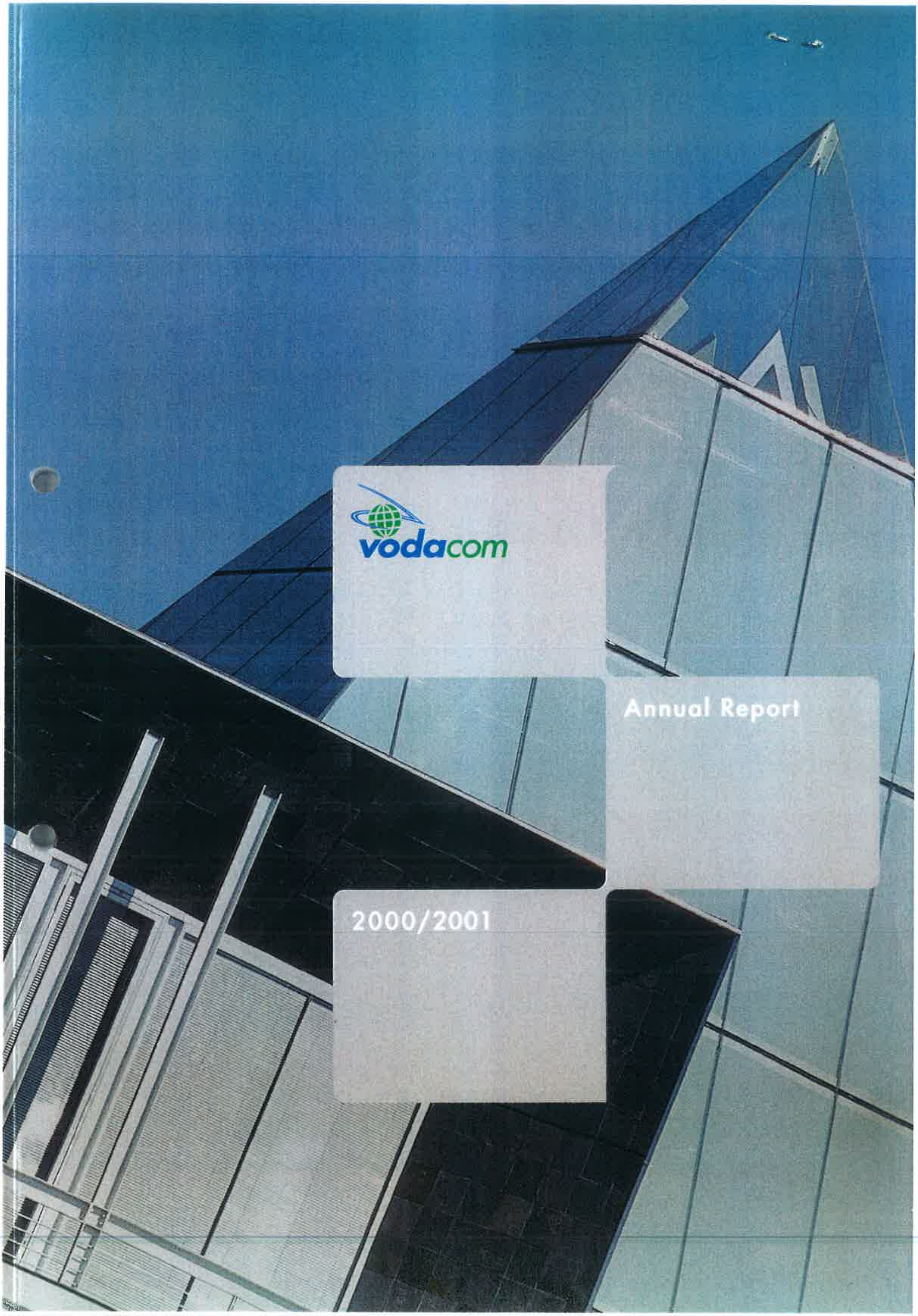


vodacom

Annual Report

2000/2001

Disclaimer

IN RESPECT OF THE ANNUAL REPORT OF VODACOM GROUP (PTY) LTD

Vodacom Group (Pty) Ltd ("Vodacom") has prepared this Annual Report. Telkom SA Limited ("Telkom"), who has previously announced the government's intention to conduct an initial public offering of its shares (the "Offering"), owns 50% of Vodacom.

Any opinions, forecasts or estimates herein constitute a judgment as at the date of this report, and there can be no assurance that future results or events will be consistent with any such opinions, forecasts or estimates. This information is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning Vodacom.

This document does not constitute an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended. Telkom intends to register all or a portion of the proposed offering in the United States. Any public offering of shares to be made in the United States must be made by means of a prospectus that will be available from Telkom or the government and will contain detailed information about Telkom and its management as well as its financial statements.

GROUP (PTY) LTD

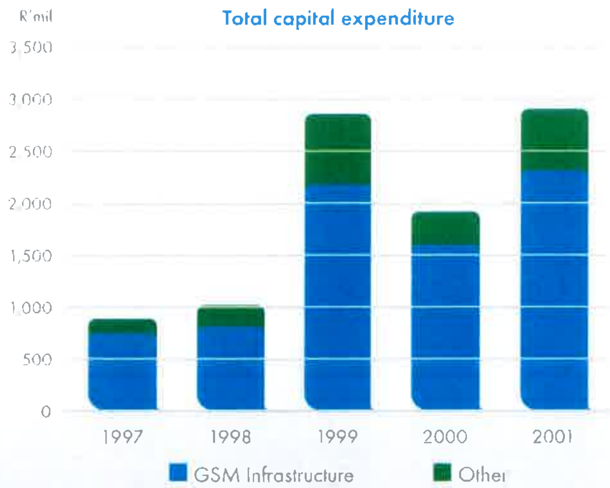
ERRATA

IN RESPECT OF THE VODACOM GROUP (PROPRIETARY) LIMITED 2000 / 2001 ANNUAL REPORT

Without disclaiming the accuracy of this Annual Report we would like to highlight the following amendments that are required:

1. **Material subsidiary reviews**

   Page 19 – The graph titled "Total capital expenditure" in the Review of Vodacom (Proprietary) Limited should be presented as follows:



   Page 22 – Under the "Highlights of the year" for Vodacom Service Provider Company (Proprietary) Limited the information should have been presented as follows:

   - Subscribers increased by 68.7% to 3.5 mil.
   - Profit from operations increased by 25.8% to R251.5 mil.

2. **Group finance director's review**

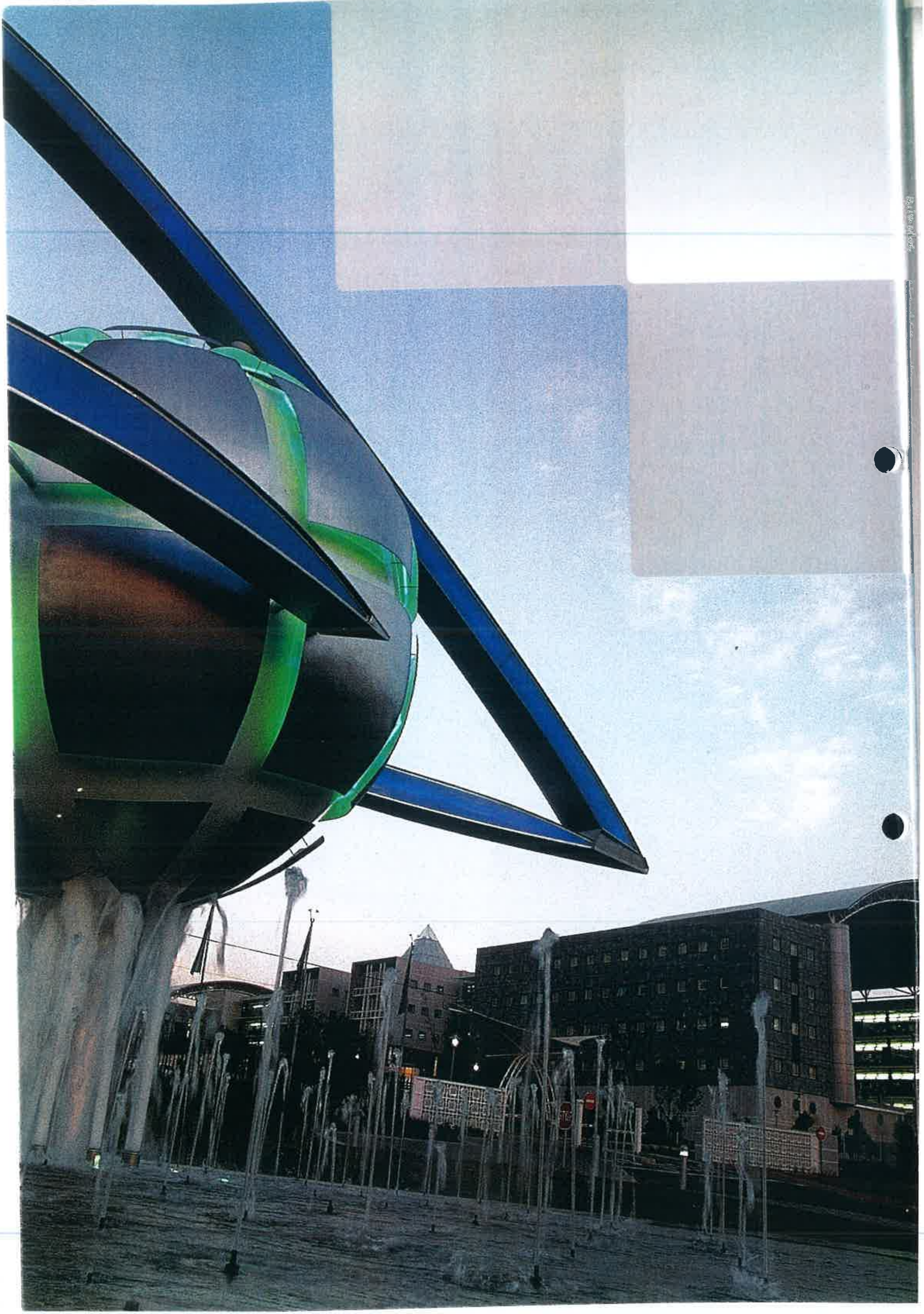
   Page 28 – Under "1.1 Revenue" the percentage increase in prepaid subscribers should be 98.1%.

   Page 29 – The heading for 2.3 should read Average revenue per user (ARPU).

3. **Notes to the consolidated annual financial statements**

   Page 78 – In note "10. Property, plant and equipment" the total of the cost column for 2001 should be R11,905.2 million. All other columns, including the net book value are correct.

Contents



THE VODACOM WAY

ALWAYS REMEMBER THERE IS THE VODACOM WAY

Vodacom will be the largest company in Africa. The pride of Africa.

VODACOM
is a winning company

where everyone is imbued with a spirit to win, to be passionate in whatever we do, to be the best, to never give up, to work harder than anybody else, to know that our best is better than anybody else's best. Losing is just not an option. We are a team and competition is our sport.

VODACOM
is a respected company

where honesty, trust, good faith and professionalism are the cornerstones of how we do business. Everyone we deal with is an equal partner, and we deal straight.

VODACOM
is a caring company

which cares about what it does and how it does it, which is always fair, and which respects every single person. Sincerely caring about everything we do every minute of every day, is our way of life.

VODACOM
believes that it can

enhance people's lives and empower them by making it possible for all people in Southern Africa to have access to mobile telecommunications. We have the will and the means to do so, and we will strive to do so in a sensible manner. We will democratise telecommunications.

VODACOM
will seek out the impossible to do

Mobile communication has been made possible by the most innovative technology in the world. This technology will continue to develop and make possible things we cannot even dream of today. We will remain the most competent and innovative of all in this technology, to not only make every dream come true, but to dream the dreams. We will use our passion and our common sense to do the impossible. Indeed we will seek out the impossible to do.

And in everything we do, we will always also make sure that our shareholders remain happy with, and proud of their investment in Vodacom.

vodacom

Group Structure

31 March 2001

VODACOM GROUP (PROPRIETARY) LIMITED

CELLULAR NETWORK OPERATORS

Vodacom (Proprietary) Limited	100%
Vodacom Lesotho (Proprietary) Limited	88,3%
Vodacom Tanzania Limited	65%

OTHER COMPANIES

Vodacom Sport & Entertainment (Proprietary) Limited	51%
Teljoy Holdings Limited	100%

SERVICE PROVIDERS

CELLULAR

Vodacom Service Provider Company (Proprietary) Limited	100%

SATELLITE

Globalstar Southern Africa (Proprietary) Limited	100%

INTERNET

Vodacom World Online (Proprietary) Limited	40%

Vodacom (Proprietary) Limited is South Africa's leading cellular network operator, with an estimated market share of 61.4%. The R11.0 billion network currently handles in excess of 5.0 million subscribers.

The company's core business is to build and maintain the GSM cellular network in South Africa and provide bulk airtime to service providers who sell it to individual cellular subscribers by means of airtime contracts and prepaid airtime vouchers.

In June 1995, Vodacom ventured outside South Africa for the first time and was awarded a GSM cellular licence in Lesotho. A joint venture company, Vodacom Lesotho (Proprietary) Limited (VCL), was set up with the Lesotho Telecommunications Corporation (LTC) to build and operate the cellular network. The test phase started in September 1995 and the network officially switched on in May 1996.

The Government of Lesotho began a privatisation process in 1999 and invited bids for LTC's shares in VCL. In July 2000 the Sekha-Metsi Consortium Limited was identified as the successful bidder. In November 2000, the Privatisation Unit of Lesotho and the Sekha-Metsi Consortium Limited signed a Sale of Shares Agreement resulting in the latter gaining an 11.7% shareholding in VCL. Vodacom holds 88.3% interest in VCL and due to changes in the shareholder agreement it is now consolidated as a subsidiary.

In December 2000, Vodacom won a bid to operate a GSM cellular network in Tanzania, having previously concentrated on the local South African market, including Lesotho. The company, Vodacom Tanzania Limited, is held by Vodacom (65%) together with Tanzanian companies Planetel Communication Limited (19%) and Caspian Construction Company Limited (16%).

The 15-year licence will see capital expenditure of more than R1.4 billion over the first five years. The Tanzanian cellular market is currently estimated at 500,000 subscribers, out of an estimated population of 34 million.

Vodacom announced during March 2000 the combining of its various service provider companies into a single company. Teljoy Cellular Services (Proprietary) Limited, GSM Cellular (Proprietary) Limited, Vodac (Proprietary) Limited and Cellphones Direct (Proprietary) Limited were consolidated into a new entity, Vodacom Service Provider Company (Proprietary) Limited (VSPC).

The new entity subsequently incorporated Vodacom Equipment Company (Proprietary) Limited, specialising in cellular phone and accessory purchases and sales, and Vodacare (Proprietary) Limited, specialising in cellular phone repairs.

The consolidation of service providers is in line with cellular trends worldwide. The emergence of prepaid technology has hastened the rationalisation process, which resulted in less dependence on the service provider model as the industry has matured.

VSPC will continue to acquire phones and accessories in bulk, in order to obtain better prices and better after sales service support, and distribute these to the Vodacom distribution chain of service providers and dealers. VSPC will continue to distribute its other products through all of its current distribution channels.

Vodacom Group (Proprietary) Limited acquired 100% of the share capital of Globalstar Southern Africa (Proprietary) Limited (GSA) with effect from 1 August 2000. The shareholding was purchased from Telkom SA Limited, Vodafone Group plc and Venfin Limited, all shareholders in Vodacom.

The principal nature of the business of GSA is that of a provider of wholesale satellite airtime to cellular networks in Southern Africa. GSA is awaiting the issue of a satellite communications licence by the Independent Communications Authority of South Africa (ICASA).

The international satellite company, Globalstar Limited Partnership (GLP) is a consortium of leading international telecommunications companies originally established in 1991 to deliver satellite telephony services through a network of exclusive service providers, including GSA. GLP is publicly traded on the NASDAQ. The firm is based in San Jose and Vodafone Group plc, one of the shareholders of Vodacom, is one of several large investors. GLP announced early in 2001 that it is experiencing financial difficulties and is currently expected to go into Chapter 11 bankruptcy protection.

Vodacom World Online (Proprietary) Limited (VWOL) is a joint venture formed in June 1999 between Vodacom and World Online International bv.

The combination of Vodacom's telecommunications experience and World Online's expertise as an Internet and content provider has made it possible for VWOL to become one of the leading Internet service providers in South Africa.

World Online International bv has recently been taken over by Tiscali SpA (Tiscali), which has operations throughout Europe and provides both business and residential customers with Internet access, content, applications and a broad range of interactive services. The Tiscali Group has a subscriber base of 10.7 million registered subscribers, of which 4.9 million are active users. Tiscali has the largest geographical footprint of any European Internet service provider.

Vodacom Sport & Entertainment (Proprietary) Limited (VSE) was established in 1999 between Vodacom and Selwyn Nathan, with shareholdings of 51% and 49%, respectively. Selwyn Nathan transferred his shareholding to Kusasa Commodities (Proprietary) Limited with effect from 1 September 2000, in order to facilitate shareholding by executive management.

VSE was initially created to consolidate and manage all the sport and entertainment activities of the Vodacom Group, which play an important role in the Group's marketing strategy.

The establishment of VSE, in addition to enabling Vodacom to concentrate on its core business, has ensured that Vodacom handles its sport and entertainment activities in a professional manner, as a result of this dedicated service. Amongst the services offered by VSE are sponsorship management, promotion of events, event management, brokerage of broadcasting rights, hospitality management, incentive trip management and product launches.

So profound has the impact of VSE been that other companies soon requested their services. Current clients include Telkom, Siemens, Alcatel, Standard Bank, South African Football Association, National Olympic Association of South Africa, AA Racing and The Kyalami Complex, and contribute approximately 40% towards VSE's revenue.

Teljoy Television is South Africa's leading brand, and market leader, in the rental of televisions, videocassette recorders and other related products. It currently comprises three operational divisions, namely Domestic Rental, Television Business Services and cellular services.

The business was acquired as part of Vodacom's acquisition of Teljoy Holdings Limited in January 2000. This formed part of Vodacom's strategy to rationalise its cellular service providers, and align its distribution strategy with the international trend of cellular networks to control and own their service providers. Teljoy Television does not form part of this strategy and is non-core to the cellular business of Vodacom.

