (Note 10)	(45)	(72)	47	(70)
	Transfer to non-current assets held for sale (Note 12)	(5)	(21)	–	(26)
	Category and other transfers	–	100	5	105
	31 March 2015	**3 165**	**32 137**	**657**	**35 959**
	Cost	**5 078**	**62 955**	**1 592**	**69 625**
	Accumulated depreciation and impairment losses	**(1 913)**	**(30 818)**	**(935)**	**(33 666)**
	Additions	**352**	**10 174**	**318**	**10 844**
	Disposals	**–**	**(94)**	**(7)**	**(101)**
	Foreign currency translation differences	**17**	**423**	**6**	**446**
	Depreciation	**(249)**	**(6 796)**	**(166)**	**(7 211)**
	Impairment losses (Note 2)	**–**	**(4)**	**–**	**(4)**
	Net transfer to intangible assets (Note 10)	**(2)**	**(20)**	**(2)**	**(24)**
	Transfer to non-current assets held for sale (Note 12)	**–**	**(165)**	**–**	**(165)**
	Category and other transfers	**44**	**(5)**	**(39)**	**–**
	31 March 2016	**3 327**	**35 650**	**767**	**39 744**
	Cost	**5 554**	**69 398**	**1 823**	**76 775**
	Accumulated depreciation and impairment losses	**(2 227)**	**(33 748)**	**(1 056)**	**(37 031)**

The carrying amount of network infrastructure and equipment includes R1 446 million (2015: R1 327 million) in relation to assets held under finance leases (Note 18).

The Group's South African operations pledged certain of its property, plant and equipment with a carrying amount of R1 446 million (2015: R1 327 million) as security against borrowings with a fair value of R1 423 million (2015: R1 322 million) (Note 18). The respective pledges are limited to the carrying amount of the 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 R573 million (2015: R748 million) and R79 million (2015: RNil) respectively.

Certain of the Group's operations received government grants to advance universal access to communications by constructing telecommunication infrastructure. Unfulfilled conditions relate to the completion of the asset.

In the current year, directly attributable staff expenses of R687 million (2015: R646 million) were capitalised.

10. Intangible assets

	Goodwill	Licences	Trademark, patents and other	Customer bases	Computer software	Total
31 March 2014	1 856	439	116	45	2 913	5 369
Cost	7 383	891	466	1 411	8 614	18 765
Accumulated amortisation and impairment losses	(5 527)	(452)	(350)	(1 366)	(5 701)	(13 396)
Additions	4	26	–	34	2 036	2 100
Business combination (Note 23)	442	–	–	800	–	1 242
Foreign currency translation differences	2	29	–	–	60	91
Amortisation	–	(78)	(26)	(63)	(1 080)	(1 247)
Transfer from property, plant and equipment (Note 9)	–	–	–	–	70	70
Category and other transfers	–	–	–	–	(22)	(22)
31 March 2015	2 304	416	90	816	3 977	7 603
Cost	8 613	970	465	2 293	10 585	22 926
Accumulated amortisation and impairment losses	(6 309)	(554)	(375)	(1 477)	(6 608)	(15 323)
Additions	–	383	–	–	2 031	2 414
Disposals	–	–	–	–	–	–
Business combination (Note 23)	368	–	–	485	–	853
Foreign currency translation differences	3	27	(3)	–	130	157
Amortisation	–	(93)	(25)	(116)	(1 290)	(1 524)
Impairment losses (Note 2)	–	–	–	–	(10)	(10)
Transfer from property, plant and equipment (Note 9)	–	–	–	–	24	24
31 March 2016	**2 675**	**733**	**62**	**1 185**	**4 862**	**9 517**
Cost	**10 213**	**1 423**	**460**	**2 832**	**12 584**	**27 512**
Accumulated amortisation and impairment losses	**(7 538)**	**(690)**	**(398)**	**(1 647)**	**(7 722)**	**(17 995)**

Included in the carrying amount of computer software are assets in the course of development, which are not amortised, with a cost of R8 million (2015: R89 million).

Notes to the consolidated annual financial continued

		2016	2015
11.	**Financial assets**		
	Non-current		
	Loans receivable (Note 11.1.1)	**68**	393
	Financial assets at fair value through profit or loss (Note 11.2)	**173**	173
	Available-for-sale financial assets (Note 11.3)	**39**	39
		280	605
	Current		
	Financial assets at fair value through profit or loss (Note 11.2)	**187**	73
	Cash held in restricted deposits (Note 11.1.2)	**2 454**	1 943
		2 641	2 016
11.1	**Financial assets measured at amortised cost**		
11.1.1	**Loans receivable**		
	Helios Towers Tanzania Limited	**–**	296
	The loan with a nominal value of US$22 million (2015: US$22 million), bears interest at 15.0%, is unsecured and is repayable on 31 December 2019. This loan is associated with non-current assets held for sale. Refer to Note 12.		
	Other loans receivable	**68**	97
		68	393
11.1.2	**Cash held in restricted deposits**	**2 454**	1 943
	The carrying amount approximates fair value and is mainly represented by cash from M-Pesa activities which is held in accounts with reputable financial institutions.		
11.2	**Financial assets at fair value through profit or loss**		
	Unit trust investments	**187**	73
	Equity linked notes	**173**	173
		360	246
	Fair value of unit trust investments are determined with reference to quoted market prices while the fair value of the equity linked notes are determined using valuation models.		
11.3	**Available-for-sale financial assets**		
	Unlisted equity investments	**39**	39

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.

12. Investment in associate

As at 31 March 2016, the Group held an 23.78% (2015: 23.45%) equity accounted interest in Helios Towers Tanzania Limited ('Helios'), an independent telecommunications tower operator. This holding was acquired as part of a sale and leaseback transaction of Vodacom Tanzania Limited's telecommunications towers to HTT Infraco Limited ('HTT'), a subsidiary of Helios.

During the year, the Board approved a plan to exit its investment in Helios through a sale of shares which is expected to be completed within the next financial year. The investment, which was equity accounted, was classified as a non-current asset held for sale, and the associated shareholder's loan was classified to current assets. Both are presented in the International reportable segment (Note 1). The Group has not recognised any impairment losses in respect of its investment, since the proceeds are expected to exceed the carrying value of the investment and loan receivable. Refer to Note 11 for details of the loan granted to Helios.

		2016	2015
13.	**Inventory**		
	Goods held for resale	**1 675**	1 189
	Inventory valuation allowance included above	**(155)**	(105)

The cost of inventories recognised as an expense during the period amounts to R11 948 million (2015: R12 088 million).

		2016	2015
14.	**Trade and other receivables**		
	Trade receivables	**9 644**	8 017
	Prepayments	**1 463**	1 620
	Accrued income	**1 937**	1 915
	Value-added tax	**39**	40
	Derivative financial assets	**73**	124
	Other	**873**	606
		14 029	12 322
	Timing		
	Non-current	**754**	763
	Current	**13 275**	11 559
		14 029	12 322
	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	**(828)**	(319)
	Foreign currency translation differences	**3**	(19)
	Charged to profit or loss	**(312)**	(534)
	Utilised	**34**	44
	31 March	**(1 103)**	(828)
	Trade receivables are carried at cost which normally approximates fair value due to short-term maturity. Generally no interest is charged on trade receivables.		
	Included within derivative financial assets:		
	At fair value through profit or loss, classified as held for trading:		
	Fair value hedges:		
	Foreign exchange forward contracts	**62**	100
	Firm commitment asset – fair value hedge	**11**	24
		73	124

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. During the prior year the Group designated certain forward exchange contracts as fair value hedges to hedge its exposure to variability in the fair value that is attributable to changes in foreign exchange rates.

Notes to the consolidated annual financial continued

15. Finance receivables

The Group provides financing to customers to acquire equipment at an additional contractual charge.

Rm	Within one year	Between one and five years	After five years	Total
2016				
Future minimum payments receivable	**1 659**	**820**	**–**	**2 479**
Unearned finance income	**(269)**	**(59)**	**–**	**(328)**
Present value of minimum payments receivable	**1 390**	**761**	**–**	**2 151**
2015				
Future minimum payments receivable	1 308	743	7	2 058
Unearned finance income	(186)	(53)	(1)	(240)
Present value of minimum payments receivable	1 122	690	6	1 818

16. Share capital

	2016	2015
Authorised		
4 000 000 000 ordinary shares with no par value		
Issued		
Fully paid share capital		
1 487 954 000 ordinary shares with no par value	*	*
Treasury shares		
21 306 094 (2015: 21 321 726) ordinary shares with no par value	**1 658**	1 606
	1 658	1 606

Shares	2016	2015
Movements in the number of ordinary shares outstanding:		
1 April	**1 466 632 274**	1 466 174 994
Statutory shares in issue	**1 487 954 000**	1 487 954 000
Treasury shares	**(21 321 726)**	(21 779 006)
Repurchase of shares[1]	**(1 767 453)**	(1 578 018)
Forfeited shares sold	**522 693**	280 516
Vesting of shares	**1 260 392**	1 754 782
31 March	**1 466 647 906**	1 466 632 274
Statutory shares in issue	**1 487 954 000**	1 487 954 000
Treasury shares	**(21 306 094)**	(21 321 726)
Treasury shares held by:		
Vodacom Group Limited	**5 884 863**	5 900 495
Subsidiaries	**15 421 231**	15 421 231
	21 306 094	21 321 726

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

Notes

* Fully paid share capital of R100.

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

17. Other reserves

17.1 Share-based payment reserve

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

Rm	2016	2015
Share plans (Notes 17.1.1 to 17.1.3)	**(144)**	(130)
BBBEE staff expense (Note 17.1.4)	**(100)**	(13)
BBBEE charge (Note 17.1.4)	**(55)**	47
	(299)	(96)

17.1.1 Forfeitable share plan ('FSP') reserve

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

Under the FSP, awards of performance shares are granted to executive directors and selected employees of the Group. The vesting of these shares is subject to continued employment, and is conditional upon achievement of performance targets, measured over a three-year period, for directors, senior management and other selected employees.

	Weighted average fair value at grant date R 2016	Number of shares 2016	Weighted average fair value at grant date R 2015	Number of shares 2015
Share awards				
Movements in non-vested shares:				
1 April	**117.06**	**4 283 818**	101.83	4 524 493
Granted	**136.88**	**1 765 229**	131.28	1 529 808
Forfeited	**117.60**	**(485 269)**	110.30	(292 470)
Vested	**102.38**	**(1 141 060)**	86.50	(1 478 013)
31 March	**128.67**	**4 422 718**	117.06	4 283 818
Ordinary shares available for utilisation:				
1 April		**69 716 185**		69 475 510
Granted		**(1 765 229)**		(1 529 808)
Forfeited		**485 269**		292 470
Vested		**1 141 060**		1 478 013
31 March		**69 577 285**		69 716 185

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 non-market performance conditions. Market conditions are adjusted for.

