

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.

Rm	2016	2015
3. Operating profit		
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.

Rm	2016	2015
4. Finance income		
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).