VODACOM GROUP (PROPRIETARY) LIMITED

3 Board of directors

31 March 2001

NON-EXECUTIVE CHAIRMAN

Wendy Luhabe (43)
Representative of Telkom SA Ltd

Appointed as Chairman: 16 February 2000
Qualifications: B.Com
Membership of Committees: Directing Committee, Remuneration Committee

GROUP CHIEF EXECUTIVE OFFICER (CEO)

Alan Knott-Craig (48)
Appointed to the Board: 1 October 1996

Appointed as CEO: 1 October 1996
Qualifications: B.Sc (Electrical Engineering), MBL
Membership of Committees: Remuneration Committee
Other Directorships in the Group: VOD, VSPC, VSE, VWOL, TJY, GSA

EXECUTIVE DIRECTORS

Leon Crouse (48)
Group Finance Director

Appointed to the Board: 1 October 1996
Qualifications: CA (SA)
Other Directorships in the Group: VOD, VSPC, VCL, VSE, VWOL, TJY, GSA

Shameel Joosub (30)
Managing Director of Vodacom Service Provider Company (Proprietary) Limited

Appointed to the Board: 16 September 2000
Qualifications: B.Compt (Hons), CFA (SA), MBA (Aus)
Other Directorships in the Group: VSPC, TJY

Andrew Mthembu (45)
Managing Director of Vodacom (Proprietary) Limited

Appointed to the Board: 1 January 1998
Qualifications: M.Sc (Chemical Engineering), M.Sc (Construction Management), ADP
Other Directorships in the Group: VOD, VTZ, VSE

NON-EXECUTIVE DIRECTORS

Peter Bamford (46) (British)
Representative of Vodafone Group plc
Appointed to the Board: 1 August 2000
Membership of Committees: Directing Committee

Tom Barry (56) (USA)
Representative of Telkom SA Ltd
Appointed to the Board: 1 March 1999
Membership of Committees: Directing Committee, Remuneration Committee

Andy Halford (41) (British)
Representative of Vodafone Group plc
Appointed to the Board: 1 August 2000
Membership of Committees: Directing Committee, Audit Committee

Martin Kerckhoff (36) (USA)
Representative of Telkom SA Ltd
Appointed to the Board: 16 February 2000
Membership of Committees: Directing Committee

Dillie Malherbe (45)
Representative of Venfin Ltd
Appointed to the Board: 30 May 1994
Membership of Committees: Directing Committee, Audit Committee, Remuneration Committee

Sizwe Nxasana (43)
Representative of Telkom SA Ltd
Appointed to the Board: 25 June 1998
Membership of Committees: Directing Committee, Audit Committee

Phil Williams (50) (British)
Representative of Vodafone Group plc
Appointed to the Board: 26 September 1997
Membership of Committees: Directing Committee, Remuneration Committee

Directors are South African unless otherwise stated. Non-executive Directors, including the Chairman, are representatives of the shareholders of the company holding more than 10% of the issued share capital.

VOD – Vodacom (Proprietary) Limited
VTZ – Vodacom Tanzania Limited
VCL – Vodacom Lesotho (Proprietary) Limited
VSPC – Vodacom Service Provider Company (Proprietary) Limited
VSE – Vodacom Sport & Entertainment (Proprietary) Limited
GSA – Globalstar Southern Africa (Proprietary) Limited
VWOL – Vodacom World Online (Proprietary) Limited
TJY – Teljoy Holdings Limited

Right:
Wendy Luhabe

Below:
Shameel Joosub, Leon Crouse, Andrew Mthembu, Alan Knott-Craig

VODACOM GROUP (PROPRIETARY) LIMITED

4 Executive management
31 March 2001

VODACOM GROUP (PROPRIETARY) LIMITED

Alan Knott-Craig (48)
Group Chief Executive Officer
Details and Directorships:
refer to Board of Directors details

Leon Crouse (48)
Group Finance Director
Details and Directorships:
refer to Board of Directors details

Philip Geissler (38)
Director of Product Development and Risk Management #
Qualifications: MBA (Quantitative Methods), B.Sc (Economics)
Directorships in the Group: VOD, VSPC, VCL

Joan Joffe (63)
Group Executive Corporate Affairs
Qualifications: B.A (Math and Logic),
Computer Sciences Diploma

Neville Jordan (46)
Group Executive Legal
Qualifications: LLB, B.A
Directorships in the Group: VSE

Lungi Ndlovu (42)
Director of Human Resources #
Qualifications: B.A, HD Personnel Management, M.A
Directorships in the Group: VOD

Robert Pasley (35)
Director of Strategy #
Qualifications: B.Sc Hons (Theoretical Physics), ACA
Directorships in the Group: VOD, VSPC

Fanie Viljoen (Dr.) (50)
Group Executive Technology
Qualifications: PhD (Electro Engineering), EDP

MANAGING DIRECTORS OF VODACOM COMPANIES

Ben Higson (55)
Globalstar Southern Africa (Proprietary) Limited
Qualifications: B.Sc

Anton Bleekers (43)
Teljoy Television
Qualifications: CA (SA)

Shameel Joosub (30)
Vodacom Service Provider Company (Proprietary) Limited
Details and Directorships: refer to Board of Directors details

Andy Moqhali (51)
Vodacom Lesotho (Proprietary) Limited
Qualifications: M.Eng, B.Eng (Hons)

Andrew Mthembu (45)
Vodacom (Proprietary) Limited
Details and Directorships: refer to Board of Directors details

Selwyn Nathan (50)
Vodacom Sport & Entertainment (Proprietary) Limited
Qualifications: NTC III

James Rege (54)
Vodacom Tanzania Limited
Qualifications: B.Sc (Electrical Engineering), M.Sc (Electrical Engineering)

Graeme Victor (46)
Vodacom World Online (Proprietary) Limited
Qualifications: M.Eng, CA (SA)

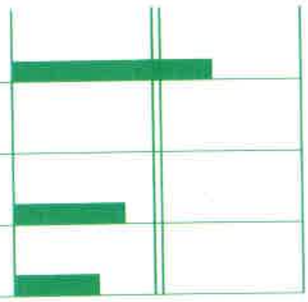
VOD	-	Vodacom (Proprietary) Limited
VTZ	-	Vodacom Tanzania Limited
VCL	-	Vodacom Lesotho (Proprietary) Limited
VSPC	-	Vodacom Service Provider Company (Proprietary) Limited
VSE	-	Vodacom Sport & Entertainment (Proprietary) Limited
#	-	Although the titles for these executives in Vodacom Group (Proprietary) Limited are directors, these persons do not form part of the Board of Vodacom Group (Proprietary) Limited, but have been appointed to the boards of subsidiary companies within the Group.

VODACOM GROUP (PROPRIETARY) LIMITED

5 Group chief executive officer's review
31 March 2001

Alan Knott-Craig

HIGHLIGHTS OF THE YEAR	PERCENTAGE
Subscriber growth	69%
Financial highlights	
Revenue growth	37%
Profit from operations growth	29%



Other achievements

5 million cellular subscribers connected on the Vodacom SA network

Successful formation of Vodacom Service Provider Company

1. Overview of the current year

Despite the past year being challenging, in particular with the increasing subscriber base and associated decrease in average revenue per user (ARPU), and the uncertain regulatory environment, the performance of the Vodacom Group (Group) has been excellent.

The Group experienced an unprecedented growth in net subscribers of 69% during the financial year, or 2.1 million net new subscribers on a base of 3.1 million subscribers at 1 April 2000. This placed an exceptional strain on the business with respect to network capacity, particularly with regard to 1800MHz spectrum delays, as well as the merger of four service providers, which were integrated into a single company, Vodacom Service Provider Company (Proprietary) Limited (VSPC) to obtain greater efficiency. After a concerted effort we have managed to build more network capacity using 900MHz spectrum to meet the capacity demands, and streamlined the management and billing systems of VSPC.

Over this last year revenues grew by 37%, to a figure of R13.3 billion. Profit from operations, before exceptional items, exceeded R3.0 billion, an increase of 29% on the previous year. This was achieved despite the uncertain regulatory environment prevailing in South Africa, a significant reduction in revenues per subscriber, and a significantly higher total cost of connect due to the doubling of the expected subscriber growth.

In the last four to five years, we have maintained a margin on profit from operations in the vicinity of 23% to 24%, notwithstanding a drop in revenue per subscriber. This was achieved through rigorous financial control and the management of administrative overheads, which has resulted in significant savings.

The regulatory challenges have been very testing throughout the year. Delays in the allocation of an 1800MHz spectrum licence has restricted growth and delayed the introduction of GPRS (General Packet Radio Service). It is expected that the 1800MHz spectrum issue will be clarified and dealt with by the end of this year. We have also received an additional 2 million numbers in the 072 number range to address the increased demand.

The South African cellular operations of Vodacom (Proprietary) Limited (Vodacom SA) continues to do well. The appointment of a Chief Operating Officer, to assume responsibility for all aspects of network operations and quality, has already paid dividends. All sites have less than 2% blocking and call retention is consistently better than 98%.

The top management of VSPC has been restructured over the 9 months since operations commenced.

The organisational structure has also been changed to a more classical functional model and management is performing well. The quality of service to distribution channels and customers has improved with the consolidation of functions. Controls have improved significantly, and profits have been much better than expected.

Vodacom Lesotho (Proprietary) Limited continues to do well and has a subscriber base of some 22,000 subscribers. A second cellular operator is expected to start operations in Lesotho this coming financial year.

Vodacom Tanzania Limited is growing at a very healthy rate and achieved a subscriber base of some 82,000 by the end of the financial year, representing a 50% market share. The greatest risk to the business is the inability of the local fixed line operator to pay its interconnect fees to Vodacom Tanzania. This risk aside, it should prove to be a very lucrative business.

Due to changing market conditions, we have reorganised Vodacom World Online (Proprietary) Limited (VWOL) to reach a breakeven position and slimmed down Teljoy Television (Teljoy) into a more effective cellular distribution channel. Both these businesses have been classified as non-core to the main business of cellular, and will be sold under the right circumstances.

The third mobile operator licence was awarded on 16 February 2001 to Cell C and officially received by Cell C from the Independent Communications Authority of South Africa (ICASA) on 25 June 2001. The commencement of Cell C's operations should not negatively affect our business plan for the 2002 financial year. We expect Cell C to be operational before November 2001.

2. South African customers and market

At the beginning of March 2001 Vodacom SA announced that a record five million subscribers had been connected to its network, confirming its position as the market leader in South Africa and the fastest growing cellular network on the African continent.

At 31 March 2001 we had 5.1 million subscribers in South Africa, with a net growth of 2.0 million subscribers this past financial year. During December 2000 gross connections peaked at more than 400,000 for the month. Our estimated market share at 31 March 2001 was 61.4%, compared to 60.6% in the previous year.

In 1993 the total South African market was projected at half a million subscribers. This was later revised to 10 million. We currently project that the total market in South Africa will be at least 21 million. The number of subscribers in South Africa is currently around 8.6 million.

3. Prepaid cellular

When Vodacom first introduced prepaid in South Africa in 1996, it was considered by many to be a commercially unsound product. Today it is generally accepted that prepaid is the single reason that the cellular industry has grown in excess of 500 million phones in the world and will probably grow to about one billion phones by the end of this year or early next year.

Prepaid subscribers currently constitute more than 90% of new connections on our network, and approximately 80% of our total base today. Over this past year, our gross connections on prepaid were more than 2.7 million subscribers. This is a direct contribution to

economic growth for people who would otherwise remain marginalised.

The logistics of doubling prepaid sales to 2.7 million new connections in a single year has required a quantum change in the extent and structure of production and distribution. When selling prepaid telephony, you are selling a telephone service that already exists, i.e. a telephone number has to be allocated to products in the distribution channel before a sale to the end consumer takes place. This has capital expenditure implications. To be effective, the distribution channel has to be low cost and ubiquitous. It also has to be very convenient and cheap for consumers to acquire a cell phone service in order to achieve high telephone penetration in developing countries like South Africa.

4. The Vodacom people

More than 4,000 people work in the Group. To maintain growth, costs must continually be reduced. People therefore have to work hard, have to put more of themselves into the company, and need to enjoy doing that.

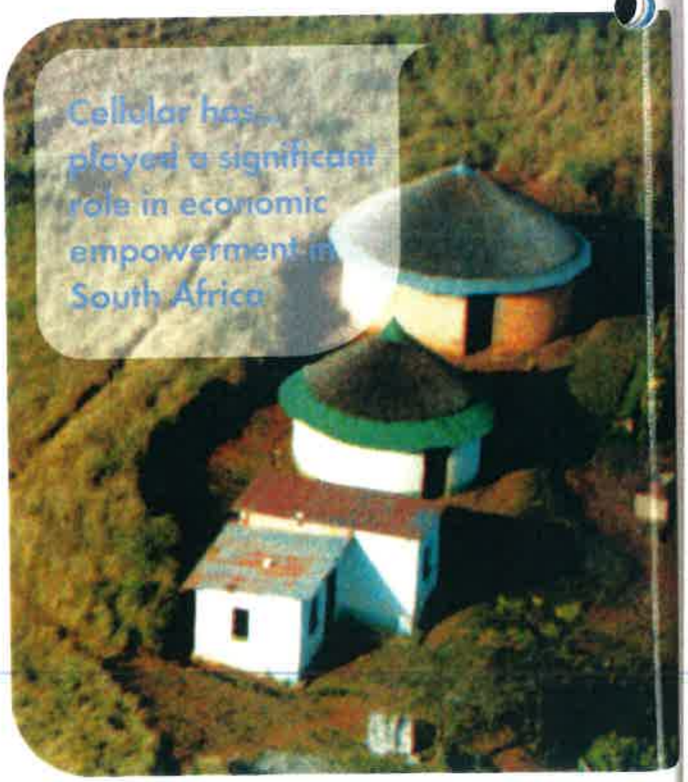
It is a fundamental principle of Vodacom that we take good care of the people that work in the Group. We ensure that they have a good environment to work in, that they are properly remunerated and incentivised, that they can focus on their jobs, that they do not have to worry or care about too many extraneous things so that they can give their very best to the Group. The Vodacom People are one of the key reasons that we are successful and we treat them as a valuable asset.

5. The future of the South African market

When you look at the telephone scenario, as it will unfold in South Africa, it is very difficult to predict what is going to happen, but some things are certain. It is the stated intention of the government of South Africa that telephone penetration has to increase. Everybody recognises that you cannot improve the economic wealth of the country without increasing the telephone penetration. There is a very close correlation between telephone penetration and wealth. Countries with poor telephone penetration are poor. Countries with good telephone penetration are usually wealthy.

With about 9 million cellular phones, this means that the South African industry has achieved a cellular phone penetration of close to 20% of the population in the seven years that it has been in operation. It took South Africa 100 years to achieve a fixed line telephone penetration of less than 10% before the emergence of cellular. Cellular has therefore played a significant role in economic empowerment in South Africa.

The cellular industry has the ability to increase telephone penetration to at least 45% in the country in five years time. As long as the barrier to entry is kept low and the price of the service is affordable, there is no particular reason why penetration cannot be increased to over 60%. The government and regulatory institutions must therefore resist taking too much money out of the telecommunications system, by way of high fees, to ensure that the cost base remains reasonable and therefore the barriers to entry low.



6. Data, 3G Licences and other innovations

In Europe we have seen high prices being paid for "Third Generation" (3G) licences. That is money going out of the telecommunications system and it will inevitably result in increased barriers to entry for the consumer with resultant market penetration slowing down over time.

As the regulatory regime unfolds in South Africa, we trust that the authorities will provide an environment where it is possible for cellular companies to further reduce the barriers to entry for potential customers to the extent that penetration levels of between 45% and 60% can be achieved. This will benefit both the country's economy as well as contribute real growth for the Group.

In future, we will have to augment the voice revenues since the ARPUs are declining. We will have to supplement the revenues with visual or data products. Whether this will be in the same form of cellular data services that one will see in Europe and Japan, is unknown. It is nevertheless expected that data services in this country could constitute around 15% of outgoing revenues in the foreseeable future.

As we move into the future, in South Africa we will see data, video and pictures playing a significant role in ARPUs.

7. Future operations and outlook

Within two to three years it is expected that for every new customer getting a phone with a built-in digital camera will be normal, will be ordinary and will be nothing more special than buying a standard cellular phone today. If we achieve this, we will change the face of South Africa yet again. One can imagine 20 million people having direct access to digital photography and being able to transmit those images as they please, at rates that they can afford. It is achievable, it is going to happen, and that is where the future growth and our extra revenues in South Africa are going to come from.

To grow our Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) at a rate of 20% to 25% per annum, which is the kind of growth that we are looking for, we cannot rely on profit growth in South Africa alone. We need to enter into new ventures outside the borders of South Africa. That is the reason we are already operational in countries like Lesotho and Tanzania. In Lesotho and Tanzania we now have more than 100,000 customers, which we expect to double this coming financial year. More importantly, the profit margins generated by those ventures are very promising indeed.

Southern Africa provides a huge opportunity in terms of profit growth in the future, and for that reason we have focused very heavily on expanding our reach into Southern Africa. Within the next 5 years, we believe that the profits we generate outside South Africa could be of the same magnitude as our current profits from within South Africa.

For this strategy we have structured our Group into four business entities as follows:

7.1 South African cellular operations

We have the South African operations company (Vodacom SA) whose focus is to build the network in South Africa and maintain it. It is also the holder of the licence in South Africa. The fundamental goal of this company is best quality of service and best coverage, i.e. best product.

7.2 South African cellular marketing and sales

Our second company is our marketing and sales company in South Africa (VSPC) and to that end we have bought up a number of service providers that used to sell products on our behalf, so that currently we directly control approximately 70% of our distribution channel.

7.3 African and international cellular operations

This is the third leg of the Group, and the critical one as we go forward, called Vodacom International Holdings (Proprietary) Limited (Vodacom International). This is the company that will be responsible for acquiring business outside of South Africa. Their responsibility is to maintain the Group's profit growth into the future. They will achieve this by acquiring new licences and generating profits out of those countries. Our primary focus will be the Southern African Development Community (SADC) countries, but in fact, any country that presents a proper, promising opportunity and an acceptable level of risk will be considered. We are putting some of our top and most competent people into that company so that we can be as successful in Vodacom International as we have been in South Africa.

7.4 Other operations

The fourth component of the Group comprises our non-core and non-strategic investments, like Teljoy, The Cellular Shop and our Internet Company (VWOL). We only have one priority for these companies, and that is to sell them at a profit. If we cannot do this we will maintain and keep them for the profits they can generate.

8. The regulatory environment

Of all the challenges that we face as a company in South Africa today, the regulatory environment is the most important.

8.1 Stabilising the regulatory environment

The good news is that the regulatory environment is being stabilised and policies are being put in place, which will provide a more predictable environment [illegible] years to come.

8.2 Our future role in South Africa

In future, we will have an environment that is clearer to us in terms of what obligations are expected of us from government.

The biggest contribution that we will make to South Africa is getting telephones into the hands of every single person. Without a telephone in the hands of people, they cannot be economically equal, even though they enjoy political equality.

9. Corporate responsibility

In terms of social responsibility, we have spent a lot of time and money on community projects, not because we have to or are required to, but because we want [illegible] make a difference and play a part in rebuilding the social fabric of our society.

Through the Vodacom Foundation, we have targeted our efforts in the areas of Health and Welfare, Education, and Safety and Security.

In respect of Health and Welfare, we try and do as much as we can to improve the plight of the poor people in the country who do not have access to a health infrastructure. The building of a clinic in Bizana, in the former Transkei, was one way to try and equalise the kind of access that people need to essential services.

In respect of Education, we award numerous bursaries at both secondary and tertiary levels throughout the country. Equipping schools with better information technology infrastructures and building a comprehensive school at Bizana were some of the ventures where Vodacom has tried to contribute to a better future for the children of South Africa.