Notes to the consolidated annual financial continued

17. **Other reserves** continued

17.1 **Share-based payment reserve** continued

17.1.2 Restricted share plan reserve

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

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

	Weighted average fair value at grant date R 2016	Number of shares 2016	Weighted average fair value at grant date R 2015	Number of shares 2015
Share awards				
Movements in non-vested shares:				
1 April	**112.93**	**1 581 477**	111.71	1 829 159
Granted	**–**	**–**	131.99	48 210
Forfeited	**–**	**–**	110.66	(19 123)
Vested	**121.92**	**(119 332)**	111.75	(276 769)
31 March	**112.19**	**1 462 145**	112.93	1 581 477

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.

17.1.3 Vodafone performance share plan reserve

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

Under this plan, awards of shares are granted to executive directors and prescribed officers of the Group. During the current year 247 278 (2015: 384 782) shares were granted and no shares vested. The vesting of these shares is subject to continued employment, and, for some awards, is conditional upon achievement of performance targets, measured over a three-year period. A charge is recognised based on the fair value of the award on the grant date.

17.1.4 Broad-based Black Economic Empowerment ('BBBEE') 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, Broad-based Black South African Public ('Black Public'), Vodacom 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.

17. Other reserves continued

17.1 Share-based payment reserve continued

17.1.4 Broad-based Black Economic Empowerment ('BBBEE') transaction continued

Components of the transaction	Notes	Percentage allocated %	Transaction value Rm	Cash received Rm
Employees: YeboYethu Employee Participation Trust ('the Trust')	17.1.4.1	1.56	1 875	–
Black Public and Business Partners: YeboYethu Limited	17.1.4.3	1.88	2 250	360
Strategic Partner: Royal Bafokeng Holdings (Pty) Limited	17.1.4.4	1.97	2 366	378
Strategic Partner: Thebe Investment Corporation (Pty) Limited	17.1.4.4	0.84	1 009	162
		6.25	7 500	900

Rm	2016	2015
Summary of the financial impact of share based payment arrangements		
Cash-settled share based payment liability		
Employees (Refer Note 17.1.4.1)	**(103)**	(59)
Innovator Trust (Refer Note 17.1.4.6)	**(234)**	(232)
	(337)	(291)
Equity-settled share based payment reserve		
Employees (Refer Note 17.1.4.1)	**(66)**	(17)
Black Public and Business Partners (Refer Note 17.1.4.3)	**(622)**	(622)
Strategic Partners (Refer Note 17.1.4.4)	**(923)**	(923)
Storage Technologies Services (Pty) Limited (Refer Note 17.1.4.8)	**(32)**	–
	(1 643)	(1 562)

Notes to the consolidated annual financial continued

17. Other reserves continued

17.1 Share-based payment reserve continued

17.1.4 Broad-based Black Economic Empowerment ('BBBEE') transaction continued

17.1.4.1 Employees

An employee ownership trust[1] ('the Trust'), was established for the benefit of all eligible employees. The Trust holds 'A' ordinary shares in Vodacom SA through its interest in YeboYethu Limited. 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.

As at 31 March 2016, all units were allocated and are 100.0% vested. The total forfeited units available as at 31 August 2015 (18.96%) were allocated effective 14 March 2016 with a grant date of 14 March 2016 to employees in proportion to the number of units held on this date.

The cash-settled share based payment liability as at 31 March 2016 is R103 million (2015: R59 million) and the equity-settled share based payment reserve as at 31 March 2016 is R66 million (2015: R17 million).

Note:
1. Consolidated by the Group as a structured entity in terms of IFRS 10: Consolidated Financial Statements, as issued by the IASB.

17.1.4.2 Share rights

	2016	2015
Movements in non-vested share rights:		
1 April	**286 012 319**	285 782 839
Granted	**13 987 681**	535 560
Forfeited	**–**	(306 080)
31 March	**300 000 000**	286 012 319
Vesting period of share rights granted:		
Vested	**300 000 000**	284 814 468
Within one year	**–**	1 197 851
	300 000 000	286 012 319

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.

17. Other reserves continued

17.1 Share-based payment reserve continued

17.1.4 Broad-based Black Economic Empowerment ('BBBEE') transaction continued

17.1.4.3 Black Public and Business Partners

The Black Public and Business Partners hold ordinary and 'A' ordinary shares in Vodacom SA through YeboYethu Limited[1]. 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. The over-the-counter ('OTC') trading commenced on 3 February 2014. The equity-settled share based payment reserve remained unchanged.

Note:
1. Consolidated by the Group as a structured entity in terms of IFRS 10: Consolidated Financial Statements, as issued by the IASB.

17.1.4.4 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 a 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. The equity-settled share based payment reserve remained unchanged.

Note:
1. Consolidated by the Group as a structured entity in terms of IFRS 10: Consolidated Financial Statements, as issued by the IASB.

17.1.4.5 Funding

The difference between the value of the shares allocated and the proceeds received was funded by Vodacom SA on a notional funding basis. Initially the loan carried a notional interest rate of 9.8%, representing a nominal annual rate compounded daily ('NACD') with a maturity date of 30 September 2015. In October 2014, the interest rate on the loan was amended to 8.0% NACD and the maturity date was extended to 30 September 2018.

The BBBEE participants receive a notional dividend on the 'A' ordinary shares, which is used as a notional payment against the notional loan. If the notional loan has not been fully repaid by the notional dividends, Vodacom SA has the right 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 therefore results in an in-substance option in terms of IFRS 2, to issue a variable number of shares to the BBBEE participants in the future. 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 620 million (2015: R1 669 million), for Black Public and Business Partners R1 385 million (2015: R1 470 million) and for Strategic Partners R2 077 million (2015: R2 205 million).

To compensate current employees and employees previously employed (collectively employees) for the reduced liquidity as a result of the extension of the notional loan maturity date to 30 September 2018, the Group provided employees with the option to subscribe for an interest free loan, repayable 1 March 2019.

Notes to the consolidated annual financial continued

17. Other reserves continued

17.1 Share-based payment reserve continued

17.1.4 Broad-based Black Economic Empowerment (‘BBBEE’) transaction continued

17.1.4.6 Innovator trust[1]

During the 2015 financial year, the Innovator Trust, a consolidated structured entity[1], acquired shares from the existing BBBEE shareholders through the OTC trading platform of YeboYethu. The objectives of the Innovator Trust include facilitating enterprise development.

The ability of the Innovator Trust to purchase YeboYethu shares provides the Group with a choice of settlement to the BBBEE shareholders, for up to 34.0% of the YeboYethu shares. The Group can either settle the award in YeboYethu shares or repurchase the equity instruments and thereby settle the transaction in cash. With the first purchase of YeboYethu shares by the Innovator Trust in the prior year, the Group created a past practice of settling the awards in cash and recognised its present obligation to settle in cash as a deduction from equity.

The cash-settled share based payment liability as at 31 March 2016 is R234 million (2015: R232 million).

Note:

1. Consolidated by the Group as a structured entity in terms of IFRS 10: Consolidated Financial Statements, as issued by the IASB.

17.1.4.7 BBBEE valuation

Equity-settled share based payment transaction

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 for the grants made during the 2015 and 2016 financial year:

	2016	2015
Risk-free rate (%)[1]	**6.8 – 7.9**	5.5 – 7.1
Expected volatility (%)[2]	**22.7**	22.0
Vesting period (years)	**–**	1.0
Contractual life (years)	**2.5**	1.0
Original grant valuation (Rm)	**102**	102
Final grant fair value (Rm)	**69**	–

Notes:

1. Determined from the South African swap curve.
2. Determined using historical share prices of Vodacom Group Limited.

17. Other reserves continued

17.1 Share-based payment reserve continued

17.1.4 Broad-based Black Economic Empowerment ('BBBEE') transaction continued

17.1.4.7 BBBEE valuation continued

Cash-settled share based payment transaction

The cash-settled liabilities relating to employees (compound instruments) and the Innovator Trust (ability to purchase up to 34.0% of YeboYethu shares) are measured at fair value through profit and loss at each reporting date and on settlement. These share-based payment liabilities are calculated using the Monte-Carlo option pricing model, which is reflective of the underlying characteristics of the BBBEE transaction, using the following assumptions:

	2016	2015
Risk-free rate (%)[1]	**6.8 – 7.9**	5.5 – 7.1
Expected volatility (%)[2]	**22.7**	22.0
Vesting period (years)	**–**	1.0
Contractual life (years)	**2.5**	1.0
Weighted average fair value of instruments granted (Rm)	**383**	274

Notes:
1. Determined from the South African swap curve.
2. Determined using historical share prices of Vodacom Group Limited.

17.1.4.8 Storage Technologies Services (Pty) Limited ('Stortech')

During the current financial year, a Special Purpose Vehicle ('SPV')[1] was created pursuant to a BBBEE deal to acquire a 44.0% shareholding in a subsidiary of the Group, Stortech. The SPV is held by two BBBEE shareholders with a respective shareholding of 70.0% held by a non-executive director of Vodacom Group and 30.0% held by In2salad (Pty) Limited. The purchase price amounting to R72 million was partially funded by loans guaranteed by Vodacom SA with the shares in the SPV acting as the only security. The transaction was finalised on 15 September 2015 and the new structure provided Stortech with the necessary black female and black shareholding that it requires for qualifying BBBEE credentials in terms of the BBBEE codes.

The transaction represents an in-substance option for the BBBEE shareholders to acquire a variable number of shares in the future. The option falls into the scope of IFRS 2 as the BBBEE shareholders receive shares in Stortech at a discount to fair value in exchange for BEE credentials. The scheme is an equity-settled share-based payment arrangement. The IFRS 2 charge amounted to R32 million and was recognised as an expense immediately on grant date. An option pricing model has been used to value the option on grant date. There are no subsequent measurement considerations as this is an equity-settled scheme. The option pricing model used the following assumptions:

The charge for the current financial year was R30 million and the equity-settled share based payment reserve as at 31 March 2016 is R32 million.