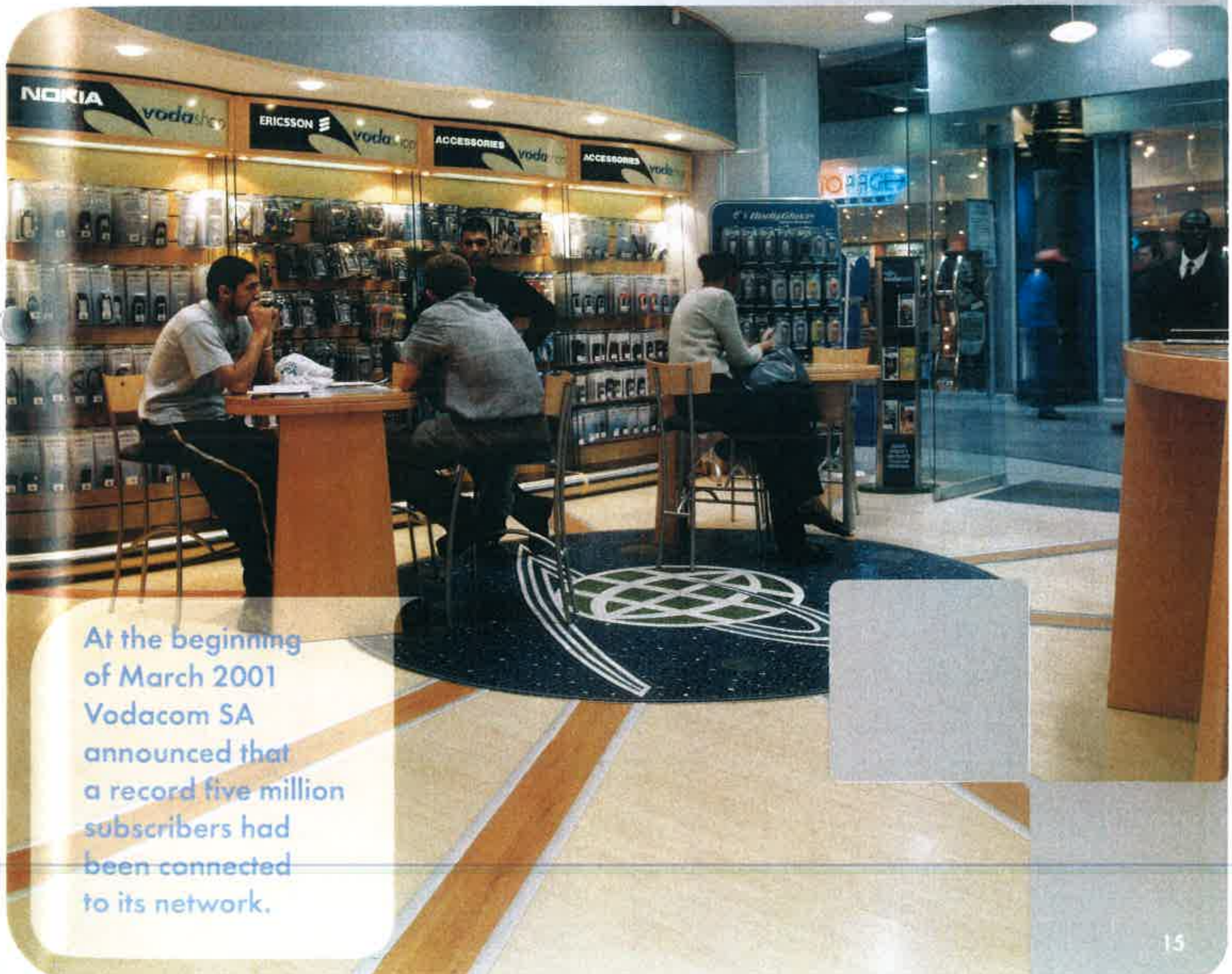
We have contributed significantly to Safety and Security, which remains a challenge in South Africa. We co-operate very closely with the ministries of security to do what we can to improve the environment into one that is safe and efficient.

10. The Vodacom Way

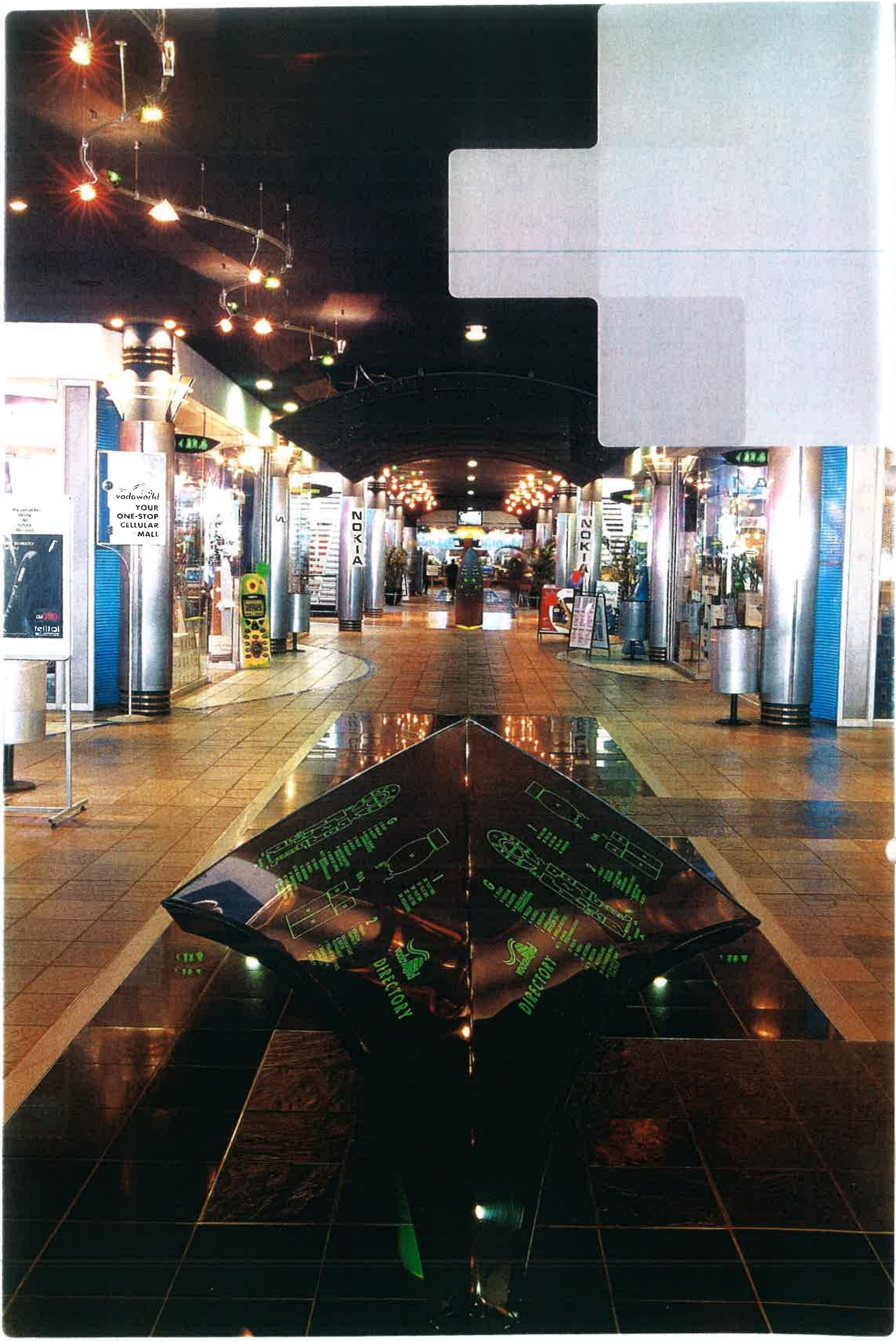
With the acquisition and merging of a number of large companies into the Group, and the resultant large number of new employees into the Group, it became necessary to clearly communicate the core values of the organisation. These core values have been embodied in a new credo "The Vodacom Way" which has been successfully communicated to every staff member. It has become invaluable in creating renewed enthusiasm and focus within the company.

11. In conclusion

The Vodacom Group has performed well over the last year. Our dominant distribution, our significant capital investment in providing coverage to 93% of South Africa's population, our powerful brand, our strong strategic positioning, and our excellent workforce will ensure our success as we go forward. We are extremely proud of the role we have played in making cellular a consumer product and in providing ordinary South Africans with access to telecommunications. Democratising telecommunications, in South Africa remains a core component of our vision for Vodacom.



At the beginning of March 2001 Vodacom SA announced that a record five million subscribers had been connected to its network.


vodaworld
YOUR ONE-STOP CELLULAR MALL
NOKIA
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DIRECTORY
DIRECTORY

6 Material subsidiary reviews

Contents

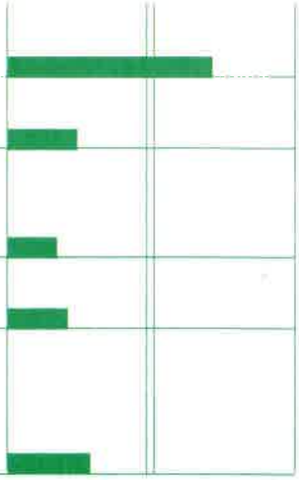
VODACOM GROUP (PROPRIETARY) LIMITED

Review of Vodacom (Proprietary) Limited

31 March 2001

Andrew Mthembu

HIGHLIGHTS OF THE YEAR		PERCENTAGE
Subscribers increased by	66.5% to 5.1 mil	
Revenue increased by	27.4% to R10.5 bil	
Profit from operations increased by	16.7% to R2.8 bil	
Net profit increased by	19.5% to R1.6 bil	
Cumulative capital expenditure per subscriber declined by	26.1% to R2,053	



1. Summarised financial information

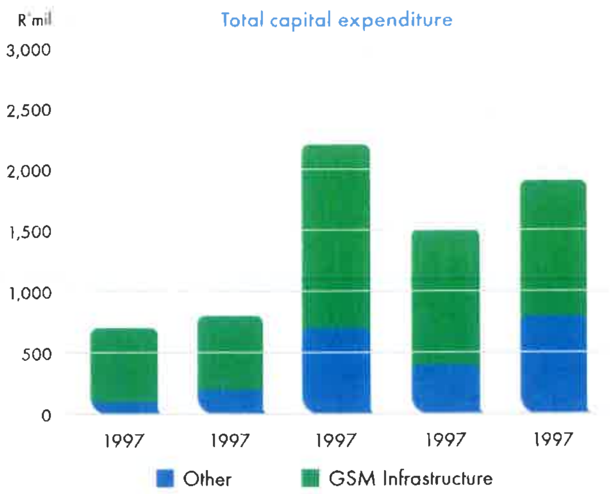
1.1 Income statement	2001 R'mil	2000 R'mil
Revenue	10,530.8	8,268.7
Profit from operations	2,818.6	2,415.8
Profit before taxation	2,352.0	1,884.5
Taxation	(710.8)	(511.3)
Net profit	1,641.2	1,373.2
1.2 Balance sheet		
Assets		
Property, plant and equipment	7,226.6	5,709.3
Accounts receivable	1,520.6	1,541.3
Other assets	864.4	438.0
	9,611.6	7,688.6
Equity and liabilities		
Capital and reserves	3,636.5	2,858.9
Interest-bearing debt	895.7	814.4
Accounts payable	1,962.1	1,448.9
Taxation payable	676.0	482.5
Bank overdraft	1,590.9	1,450.1
Other liabilities	850.4	633.8
	9,611.6	7,688.6

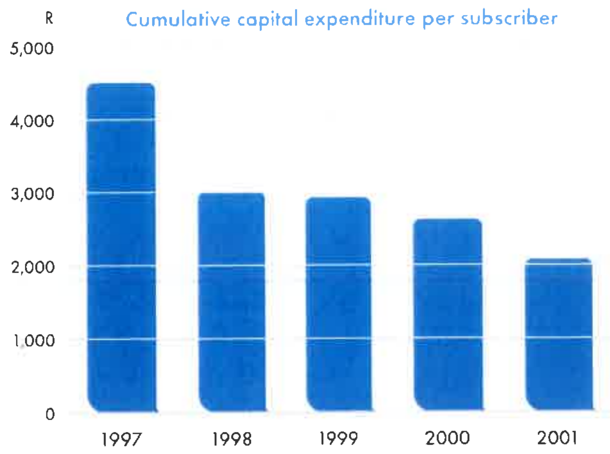
2. Review of results

The revenue of Vodacom (Proprietary) Limited (Vodacom SA) for the year represents a 27.4% increase over the previous year. This increase is largely attributable to a 66.5% increase in total subscribers, including a 94.4% increase in prepaid subscribers.

Profit from operations for the year represents a 16.7% increase over the previous year. The increase is also due to the increase in total subscribers, however the 10.7% difference between this and the revenue increase is due to the increase in the prepaid subscriber base, which yields lower revenue per subscriber.

The net profit for the year represents a 19.5% increase over the previous year. The 2.8% difference between this and the increase in profit from operations is due to a number of factors, mainly a 27.7% decrease in finance costs compared to the prior year.





3. Subscribers and market review

	2001 '000	2000 '000
Subscriber base		
Contract	**1,061.9**	987.0
Prepaid	**4,046.0**	2,081.8
Total subscriber base	**5,107.9**	3,068.8
Additional details		
Opening balance	**3,068.8**	1,990.5
Connections	**2,989.8**	1,883.6
Churn	**(950.7)**	(805.3)
Closing balance	**5,107.9**	3,068.8
Churn		
Contract	**18.7%**	17.4%
Prepaid	**24.8%**	40.5%
Cellular market share	**61.4%**	60.6%

The net increase in the subscribers represents a growth of 66.5%.

Vodacom SA's share of the total market has remained relatively constant throughout the year, in relation to the prior year.

The success of the Vodacom R120 "Incomer" prepaid access voucher has assisted in increasing the loyalty amongst prepaid users and has helped increase the number of active subscribers.

4. Capital expenditure

During the year under review, the company invested R2.8 billion (2000: R1.9 billion) in network infrastructure, information technology, community services and other assets. The capital expenditure (capex) was funded by internal cash generation, extended supplier credits and bank credit.

Of the total capex spent, R2.3 billion (2000: R1.6 billion) was invested in network infrastructure.

This expenditure resulted in a cumulative capex per subscriber of R2,053 (2000: R2,777), a decline of 26.1% and the lowest ever, which compares favourably to international standards.

Commitments at 31 March 2001, in respect of contracts for orders placed for the new financial year, amount to R1,272.1 million (2000: R657.7 million).

5. Network infrastructure and coverage

As at 31 March 2001 4,693 sites (2000: 4,198) were in place to provide cellular network services.

Vodacom SA currently provides coverage to an estimated 93% of the population and covers 60%, or 731,000 square kilometres, of the geographical area of the country. With in the order of 8.6 million cellular subscribers in the market place, based on recent figures published, the penetration for mobile communications is an estimated 19% of the population of South Africa.

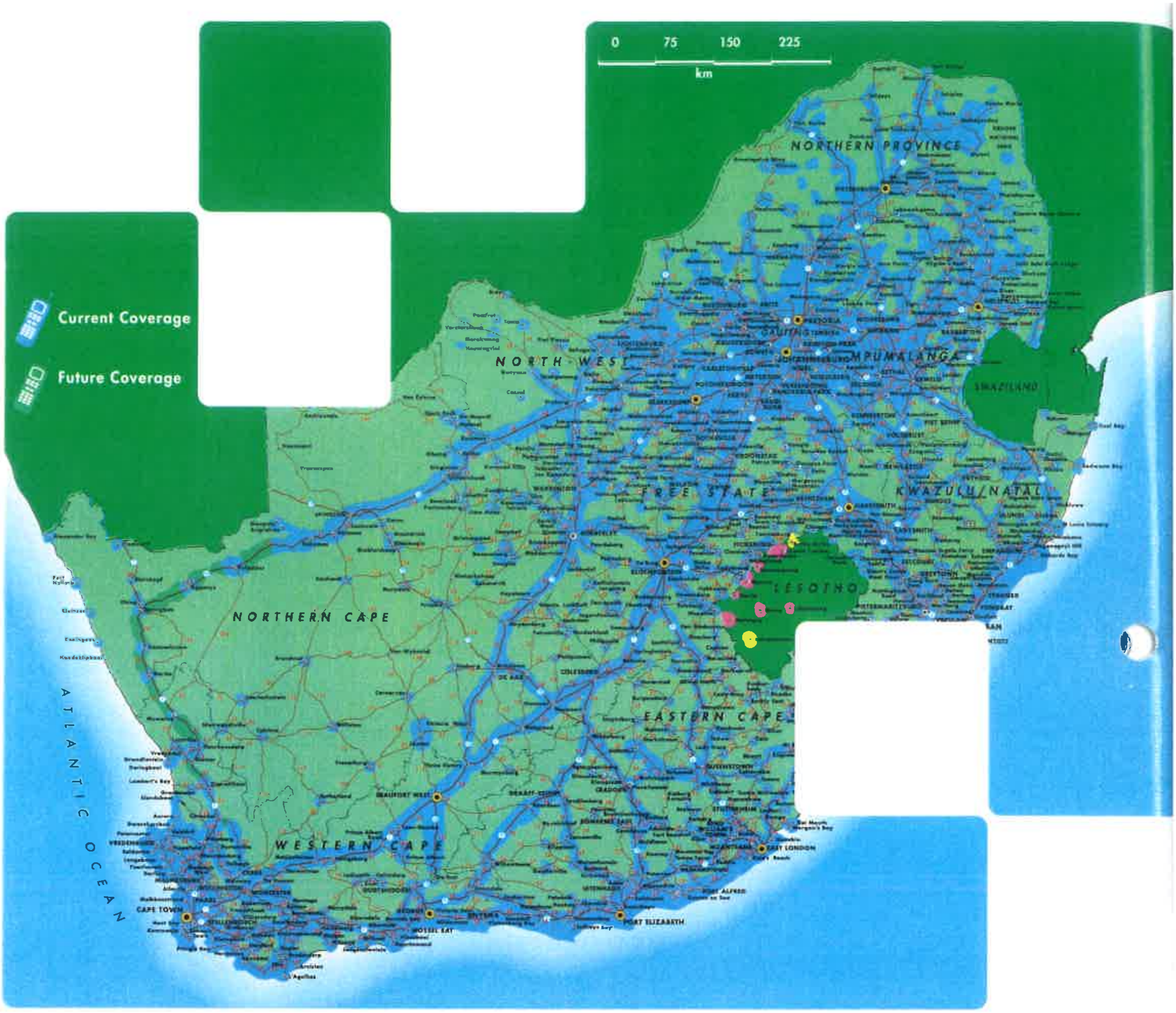
6. HDI procurement

Details of Vodacom SA's "Historically Disadvantaged Individual" Procurement policy is presented in the Report on Social Investment in the Corporate Citizenship Report.

7. Regulatory affairs

7.1 Third mobile cellular licence

The Minister of Communications (Minister) granted the third mobile cellular licence to Cell C on 16 February 2001. However, a judicial review into SATRA's process of choosing a preferred bidder was required. Cell C could only commence operations if the judgement was in their favour.



The matter was finalised on 25 June 2001 when ICASA officially presented the licence to Cell C, following the withdrawal of Nextcom from the process after reaching an out of court settlement with Cell C.

Cell C claims to be on track with a commercial launch date before November 2001.

7.2 1800MHz spectrum licence

Considerable effort has been devoted to the drafting of an application for an 1800MHz spectrum licence. The approach to the draft application is being reconsidered in light of the perceived impact of spectrum-related principles that are promoted in the draft policy directions recently published by the Minister.

This application is being revised with the primary focus on actual requirements for additional spectrum in order to provide for capacity and growth in voice and data services, including broadband, and to ward off stagnation. The regulator's earlier stance not to allocate spectrum to Vodacom SA, on competition grounds, will be addressed as a secondary issue in view of the Minister's draft policy directions that ICASA should proceed to assign 1800MHz spectrum to the incumbent operators.

It is planned to resume development of the application for additional 1800 MHz spectrum once the final policy directions are published. Vodacom has also recommended that ICASA call together interested parties to review and facilitate the migration strategy for the 1800MHz spectrum as a matter of urgency.

7.3 Re-issuance of the national cellular licence

During February 2001, ICASA officially notified Vodacom SA of the fact that they are attending to the re-issuance of Vodacom SA's National Cellular Telecommunication Service Licence (licence).

ICASA has notified Vodacom SA that their committee tasked with the re-issuance of Vodacom SA's and MTN's licences have completed the drafting of the mentioned licences. The drafts are being considered by ICASA's legal division and should be given to the mobile operators in the near future to serve as a basis for consultation. Vodacom SA has still not received a copy of the mentioned draft licence that will serve as a basis for consultation.

It was expected that the process will be completed by the end of June 2001 but to date nothing has been forthcoming from ICASA and it is presumed that there will be further delays.

7.4 Third generation (3G) licences

According to the draft policy directions, Telkom, MTN, Cell C as well as Vodacom SA will be issued 3G licences, which was fully supported by Vodacom SA. The allocation of such spectrum will be regulated in terms of regulations to be developed by ICASA. Vodacom, however, proposed that a new category of 3G licences would be unnecessary if all references to technology and spectrum limitations are removed from existing cellular licences. The publication of the final policy directions is awaited.

In her Budget Vote address on 22 May 2001, the Minister mentioned that 3G or 2.5 Generation (2.5G) cellular licences would be issued during 2002. It is not clear what the Minister meant by 2.5G, as the draft policy directions made no mention of such a new licence category.

7.5 New telecommunications policy

In December 2000, the MoC announced its intention to hold a stakeholder colloquium and consultative workshop to solicit views on a new telecommunications policy for South Africa. A range of issues were proposed for consideration and written recommendation has been invited. Vodacom SA responded with a written submission covering issues raised.

The colloquium took place in February 2001 and the Minister issued first draft policy directions in March 2001. The due date for submission of written representations by the public was set for 2 May 2001. Vodacom SA made its submissions and will be participating in the process. The DoC delayed in making the submissions public so Vodacom SA obtained the submissions of Telkom, MTN, Cell C and ISPA directly and is in the process of obtaining and analysing others.

At a recent press conference in June 2001, the Minister announced that final policy directions would be issued shortly. The Minister stated that comments from the industry had been noted, but there would be no fundamental changes to the draft policy directions. It was further added that the Telecommunications Amendment Bill would be tabled in Parliament shortly. Amendments to the Telecommunications Act are expected to follow in the second half of 2001.

7.6 Community services obligations

In terms of Vodacom SA's licence requirements, Vodacom SA was required to install 22,000 community service pay phones in rural and previously disadvantaged communities or areas. As at 31 March 2001 Vodacom SA had 24,723 (2000: 23,657) community service phones in operation.

8. Human resources

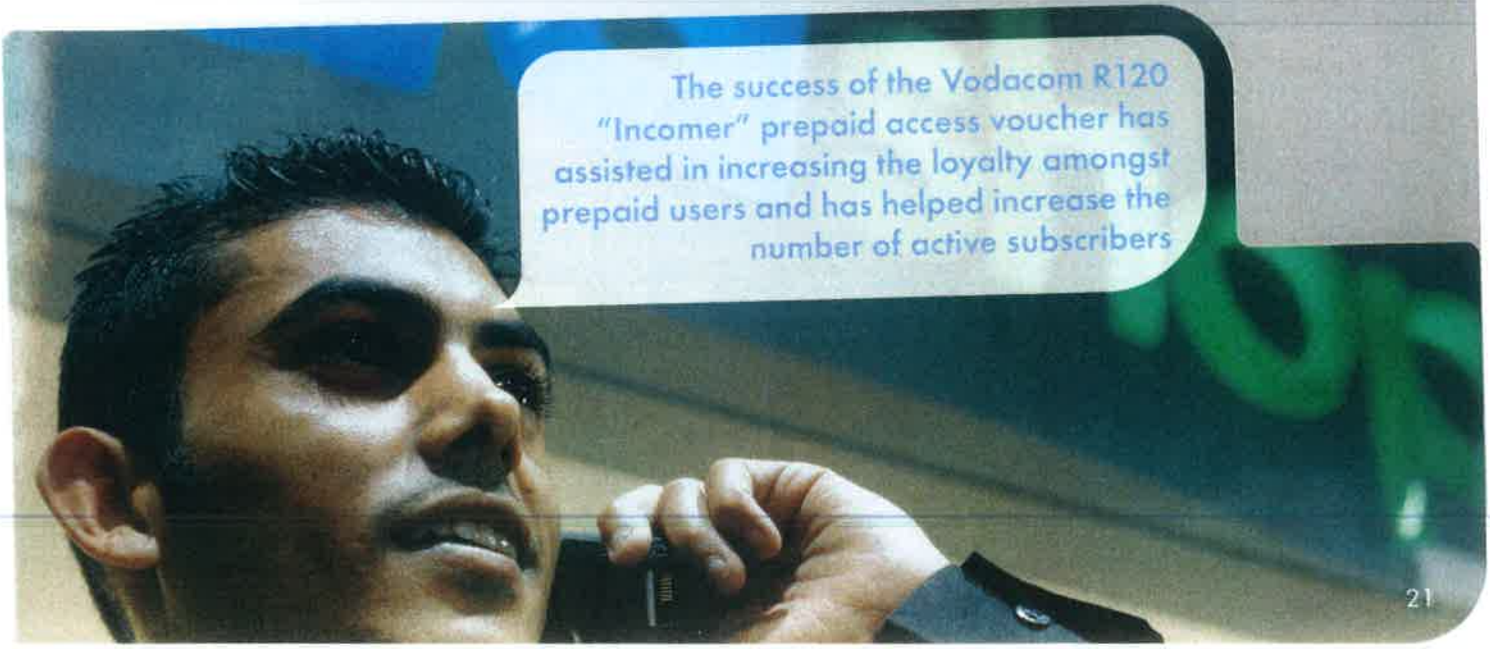
The headcount for Vodacom SA is as follows:

	2001	2000
Opening balance	1,830	1,464
Placements	525	513
Voluntary resignations	(118)	(133)
Involuntary movements	(30)	(14)
Closing balance	2,207	1,830
Labour turnover	8%	8%

For additional details of Vodacom SA's human resource issues refer to the Report on Human Resources and Employment Equity in the Corporate Citizenship Report.

Acronyms used:

DoC	-	Department of Communications
SATRA	-	South African Telecommunications Regulatory Authority (now disbanded)
ICASA	-	Independent Communications Authority of South Africa
MoC	-	Ministry of Communications
ISPA	-	Internet Service Providers Asociation



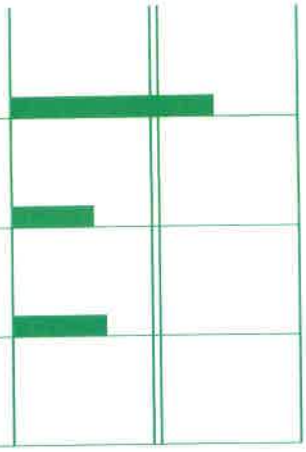
VODACOM GROUP (PROPRIETARY) LIMITED

Review of Vodacom Service Provider Company (Proprietary) Limited
31 March 2001


Shameel Joosub

HIGHLIGHTS OF THE YEAR	
Subscribers increased by	68% to 3.5 mil
Profit from operations increased by	26.7% to R253.3 mil
Handset sales increased by	45% to 1.8 mil
Successful merger of six previously independent companies	

PERCENTAGE



2001 has been a challenging year for Vodacom Service Provider Company (Proprietary) Limited (VSPC) with the merger of six previously independently run companies into one structure. This merger led, as one might expect, to a number of challenges in order to streamline the future operations and focus of the company.

The main focus for the year was improving operational inefficiencies within the business. A number of changes were implemented, which have improved customer services and helped reduce the rate of churn. A number of challenges, however, still exist and need to be tackled.

1. Summarised financial information

	2001 R'mil	2000 R'mil
1.1 Income statement		
Revenue	**6,512.3**	5,266.4
Profit from operations	**251.5**	199.9
1.2 Balance sheet		
Assets	**1,608.9**	1,463.5
Capital and reserves	**266.5**	427.7
Liabilities	**1,342.5**	1,035.8
	1,608.9	1,463.5

The 2001 figures, as well as the comparatives for 2000, have been restated in order to take into account the current merged structure of VSPC.

2. Review of operations

The increase in revenue of 23.7% over the previous year is largely attributable to a 68.7% increase in total subscribers, including a 104.2% increase in prepaid subscribers, which has caused a corresponding decrease in revenue per subscriber.

Profit from operations for the year represents a 25.8% increase over the previous year. The restructuring process, where inefficiencies and duplications were eliminated, has influenced this improvement.

3. Merger and restructuring

3.1 Change of name

Effective 1 July 2000, Teljoy Cellular Services (Proprietary) Limited (Teljoy) changed its name to Vodacom Service Provider Company (Proprietary) Limited (VSPC).

3.2 Acquisition of companies

Effective 1 July 2000, VSPC acquired all the assets and liabilities of Vodac (Proprietary) Limited, GSM Cellular (Proprietary) Limited and Cellphones Direct (Proprietary) Limited.

Effective 1 November 2000, VSPC acquired all the assets and liabilities of Vodacom Equipment Company (Proprietary) Limited (VEC), which also incorporated the former Vodacare (Proprietary) Limited (Vodacare).

3.3 Restructuring

Restructuring was done to ensure that the right structure was put in place in order to drive the merged company forward and to ensure focus into the future.

As a result of the restructuring, it has been possible to reduce the headcount in the business, implement standards and ensure that duplications were eliminated.

Once the structure was defined, the senior management team was restructured to meet the challenges facing the company.

VEC and Vodacare were fully integrated into the merged company from 1 November 2000 and trading in the old entities were stopped.

The restructuring process has resulted in the following changes that require highlighting:

- The previous divisions of Dealers and Franchises, National Chains, Vodacom Direct and Corporates were converted from autonomous units with their own support functions into sales units with focus on sales and servicing.
- A centralised Marketing Division established within VSPC has been assigned the entire marketing activities for the Vodacom Group (Group) in South Africa. A sales function was retained within Vodacom (Proprietary) Limited (Vodacom SA).

These changes have meant a dramatic improvement in the operational efficiencies and management of the company.

The restructuring has helped put the right leadership in place to drive the company forward.

3.4 Shared services

Certain activities within Vodacom SA and VSPC have been looked at with the view to eliminate duplication and maximise synergies within the Group.

The regional functions of VSPC have been incorporated into Vodacom SA functions to form one regional structure. We now have one Vodacom office in each region. This move will ensure that we can operate as one entity in the regions and will undoubtedly improve Vodacom SA's presence and effectiveness in the regions.

Duplications in information technology support-functions (IT) within the Group have also been eliminated, with several of VSPC's IT being consolidated into Vodacom SA's IT group. This will ensure the reduction of the headcount required for this function in the Group.

The functions of facilities management, procurement and generic finance functions are currently being investigated for further consolidation within the Group.

4. Subscribers and market review

The market continues to grow at a rapid rate with the prepaid packages dominating the gross sales. The growth in the market over the year ending 31 March 2001 can be illustrated as follows:

	2001 '000	2000 '000
Subscriber base		
Contract	729.0	716.7
Prepaid	2,760.4	1,351.6
Total subscriber base	3,489.4	2,068.3
Share of Vodacom SA's subscriber base	68.3%	67.4%
Cellular market share	40.3%	39.9%

VSPC has in the last twelve months experienced a growth in total subscribers of 68.7%, which is equivalent to 40.3% of the total market growth and 70.0% of the growth in Vodacom SA.

Merger of six previously independently run companies into one structure:

- Vodac (Proprietary) Limited
- GSM Cellular (Proprietary) Limited
- Vodacom Equipment Company (Proprietary) Limited
- Teljoy Cellular Services (Proprietary) Limited
- Cellphones Direct (Proprietary) Limited
- Vodacare (Proprietary) Limited

VODACOM SERVICE PROVIDER COMPANY (PROPRIETARY) LIMITED

VSPC has in the last twelve months only achieved 58% of the gross contract connections and 16% of the net growth in contract subscribers of Vodacom SA.

Before consolidation, distribution channels were contributing more than 70% of the gross connections of Vodacom SA and 64% of the net growth. It is management's intention to increase VSPC's share of the gross connections of Vodacom SA to 72%. This will be done primarily through the dealer and franchise channels, together with stronger corporate sales. Franchise channels are being used to assist corporate clients obtain deals in country areas, and thus we will be able to extend our corporate sales reach. The main focus on contracts in future is the growth of the subscriber base, and thus net sales.

4.1 Churn

The contract churn of VSPC has remained on average 1% higher than that of Vodacom SA. The average churn percentage for the year was 19.8% for contract and 21.9% for prepaid. The year has seen an improvement in prepaid churn due to improvements in time window locked subscribers, from a high of 39.9% in May 1999 to its present level of 19.9%.

The higher churn is due to three main reasons, namely:

(i) Cleaning up of debtors books inherited as part of the merger,
(ii) Lower gross sales, and
(iii) Upgrades not being done timeously.

All these issues have been addressed and management aim to reduce churn to below 18% in the near future.

The retention division is now focused to ensure that the upgrades happen and that our users are retained. This will have a direct and positive effect on churn and net growth.

5. Working capital management

Subsequent to the merger, much attention was given to improving debt collection and consolidating debt inherited as part of the merger, so as to bring the working capital management under control. The company is currently in a positive cash flow position and it is expected that this will be maintained.

Policies, procedures and structures are being reviewed to ensure that optimal debt collection and a balance between credit risk and sales is achieved.

6. Supply chain management

The year ending 31 March 2001 was an exceptional year for hardware sales for the former VEC. A total of 1.8 million handsets were sold for the period which reflected a 45% increase over the same period in 2000.

7. Vodacare

The former Vodacare has been restructured, but has taken strain since the franchising of its stores resulted in a significant increase in the volume of repairs. It was anticipated that franchising would reduce the number of repairs. However, the merger into VSPC has meant that all repairs previously sent elsewhere are now being sent to Vodacare. The franchises have not yet started to perform optimally. These problems are being addressed and steps have been taken to correct the situation.

Long turnaround times from the manufacturers, on repairs sent to them, have had a negative effect on service levels. The turnaround times have also been affected by product quality problems, relating to spares and technical issues.

A full audit on all processes, policies and service agreements has been completed. New service level agreements have been completed for the manufacturers, retailers and franchisees.

Most of the current franchisees and branches are running at full capacity and will require further support for expansion.

8. Customer care

Overall customer satisfaction levels for the year ending 31 March 2001 have been maintained, despite major changes occurring during the period under review. These changes include the merger, major technology changes and the billing migration.

All customer service processes are currently being re-engineered and simplified. Steps are also being taken to continually improve the quality of service.

9. Human resources

9.1 Head count

The headcount for VSPC (including contractors and temporary staff) is presented as follows:

	2001
Opening balance	2,094
Placements	121
Voluntary resignations	(304)
Retrenchments	(364)
Closing balance	1,547

9.2 Employment equity

An employment equity plan was submitted to government in March 2001 and Employment Equity Forums are functioning in all divisions of the company. These forums have been effective, but additional training is needed to improve the level of efficiency of forum members. Many areas of human resource practices are being addressed.

For additional details of VSPC's human resource issues refer to the Report on Human Resources and Employment Equity in the Corporate Citizenship Report.

10. The future for VSPC

The future is beginning to look more and more promising as the company is re-engineered. The company is now in good shape, morale is much improved and VSPC can look forward to a good year ahead.

All customer service processes are currently being re-engineered and simplified.