Valuation date	**15 September 2015**
Maturity date	**15 September 2020**
Weighted average fair value of instruments granted (Rm)	**64**
Strike price (Rm)[2]	**40**
Risk-free rate (%)[3]	**6.2 – 8.7**
Expected volatility (%)[4]	**36.9**
Dividend yield (%)[5]	**3.2 – 9.4**
Market value of underlying equity (Rm)	**107**
Share-based payment expense (Rm)	**32**

Notes:
1. Consolidated by the Group as a structured entity in terms of IFRS 10: Consolidated Financial Statements, as issued by the IASB.
2. The starting value for the strike price input into the option pricing model is the loan carrying value on grant date.
3. Determined from the South African swap curve.
4. Determined using the weighted average volatility of 3 peer companies as a proxy for Stortech's volatility.
5. Determined using the dividend per share forecasts for Stortech in conjunction with projected future share prices as at the dividend payment dates.

Notes to the consolidated annual financial continued

18. Borrowings

In terms of the memorandum of incorporation of Vodacom Group Limited, the borrowing powers of the Company are unlimited.

Rm	2016	2015
Non-current		
Interest bearing borrowings (Note 18.1)	**26 658**	20 308
Current		
Interest bearing borrowings (Note 18.1)	**1 848**	4 915
Non-interest bearing borrowings (Note 18.2)	**436**	436
	2 284	5 351

18.1 Interest bearing borrowings

Vodafone Investments Luxembourg s.a.r.l.	**24 256**	21 201
During the current year, two additional loans, with a combined nominal value of R6 000 million were raised. R2 000 million was utilised to settle short-term overnight borrowings; R1 000 million was utilised to repay existing borrowings and the remainder was utilised to refinance an existing loan that was repayable in March 2016, thereby extending the repayment date to 22 March 2019 with a new fixed interest rate of 9.39%.		
The loans with a combined nominal value of R24 100 million are unsecured, bear interest payable quarterly between JIBAR plus 1.15% and 1.50% and a fixed interest rate of 8.64%, have repayment terms between three and seven years and are ultimately repayable between 24 November 2017 and 28 September 2020.		
Dark Fibre Africa (Pty) Limited, Link Africa (Pty) Limited And Metrofibre Networx (Pty) Limited	**1 527**	1 395
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	**1 102**	911
These loans with nominal values of US$35 million and US$40 million were raised in favour of Vodacom Congo (RDC) SA to finance capital expenditure and working capital requirements and to repay short-term borrowings. The loans bear interest payable quarterly at three-month LIBOR plus 2.45% and LIBOR plus approximately 3.10% respectively, have a five-year term and are ultimately repayable on 2 October 2019 and 12 December 2019 respectively. The Group has issued guarantees for these borrowings (Note 26).		
Old Mutual Specialised Financing (Pty) Limited and Minervois Trading No. 2 (Pty) Limited	**–**	999
The loan with a nominal value of R1 000 million was utilised to refinance existing borrowings, for capital expenditure and working capital requirements. It bore interest, payable quarterly, at JIBAR plus 1.8%, was repaid on 30 September 2015 and was unsecured (Note 31.4.1.2).		
Balance carried forward	**26 885**	24 506

Rm	2016	2015
18. Borrowings continued		
18.1 Interest bearing borrowings continued		
Balance brought forward	**26 885**	24 506
Mirambo Limited	**9**	11
The loan with a nominal value of US$18 million was provided to Vodacom Tanzania Limited. In the prior years the nominal value of the loan was converted to equity. The remaining portion of the loan bears interest, payable quarterly, at LIBOR plus 5.0%. The loan shall be repaid in the next financial year.		
Congolese Wireless Network s.a.r.l.	**886**	706
The loan with a nominal value of US$37 million, forms part of the capital structure of Vodacom Congo (RDC) SA, 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	**685**	–
Other loans	**41**	–
	28 506	25 223

The aggregate fair value, if determinable, of interest bearing borrowings with a carrying amount of R27 620 million (2015: R24 517 million) amounts to R27 507 million (2015: R24 280 million). Where the fair value could be determined by using the discounted cash flow method, with a discount rate based on market-related interest rates, the discount rate varied between 8.6% and 9.5% (2015: 6.3% and 8.8%) for rand-denominated borrowings and between 3.5% and 4.3% (2015: 2.7% and 4.9%) for foreign-denominated borrowings.

Maturity of finance lease liabilities:

Rm	0 – 1 year	2 – 5 years	5+ years
2016			
Future minimum lease payments payable	**189**	**757**	**1 305**
Future finance costs	**(102)**	**(341)**	**(281)**
Present value of minimum lease payments payable	**87**	**416**	**1 024**
2015			
Future minimum lease payments payable	166	662	1 257
Future finance costs	(92)	(314)	(284)
Present value of minimum lease payments payable	74	348	973

Interest rate and currency of interest bearing borrowings:

Rm	Total	Floating rate	Fixed rate
2016			
Currency			
South African rand	**25 825**	**20 288**	**5 537**
United States dollar	**2 681**	**1 269**	**1 412**
	28 506	**21 557**	**6 949**
2015			
Currency			
South African rand	23 595	21 201	2 394
United States dollar	1 628	921	707
	25 223	22 122	3 101

Notes to the consolidated annual financial continued

Rm	2016	2015
18. Borrowings continued		
18.2 Non-interest bearing borrowings		
Royal Bafokeng Holdings (Pty) Limited	**436**	436
	436	436

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

19. Trade and other payables

Rm	2016	2015
Trade payables	**9 335**	7 918
Capital expenditure creditors	**3 963**	4 088
Value added tax	**1 268**	1 175
Accruals	**4 883**	3 962
Deferred revenue	**3 306**	3 332
Derivative financial liabilities	**169**	95
Other	**736**	778
	23 660	21 348
Timing		
Non-current	**815**	759
Current	**22 845**	20 589
	23 660	21 348

Trade payables are carried at cost which normally approximates fair value due to short-term maturity.

Rm	2016	2015
Included within derivative financial liabilities:		
Cash flow hedges:		
Interest rate swaps	**–**	6
Fair value hedges:		
Foreign exchange forward contracts	**132**	43
Firm commitment liability – fair value hedge	**37**	46
	169	95

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

20. Provisions

Rm	Employee benefits provisions	Other provisions	Total
31 March 2014	149	283	432
Provision created	2	26	28
Provision utilised	(92)	(63)	(155)
Unwinding of interest	–	11	11
31 March 2015	**59**	**257**	**316**
Provision created	**8**	**242**	**250**
Provision utilised	**(7)**	**(312)**	**(319)**
Unwinding of interest	**–**	**9**	**9**
31 March 2016	**60**	**196**	**256**

Rm	2016	2015
Timing		
Non-current	164	225
Current	92	91
	256	316

20.1 Employee benefits provisions

Other employee benefits provision

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

Rm	2016	2015
1 April	**35**	65
Current service cost	**2**	3
Total benefit payments	**–**	(10)
Restricted share plan (Note 17.1.2)	**–**	(23)
31 March	**37**	35

20.2 Other provisions

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

Notes to the consolidated annual financial continued

21. Prior year restatement

The Group provides financing to customers to acquire handsets at an additional contractual charge in both the direct and indirect distribution channel.

In the direct distribution channel, the Group recognises revenue from device financing arrangements as equipment revenue on the date that risks and rewards of ownership of the devices are transferred to the end customer. This is because the Group is acting as principal in the supply of the handset and the provision of services

In the indirect channel, the Group applied similar accounting, and recognised equipment revenue from finance deals in the indirect distribution channel on a gross basis with the corresponding cost indirect expenses. This accounting treatment has been revisited since, in the indirect channel, the Group is not responsible for transferring the handset to the customer and is therefore financing the acquisition of the handset by the customer. As a result, the Group has restated its consolidated income statement to reflect only the finance income on these transactions as revenue. This resulted in a decrease in equipment revenue and a corresponding decrease in direct expenses in the current and previous financial years. There was no impact on earnings or earnings per share. The amount of the correction for the 2015 financial year was as follows:

Rm	Before restatement	After restatement	Total restatement
Revenue	77 333	74 500	(2 833)
Direct expenses	(33 422)	(30 589)	2 833

In both the direct and indirect channel, the Group has a contractual right to cash in respect of device financing that is not contingent on the delivery of future services, and the Group therefore continues to present such amounts as 'finance receivables' in the consolidated statement of financial position. The restatement has no impact on the consolidated statement of financial position.

Rm	2016	2015
22. Cash generated from operations		
Profit before tax	**18 844**	17 851
Adjusted for:		
Finance income	**(716)**	(346)
Finance costs	**2 196**	1 737
Net loss/(gain) on remeasurement and disposal of financial instruments	**735**	(7)
Operating profit	**21 059**	19 235
Adjusted for:		
Depreciation and amortisation (Notes 9 and 10)	**8 735**	7 581
Net loss/(profit) on disposal of property, plant and equipment and intangible assets (Note 3)	**50**	(110)
Impairment losses (Note 2)	**14**	–
Bad debt (Note 3)	**479**	697
Share-based payment	**299**	96
Other non-cash flow items	**233**	181
Cash flows from operations before working capital changes	**30 869**	27 680
Increase in inventory	**(478)**	(113)
Increase in trade and other receivables	**(2 429)**	(466)
Increase/(decrease) in trade and other payables and provisions	**1 838**	(903)
Cash generated from operations	**29 800**	26 198

23. Business combinations

Customer base acquisitions

Effective 16 March 2016 the Group acquired its Altech Autopage customer base from Altron TMT (Pty) Limited. During the prior year the Group acquired its Nashua Mobile (Pty) Limited ('Nashua') customer base from Nashua.

The acquired customer bases were valued using the multi-excess earning method ('MEEM'). The MEEM is an income approach to fair value measurement often used when two or more assets work together to generate a cash-flow stream. The MEEM seeks to isolate the cash-flow stream attributable to a specific intangible asset being valued from the asset grouping's overall cash-flow stream.

Rm	2016	2015
Final fair value of net identifiable asset acquired	**(349)**	(576)
Customer base	**(485)**	(800)
Deferred tax	**136**	224
Goodwill[1]	**(368)**	(442)
Deferred consideration	**144**	–
Consideration transferred	**(573)**	(1 018)

The amounts of revenue and profit or loss of the acquiree included in the consolidated income statement for the year ended 31 March 2016, as well as the impact on consolidated revenue for the Group if the acquisition date occurred at the beginning of the annual reporting period, is immaterial.

Note:
1. Goodwill represents future synergies and is allocated to the Group's South Africa cash generating unit.