7 Five-year financial review
31 March 2001

	Four year growth rate (%)	Years ended 31 March 2001	Years ended 31 March 2000	Years ended 31 March 1999	Years ended 31 March 1998	Years ended 31 March 1997
Income statement (R'mil)						
Revenue	52.9%	13,263.5	9,664.9	6,822.8	4,362.3	2,473.1
Profit from operations	57.4%	3,047.7	2,364.8	1,633.6	1,004.9	519.2
Exceptional items		(213.2)	-	-	1.8	8.6
Amortisation of intangible assets		(245.5)	(62.6)	(22.8)	(6.8)	(6[illegible])
Income from investments		-	130.0	5.6	-	
Net finance costs		(420.7)	(535.9)	(483.6)	(298.9)	(119.7)
Profit before taxation	54.5%	2,168.3	1,896.3	1,132.8	701.0	401.3
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	53.9%	4,417.6	3,390.1	2,288.0	1,425.2	806.8
Balance sheet (R'mil)						
Non-current assets	43.9%	8,807.8	6,934.4	5,143.6	2,761.1	2,163.0
Property, plant and equipment	40.9%	7,749.2	5,854.1	4,900.9	2,684.6	2,077.2
Intangible assets	-	713.4	808.0	175.1	73.6	80.4
Other non-current assets	-	345.2	272.3	67.6	2.9	5.4
Current assets	53.8%	3,553.3	2,787.6	2,081.6	1,037.4	588.5
Inventory	77.5%	398.4	222.1	146.3	70.3	41.2
Accounts receivable	53.1%	2,357.3	1,629.4	1,472.4	757.6	466.0
Bank and cash balances	74.4%	797.6	936.1	462.9	209.4	81.3
Total assets	45.8%	12,361.1	9,722.0	7,225.2	3,798.5	2,751.5
Shareholders' equity	40.5%	4,635.6	3,770.3	2,410.7	1,667.5	1,207.[illegible]
Minority interest		(11.4)	(2.2)	-	-	
Non-current liabilities	24.1%	1,427.2	1,142.1	814.7	766.7	614.3
Interest-bearing debt		896.1	817.2	541.7	609.9	516.1
Other non-current liabilities		531.1	324.9	273.0	156.8	98.2
Current liabilities	69.5%	6,309.7	4,811.8	3,999.8	1,364.3	929.4
Accounts payable and provisions		3,398.8	1,956.1	2,227.4	869.4	737.4
Bank and cash balances		1,593.7	1,451.1	627.4	238.3	23.7
Other current liabilities		1,317.2	1,404.6	1,145.0	256.6	168.3
Total equity and liabilities	45.8%	12,361.1	9,722.0	7,225.2	3,798.5	2,751.5
Cash flow statement (R'mil)						
Cash flows from operating activities	67.5%	3,925.3	1,656.7	2,176.1	878.8	804.1
Cash flows from investing activities	45.7%	(3,168.2)	(2,653.3)	(2,541.7)	(1,023.2)	(925.9)
Property, plant and equipment	47.4%	(3,053.7)	(1,946.8)	(2,465.6)	(1,032.5)	(898.6)
Investments and intangibles	-	(114.5)	(706.5)	(76.1)	9.3	(27.3)
Cash flows from financing activities	14.5%	(1,038.2)	646.1	230.0	65.3	443.6
Shareholder loans		(150.0)	-	(80.6)	-	-
Non-current liabilities		(888.2)	646.1	310.6	65.3	443.6
Net (decrease) / increase in cash	21.4%	(281.1)	(350.5)	(135.6)	(79.1)	321.8

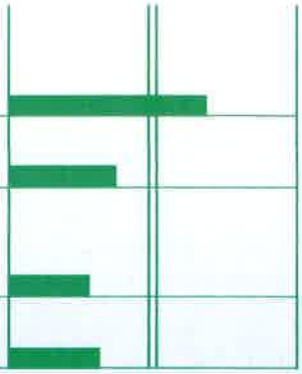
	Four year growth rate (%)	Years ended 31 March 2001	Years ended 31 March 2000	Years ended 31 March 1999	Years ended 31 March 1998	Years ended 31 March 1997
Profitability ratios						
Profit from operations to revenue		23.0%	24.5%	23.9%	23.0%	21.0%
EBITDA to revenue		33.3%	35.1%	33.3%	32.7%	32.6%
EBITDA to revenue (excluding cellular equipment sales)		38.4%	40.8%	39.1%	39.6%	38.4%
Return on equity		52.0%	61.7%	63.4%	52.6%	27.6%
Solvency and liquidity						
Finance cost cover (excluding interest on shareholder loans)		11.6	7.1	7.2	8.2	4.8
Current ratio		0.5	0.6	0.5	0.8	0.6
Debt-equity ratio		45.1%	68.9%	100.1%	59.0%	67.0%
Productivity						
Administration costs to revenue	–	16.3%	17.7%	16.4%	14.5%	17.4%
Average number of proportionate employees	37.1%	3,783	3,133	2,251	1,446	1,042
Revenue per employee (R'000)	10.8%	3,506	3,085	3,031	3,017	2,373
Profit from operations per employee (R'000)	13.7%	806	755	726	695	498
EBITDA per employee (R'000)	11.2%	1,168	1,082	1,010	986	774
Value added per employee (R'000)	11.4%	1,418	1,352	1,216	1,167	933
Average number of GSM subscribers	74.4%	4,146,491	2,538,133	1,567,960	854,972	452,466
Subscribers per employee	28.8%	1,268	892	710	674	474
Revenue per subscriber (R)	(12.5%)	3,199	3,808	4,351	5,102	5,466
Profit from operations per subscriber (R)	(10.1%)	735	932	1,042	1,175	1,147
EBITDA per subscriber (R)	(11.9%)	1,065	1,336	1,450	1,667	1,782
Value added per subscriber (R)	(11.6%)	1,294	1,669	1,746	1,973	2,148
Market statistics						
South Africa	73.9%	5,107,859	3,068,786	1,990,524	1,137,423	568,231
Contract subscribers	22.1%	1,061,824	986,983	889,227	711,561	491,468
Prepaid subscribers	199.2%	4,046,035	2,081,803	1,101,297	425,862	76,763
Tanzania	–	82,064	–	–	–	–
Contract subscribers	–	3,245	–	–	–	–
Prepaid subscribers	–	78,819	–	–	–	–
Lesotho	104.9%	22,319	11,954	5,001	2,972	1,318
Total subscribers	62.2%	5,212,242	3,080,740	1,995,525	1,140,395	569,549
Prepaid percentage of total subscribers		79%	68%	55%	37%	13%
Estimated cellular market share						
South Africa		61%	60%	60%	59%	57%
Tanzania		50%	–	–	–	–
Lesotho		100%	100%	100%	100%	100%

Group finance director's review

31 March 2001

Leon Crouse

HIGHLIGHTS OF THE YEAR		PERCENTAGE
Subscribers increased by	69.2% to 5.2 mil	
Revenue increased by	37.2% to R13.3 bil	
Profit from operations increased by	28.9% to R3.0 bil	
EBITDA increased by	30.3% to R4.4 bil	



The following review provides a look and insight into the financial information and results presented in the consolidated annual financial statements, as well as information, ratios and statistics presented in the Five-Year Financial Review. The review also provides details of events during the year affecting the structure and financial positioning of the Vodacom Group (Group).

1 Financial results and profitability

1.1 Revenue

The revenue of R13.3 billion increased by 37.2% over the prior year. This increase is largely attributable to a 69.2% increase in total subscribers, including a 99.0% increase in prepaid subscribers.

A key reason for the difference in percentage increases between revenue and subscribers is a 23% drop in average monthly outgoing minutes of usage per South African prepaid subscriber experienced from 24.9 minutes in the 2000 financial year to 19.2 minutes in 2001. This was further influenced by a 25% drop in average monthly incoming minutes of usage per South African prepaid subscriber from 66.0 minutes in the 2000 financial year to 49.5 minutes in 2001.

1.2 Profit from operations

Profit from operations of R3.0 billion represents an increase of 28.9% over the prior year and a four-year compound growth of 57.4%.

The difference in profit and revenue increase is due to the increased prepaid subscriber base, which yiel[illegible] lower revenue per subscriber, and therefore lower profitability.

1.3 EBITDA

EBITDA of R4.4 billion increased by 30.3% over the prior year and its compound growth over the past 4 years was a healthy 53.9%.

EBITDA as a percentage of revenue of 33.3% has seen a decrease of almost 2 percentage points over the prior year. This is mainly due to the increased prepaid subscriber base, as well as the impact of low margins on increased cellular equipment sales. Excluding the impact of low margins on cellular equipment sales, the EBITDA percentage for the year was 38.4%.

1.4 Administration expenses

In spite of the continuous drop in average revenue per user (ARPU) and consequently the squeeze on margins, the Group has managed to keep administrative costs in

check. Administration costs as a percent of revenue has dropped from 17.7% in the prior year to 16.3%, which is the lowest level since inception, with the exception of the 1998 financial year.

2. Subscribers and market statistics

2.1 Total cellular subscribers

The total subscriber base has increased 69.2%, or a net of 2.1 million additional subscribers, over the prior year, which is the highest growth rate experienced by the Group since commencement of operations.

The increase is largely attributable to the 98.1% increase in prepaid subscribers, which now makes up 79.5% of the total subscribers.

As at 31 March 2001, the GSM subscribers can be summarised as follows:

	Contract	Prepaid	Total
South Africa	1,061,824	4,046,035	5,107,859
Tanzania	3,245	78,819	82,064
Lesotho	22,319 '	–	22,319
	1,087,388	4,124,854	5,212,242

2.2 Subscriber productivity

The revenue per average subscriber during the current year of R3,199 (2000: 3,808) is 16.0% lower than the previous year. Over the past 4 years the revenue per average subscriber has declined by 12.5% per annum on average.

The profit from operations per average subscriber and EBITDA per average subscriber reflect a very similar trend, also mainly as a result of the rapid expansion of the prepaid subscriber base.

2.3 Average revenue per user (ARPU)

The 66.5% increase in subscribers in South Africa for the current year has resulted in a drop of 21.8% in South African ARPU from R266 per month for the 2000 financial year to R208 per month for 2001.

Since the 1998 financial year, when the base was 4.5 times smaller, the South African ARPU has dropped by 40.4% from R349 to R208 per month. This decrease is directly related to the introduction of, and subsequent growth in, the prepaid cellular subscriber base.

As the base continues to grow, especially prepaid, ARPU in South Africa relating to voice traffic is expected to continue to drop, as lower income tiers of the population are penetrated.

It is expected that in future the lower ARPU's in South Africa will be offset by better ARPU's achieved in the rest of Africa, as most of these countries' cellular industries are still in their infancy.

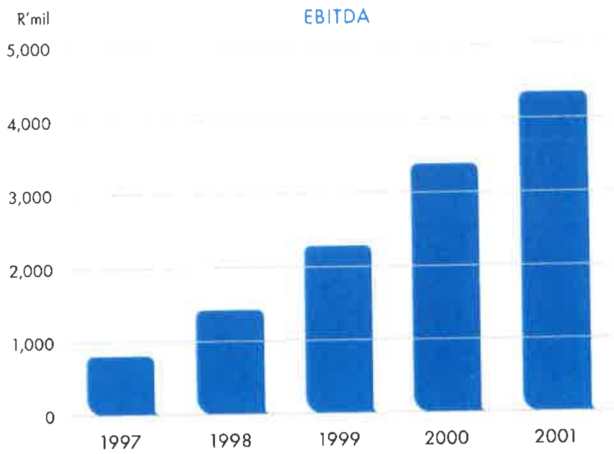
2.4 Tanzania

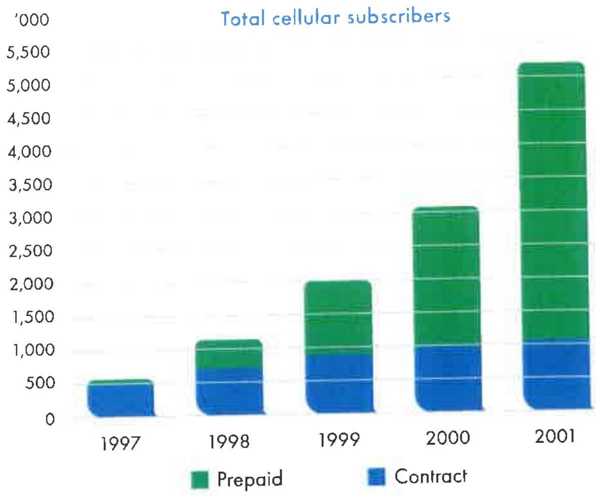
Phenomenal growth has been experienced in Vodacom Tanzania Limited's first year of operation with 82,064 subscribers being connected since August 2000, which easily outstripped the initial 15,000 subscribers predicted for the first year of operations. It is expected that the Tanzanian business will become profitable in 2002, its first full financial year.

3. Employee productivity

The ratio of subscribers per employee at 31 March 2001 of 1,268 (2000: 892) has improved by 42.2% over the prior year.

Includes 18,493 subscribers that do not have a credit facility and therefore work on a prepaid basis.





The revenue per average proportionate employee during the current year under review of R3.5 million (2000: R3.1 million) has improved by 13.7%, demonstrating an improvement in productivity. In fact, all productivity measures of the Group have shown an increase in performance.

4. Shareholder distributions

Distributions to shareholders, which include interest on shareholder loans (R157.9 million) and dividends (R480.0 million), saw an increase of 215.6% over the prior year. This increase was due to the fact that dividends were declared for the first time in the Group's short history. Since the commencement of operations in 1994, R1.3 billion has been distributed to shareholders, of which almost 50% took place in the current year. The Group maintains a profit distribution cover of three times.

5. Capital expenditure investment

The cumulative capital expenditure (capex) at 31 March 2001 was R11.8 billion. The main contributor to this was Vodacom (Proprietary) Limited (Vodacom SA), contributing R10.9 billion to the amount.

The total capex of the Group for the year was R3.2 billion, of which Vodacom SA's expenditure of R2.7 billion is the highest expenditure on capex in a single year since inception.

6. Cellular data services

Although data currently contributes less than 2% of the total revenue, data services are expected to contribute more to the Group's future revenue.

Revenue from the short messaging service (SMS) has seen exceptional growth over the year. The year commenced with billable SMS's yielding approximately R6 million on a monthly basis. A peak in SMS revenue was experienced in January 2001 of R34 million, establishing a base of around R29 million per month, which is expected to increase as the popularity of the service grows.

7. Exceptional items

The two most material exceptional items were the impairment in the Group's investment in Globalstar Southern Africa (Proprietary) Limited (Globalstar) and costs in respect of the merger and restructuring of Vodacom Service Provider Company (Proprietary) Limited (VSPC).

Globalstar is a service provider to a US-based satellite telecommunication network, which announced during January 2001 that it is experiencing financial difficulties. The continuation of Globalstar is dependent on the continuing operation of the US network. Globalstar is also dependent on the issue of a satellite telecommunications licence by ICASA. Globalstar has been awaiting a decision for two years. Due to these uncertainties, Vodacom management considered it prudent to impair the net assets of the company to Rnil, which resulted in a R148.0 million write-down.

Merger and restructuring costs in connection with the formation of VSPC of R36.5 million were incurred during the year. These expenses were mainly as a result of the write-off of inefficient billing systems as part of the VSPC integration.

8. Debt structure

The debt-equity ratio at 31 March 2001 of 45.1% dropped below 50% for the first time since the 1996 financial year. This is well within the borrowing covenants of the Group.

The Group had a positive cashflow before financing activities of R757.1 million (2000: R997 million outflow), which enabled the declaration of a maiden dividend of R480.0 million.

9. Group restructuring

Vodacom announced during March 2000 the combining of its various service provider companies into a single company - Vodacom Service Provider Company (Proprietary) Limited (VSPC).

Teljoy Cellular Services (Proprietary) Limited, changed its name to VSPC and with effect of 1 July 2001 the operations of the other service providers, GSM Cellular (Proprietary) Limited, Vodac (Proprietary) Limited, and Cellphones Direct (Proprietary) Limited were consolidated into the new entity.

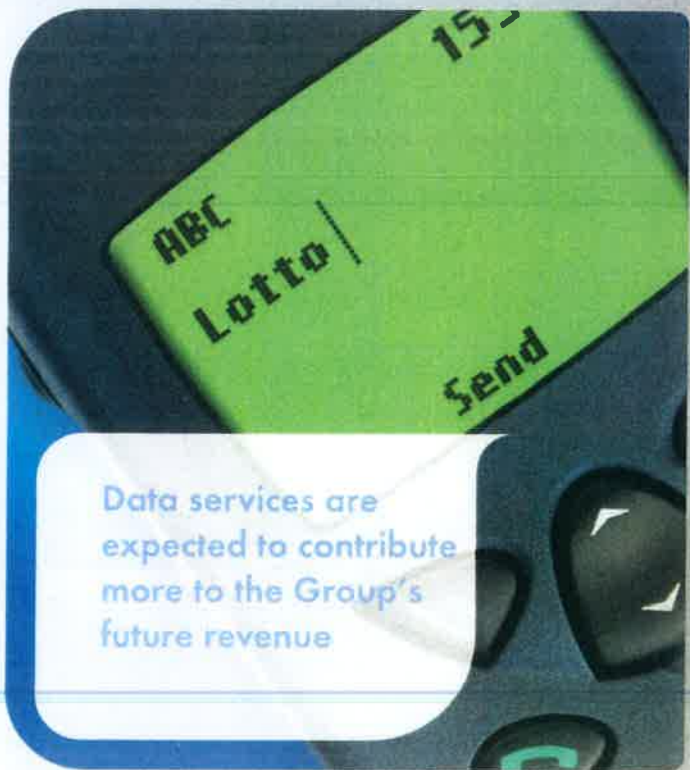
Effective 1 November 2000, VSPC also incorporated the operations of the equipment and accessory merchandiser, Vodacom Equipment Company (Proprietary) Limited, as well as the cellular phone repair company, Vodacare (Proprietary) Limited.

This restructuring is in line with worldwide cellular trends to consolidate service provision, and should result in increased economies of scale.

10. Treasury policy

Treasury functions are managed in accordance with the Group's Treasury policy. The prime focus of the policy is Vodacom's treasury mission and risk management philosophy with regards to the identified areas of risk, namely currency, interest rates, liquidity, investments, credit / counterparty and operational issues.

The policy lead to the establishment of a Treasury Committee in March 2001, the purpose of which is to review financial risk information, make recommendations on macro policy issues, approve macro financial risk management strategic issues, and to oversee the management of financial risk in the Group.



Data services are expected to contribute more to the Group's future revenue


vodacom

Corporate Citizenship Report

Contents

Corporate governance statement
31 March 2001

1. The King Code of corporate practices and conduct

The primary objective of any Code of Corporate Practices and Conduct is to ensure that directors and other executive management, to whom the running of large corporations has been entrusted by the shareholders, carry out their responsibilities faithfully, placing the interests of the corporation ahead of their own. In addition, such a code should establish structures and processes to evidence that management are meeting their responsibilities.

Vodacom Group (Proprietary) Limited and its subsidiaries (the Group) confirm their commitment and compliance to the principles of openness, integrity and accountability as advocated in the King Code of Corporate Practices and Conduct (the King Code). Through this process, shareholders and other stakeholders may derive assurance that the Group is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices. Monitoring the Group's compliance with the King Code forms part of the mandate of the Audit Committee.

2. Board of directors

The Vodacom Group (Proprietary) Limited (the Company) Board of Directors (Board) consists of twelve members, four executives and eight non-executives and also comprises three alternate non-executive directors. All companies within the Group have unitary Board structures, with a mix of non-executive and executive directors.

Meetings of the Company are held quarterly, more frequently if circumstances or decisions require, and the Board retains full and executive control over the companies concerned. Meetings are conducted in accordance with a formal agenda, ensuring that all substantive matters are properly addressed including the review of the operational performance of the Group, strategic issues, the business plan, acquisitions, disposals and other major contracts and commitments, Group policies and stakeholders reporting.

The Board has a formal schedule of matters specifically reserved to it for decision, including the approval of Group commercial strategy, major capital projects and investment, borrowings, the adoption of any significant change in accounting policies or practices and material contracts not in the ordinary course of business. The Board monitors its management ensuring that material matters are subject to Board approval. The Board delegates responsibility for day to day activities to the Chief Executive Officer.

The directors are appointed and approved by the shareholders. Directors are appointed on the basis of skill, acumen, experience and level of contribution to and impact on the activities of the Group. On appointment, all directors are provided with guidance as to their duties, responsibilities and liabilities as a director of a company and also have the opportunity to discuss organisational, operational and administrative matters with the Chairman, the Chief Executive Officer and the Company Secretary.

In the event that a potential conflict of interest may arise, involved directors withdraw from all deliberations concerning the matter and are not permitted to exercise any influence over other Board members or receive relevant Board papers.

2.1 Directing committee

The Board has delegated all its powers, functions and authority to act for and on behalf of the Company to a Directing Committee.

The Chairman and members of the Directing Committee consist of the eight non-executive directors nominated for appointment to the Board by the committed shareholders. Committee meetings are held at the same time and on the same basis as Board meetings.