24. Cash and cash equivalents

Rm	2016	2015
Bank and cash balances[1]	**7 934**	9 250
Bank overdrafts[2]	**(183)**	(380)
	7 751	8 870

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

Notes:
1. Included in the bank and cash balances is an amount of R149 million which represents the call deposits of Vodacom Insurance Company (RF) Limited and Vodacom Life Assurance Company (RF) Limited. The call deposits are invested based on the asset spread requirement in terms of the Long-Term and Short-Term Insurance Act of 1998.
2. Bank overdrafts, excluding those classified as financing activities in the statement of cash flows, are regarded as part of the Group's integral cash management system.

Notes to the consolidated annual financial continued

	Rm	2016	2015
25.	**Commitments**		
25.1	**Capital commitments**		
	Capital expenditure contracted for but not yet incurred	**3 987**	2 205
	Capital commitments for property, plant and equipment and computer software will be financed through internal cash generation and bank credit.		
25.2	**Operating lease commitments**		
	Future minimum lease payments under non-cancellable operating leases comprise:		
	Within one year	**1 712**	1 525
	Between one and five years	**4 697**	4 407
	After five years	**3 282**	4 706
		9 691	10 638

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 10 years (2015: one and 11 years) with escalation clauses that vary from an annual fixed escalation rate between 2.0% and 10.0% (2015: 2.0% and 10.0%) 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 R1 403 million (2015: R2 446 million).

25.3 Other commitments

Other commitments include commitments for purchases of handsets and other goods and services. In the prior year, retention incentives, activation bonuses and activation commissions were also included

As at 31 March 2016, purchase commitments amount to R10 247 million (2015: R12 678 million) of which R6 368 million (2015: R5 643 million) relate to payments due within 12 months.

26. Contingent liabilities and legal proceedings

26.1 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 made sufficient provision for any losses arising from tax exposures that are more likely to occur than not.

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.

26.2 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, after assessing recoverability, that adequate provision has been made in respect of these legal proceedings as at 31 March 2016.

26.3 G.H. Investments ('GHI') and Vodacom Congo (RDC) SA ('Vodacom Congo')

Vodacom Congo contracted with GHI to install ultra-low cost base stations on a revenue share basis. After rolling out three sites, GHI stopped and sought to renegotiate the terms. Vodacom Congo refused. GHI accused it of bad faith and infringement of intellectual property rights. In April 2015, GHI issued a letter of demand claiming payment for a sum of US$1.16 billion, even though there does not seem to be a proper basis nor any substantiation for the compensation claimed. The dispute has been submitted to mediation under the International Chamber of Commerce. A mediator was appointed in September 2015 who convened a first meeting which took place in early November 2015. A follow-up mediation meeting was scheduled for December 2015, but has been postponed without a new date having been fixed.

26.4 Vodacom Congo (RDC) SA and Vodacom International Limited ('VIL')

There are various legal matters relating to the Group's investment in Vodacom Congo, the most recent of which is a claim brought by Mr Alieu Badara Mohamed Conteh ('Conteh') in the Commercial Court of Kinshasa/Gombe against VIL and Vodacom Congo. Conteh is the controlling shareholder of Congolese Wireless Network s.a.r.l ('CWN'), a company incorporated in the DRC. CWN is a minority shareholder in Vodacom Congo. These proceedings seek to invalidate a court decision removing Conteh as the statutory manager of CWN, as well as the liquidation of Vodacom Congo and the payment of various sums to CWN and Conteh. The action also includes an unsubstantiated claim for US$14 billion against VIL for its alleged role in helping to undermine Conteh's position as former statutory manager of CWN. The Court of Appeal of Kinshasa/Gombe in December 2015 dismissed Conteh's case against VIL on the grounds of a lack of proper service of legal process.

26.5 Kenneth Makate vs Vodacom (Pty) Limited

Refer to Note 28.2.

26.6 Guarantees

The Group issued various guarantees, relating to external financial obligations of its subsidiaries, which amounted to R113 million (2015: R113 million)

Foreign denominated guarantees amounting to R1 102 million (2015: R911 million) were issued in 2015 in support of Vodacom Congo (RDC) SA, relating to liabilities included in the consolidated statement of financial position.

Vodacom (Pty) Limited provides a guarantee for borrowings entered into by Vodacom Group Limited. At 31 March 2016, and in prior years, none of the borrowings under guarantee were utilised.

27. 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 R258 million (2015: R247 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.

Notes to the consolidated annual financial continued

28. Events after the reporting period

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

A final dividend of R5 952 million (400 cents per ordinary share) was declared for the year ended 31 March 2016, payable on Monday 27 June 2016 to shareholders recorded in the register at the close of business on Friday 24 June 2016. The net dividend after taking into account dividend withholding tax for those shareholders not exempt from dividend withholding tax is 340.00000 cents per share.

28.2 Kenneth Makate ('Mr Makate') vs Vodacom (Pty) Limited ('the Company')

In 2008, Mr Makate instituted legal proceedings to claim compensation for a business idea that led to a product known as 'Please Call Me'. On 1 July 2014, the South Gauteng High Court, Johannesburg ('the High Court') found that Mr Makate had proven the existence of a contract. However, the High Court ruled that the Company was not bound by that contract because the responsible director of product development and services did not have authority to enter into any such agreement on the Company's behalf. The High Court also rejected Mr Makate's claim on the basis that it had lapsed in terms of the Prescription Act 68 of 1969.

The High Court and Supreme Court of Appeal ('the Supreme Court') turned down Mr Makate's application for leave to appeal on 11 December 2014 and 2 March 2015, respectively. Mr Makate applied for leave to appeal in the Constitutional Court. On 26 April 2016, after having heard the application on 1 September 2015, the Constitutional Court granted leave to appeal and upheld Mr Makate's appeal. In doing so, the Constitutional Court ordered that:

- the Company is bound by the agreement concluded between Mr Makate and the then director of product development and services;
- the Company is to commence negotiations in good faith with Mr Makate to determine reasonable compensation; and
- in the event of the parties failing to agree on the reasonable compensation, the matter must be submitted to Vodacom's Chief Executive Officer for determination of the amount within a reasonable time.

Negotiations between the Company and Mr Makate have commenced, in accordance with the order of the Constitutional Court.

On 1 June 2016, an application was issued in the North Gauteng High Court, Pretoria seeking to interdict Mr Makate from negotiating with the Company to the exclusion of Raining Men Trade (Pty) Limited ('RMT'). RMT funded Mr Makate's litigation expenses in relation to this claim. RMT is also asking the North Gauteng High Court to direct the Company not to pay any sum of money to Mr Makate until a pronouncement on the legal validity of the funding agreement between Mr Makate and RMT is made, in separate legal proceedings either before an arbitrator or another High Court. The RMT application will be heard in the North Gauteng High Court on 14 June 2016.

29. Interest in subsidiaries

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

29.1 Vodacom Tanzania Limited ('VTL')

The Group holds a 82.2%[1] interest in VTL which operates and is incorporated in Tanzania. There are no restrictions on VTL's ability to access or use assets, and settle liabilities of the Group.

Rm	2016	2015
Statement of financial position		
Non-current assets	**5 080**	5 245
Current assets	**4 291**	3 691
Total assets	**9 371**	8 936
Equity attributable to owners of the parent	**(3 279)**	(3 050)
Non-controlling interests	**(718)**	(669)
Non-current liabilities	**(367)**	(209)
Current liabilities	**(5 007)**	(5 008)
Total equity and liabilities	**(9 371)**	(8 936)
Income statement		
Revenue	**5 962**	5 880
Net profit attributable to equity shareholders	**98**	329
Net profit attributable to non-controlling interests	**21**	86
Net profit	**119**	415
Statement of cash flows		
Net cash flows from operating activities	**2 096**	1 848
Net cash flows utilised in investing activities	**(1 577)**	(1 287)
Net cash flows utilised in financing activities	**(355)**	–
Net increase in cash and cash equivalents	**164**	561

Note:

1. Effective 29 April 2014 the Group acquired an additional 17.2% interest, increasing its shareholding to 82.2%, for a total purchase consideration of R2 576 million. This was accounted for as a transaction with non-controlling interests. 65% (2015:65%) is held directly by Vodacom Group Limited.

Notes to the consolidated annual financial continued

29. **Interest in subsidiaries** continued

29.2 Vodacom Congo (RDC) SA ('Vodacom Congo')

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

Rm	2016	2015
Statement of financial position		
Non-current assets	**5 873**	4 372
Current assets	**1 797**	1 344
Total assets	**7 670**	5 716
Equity attributable to owners of the parent	**4 451**	3 752
Non-controlling interests	**2 228**	1 557
Non-current liabilities	**(1 151)**	(972)
Current liabilities	**(13 198)**	(10 053)
Total equity and liabilities	**(7 670)**	(5 716)
Income statement		
Revenue	**5 919**	4 321
Net loss attributable to equity shareholders	**(121)**	(380)
Net loss attributable to non-controlling interests	**(116)**	(364)
Net loss	**(237)**	(744)
Statement of cash flows		
Net cash flows from operating activities	**1 486**	776
Net cash flows utilised in investing activities	**(2 208)**	(1 736)
Net cash flows from financing activities	**640**	782
Net decrease in cash and cash equivalents	**(82)**	(178)

29. Interest in subsidiaries continued

29.3 VM, SA

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

Rm	2016	2015
Statement of financial position		
Non-current assets	**3 578**	3 757
Current assets	**1 530**	969
Total assets	**5 108**	4 726
Equity attributable to owners of the parent	**(2 606)**	(2 837)
Non-controlling interests	**90**	49
Non-current liabilities	**(151)**	(204)
Current liabilities	**(2 441)**	(1 734)
Total equity and liabilities	**(5 108)**	(4 726)
Income statement		
Revenue	**3 809**	3 283
Net profit attributable to equity shareholders	**104**	202
Net profit attributable to non-controlling interests	**18**	36
Net profit	**122**	238
Statement of cash flows		
Net cash flows from operating activities	**1 260**	1 233
Net cash flows utilised in investing activities	**(1 242)**	(1 698)
Net cash flows from financing activities	**570**	431
Net increase/(decrease) in cash and cash equivalents	**588**	(34)

Notes to the consolidated annual financial continued

29. Interest in subsidiaries continued

29.4 Vodacom Lesotho (Pty) Limited ('Vodacom Lesotho')

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

Rm	2016	2015
Statement of financial position		
Non-current assets	**694**	580
Current assets	**192**	211
Total assets	**886**	791
Equity attributable to owners of the parent	**(527)**	(454)
Non-controlling interests[1]	**(132)**	(114)
Non-current liabilities	**(17)**	(12)
Current liabilities	**(209)**	(211)
Total equity and liabilities	**(885)**	(791)
Income statement		
Revenue	**1 027**	849
Net profit attributable to equity shareholders	**232**	174
Net profit attributable to non-controlling interests	**58**	44
Net profit	**290**	218
Statement of cash flows		
Net cash flows from operating activities	**391**	336
Net cash flows utilised in investing activities	**(234)**	(194)
Net cash flows utilised in financing activities	**(199)**	(99)
Net (decrease)/increase in cash and cash equivalents	**(42)**	43

Note:
1. Dividend paid to non-controlling interest amounted to R40 million (2015: R20 million).