2.2 Chairman and chief executive officer

The role of Chairman and Chief Executive Officer do not vest in the same persons and the Chairman is a non-executive director. The Chairman and Chief Executive Officer provide leadership and guidance to the Company's Board and encourage proper deliberation of all matters requiring the Board's attention, and obtain optimum input from the other directors. Telkom SA Limited, the Group's major shareholder, appoints the Chairman.

2.3 Non-executive directors

The Board has a strong contingent of non-executive directors with at least three non-executive directors on each major operating entity's Board. Non-executive directors bring with them diversity of experience, insight, business acumen and skills, and independent judgement on issues of strategy, performance, resources and standards of conduct. The Company considers all its present non-executive directors to be fully independent.

Non-executive directors have no service contracts with the company, and are nominated and appointed, in terms of the Articles of Association, on a proportional basis by the shareholders of the Company, which have an equity interest of more than ten percent in the Group. Recommendation for re-appointment as director is not automatic, but considered individually based on their contribution.

2.4 Executive directors

Being involved with the day to day business activities of the Group these directors are responsible for ensuring that decisions, strategies and views of the Board are implemented. There are a number of executive directors on the Boards of the Group's main subsidiaries. Executive directors are considered for reappointment annually. The Group follows a decentralised approach with regard to the day-to-day running of its businesses.

2.5 Company secretary and professional advice

All directors have unlimited access to the advice and services of the company secretary, who is responsible to the Board for ensuring that board procedures are followed.

All directors are entitled to seek independent professional advice at the Group's expense, concerning the affairs of the Group, after obtaining the approval of the Chairman. The Audit Committee is responsible for monitoring the independence and suitability of all professional advisors.

2.6 Committees of the board of directors

The Board has a number of committees, which have been established to consider issues and strategies, within common areas, in order to advise and guide the Board. Ad hoc committees are also established as the need arises. These committees comprise both executive and non-executive directors. Board committees that operated through the year (unless otherwise indicated) are detailed below. Ad hoc committees are created as and when necessary. The names of the members of the Board and committees at the date of this Annual Report are given on page 6.

3. Remuneration committee

The Group has a Remuneration Committee, consisting mainly of non-executive directors, which is also chaired by a non-executive director and advised by independent outside experts. Its specific terms of reference include direct authority for, or consideration and recommendation to the Boards of, matters relating to *inter alia* general staff policy, strategy for employment, affirmative action, remuneration, performance bonuses, executive remuneration, directors' remuneration and fees, service contracts, share purchase and option schemes and Group pension and retirement funds. Two meetings of the Committee are scheduled annually, with ad hoc meetings convened as and when required.

The broad objectives of the Committee are to:

(i) Ensure that the Group's directors, and staff, are fairly rewarded for their individual contributions to the Group's overall performance;

(ii) Approve the annual remuneration review of the Group and to ensure that salaries are market related;

(iii) Approve profit sharing arrangements and annual bonuses; and

(iv) Approve the allocation of share scheme participation.

Basic remuneration and short- and long-term incentives are determined with reference to applicable market rates and practices. Performance-related remuneration practices and the share schemes are considered important elements in attracting, rewarding and retaining high potential and high performance executive management. The annual financial statements accompanying this report reflect the total of executive and non-executive directors' earnings and other benefits in accordance with the requirements of the Companies Act and the King Report.

4. Audit committee

The Group has an Audit Committee, whose Chairman and members are non-executive directors of the Board. All the members are financially literate and no relationships exist that could interfere with the Committee member's independence from management. Both the internal and external auditors have unrestricted access to the Committee, which ensures that their independence is in no way impaired. The Committee meets at least three times a year. These meetings are attended by the external and internal auditors and appropriate members of executive management including those involved in risk management, control and finance. The primary responsibility of the Committee is to assist the Board in carrying out its duties relating to the Group's accounting policies, internal control, financial reporting practices, and identification of and exposures to significant risks.

The Committee has a written charter from the Board and provides assistance to the Board with regards to:

(i) Ensuring that management has created and maintained an effective control environment throughout the Group, monitoring its effectiveness, and that management demonstrates and stimulates the necessary respect for the internal control structure;

(ii) Ensuring compliance with the applicable legislation and the requirements of the regulatory authorities;

(iii) Obtaining an appreciation of the state of the internal control systems;

(iv) Reviewing and recommending internal audits, and internal audit policy, and reviewing their activity and significant findings of Group Internal Audit;

(v) Monitoring relationships with external auditors and reviewing the audit plans and policy, scope and activity, management reports and fees of the external auditors, and to discuss any significant finding, issues of concern or changes to the statutory audit;

(vi) Reviewing and considering the presentation and disclosure of the interim and preliminary results statements and the annual financial statements of the Group, considering accounting policies, and to report fully thereon to the Board;

(vii) Reviewing compliance with the Group's Code of Ethics;

(viii) Receiving the reports of the compliance officers and monitoring compliance with the King Code and the Code of Ethics; and

(ix) Executing special projects and other investigations where deemed necessary.

Critical findings arising from both internal and external audit activities are formally reported to, and comprehensively addressed by, the Audit Committee.

Management has reviewed the annual financial statements together with the Audit Committee, with the external auditors being present. The quality of the accounting policies was discussed with the external auditors. The Committee considers the annual financial statements of the Company and the Group to be a fair presentation of its financial position on 31 March 2001, results of operations, changes in equity and cash flows for the period ended then, in terms of International Accounting Standards and the Companies Act.

5. Risk management

Effective risk management is integral to the Group's objective of consistently adding value to the business. Management is continuously developing and enhancing its risk and control procedures to improve the mechanisms for identifying and monitoring risks.

Operating risk is the potential for loss to occur through a breakdown in control information, business processes and compliance systems. Key policies and procedures in place to manage operating risk involve segregation of duties, transaction authorisation, supervision, monitoring and financial and managerial reporting.

Risk management is addressed in the areas of general business risks, worker safety, product liability, credit risks, exchange rate exposure, insurable losses, interest rate and liquidity risks.

Professional advisors are invited to assist the directors in evaluating risk management strategies presented by management.

6. Internal control systems and internal audit

To meet its responsibility with respect to providing reliable financial information, the Group maintains financial and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately protected against material loss of unauthorised acquisition, use or disposition and that transactions are properly authorised and recorded.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets. Furthermore, the effectiveness of an internal control system can change with circumstances.

6.1 Responsibility for internal controls

The Board has overall responsibility for the Group's system of internal control. The Group's systems have been designed to provide the directors with reasonable assurance that assets are safeguarded, transactions are authorised and recorded properly, and that material errors and irregularities are either prevented or detected within a timely period.

6.2 Control environment

The Board has established an organisation structure with clear operating procedures, lines of responsibility, segregation of duties, delegated authority, policies and procedures, including a Code of Ethics to foster a strong ethical climate, and the careful selection, training and development of people. These are communicated throughout the Group. The Board has delegated to executive management the establishment and implementation of appropriate internal control systems.

6.3 Assessment of business risk

Major business risks are identified and evaluated by the directors when setting strategy, approving budgets and monitoring progress against budget. Management identifies and evaluates business risks when allocating resources to minimise risks.

6.4 Financial reporting system

The Group's operating procedures include a comprehensive system for reporting financial information to the directors. The principal elements of this include the formal review by the directors of:

(i) Detailed budgets prepared by management and reviewed by the executive directors before formal adoption;

(ii) Forecasts, revised on a quarterly basis, compared against budget; and

(iii) Monthly management accounts with a comparison against the latest forecast and budget.

6.5 Main control procedures

Written financial policies and procedures have been issued which specify the minimum requirements for financial and administrative matters within the Group. These policies and procedures address the areas of significant business risk and include:

(i) Financial limits on delegated authority; and

(ii) Detailed policies and procedures regulating treasury activities, approved annually.

Joint venture undertakings are monitored closely through attendance at their Board meetings and review of key financial information. It is the Group's policy that its external auditors are appointed as external auditors of joint venture undertakings, where possible. Detailed post investment reviews of all the Group's investments are conducted on a regular basis.

6.6 Monitoring process and internal audit

There are clear procedures for monitoring the system of internal financial control. The significant components of these are:

(i) Formal annual confirmation by subsidiary managing directors concerning the operation of internal control systems for which they are responsible;

(ii) Group Internal Audit, while reporting directly to the Group Finance Director, has access to the Audit Committee, and which on a risk assessment basis undertakes periodic examination of business processes and reports on internal controls throughout the Group;

(iii) Reports from the external auditors on internal controls and relevant financial reporting matters; and

(iv) Corrective actions are taken to address control deficiencies and other opportunities for improving the system as they are identified.

Group Internal Audit is an independent appraisal function to examine and evaluate the Group's activities. Its objective is to assist members of executive management in the effective discharge of their responsibilities. The scope of Group Internal Audit is to review the reliability and integrity of financial and operating information, the systems of internal control, the means of safeguarding assets, the efficient management of the Group's resources, and the effective conduct of its operations. The function is fully mandated by, and accountable to, the Board and Audit Committee as an independent appraisal activity for the review of all operations.

6.7 Review of effectiveness

The Board believe that the Group's system of internal control provides reasonable, but not absolute, assurance that problems are identified on a timely basis, and dealt with appropriately.

The Board confirm that they have reviewed the effectiveness of the system of internal control through the monitoring process set out above and are not aware of any significant weakness or deficiency in the Group's system of internal control during the period covered by this report.

7. Code of ethics

Directors and employees are required to understand and maintain the highest standard of ethics ensuring that business practices are conducted in a manner which, in all reasonable circumstances, are beyond reproach. Ethical conduct must be an integral part of the organisation, a deeply ingrained tradition that is passed from one generation of employees to the next.

The Group has adopted a Code of Ethics (Code), which complies to the highest standards of integrity, behaviour, honesty and ethics in dealing with all its stakeholders, including the Group's directors, managers, employees, customers, suppliers, competitors, investors, shareholders, and society at large. The Code also spells out policies and guidelines regarding the personal conduct of directors and employees.

All new staff receive a copy of the Code and they are required to sign a declaration stating that they have received it, have read and understood it, and will comply with it. The Code was developed through a process of consultation throughout the Group. All new staff receive a presentation on the Code as part of the induction process. The directors regularly review this Code to ensure it reflects best practice in corpora[te] governance.

8. Stakeholder communication and relationships

The Group has formalised its stakeholder philosophy and introduced structures of corporate governance to manage the interface with the various stakeholder groups. There are responsive systems of governance and practice which the Board and management regard as appropriate. Stakeholder communication and relationships are limited with the Group not being a public or listed company.

Communication with stakeholders addresses material matters of significant interest to shareholders, other stakeholders and the financial and investment community. The quality of information is based on th[e] guidelines of promptness, relevance, transparency and substance over form.

9. Employees and employee participation

For employee-related matters, the Group is dependent on a Consultative Committee of Vodacom (Proprietary) Limited, a major subsidiary within the Group, which contributes to employee policies within the Group. A Consultative Committee consists of a maximum of nine staff members with the Chairman always being the Managing Director of Vodacom (Proprietary) Limited. Members are elected by the employees of the company for a term of one year and may be re-elected.

The Group has designed employment policies, which are appropriate to its business and markets, and which attract, retain and motivate the quality of staff necessary. These policies are required to provide equal employment opportunities, without discrimination. Reports are made available to employees.

The broad objectives of the Committee include:

(i) Creating an environment in which the best person can be employed for the job regardless of gender, creed, colour or race;

(ii) Enhancing the motivation and commitment of all employees by providing opportunities for involvement in business performance improvement, on the basis of mutual information sharing;

(iii) Creating within the Group a balanced profile of employees that reflects the composition of the broad South African society;

(iv) Correcting racial and social imbalances of the past;

(v) Providing for the Group's present and future requirements for skilled staff;

(vi) Identifying training opportunities for employee upliftment;

(vii) Identifying upliftment programs for previously disadvantaged groups;

(viii) Ratifying promotions on certain levels;

(ix) Ratifying employees for "fast track" development programs;

(x) Ratifying affirmative action policies; and

(xi) Facilitating the resolution of matters outside the control of line management.

9.1 Affirmative action and employment equity

The Group is committed to providing equal opportunities to all its employees regardless of their ethnic origins or gender and to equitable remedial and development objectives. It has also embarked on various programmes to ensure that its employee profile will be more representative of the demographics of the country and to create a discrimination free work place. All our developmental programmes, succession planning, career path programmes and bursary projects take cognisance of this commitment.

The Group has developed an employment equity policy which has been approved by the Board and is available to employees. The policy focuses strongly on providing training and development opportunities for historically disadvantaged groups and complies with the objectives and requirements of Employment Equity Act and Skills Development Act. The essence of the policy document is for implementation of a fair and reasonable employment equity programme based on moral decency, sound business practice and principles of economic common sense.

The Group provides educational assistance by way of an open bursary scheme, particularly to those from designated groups who may be potential employees. The Group also provides educational assistance to employees by way of a bursary scheme.

9.2 Employee participation

Employees are encouraged to become involved in the Group's affairs and to obtain a sound understanding of its activities. The Group employs a variety of participative structures, which focus on material issues affecting employees directly. These are designed to achieve good employer / employee relations through the effective sharing of relevant information and consultation, the speedy identification of potential conflict areas and the effective and prompt resolution of issues.

Employee participation structures embrace goals relating to values, productivity, training and retraining and serve as a means of encouraging empowerment through participation and information sharing, and of enhancing communication between employees and executive management.

Employees are informed of issues that affect their jobs and work environment, through a range of communication channels. Inhouse training courses and Group publications are provided for employees to enable them to maintain an understanding of the Group's activities.

When an employee is dissatisfied or feels that an injustice has been done, access is available through the Group's grievance procedures, whereby the employee's grievances are addressed by management, without fear of discrimination or victimisation. Policies and practices have also been developed to timeously identify issues of potential conflict and to effectively resolve them.

All staff qualify to participate in the Vodacom Group Staff Phantom Share Option Scheme.

10. Integrated quality steering committee

The Group manages environmental, health and safety, information security and other quality issues through the Integrated Quality Steering Committee. The Committee is in place to monitor and review environmental, health and safety performance and standards. Its primary role is to supplement and support, and give advice and guidance on the effectiveness or otherwise of management's effort in the quality arena. The members of the Committee are the Managing Directors of the companies within the Group. The Committee is chaired by the Group Executive: Technology.

Report on human resources and employment equity
31 March 2001

Vodacom, as a new South African company, is strongly committed to the ideals of transformation and fully embraces diversity. This commitment stems from the policy and philosophy that our people are our most valuable asset, and people will be the important differential with respect to the future success of the Vodacom Group (Group).

1. Key focus of activities

The key focus areas of the Human Resource strategy are, and continue to be, in developing management skills and succession planning and development. The thrust is on developing and enhancing individual competencies to improve business performance, and create a pool of talented and capable people to meet our future needs. We are also focussed on meeting the imperatives of the Employment Equity Act and the Skills Development Act.

2. Employee numbers and movements [1]

At 31 March 2001 the Group employed 4,272 employees (2000: 4,091) representing an increase of 4.4%. The headcount in wholly-owned subsidiaries has shown a decrease of 1 % to 3,881.

The Group underwent a restructuring exercise during this year, which resulted in a staff reduction of 458 employees. This arose from the merger of the Group's four South African based cellular service providers to form Vodacom Service Provider Company (Proprietary) Limited (VSPC), as well as other consolidations in the industry. The Group's social plan was developed and approved and goes beyond the Labour Relations Act imperatives. The Human Resource team's focus was on facilitating the restructuring drive, as well as redeployment of affected employees. Notwithstanding the extensive restructuring, there have been no labour disruptions or increased unionisation.

The Group prides itself on the advances it has made in having an employee profile that is highly representative of designated previously disadvantaged groups. At 31 March 2001 62% (2000: 58%) of the Group's employees were from previously disadvantaged groups, excluding white females. Additional details of the Group's employment equity and affirmative action activities are presented on the next page.

The staff turnover in the Group has remained stable during the year, at 11% versus a national average of 12.2%[2], despite retrenchments resulting from the VSPC merger and the demand for talent in the cellular industry.

3. Employee remuneration and motivation

The Group has a Remuneration Committee (REMCO) that is charged with the responsibility of overseeing, on behalf of the Board. the Group's Compensation Policy, as well as the compensation and benefit programmes of senior management. The REMCO seeks to provide rewards and incentives that are highly leveraged to performance and clearly linked to the Group's, and individual's, results. The thrust is on ensuring that our compensation and benefits are at levels that enable the Group to attract and retain high quality employees.

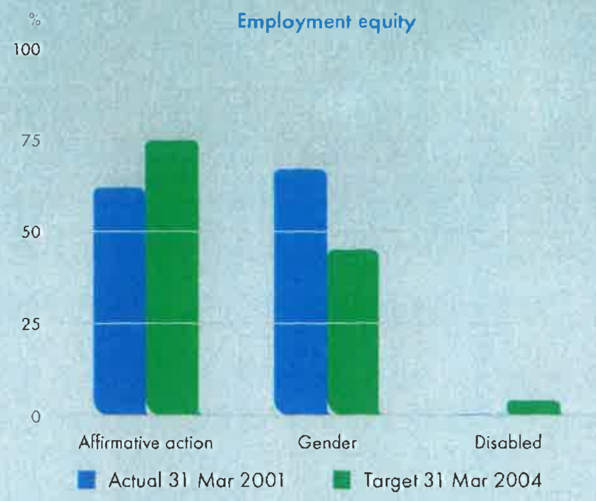
In implementing the Group's Compensation Policy, the Group upholds internal remuneration equity, as well as external equity to remain market competitive.

To ensure the retention of skills and the alignment of Group goals with those of individual employees, the Group has implemented short-term and long-term incentive schemes.

Short-term incentives are driven by a Profit Based Performance Incentive scheme, which is linked to both the Group and individual performance.

The Group extends a Phantom Share Option Scheme to employees, which serves as a long-term retention tool. The Group views the Phantom Share Option Scheme as a vehicle to align the interests of employees with those of its shareholders.

[1] *The employee numbers exclude Teljoy Television staff, as it is considered non-core to the business.*
[2] *Based on a Deloitte & Touche survey (Human Capital Corporation - General Staff Survey, for 2001).*



Vodacom's progress in implementing Employment Equity has been recognised by the Black Management Forum.

4. Human resource development

The Group's Human Resources development strategy is aimed at developing managerial leadership and technical competencies amongst our employees to build organisational capabilities to succeed in the future. To this end the Group has invested more than 21 000 man-days in training, with 68% of participants being from previously disadvantaged groups.

The Group invests an average of 7.6% of its salary bill in training and development, while most leading companies in the world spend between 3% and 7%. The Group has recently instituted a Virtual Learning Centre to facilitate e-learning and learner-paced training.

Vodacom has complied with the Skills Development Act by submitting the skills-plan to the Information System, Electronic, Technology and Telecommunication Sector Education and Training Authority (SETA). We are in the process of accelerating management and leadership development and reviewing our retention strategies.

The Group has its own leadership development programme designed to accelerate the development of selected employees showing exceptional potential. A Personal Development Programme is also in place for each employee as well as a Mentor-Mentee Programme, which is proving especially successful. During the year ending 31 March 2001, 280 (2000: 335) employees participated in this programme.

The Group actively supports the concept of life-long learning and encourages its employees to embark on part-time studies, which are almost always funded by the Group. About one third of the Group's employees are currently studying disciplines ranging from engineering to accounting. Further information is provided under Educational Assistance set out on the next page.

5. Employment equity

Vodacom is an equal opportunity employer committed to the principles of equity and affirmative action. The Group has achieved its stated affirmative action targets year after year, and has exceeded them in many instances. This has resulted in an exciting and diverse workplace of which all the Group's employees can be proud.

At Vodacom, Employment Equity is both a business and a legislative imperative. To this end all the Vodacom's South African based subsidiaries have submitted their Employment Equity Plans to the Director General of the Department of Labour to ensure that there is full compliance with the Act. The Employment Equity Plans are monitored by Employment Equity Forums that have been instituted for each subsidiary.

Vodacom's progress in implementing Employment Equity has been recognised by the Black Management Forum, who awarded Vodacom with the Progressive Company of the Year Award in 2000. Vodacom's commitment to Black Economic Empowerment and transformation and social upliftment has also been recognised by the Enterprise Forum who gave Vodacom an award in the corporate category for its contribution to Black Economic Empowerment.

6. Industrial relations

The Group's Industrial Relations Policies comply with the Labour Relations Act and other relevant employment Acts. The Group prides itself on harmonious relationships with its employees.

To facilitate communication, as well as employee involvement in matters that affect them, the Group has instituted Consultative Committees at its South African based subsidiaries. Members of the Committees are elected by their colleagues. The Managing Directors of the respective subsidiaries within the Group participate in Committee meetings, which are chaired by the members.

The Group subscribes to freedom of association. At 31 March 2001, union density in the Group was at 5.8%, and the Group has no recognition agreement with any union.

7. Educational assistant

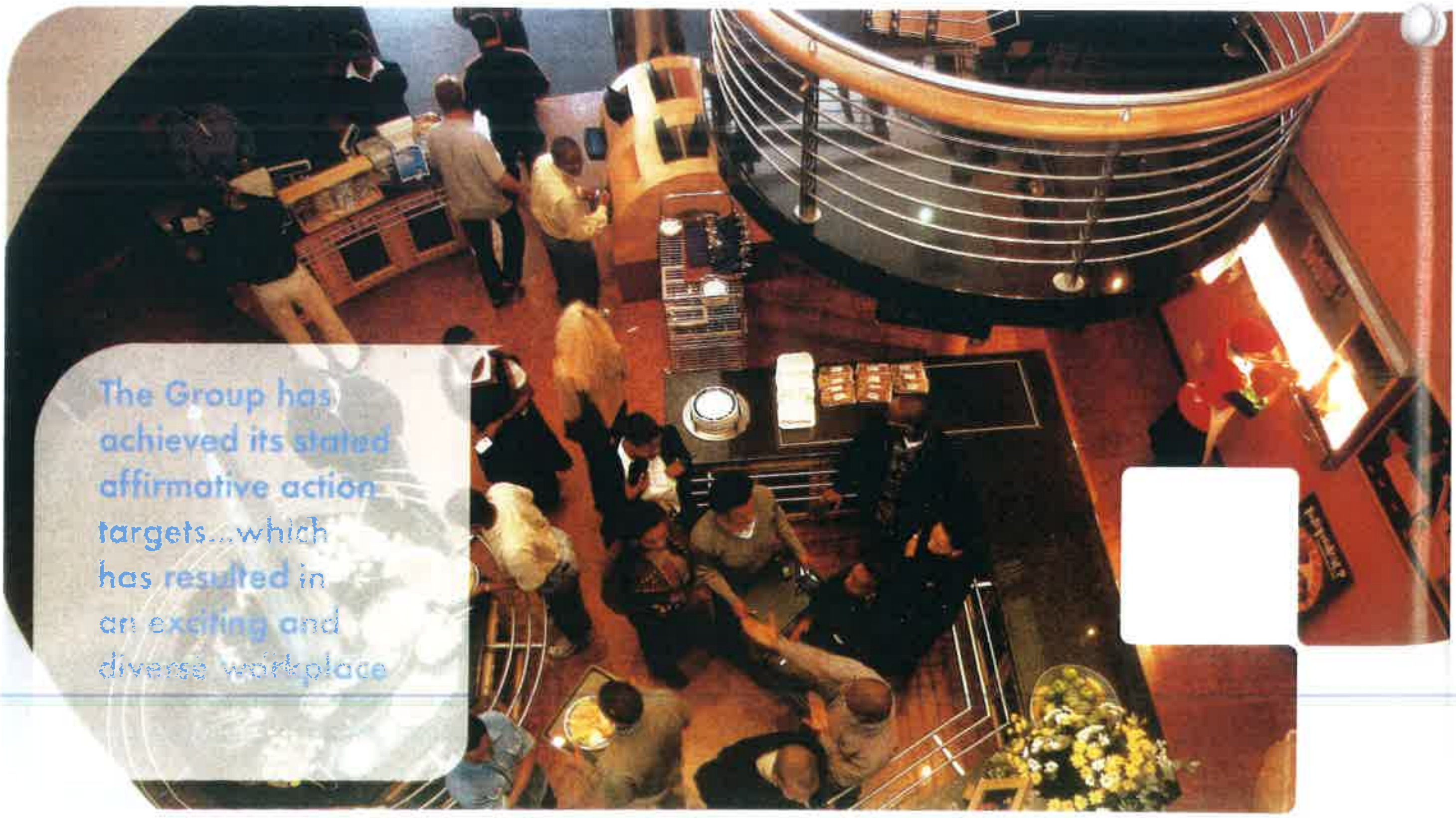
7.1 "Yebo" bursary scheme

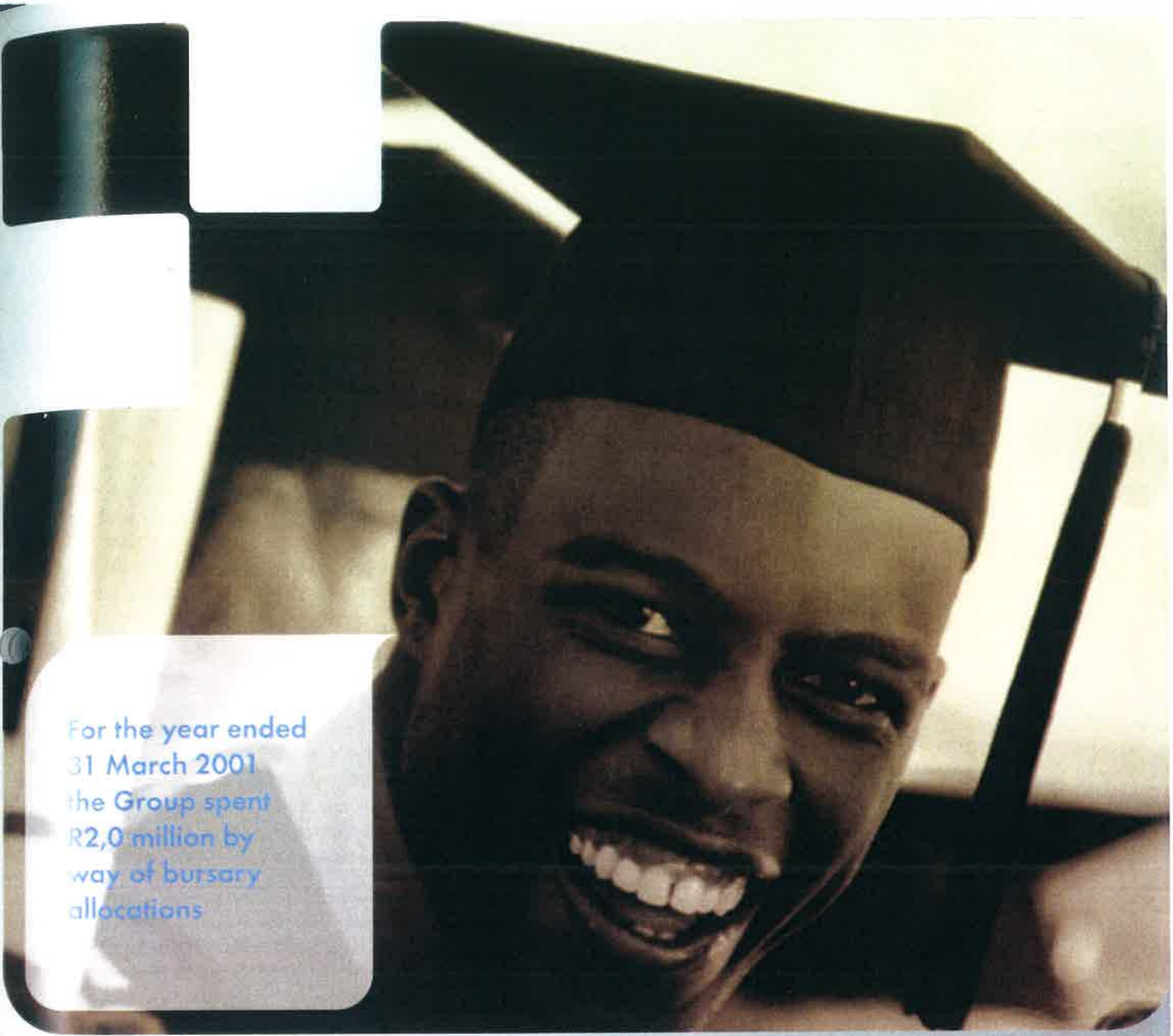
To facilitate learning and skills growth the Group extends educational assistance to its full time employees through its "Yebo" Bursary Scheme. For the year ended 31 March 2001 the Group spent R2.0 million by way of bursary allocations. As at 31 March 2001 716 employees (2000: 441) were participating in the bursary scheme.

The bursary scheme has been in operation for 4 years and to date 1,964 employees have benefited. In the same period R9.0 million was spent by the Group towards employee educational assistance, illustrating the premium the Group places on education.

7.2 External bursary scheme

The South African based companies of the Group are concerned about the flight of human capital from South Africa and consequently prefers bursary applicants already studying Electrical Engineering, Computer Science, Accounting, Financial Management, Internal Auditing or Law at a tertiary level. Further details are presented in the Report on Social Investment.





For the year ended 31 March 2001 the Group spent R2,0 million by way of bursary allocations

8. Future focus of human resources

The future focus of Human Resources will be in the following areas:

- Improving the employment equity representivity in line with the Group's targets;
- Rolling out succession development initiatives within the Group;
- Completing a job profiling exercise to determine the competency profiles for each position within the Group, which is to be used for recruiting, succession development and compensation; and
- Developing and maintaining employee incentive schemes within the Group.

The Group's Human Resource policies and procedures, together with the Vodacom Way, create a climate in which our employees can reach their full potential and continue to contribute to the Group's success.

Report on social investment
31 March 2001

Vodacom's corporate care philosophy is the belief that business should not just create profits, but it should also play a wider role in the society in which it operates. This is particularly the case in South Africa, where our history makes it incumbent upon companies to deploy a portion of profits to redress the imbalances of the past and to assist communities and individuals build the future.

Vodacom assists the communities in which it operates through a number of social investment initiatives, focussing on, in particular, health and welfare, education, safety and security, and commercial equity.

1. Vodacom foundation

The Vodacom Foundation was established in 1999 to manage the corporate social investment programme of South Africa's leading cellular communications company. The philosophy behind the Vodacom Foundation is embodied in these lines from the *Vodacom Way*:

"Vodacom is a caring company..." and *"Vodacom believes that it can enhance people's lives..."*

Caring for people and enhancing their lives is exactly what Vodacom's commercial success has enabled it to do. Vodacom is just seven years old and yet it has already been recognised as a major donor in terms of corporate social investment by the United Kingdom-based Prince of Wales Business Leaders Forum.

1.1 Strategy

The Vodacom Foundation is run on business principles for maximum efficiency that in turn enables it to have the maximum impact on people's lives. Being run on business principles entails it having its own budget, staff and premises. It furthermore has a board of directors and a chairman who make strategic decisions guided by the following four basic tenets:

- **Focus areas**

  The funding strategies of the Vodacom Foundation largely follow the priorities set by the South African government. These priorities are currently education, health, and safety and security. However, the Vodacom Foundation has also extended its support and sponsorships into other fields, including projects in the areas of arts and culture and the environment.

- **Public-private sector partnerships**

  Despite the successes of the new South Africa, much remains to be done. Government cannot rebuild the country on its own and needs the support of organisations like the Vodacom Foundation. Vodacom has risen to the challenge of forming public-private sector partnerships and, as far as possible, Vodacom's corporate social investment projects are implemented in conjunction with the responsible government departments.

- **Making a difference**

  In assessing the numerous and often overwhelming number of requests for support, the Vodacom Foundation has been obliged to be selective in order to ensure that the funds at its disposal make a real difference in the lives of communities. Ad hoc sponsorships are avoided wherever possible. Instead, investments are made directly into projects that are designed to achieve maximum benefit for the communities involved.

- **Sustainability**

  The Vodacom Foundation does not believe in cheque-writing exercises and subscribes to the philosophy of sustainability. Investments are made in projects that are sustainable and that could also achieve self-sufficiency. Projects are therefore carefully monitored to assess whether or not they are achieving these goals.

- **Community involvement**

  Much of the Vodacom Foundation's activity has involved the forging of strong and enduring partnerships with communities targeted for upliftment. Flagship examples of recent Vodacom Foundation projects include the more than R15 million overhaul of the Alexandra Police Station and Wynberg Magistrates' Court, and the R10 million construction of a school, clinic, teachers' facilities and crèche in the rural Eastern Cape. In both cases, Vodacom worked closely with the communities involved to ensure the projects' successful implementation.

1.2 Recent Projects

- **Health and welfare projects**

  Vodacom assisted the Foundation for Community Development with their relief efforts in Mozambique after recent catastrophic floods there.

  Vodacom's commitment to promoting traditional values saw the sponsorship of the Sivuyile Nonzame Traditional Dancers Dance Trust under the chairmanship of Dr Goqwana, MEC for Health in the Eastern Cape.

Other projects within the health field in which Vodacom has been involved include the:

(i) Distribution, in conjunction with the National Eisteddfod Academy, of sign language posters to clinics around the country.

(ii) Funding of the procurement of educational equipment and library resources for deaf education at the University of the Witwatersrand.

(iii) Funding of feeding schemes in Meadowlands and the Intshinga School.

- **Education projects**

Vodacom awarded 130 bursaries for the 2001 academic year (2000: 90) to people studying in the engineering, computer sciences and accounting fields at universities and technikons across South Africa. The number of bursaries awarded to tertiary students has increased 30% year on year for the past three years. Of the bursaries awarded in 2001, 75% (2000: 74%) were to designated affirmative action students.

Vodacom donated further funding for the benefit of deserving scholars in the Crossroads area. The first R1 million donation was made in late 1998.

Other projects within the education field in which Vodacom has been involved include the:

(i) Installation of computers in previously disadvantaged communities and schools around the country.

(ii) Donation to Readucate for the education and training in six South African prisons, benefiting more than 1,200 prisoners.

- **Safety and security projects**

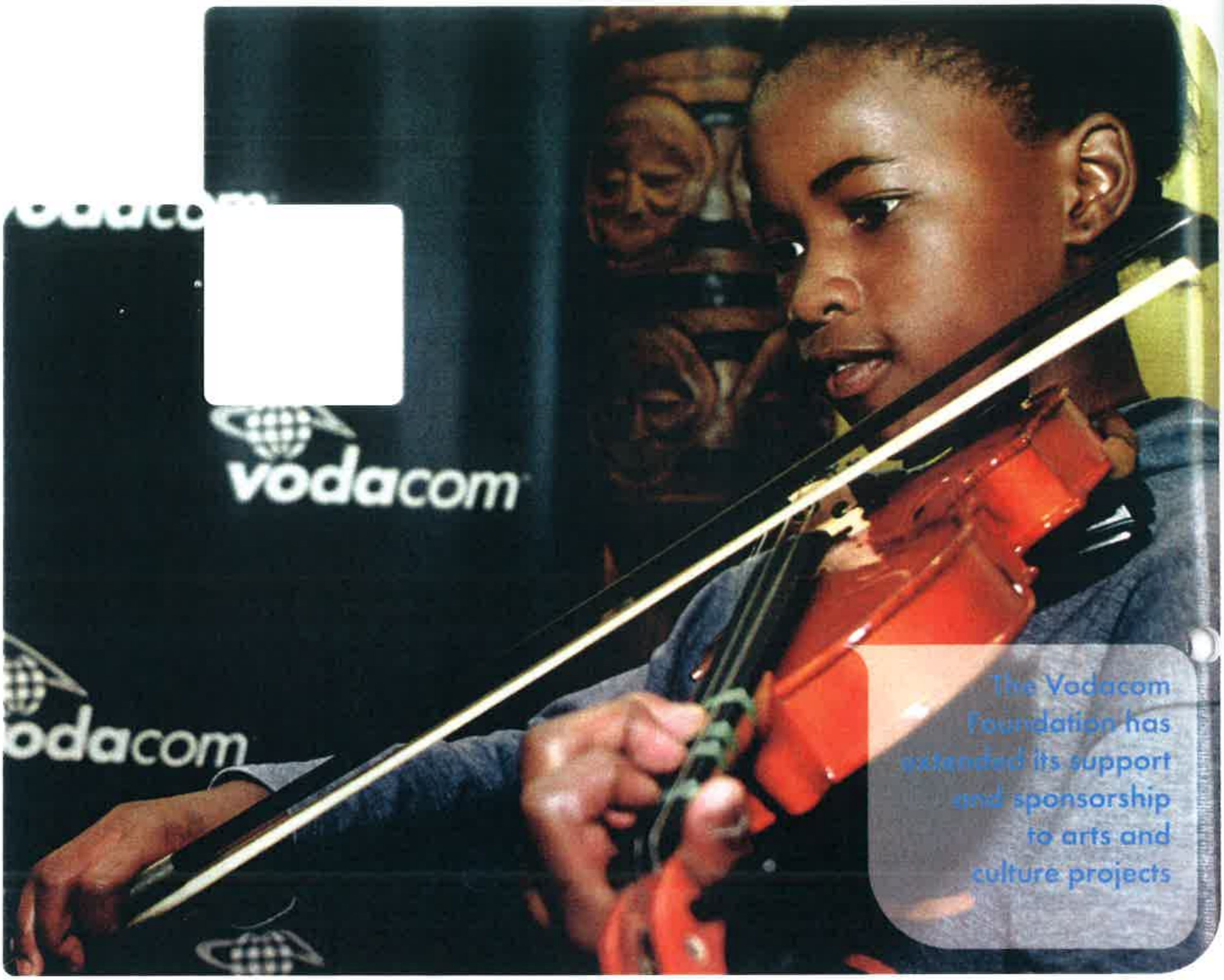
Vodacom pledged a further R1.4 million to the Alexandra Police Station, for essential maintenance and services, as part of its commitment to work in partnership with government to fight crime.

- **Other projects and investments**

The Vodacom Foundation has committed R5 million, over 4 years, to the Nelson Mandela Foundation for furthering its objectives.