30. Related parties

The Group's related parties are its parent, joint venture, associate, pension schemes (Note 27) and key management including directors (Note 30.3). Further details regarding the related party relationship with a non-executive director of the Group may be found in Note 17.1.4.8.

Rm	2016	2015
30.1 Balances with related parties		
Accounts receivable		
Vodafone Group Plc and subsidiaries	**72**	50
Other	**17**	10
Accounts payable		
Vodafone Group Plc and subsidiaries	**(833)**	(1 007)
Other	**2**	(1)
The outstanding balances listed above are unsecured and will be settled in cash in the ordinary course of business. No guarantees or provision for doubtful debts have been recognised.		
Borrowings		
Vodafone Investments Luxembourg s.a.r.l (Note 18)	**24 256**	21 201

Rm	2016	2015
30. Related parties continued		
30.2 Transactions with related parties		
Vodafone Group Plc and subsidiaries[1]	**(10 560)**	(9 912)
Revenue	**202**	73
Direct expenses	**(173)**	(277)
Secondment fees	**(26)**	(48)
Other operating expenses	**(1 109)**	(771)
Finance costs	**(1 765)**	(1 103)
Dividends declared	**(7 689)**	(7 786)
Other	**(23)**	(18)
Revenue	**11**	7
Direct expenses	**(5)**	(5)
Other operating expenses	**(29)**	(20)
Transactions with entities in which related parties have an interest	**(23)**	(20)

Note:

1. An amount of R189 million (2015: R228 million) relating to procurement costs was capitalised during the current year.

Rm	2016	2015
30.3 Key management personnel and directors' remuneration		
Key management		
Short-term employee benefits	**(22)**	(74)
Post-employment benefits[1]	**(1)**	(2)
Other long-term employee benefits	**(1)**	–
Share-based payments	**(5)**	(13)
Key management's remuneration incurred by the Group[3]	**(29)**[5]	(89)
Key management's remuneration incurred by Vodafone Group Plc[4]	**(1)**	(5)
	(30)	(94)
Directors		
Executive directors	**(52)**	(36)
Short-term employee benefits	**(35)**	(22)
Post-employment benefits[2]	**(2)**	(1)
Termination benefits	**–**	–
Share-based payments	**(15)**	(13)
Non-executive directors	**(7)**	(7)
Directors' fees	**(7)**	(7)
Directors' remuneration incurred by the Group	**(59)**	(43)
Directors' remuneration incurred by Vodafone Group Plc[4]	**(6)**	(4)
	(65)	(47)

Note:

1. Included in 'Post-employment benefits' is an amount of RNil million (2015:R0.4 million) relating to contributions to provident funds made annually from bonus allocations.
2. Included in 'Post-employment benefits' is an amount of R0.6 million (2015: R0.7 million) relating to contributions to provident funds made annually from bonus allocations.
3. Includes key management personnel paid by subsidiaries.
4. Includes long-term employee benefits for MS Aziz Joosub: R4 million (2015: R4 million); T Streichert: R2 million (2015: R2 million) and V Mathur: R1 million (2015: RNil). Also included in the prior year is long-term employee benefits for N Gough of R1 million and PP Kesha Patel of R2 million.
5. Various role changes and the way the Executive Committee functions resulted in changes in the key management personnel of the Group. Further details may be found in the remuneration report.

Notes to the consolidated annual financial continued

30. Related parties continued

30.3 Key management personnel and directors' remuneration continued

Included in the aggregate remuneration above are the following individual remuneration payable by the Group (further details can be found in the remuneration report):

	Directors' fees	Salary	Retirement contributions	Other[1]
2016				
Executive directors				
MS Aziz Joosub	–	7 196 781	628 219[#]	–
IP Dittrich[4]	–	1 521 891	73 317	6 115 625
T Streichert[5,6]	–	3 640 835	596 666	2 332 316
Non-executive				
MP Moyo	2 066 667	–	–	–
DH Brown	840 002	–	–	–
HMG Dowidar*,[4]	173 334	–	–	–
M Joseph*	378 334	–	–	–
BP Mabelane	510 001	–	–	–
TM Mokgosi-Mwantembe	698 335	–	–	–
PJ Moleketi	730 001	–	–	–
JWL Otty*	378 334	–	–	–
M Pieters*,[5]	180 000	–	–	–
RAW Schellekens*	713 336	–	–	–
S Timuray*	625 002	–	–	–
	7 293 346	12 359 507	1 298 202	8 447 941
2016				
Key management personnel (Prescribed officers)				
V Jarana	–	3 587 854	324 646	–
R Kumalo[4]	–	557 842	50 491	3 650 000
V Mathur[5,6]	–	1 868 011	102 487	1 596 528
G Motsa[7]	–	2 637 928	399 572	–
	–	8 651 635	877 196	5 246 528

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.

\# MS Aziz Joosub contributed an additional R624 000 to retirement funds from his short-term inventives.

1. Includes relocation allowance, assignment allowance, acting allowance, employee gifts and exit benefits.
2. Includes mobile phone benefit and subsistence allowance.
3. STI payable in June 2016, for the year ended 31 March 2016.
4. Resignations: R Kumalo: 31 May 2015; IP Dittrich: 31 July 2015; HMG Dowidar: 30 September 2015.
5. Appointments: T Streichert: 1 August 2015; M Pieters: 1 October 2015; V Mathur: 16 November 2015.
6. Remuneration paid/payable to Vodafone Group Plc.
7. Does not meet the definition of key management personnel from 1 January 2016.

	Expense allowances[2]	Short-term incentives ('STI')[3]	Remuneration report	Actuals vs provisions	Long-term incentives and other	Total
	3 600	13 968 000	21 796 600	(1 488 000)	13 727 582	34 036 182
	1 600	–	7 712 433	–	1 138 982	8 851 415
	5 424	4 098 908	10 674 149	(1 707 542)	–	8 966 607
	–	–	2 066 667	–	–	2 066 667
	–	–	840 002	–	–	840 002
	–	–	173 334	–	–	173 334
	–	–	378 334	–	–	378 334
	–	–	510 001	–	–	510 001
	–	–	698 335	–	–	698 335
	–	–	730 001	–	–	730 001
	–	–	378 334	–	–	378 334
	–	–	180 000	–	–	180 000
	–	–	713 336	–	–	713 336
	–	–	625 002	–	–	625 002
	10 624	18 066 908	47 476 528	(3 195 542)	14 866 564	59 147 550
	6 180	5 031 480	8 950 160	(839 480)	3 496 805	11 607 485
	800	–	4 259 133	–	724 619	4 983 752
	–	1 143 844	4 710 870	(1 143 844)	–	3 567 026
	4 290	–	3 041 790	3 379 800	2 344 565	8 766 155
	11 270	6 175 324	20 961 953	1 396 476	6 565 989	28 924 418

Notes to the consolidated annual financial continued

30. Related parties continued

30.3 Key management personnel and directors' remuneration continued

Included in the aggregate remuneration above are the following individual remuneration payable by the Group (further details can be found in the remuneration report):

	Directors' fees	Salary	Retirement contributions	Other[1,7]
2015				
Executive directors				
MS Aziz Joosub	–	5 980 977	1 231 523	–
IP Dittrich	–	4 487 946	213 054	–
Non-executive directors				
MP Moyo	1 900 000	–	–	–
DH Brown	743 333	–	–	–
YZ Cuba[4]	272 501	–	–	–
HMG Dowidar*	405 000	–	–	–
M Joseph*	455 000	–	–	–
BP Mabelane[5]	163 334	–	–	–
TM Mokgosi-Mwantembe	650 000	–	–	–
PJ Moleketi	660 000	–	–	–
JWL Otty*	455 000	–	–	–
RAW Schellekens*	666 667	–	–	–
S Timuray*	685 000	–	–	–
	7 055 835	10 468 923	1 444 577	–

	Directors' fees	Salary	Retirement contributions	Other[1,7]
2015				
Key management personnel (Prescribed officers)				
YZ Cuba[5]	–	1 700 383	153 784	4 450 000
ADJ Delport	–	3 399 990	641 260	–
N Gough[4,6]	–	3 031 893	–	2 367 094
GRM Hagel	–	3 315 179	–	600 000
V Jarana	–	3 291 609	295 891	–
PP Kesha Patel[4,6]	–	4 179 769	–	5 646 166
R Kumalo	–	3 303 089	296 911	–
M Makanjee	–	2 631 548	131 452	–
M Mbungela[5]	–	2 061 238	322 095	–
M Nkeli[4]	–	193 171	29 748	2 675 034
NC Nyoka	–	3 218 233	340 300	–
T Streichert[5,6]	–	3 445 202	–	2 076 445
	–	33 771 304	2 211 441	17 814 739

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, employee gifts and exit benefits.
2. Includes mobile phone benefit and subsistence allowance.
3. STI payable in June 2015, for the year ended 31 March 2015.
4. Resignations: M Nkeli 30 April 2014; YZ Cuba and N Gough: 31 October 2014; PP Kesha Patel: 31 March 2015.
5. Appointments: T Streichert: 1 April 2014; M Mbungela; 1 May 2014; YZ Cuba: 1 November 2014 and BP Mabelane: 1 December 2014.
6. Remuneration paid/payable to Vodafone Group Plc.
7. In the current year a sign-on arrangement/restraint of trade is included for YZ Cuba, which is expensed over a three-year period. In the prior year a sign-on arrangement/restraint of trade was included for IP Dittrich, which is expensed over a two-year period.

Expense allowances[2]	Short-term incentives ('STI')[3]	Remuneration report	Expensed over term[7]	Actuals vs provisions	Long-term incentives and other	Total
4 800	3 715 700	10 933 000	–	2 854 300	9 643 301	23 430 601
4 800	1 541 316	6 247 116	104 167	2 733 684	3 720 843	12 805 810
–	–	1 900 000	–	–	–	1 900 000
–	–	743 333	–	–	–	743 333
–	–	272 501	–	–	–	272 501
–	–	405 000	–	–	–	405 000
–	–	455 000	–	–	–	455 000
–	–	163 334	–	–	–	163 334
–	–	650 000	–	–	–	650 000
–	–	660 000	–	–	–	660 000
–	–	455 000	–	–	–	455 000
–	–	666 667	–	–	–	666 667
–	–	685 000	–	–	–	685 000
9 600	5 257 016	24 235 951	104 167	5 587 984	13 364 144	43 292 246

–	688 823	6 992 990	(3 831 944)	701 802	860 531	4 723 379
–	1 919 169	5 960 419	–	1 155 831	1 989 670	9 105 920
–	924 502	6 323 489	–	1 079 209	–	7 402 698
–	1 486 670	5 401 849	–	(323 342)	1 319 628	6 398 135
4 800	1 545 812	5 138 112	–	1 191 688	3 006 301	9 336 101
–	1 598 516	11 424 451	–	1 285 706	–	12 710 157
4 800	655 620	4 260 420	–	2 081 880	2 203 425	8 545 725
3 228	1 040 200	3 806 428	–	1 059 800	945 997	5 812 225
4 400	1 062 490	3 450 223	–	725 010	1 682 058	5 857 291
–	–	2 897 953	–	–	331 458	3 229 411
4 643	1 685 124	5 248 300	–	1 014 876	1 880 038	8 143 214
–	1 408 439	6 930 086	–	1 217 724	–	8 147 810
21 871	14 015 365	67 834 720	(3 831 944)	11 190 184	14 219 106	89 412 066

Notes to the consolidated annual financial continued

Rm	2016	2015
31. Financial instruments and risk management		
31.1 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	**(349)**	42
Loans and receivables	**306**	312
Available-for-sale financial assets	**12**	2
Financial liabilities measured at amortised cost	**(2 085)**	(1 639)
Net losses attributable to financial instruments	**(2 116)**	(1 283)
31.2 Carrying amounts of financial instruments		
Carrying amounts of financial instruments analysed by category, are as follows:		
Financial assets measured at amortised cost[1]	**24 630**	21 294
Financial assets at fair value through profit or loss	**360**	246
Available-for-sale financial assets (Note 11.3)	**39**	39
Derivatives designated as fair value hedging instruments (Note 14 and 19)	**(96)**	34
Derivatives designated as cash flow hedging instruments (Note 14 and 19)	**–**	(6)
Financial liabilities measured at amortised cost	**(44 280)**	(40 747)
	(19 347)	(19 140)

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

Rm	2016	2015
31.3 Fair value hierarchy		
The table below sets out the valuation basis of financial instruments measured at fair value:		
Level one[1]		
Financial assets and liabilities at fair value through profit or loss, classified as held for trading		
Unit trust investments (Note 11)	**187**	73
Level two[2]		
Derivatives designated as fair value hedging instruments		
Derivative financial assets (Note 14)	**73**	124
Derivative financial liabilities (Note 19)	**(169)**	(89)
Derivatives designated as cash flow hedging instruments		
Derivative financial liabilities (Note 19)	**–**	(6)
Level three[3]		
Financial assets and liabilities at fair value through profit or loss, classified as held for trading and designated		
Equity linked notes (Note 11)	**173**	173
	264	275

Notes:
1. Level one classification is used when the valuation is determined using quoted prices in an active market.
2. Level two classification is used when valuation inputs used to determine fair value are observable for the asset/(liability), either directly as prices or indirectly when derived from prices.
3. Level three classification is used when unobservable valuation inputs are used to determine the fair value for the asset/(liability).

31. Financial instruments and risk management continued

31.4 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.

31.4.1 Market risk management

The Group's activities expose it to the risks of fluctuations in foreign currency exchange rates (Note 31.4.1.1), interest rates (Note 31.4.1.2) and equity prices (Note 31.4.1.3).

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.

Notes to the consolidated annual financial continued

31. **Financial instruments and risk management** continued

31.4 **Financial risk management** continued

31.4.1 **Market risk management** continued

31.4.1.1 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'.

	Euro	United States dollar	Other
2016			
Functional currency			
South African rand	**(22)**	**(316)**	**(3)**
United States dollar	**1**	**–**	**(5)**
Tanzanian shilling	**(25)**	**112**	**–**
Mozambican metical	**12**	**46**	**(8)**
Nigerian niara	**(1)**	**38**	**(3)**
	(35)	**(120)**	**(19)**
2015			
Functional currency			
South African rand	(144)	(1 175)	(8)
United States dollar	(3)	–	(2)
Tanzanian shilling	(156)	(56)	(12)
Mozambican metical	(43)	59	(35)
	(346)	(1 172)	(57)

The Group's South African operations manages its exposure to fluctuations in foreign currency exchange rates by entering into foreign exchange forward contracts for foreign-denominated transactions above certain monetary levels. The contracts are entered into for specific transactions and are matched with anticipated future cash flows, in foreign currencies, primarily for the purchase of capital equipment and to a lesser extent operating expenditure. The 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 is managed by entering into foreign exchange forward contracts.

31. **Financial instruments and risk management** continued

31.4 **Financial risk management** continued

31.4.1 **Market risk management** continued

31.4.1.1 Foreign currency risk management continued

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

Rm	2016	2015
Forward contracts to buy foreign currency		
Euro[1]	**3**	(16)
Pound sterling[2]	**(2)**	(3)
United States dollar[3]	**(101)**	86
Net derivative financial (liability)/asset	**(100)**	67

Notes:
Foreign contract values amount to:
1. €27 million (2015:€49 million)
2. £4 million (2015:£7 million)
3. US$146 million (2015: US$305 million)

Rm	2016	2015
Forward contracts to sell foreign currency		
Euro[1]	**(1)**	1
Pound sterling[2]	**–**	1
United States dollar[3]	**31**	(11)
Net derivative financial asset/(liability)	**30**	(9)

Notes:
Foreign contract values amount to:
1. €2 million (2015: €51 million).
2. £0.4 million (£4 million).
3. US$35 million (2015: US$47 million).

Of the R70 million net liability (2015: R58 million net asset), R62 million (2015: R100 million) is reported in trade and other receivables and R132 million (2015: R43 million) in trade and other payables.

Notes to the consolidated annual financial continued

31. Financial instruments and risk management continued

31.4 Financial risk management continued

31.4.1 Market risk management continued

31.4.1.1 Foreign currency risk management continued

Foreign currency sensitivity analysis

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

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

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

	Euro	United States dollar	Other
2016			
Functional currency			
South African rand (%)	**3.1**	**0.5**	**2.7 – 27.7**
United States dollar (%)	**2.6**	**–**	**0.5 – 26.5**
Tanzanian shilling (%)	**2.5**	**5.2**	**0.9 – 12.0**
Mozambican metical (%)	**23.2**	**26.5**	**5.8 – 27.1**
Profit post tax (Rm)	**(8)**	**(25)**	**1**
2015			
Functional currency			
South African rand (%)	12.1	4.1	2.1 – 9.7
United States dollar (%)	16.9	–	0.2 – 13.4
Tanzanian shilling (%)	17.2	0.2	1.3 – 15.7
Mozambican metical (%)	1.3	13.4	2.3 – 13.6
Profit post tax (Rm)	(8)	(61)	2

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

2016			
Functional currency			
South African rand	**16.7**	**21.1**	**14.7**
United States dollar	**1.1**	**1.4**	**–**
Tanzanian shilling	**2 488.1**	**3 146.7**	**2 186.2**
Mozambican metical	**58.5**	**74.0**	**51.4**
2015			
Functional currency			
South African rand	13.0	18.0	12.1
United States dollar	1.1	1.5	–
Tanzanian shilling	1 988.3	2 750.8	1 853.3
Mozambican metical	39.5	54.7	36.8

31. Financial instruments and risk management continued
31.4 Financial risk management continued
31.4.1 Market risk management continued
31.4.1.2 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 receivables, interest rate swaps and bank balances. The Group's interest rate profile can be summarised as follows:

Rm	2016	2015
Financial assets		
Fixed rate financial assets	**6 190**	5 199
Floating rate financial assets	**6 750**	8 107
	12 940	13 306
Financial liabilities		
Fixed rate financial liabilities	**(6 981)**	(2 184)
Floating rate financial liabilities	**(21 708)**	(23 424)
	(28 689)	(25 608)

The floating rates which the Group is exposed to, is the South African prime, South African BA, JIBAR, South African money market, LIBOR, 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.

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

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

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

Notes to the consolidated annual financial continued

31. **Financial instruments and risk management** continued

31.4 **Financial risk management** continued

31.4.1 **Market risk management** continued

31.4.1.2 Interest rate risk management continued

Interest rate sensitivity analysis

The analysis below, expressed in the Group's presentation currency, discloses the Group's sensitivity to the specified basis point change in the market interest rates exposed to. Management's assessment of a reasonable possible change in market interest rates are based on economic forecasts as published by Bloomberg.

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

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

	2016	2015
South African prime, South African BA, JIBAR and South African money market rates		
Basis point increase	**25**	75
Profit post tax (Rm)	**(26)**	(83)

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.

31.4.1.3 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.

31.4.2 **Credit risk management**

Loans receivable, investments, trade and other receivables, derivatives, 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	2016	2015
South Africa	**17 645**	16 861
Non-South African	**5 005**	4 759
	22 650	21 620

31. Financial instruments and risk management continued

31.4 Financial risk management continued

31.4.2 Credit risk management continued

In addition, the Group holds cash in restricted deposits of R2 454 million (2015: R1 943 million) as a result of its M-Pesa activities, which cash is held in accounts with reputable financial institutions.

The Group's policy is to deal with creditworthy counterparties only and to obtain sufficient collateral, where appropriate, to mitigate the risk of financial loss from counterparty defaults.

The Group only transacts with counterparties rated the equivalent of investment grade and above. This information is supplied by independent rating agencies or credit bureaus, where available. If not available, other publicly available financial information, the financial standing of counterparties, the Group's own trading records or the Group's internal grading system is used for rating the credit quality of counterparties. Contractual arrangements are entered into with network operator customers as determined by regulatory requirements and industry norms. Credit exposure is further controlled by defining credit limits per counterparty which are reviewed and approved by the credit risk department. The Group's exposure and credit ratings of counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. In determining the recoverability of trade receivables, the Group considers changes in credit quality.

The Group's largest customer represents 21.2% (2015: 16.1%) of the total trade receivable balance. With the exception of the aforementioned, the credit risk for trade, finance 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 investments and derivatives is minimised by limiting the counterparties to major local and international banks, which are closely monitored, and the Group does not expect to incur any losses as a result of non-performance by these counterparties.

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

The Group holds collateral to the value of R3 401 million (2015: R3 438 million) over certain trade and other receivables, which is made up of demand guarantees from financial institutions, exercisable on overdue invoices. Collateral held over loans receivable is disclosed in Note 11.

The 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:

%	2016	2015
High[1]	**2.0**	0.4
Medium[2]	**2.8**	7.8
Low[3]	**95.2**	91.8
	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.

Notes to the consolidated annual financial continued

31. Financial instruments and risk management continued

31.4 Financial risk management continued

31.4.2 Credit risk management continued

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

	2016	2015
South Africa		
1 – 30 days past due	**217**	188
31 – 60 days past due	**128**	228
61 – 120 days past due	**120**	209
121 days to 12 months past due	**94**	217
More than 12 months past due	**57**	16
	616	858
Non-South African		
1 – 30 days past due	**526**	384
31 – 60 days past due	**116**	161
61 – 120 days past due	**127**	948
121 days to 12 months past due	**11**	17
More than 12 months past due	**5**	1
	785	1 511

31. Financial instruments and risk management continued

31.4 Financial risk management continued

31.4.3 Liquidity risk management

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

Rm	0 – 1 year	2 years	3 years	4 years	5 years	5+ years	Total
2016							
Financial liabilities							
Interest bearing borrowings	**(3 006)**	**(5 324)**	**(10 899)**	**(12 667)**	**(1 809)**	**(1 305)**	**(35 010)**
Non-interest bearing borrowings	**(436)**	**–**	**–**	**–**	**–**	**–**	**(436)**
Trade and other payables[1]	**(16 546)**	**(135)**	**–**	**–**	**–**	**–**	**(16 681)**
Bank overdrafts	**(183)**	**–**	**–**	**–**	**–**	**–**	**(183)**
	(20 171)	**(5 459)**	**(10 899)**	**(12 667)**	**(1 809)**	**(1 305)**	**(52 310)**
Financial assets							
Trade and other receivables	**11 645**	**–**	**–**	**–**	**–**	**–**	**11 645**
Cash and cash equivalents	**7 934**	**–**	**–**	**–**	**–**	**–**	**7 934**
	19 579	**–**	**–**	**–**	**–**	**–**	**19 579**
2015							
Financial liabilities							
Interest bearing borrowings	(5 802)	(1 624)	(4 619)	(4 360)	(12 384)	(2 825)	(31 614)
Non-interest bearing borrowings	(436)	–	–	–	–	–	(436)
Trade and other payables[1]	(14 631)	(81)	–	–	–	–	(14 712)
Bank overdrafts	(380)	–	–	–	–	–	(380)
	(21 249)	(1 705)	(4 619)	(4 360)	(12 384)	(2 825)	(47 142)
Financial assets							
Trade and other receivables	9 789	–	–	–	–	–	9 789
Cash and cash equivalents	9 250	–	–	–	–	–	9 250
	19 039	–	–	–	–	–	19 039

Note:

1. In addition, the Group holds cash in restricted deposits of R2 454 million (2015: R1 943 million) relating to M-Pesa creditors, for which cash is held in accounts with reputable financial institutions.

Notes to the consolidated annual financial continued

31. Financial instruments and risk management continued

31.4 Financial risk management continued

31.4.3 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
2016								
Net settled	**(34)**	**–**	**–**	**–**	**–**	**–**	**–**	**(34)**
Gross settled								
Payable	**(2 065)**	**–**	**–**	**–**	**–**	**–**	**–**	**(2 065)**
	(2 099)	**–**	**–**	**–**	**–**	**–**	**–**	**(2 099)**
2015								
Net settled	(281)	–	–	–	–	–	–	(281)
Gross settled								
Payable	(3 289)	–	–	–	–	–	–	(3 289)
	(3 570)	–	–	–	–	–	–	(3 570)

The Group ensures that adequate funds are available to meet its expected and unexpected financial commitments through undrawn borrowing facilities and access to the debt capital market via its recently listed domestic medium-term note programme. At the reporting date the Group had undrawn rand-denominated borrowing facilities of R3 776 million (2015: R3 188 million) and undrawn foreign-denominated borrowing facilities of US$20 million (2015: US$58 million), MZN888 million (2015: MZN375 million), LSL25 million (2015: LSL4 million) and NGN Nil (2015: NGN200 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.

31.4.4 Insurance risk management

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

31. Financial instruments and risk management continued

31.5 Capital risk management

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

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

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

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

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

The Group is not subject to externally imposed capital requirements.

The following table summarises the capital of the Group:

Rm	2016	2015
Bank and cash balances	**7 934**	9 250
Bank overdrafts	**(183)**	(380)
Borrowings and derivative financial instruments	**(29 038)**	(25 630)
Net debt	**(21 287)**	(16 760)
Equity	**(23 024)**	(21 643)
Capital	**(44 311)**	(38 403)
EBITDA and the net debt to EBITDA multiple at the reporting date is as follows:		
EBITDA	**(30 345)**	(26 905)
Net debt/EBITDA (times)	**(0.7)**	(0.6)

31.6 Option agreements and similar arrangements

31.6.1 VM, SA

Empresa Moçambicana de Telecommunicaçòes SA ('Emotel'), Intelec Holdings Limitada ('Intelec') and Whatana Investments Limitada ('Whatana') each held a call option to acquire shares equivalent to their respective equity interests in VM, SA. The options were exercised on 26 August 2014 and, subject to certain suspensive conditions, the option was classified as an equity instrument at initial recognition.

Independent auditor's report on the summarised Company financial statements

For the year ended 31 March

To the shareholders of Vodacom Group Limited

The summarised financial statements of Vodacom Group Limited (the 'Company'), set out on pages 89 to 96 of the Consolidated Annual Financial Statements, which comprise the summarised statement of financial position of the Company standing alone as at 31 March 2016, and the summarised Company income statement, summarised Company statement of comprehensive income, summarised Company statement of changes in equity and summarised Company statement of cash flows for the year then ended, and related notes, are derived from the audited financial statements of the Company for the year ended 31 March 2016. We expressed an unmodified audit opinion on those financial statements in our report dated 29 May 2016. Our auditor's report on the audited financial statements contained an 'Other Matter' paragraph: 'Other reports required by the Companies Act' (refer below).

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

Directors' responsibility for the summarised financial statements

The directors are responsible for the preparation these summarised financial statements in accordance with the JSE Limited's ('JSE') requirements for summarised financial statements, set out in the 'Basis of preparation' paragraph on page 86 the summarised financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements, and for such internal control as the directors determine is necessary to enable the preparation of summarised financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the summarised 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 summarised financial statements derived from the audited financial statements of the Company standing alone for the year ended 31 March 2016 are consistent, in all material respects, with those financial statements, in accordance with the JSE's requirements for summarised financial statements, set out in the 'Basis of preparation' paragraph on page 86 of the summarised financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

Other reports required by the Companies Act

The 'Other reports required by the Companies Act' paragraph in our audit report dated 3 June 2016 states that as part of our audit of the financial statements for the year ended 31 March 2016, we have read the Directors' Report and the Certificate by the Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summarised financial statements or our opinion thereon.

PricewaterhouseCoopers Inc.
Director: D.B. von Hoesslin
Registered Auditor
Pretoria
3 June 2016

Summarised Company income statement

For the year ended 31 March

Rm	Notes	2016	2015
Revenue		**718**	602
Staff expenses		**(384)**	(333)
Other operating expenses		**(381)**	(312)
Depreciation and amortisation		**(3)**	(3)
Impairment losses	1	**(77)**	(436)
Operating loss		**(127)**	(482)
Finance income		**12 862**	10 517
Finance costs		**(800)**	(529)
Net loss on remeasurement and disposal of financial instruments	2	**(175)**	(96)
Profit before tax		**11 760**	9 410
Taxation		**(288)**	(207)
Net profit		**11 472**	9 203

Summarised Company statement of comprehensive income

For the year ended 31 March

Rm	2016	2015
Net profit	**11 472**	9 203
Total comprehensive income	**11 472**	9 203

Summarised Company statement of financial position

For the year ended 31 March

Rm	Notes	2016	2015
Assets			
Non-current assets		**12 771**	12 464
Property, plant and equipment		**6**	5
Intangible assets		**39**	5
Investments in subsidiaries	4	**10 667**	10 173
Financial assets	5	**1 745**	1 926
Trade and other receivables	6	**–**	49
Finance lease receivables		**314**	306
Current assets		**6 119**	8 163
Trade and other receivables	6	**1 368**	1 969
Finance lease receivables		**16**	18
Tax receivable		**11**	–
Cash and cash equivalents		**4 724**	6 176
Total assets		**18 890**	20 627
Equity and liabilities			
Fully paid share capital	7	*****	*
Treasury shares	7	**(735)**	(683)
Retained earnings		**12 680**	12 990
Other reserves	8	**298**	310
Total equity		**12 243**	12 617
Non-current liabilities		**5 171**	2 962
Borrowings	9	**4 576**	2 576
Trade and other payables	10	**128**	117
Provisions		**4**	5
Deferred tax		**463**	264
Current liabilities		**1 476**	5 048
Borrowings	9	**66**	33
Trade and other payables	10	**1 392**	4 953
Provisions		**–**	1
Tax payable		**–**	43
Dividends payable		**18**	18
Total equity and liabilities		**18 890**	20 627

Notes:

* Fully paid share capital of R100.

Summarised Company statement of changes in equity

For the year ended 31 March

Rm	Notes	Fully paid share capital	Treasury shares	Share-based payment reserve	Retained earnings	Profit on sale of treasury shares	Total Equity
31 March 2014		*	(667)	329	15 711	45	15 418
Total comprehensive income		–	–	–	9 203	–	9 203
Dividends	3	–	–	–	(11 924)	–	(11 924)
Share-based payment vesting		–	160	(160)	–	–	–
Advanced distribution received		–	–	100	–	–	100
Restricted share plan		–	–	4	–	–	4
Share-based payment – deferred tax		–	–	(4)	–	–	(4)
Repurchase and sale of shares	7	–	(176)	–	–	5	(171)
Share-based payment expense		–	–	(9)	–	–	(9)
31 March 2015		*****	**(683)**	**260**	**12 990**	**50**	**12 617**
Total comprehensive income		**–**	**–**	**–**	**11 472**	**–**	**11 472**
Dividends	3	**–**	**–**	**–**	**(11 782)**	**–**	**(11 782)**
Share-based payment vesting		**–**	**129**	**(115)**	**–**	**–**	**14**
Advanced distribution received		**–**	**–**	**104**	**–**	**–**	**104**
Restricted share plan		**–**	**–**	**(14)**	**–**	**–**	**(14)**
Share-based payment – deferred tax		**–**	**–**	**(2)**	**–**	**–**	**(2)**
Repurchase and sale of shares	7	**–**	**(181)**	**–**	**–**	**15**	**(166)**
31 March 2016		*****	**(735)**	**233**	**12 680**	**65**	**12 243**

Summarised Company statement of cash flows

For the year ended 31 March

Rm	2016	2015
Cash utilised in operations[1]	**(47)**	(311)
Tax paid	**(151)**	(63)
Net cash utilised in operating activities	**(198)**	(374)
Cash flows from investing activities		
Additions to property, plant and equipment and intangible assets	**(26)**	(6)
Proceeds on disposal of property, plant and equipment and intangible assets	**11**	1
Finance income received	**275**	94
Dividends received	**11 825**	9 691
Loans granted and equity investments	**1 206**	(3 167)
Net cash flows from investing activities	**13 291**	6 613
Cash flows from financing activities		
Borrowings incurred	**2 000**	2 576
Finance costs paid	**(292)**	(191)
Dividends paid – equity shareholders	**(11 782)**	(11 923)
Repurchase and sale of shares	**(68)**	(58)
Intercompany money market movement	**(4 403)**	5 785
Net cash flows utilised in financing activities	**(14 545)**	(3 811)
Net (decrease)/increase in cash and cash equivalents	**(1 452)**	2 428
Cash and cash equivalents at the beginning of the year	**6 176**	3 748
Cash and cash equivalents at the end of the year	**4 724**	6 176

Notes:

1. The Group changed the presentation of its statement of cash flows from the direct method to the indirect method in order to align with the Group's ultimate parent, Vodafone Group Plc.

Notes to the Summarised Company financial statements

For the year ended 31 March

Basis of preparation

These summarised financial statements of the Company have been prepared in accordance with the recognition and measurement criteria of IFRS and the information required by International Accounting Standard 34: Interim Financial Reporting as issued by the IASB, the Financial Reporting Guides as issued by the SAICA Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act of 2008, as amended. They have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value or at amortised cost, and are presented in South African rand, the Company's functional and presentation currency.

The significant accounting policies and methods of computation are consistent in all material respects with those applied in the previous period. The Group's critical accounting judgements, including those involving estimates, are disclosed on pages 32 to 36 of the consolidated annual financial statements of which the Company's critical accounting judgements, including those involving estimates form a part.

	Rm	2016	2015
1.	**Impairment losses**		
	Investments in subsidiaries	**(77)**	(436)

Impairment losses for the current year were recognised against the Vodacom International Limited investment of RNil (2015: R34 million), the investment in Vodacom Business Africa Group Services Limited and Vodacom Business Africa Group (Pty) Limited of R70 million (2015: R107 million) and R22 million (2015: R66 million) respectively. During the current year there was a reversal of an impairment on the Vodacom Congo (RDC) S.A. guarantee fee of R15 million (2015: R222 million impairment).

2. Net loss on remeasurement and disposal of financial instruments

Included in the net loss on remeasurement and disposal of financial instruments are remeasurement losses of R868 million (2015: R567 million) relating to loans and other receivables from subsidiaries as well as net gains on remeasurement of foreign-denominated assets and liabilities of R730 million (2015: R470 million).

3. Dividends

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

	Rm	2016	2015
4.	**Investments in subsidiaries**		
	Vodacom (Pty) Limited	**2 262**	2 260
	Vodacom UK Limited	**489**	489
	Vodacom International Limited	**3 571**	3 079
	VM, SA	**1 324**	1 324
	Vodacom Tanzania Limited	**3 021**	3 021
		10 667	10 173
5.	**Financial assets**		
	Loans receivable from subsidiaries		
	Non-current		
	Vodacom Tanzania Limited	**1 452**	1 524
	Wheatfields Investments 276 (Pty) Limited	**293**	402
		1 745	1 926

Notes to the summarised Company financial statements continued

Rm	2016	2015
6. Trade and other receivables		
Money market lendings to subsidiaries	**1 049**	1 742
Amounts owed by subsidiaries	**197**	105
Prepayments	**80**	145
Other	**42**	26
Total trade and other receivables	**1 368**	2 018
Timing		
Non-current	**–**	49
Current	**1 368**	1 969
	1 368	2 018
7. 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		
5 884 863 (2015: 5 900 495) ordinary shares with no par value	**(735)[1]**	(683)[1]
	(735)	(683)

Shares	2016	2015
Movements in the number of ordinary shares outstanding:		
1 April	**1 482 053 505**	1 481 596 226
Statutory shares in issue	**1 487 954 000**	1 487 954 000
Treasury shares (held by the Company)	**(5 900 495)**	(6 357 774)
Share movements	**15 632**	457 279
31 March	**1 482 069 137**	1 482 053 505
Statutory shares in issue	**1 487 954 000**	1 487 954 000
Treasury shares (held by the Company)	**(5 884 863)**	(5 900 495)

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

Notes:

1. The Group acquired 1 765 229 (2015: 1 529 808) shares as part of the current year forfeitable share plan allocation. Refer to Note 16, 17.1.1 and Note 17.1.2 of the consolidated annual financial statements for further details.

* Fully paid share capital of R100.

8. Other reserves

Forfeitable share plan ('FSP') reserve

The Company granted 490 215 (2015: 558 478) forfeitable shares at a weighted average grant date fair value of R128.34 (2015: R127.69), of which 172 462 (2015: 185 257) shares were forfeited and 308 790 (2015: 378 216) vested during the year. The expense recognised amounted to R29 million (2015: R24 million). R41 million (2015: R50 million) of the dividend declared was offset against the FSP reserve. Refer to Note 17.1.1 of the consolidated annual financial statements for further details with regards to the scheme.

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

	Rm	Notes	2016	2015
9.	**Borrowings**			
	Non-current			
	Interest bearing borrowings (Note 9.1)		**4 576**	2 576
	Current			
	Interest bearing borrowings (Note 9.1)		**66**	33
			4 642	2 609
9.1	**Interest bearing borrowings**			
	Vodafone Investments Luxembourg s.a.r.l		**4 642**	2 609
			4 642	2 609
	Refer to Note 18 of the consolidated annual financial statements for further details.			
10.	**Trade and other payables**			
	Money market deposits from subsidiaries		**704**	4 292
	Amounts owed to subsidiaries		**85**	155
	Trade and other payables		**277**	216
	Advance distribution received from subsidiaries	8	**262**	204
	Financial guarantee fee		**192**	203
	Total trade and other payables		**1 520**	5 070
	Timing			
	Non-current		**128**	117
	Current		**1 392**	4 953
			1 520	5 070

Notes to the summarised Company financial statements continued

Rm	2016	2015
11. Commitments		
Funding	**418**	1 083
Other	**51**	90
	469	1 173

Funding commitments relate to the funding of subsidiaries. Other consists of capital commitments for property, plant and equipment and computer software and will be financed through internal cash generation and bank credit.

12. Contingencies

The Company is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the outcome of these proceedings. Following this assessment, the Company's management has determined that no provision is required in respect of these legal proceedings as at 31 March 2016. Litigations, current or pending, are not likely to have a material adverse effect on the Company.

13. Events after the reporting period

No material events occurred after the reporting period other than those included in Note 28 of the consolidated annual financial statements.

14. Related parties

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

14.1 Balances with related parties

Refer to Notes 4, 5, 6, 9 and 10 for details of balances with related parties. These outstanding balances are unsecured and will be settled in cash in the ordinary course of business.

Rm	2016	2015
14.2 Transactions with related parties		
Vodafone Group Plc and subsidiaries	**(8 005)**	(7 934)
Other operating expenses	**(15)**	23
Finance costs	**(301)**	(172)
Dividends declared	**(7 689)**	(7 786)
Subsidiaries	**12 556**	10 486
Revenue[1]	**681**	567
Other operating expenses	**(81)**	(62)
Finance income	**752**	728
Finance costs	**(498)**	(314)
Dividends declared	**(123)**	(124)
Dividends received	**11 825**	9 691

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

Addendum A:

As at 31 March

Interest in material subsidiaries

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

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

	Country of incorporation	Issued share capital		% Interest in issued share capital	
		2016	**2015**	**2016**	**2015**
Subsidiaries					
Cellular network operators					
Direct					
Vodacom (Pty) Limited	RSA				
Ordinary share capital[1]		**R45 180**	R45 180	**100**	100
'A' ordinary share capital[1]		**R2 820**	R2 820	**100**	100
Vodacom Tanzania Limited	TZN				
Ordinary share capital[3]		**TZS84 000 010 000**	TZS84 000 010 000	**82.2**	82.2
Indirect					
Vodacom Lesotho (Pty) Limited	LES				
Ordinary share capital		**LSL4 180**	LSL4 180	**80.0**	80.0
VM, SA	MZ				
Ordinary share capital		**MZN1 380 000 000**	MZN1 380 000 000	**85.0**	85.0
Preference share capital[2]		**MZN12 612 064 858**	MZN12 612 064 858	**100**	100
Vodacom Congo (RDC) SA	DRC				
Ordinary share capital		**US$1 000 000**	US$1 000 000	**51.0**	51.0
Service providers					
Interconnect service providers via satellite					
Direct					
Vodacom UK Limited	UK				
'B' ordinary share capital		**US$1**	US$1	**100**	100
Preference share capital		**US$710 999 999**	US$710 999 999	**100**	100
Vodacom Business Africa Group Services Limited[3]	UK				
Ordinary share capital		**£49 567 569**	£49 567 569	**100**	100
Preference share capital		**US$20 790 565**	US$15 790 572	**100**	100
Indirect					
Vodacom UK Limited	UK				
'A' ordinary share capital		**US$100**	US$100	**100**	100
Vodacom Business Nigeria Limited[4]	NGR				
Ordinary share capital		**NGN5 000 000**	NGN5 000 000	**100**	100
Preference share capital		**NGN7 266 155 822**	NGN7 262 273 299	**100**	100
Other					
Direct					
Vodacom International Limited[5]	MAU				
Ordinary share capital		**US$100**	US$100	**100**	100
Preference share capital		**US$755 649 159**	US$720 633 569	**100**	100

Notes:

1. 6.25% held indirectly through structured entities which are consolidated in terms of IFRS10: Consolidated Financial Statements as part of the broad-based black economic empowerment transaction (Note 17.1).
2. 37.03% held directly by Vodacom Group Limited.
3. 65% (2015: 65%) held directly by Vodacom Group Limited.

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STUDIO 5

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