In an endeavour to ensure that the future generations of our country are able to live together in harmony, Vodacom donated funding to the Foundation for Tolerance Education.

Vodacom assisted with relief efforts in Mozambique after recent catastrophic floods there



2. Commercial equity

Vodacom (Proprietary) Limited, the Group's largest subsidiary, has successfully embarked on a programme to achieve commercial equity with regards to its suppliers coming from the designated "historically disadvantaged individual or company" (HDI).

The Vodacom HDI Procurement Empowerment Programme (Vodacom HDIP) was established in 1999, to promote expenditure with HDI suppliers (HDIs).

The objective of the Vodacom HDIP is to foster HDI economic empowerment within South Africa through the recruitment of HDI Owned (HDIO) enterprises and HDI Programme (HDIP) enterprises that adhere to Vodacom's Procurement HDI Policy.

- **HDIO enterprises**
  HDIO enterprises are companies or individuals, which are owned and controlled by HDI's.
- **HDIP enterprises**
  HDIP enterprises are companies with a programme for HDI empowerment efforts in place.

2.1 Procurement commercial expenditure

The HDI target for the year ended 31 March 2001 of 30% (2000: 30%) of Vodacom's commercial expenditure with HDIs was achieved, namely 32% (2000: 38%) of the total expenditure, which in monetary terms equates to an increase of 94%.

2.2 Other developments

Three major developments have occurred during the year ended 31 March 2001 that will ensure higher commercial expenditure, both in percentage terms and in value with HDIs, namely:

- **Siemens supply contract amendments**
  In the 3-year Supply Contracts with Siemens, the major supplier of GSM cellular infrastructural equipment to Vodacom, we inserted onerous HDI Empowerment targets into clauses of the agreement requiring that within a three year period:

  (i) 50% of the local content purchasing be from HDIs;

  (ii) Siemens South Africa has a 26% HDI Equity Shareholding; and

(iii) 50% of staff working on Vodacom's account are designated HDI.

Vodacom is inserting similar clauses in the new Alcatel Supply Agreement, another major supplier of GSM cellular infrastructural equipment.

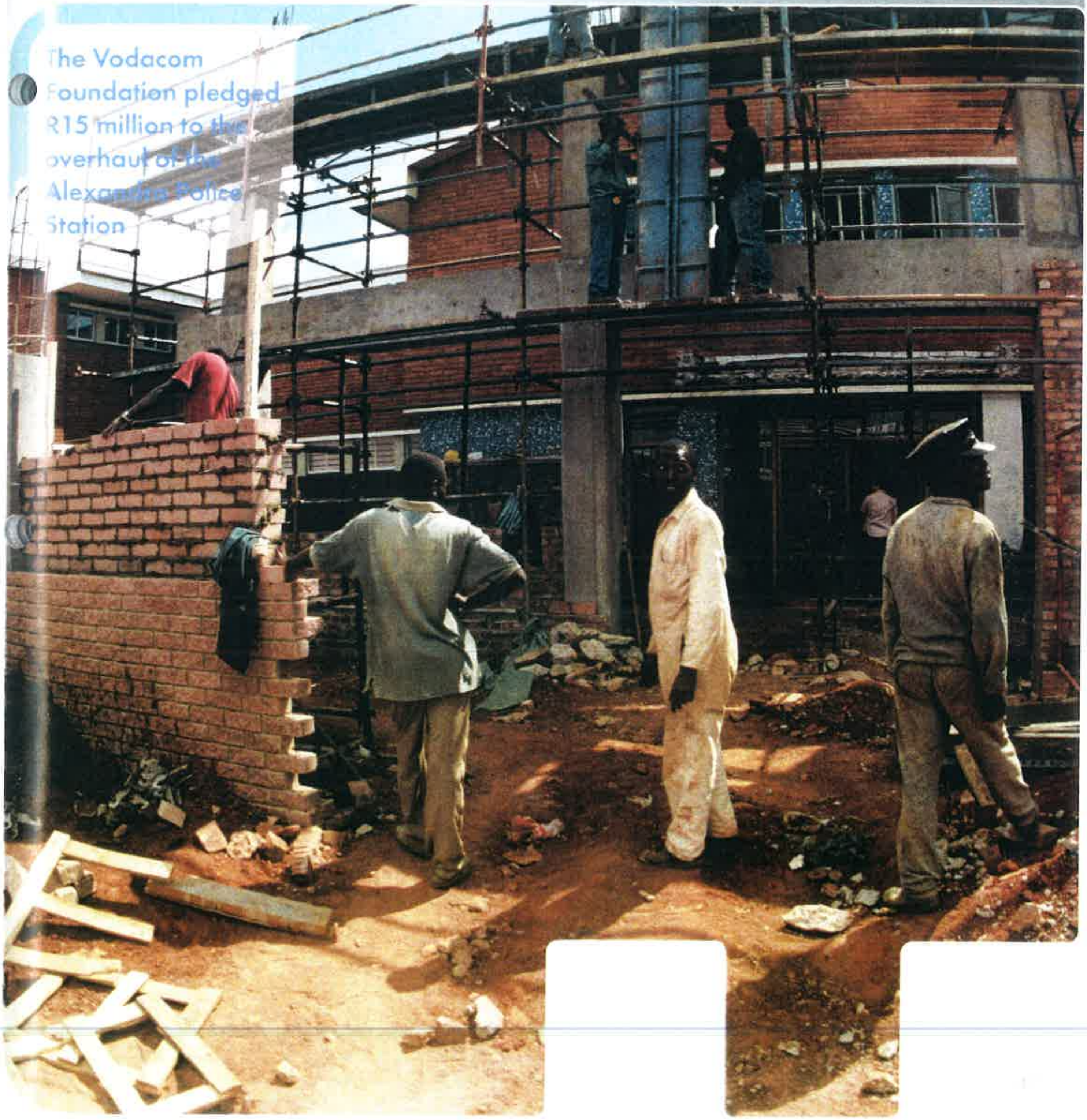
- **HDI supplier of prepaid vouchers**

  As from 1 January 2001, Vodacom is procuring all Pre-paid Vouchers from an HDI Joint Venture Company (Nami-Prepaid).

- **Construction of new buildings**

  In the construction of new office buildings for companies within the Vodacom Group, all members on the professional teams and the main contractors, were appointed on condition of a 30% HDI involvement in the project.

In conclusion, Vodacom not only generates profits for its shareholders, boosts government coffers and provides a service to more than five million people, the company also responds decisively to the needs of the communities in which it does business.



The Vodacom Foundation pledged R15 million to the overhaul of the Alexandra Police Station

VODACOM GROUP (PROPRIETARY) LIMITED

Report on safety, health and environment management

31 March 2001

Vodacom has established an Integrated Quality Management System (IQMS), which has its focus on four key areas, namely:

(i) Quality Management, in terms of ISO 9001;

(ii) Occupational Health and Safety, in terms of the Occupational Health and Safety Act;

(iii) Environmental Management, in terms of ISO 14001; and

(iv) Information Security, in terms of ISO 17799.

A Group-wide steering committee, comprising of management representatives from the South African based subsidiaries in the Vodacom Group (Group), has been established to bring the IQMS to corporate level and to ensure executive management focus. This provides the framework for the implementation and maintenance of the four systems in the respective companies.

1. Review of safety and health activities

The most significant Occupational Health and Safety project conducted during the year was to ensure that the Group is compliant with the South African Occupational Health and Safety Act.

The corporate and regional premises of each South African based subsidiary within the Group were evaluated, using the Health and Safety Legal Audit Consultant's (HASLAC) audit system, during the period July 2000 to February 2001. The average legal compliance percentage achieved by each company was 88%. This was measured against a management target of 85% compliance. It can therefore be concluded that legal compliance has been achieved in all the major buildings housing the following companies:

(i) Vodacom Group (Proprietary) Limited;

(ii) Vodacom (Proprietary) Limited;

(iii) Vodacom Sport & Entertainment (Proprietary) Limited; and

(iv) Globalstar Southern Africa (Proprietary) Limited.

Health and safety analyses for Vodacom Service Provider Company (Proprietary) Limited are still in progress.

No such audits have been performed in the Group's operations in Lesotho and Tanzania due to the fact that their legislation differs from South Africa.

2. Review of environment management

Vodacom has a duty to ensure that it protects the quality of the natural environment, while offering the benefits of cellular technology.

Vodacom recognises that meeting the needs of clients includes accepting responsibility for environmental impacts associated with the Group's activities. To ensure that these impacts are minimised and managed in a sound and responsible way, Vodacom is committed to the principles and conditions as set out in its Corporate Environmental Policy.

2.1 Environment policy

Vodacom's environmental policy is based on requirements set out in ISO 14001 on Environmental Management Systems, which defines an environmental policy as:

"A statement by the organisation of its intentions and principles in relation to its overall environmental performance and which provides a framework for action and for the setting of its environmental objectives and targets."

2.2 ISO 14001 certification

Vodacom's Environmental Management System was formally certified ISO 14001 compliant by Bureau Veritas Quality International (BVQI).

Minister of Environmental Affairs and Tourism, Valli Moosa, presented the ISO 14001 certificate to the Managing Director of Vodacom (Proprietary) Limited, Andrew Mthembu, in July 1999 at a media function held at Vodaworld.

Vodacom Group (Proprietary) Limited now too boasts ISO 14001 certification, which was achieved at the beginning of 2001.

2.3 Recent projects

Given the geographic extent of Vodacom's operations and the competitive nature of the cellular industry, Vodacom has a duty to ensure that it is protecting the quality of the natural environment.

One of the most visible impacts Vodacom has on the environment is the construction of base stations. Vodacom's environmental management system ensures that sites are constructed to strict environmental standards and guidelines. These include an environmental checklist, which takes into consideration issues such as the identification and effect on sensitive vegetation and on sites of an historical and archaeological importance, as well as the visual impact of masts.

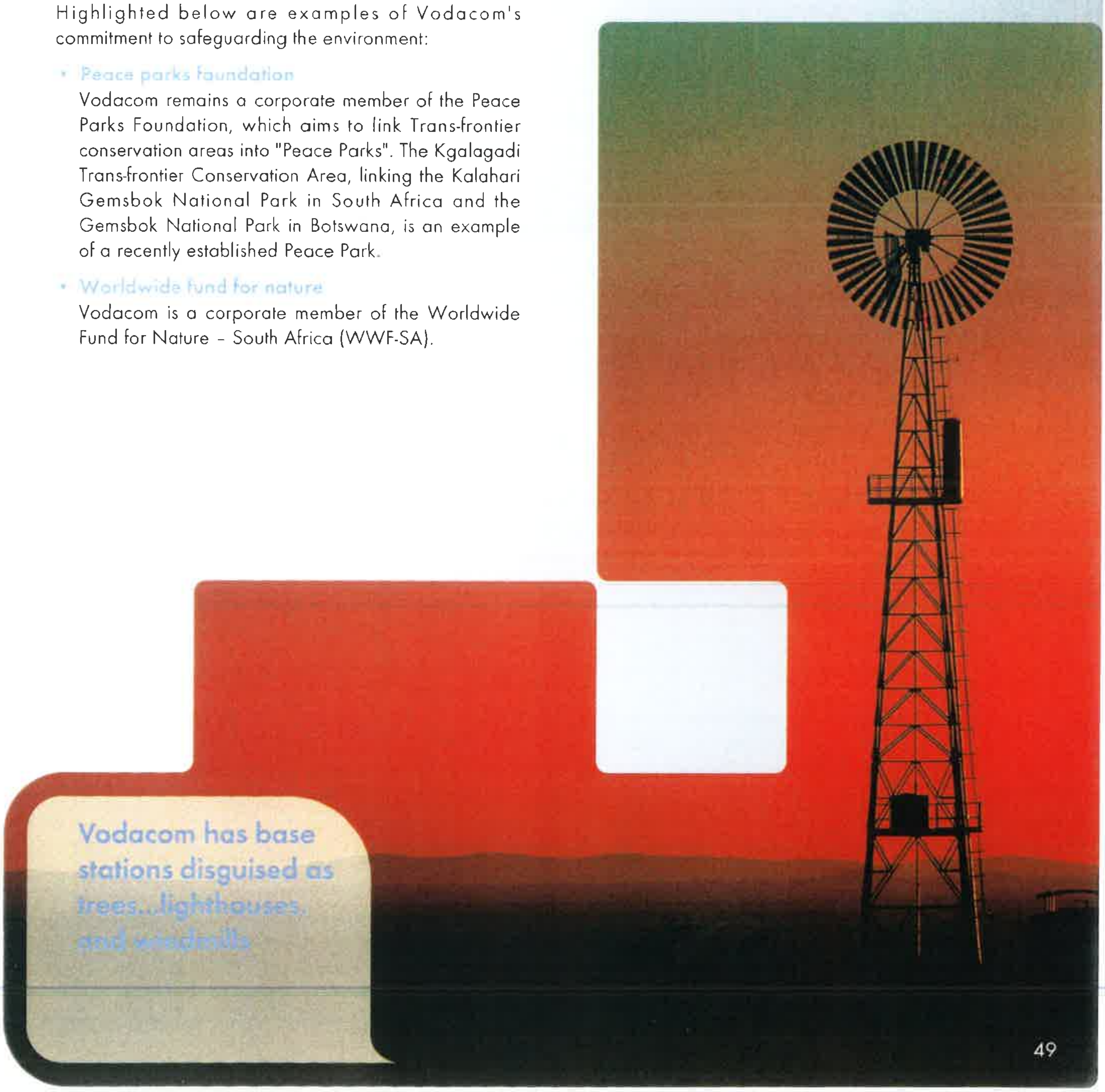
One of the most successful results of this approach is the camouflaging of base stations, in which Vodacom has become a world leader. Vodacom currently has base stations disguised as trees, including palms, cypresses and pines, lighthouses, and windmills.

Vodacom's progress in achieving its environmental objectives will not only be monitored internally, but will be audited annually by external and independent consultants. Part of our commitment is to maximise the development of technology and innovation that offer techniques to minimise the visual impact on the environment, for example micro base stations, which are totally unobtrusive, are already extensively used in metropolitan areas.

2.4 Other environmental projects

Vodacom has been at the forefront of many conservation issues during the 2001 financial year. Highlighted below are examples of Vodacom's commitment to safeguarding the environment:

- **Peace parks foundation**
  Vodacom remains a corporate member of the Peace Parks Foundation, which aims to link Trans-frontier conservation areas into "Peace Parks". The Kgalagadi Trans-frontier Conservation Area, linking the Kalahari Gemsbok National Park in South Africa and the Gemsbok National Park in Botswana, is an example of a recently established Peace Park.
- **Worldwide fund for nature**
  Vodacom is a corporate member of the Worldwide Fund for Nature - South Africa (WWF-SA).
- **Wildlife college**
  The Wildlife College in Mpumulanga this year benefited from donation from Vodacom. The College is an example of the WWF-SA's environmental initiatives. The college trains people from areas adjacent to wildlife sanctuaries in resource management, wildlife management and nature conservation.
- **Wildlife breeding resource centre**
  Vodacom funds the Wildlife Breeding Resource Centre (WBRC), a working group of the Endangered Wildlife Trust. The WBRC is Africa's only full-time Genome Resource Banking centre for wildlife. Vodacom's support has helped the WBRC develop a technique known as Assisted Reproduction Technology as a conservation tool for the protection of Africa's threatened wildlife species.



VODACOM GROUP (PROPRIETARY) LIMITED

Consolidated value added statement

for the year ended 31 March 2001

The value added statement reflects how the value created by the Group is distributed to the various stakeholders in the Group.

The value added shows the value created through operating and investment activities. The value distributed summarises how value created is distributed among the Group's employees, providers of the Group's finance and government, or reinvested in the Group for the replacement of assets, further development of operations and future creation of value.

	2001 R'mil	2001 %	2000 R'mil	2000 %
Value added (excluding value added tax)				
Value added by operating activities	5,339.9	99.5	4,074.8	96.2
Revenue	13,263.5		9,664.9	
Net operating expenses	(7,923.6)		(5,590.1)	
Value added by investing activities	25.4	0.5	161.3	3.8
Income from investments	–		130.0	
Interest income	25.4		31.3	
	5,365.3	100.0	4,236.1	100.0
Value distributed				
Distributed to employees	922.3	17.2	684.7	16.1
Salaries, wages, medical and other benefits	879.8		654.9	
Pension and retirement fund contributions	42.5		29.8	
Distributed to providers of finance	926.1	17.3	567.2	13.4
Finance costs	446.1		567.2	
Dividends	480.0		–	
Distributed to government	834.2	15.5	559.0	13.2
SA normal taxation	771.2		556.2	
Secondary taxation on companies	60.5		1.0	
Foreign taxation	2.5		1.8	
Value reinvested	1,810.2	33.7	1,066.7	25.2
Depreciation of property plant and equipment	1,369.9		1,025.3	
Amortisation of intangible assets	245.5		62.6	
Exceptional items	213.2		–	
Deferred taxation	(18.4)		(21.2)	
Value retained	872.5	16.3	1,358.5	32.1
Retained profit (adjusted for dividends)	881.7		1,359.0	
Outside shareholders interest	(9.2)		(0.5)	
	5,365.3	100.0	4,236.1	100.0

VODACOM GROUP (PROPRIETARY) LIMITED

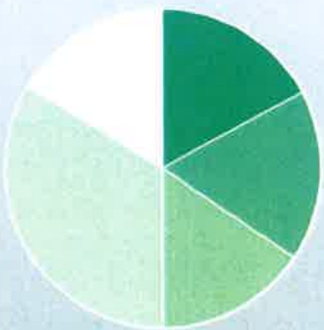
Notes to the consolidated value added statement

for the year ended 31 March 2001

	2001 R'mil	2000 R'mil
1. Net operating expenses		
Cost of sales	8,054.2	5,588.8
Other operating income	(48.5)	(14.5)
Marketing expenses	514.6	596.5
Administration expenses	773.2	444.6
Depreciation of property, plant and equipment	(1,369.9)	(1,025.3)
	7,923.6	5,590.1

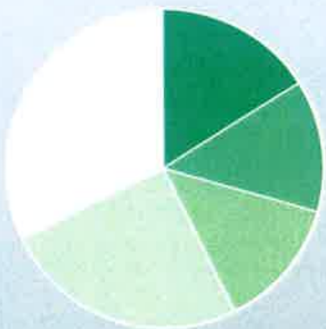
2. Analysis of value distributed

Value Distributed 2001



Employees
Providers of finance
Government
Reinvested
Retained

Value Distributed 2000



10 Translation of selected financial data

31 March 2001

The consolidated annual financial statements on these pages have been expressed in US Dollars (USD) and Pounds Sterling (GBP) for information purposes.

	2001 USD'mil	2000 USD'mil	2001 GBP'mil	2000 GBP'mil
Income statement				
Revenue	1,811.6	1,568.9	1,222.3	974.0
Profit from operations	416.3	383.9	280.9	238.3
Exceptional items	(29.1)	-	(19.6)	-
Amortisation of intangible assets	(33.5)	(10.2)	(22.6)	(6.3)
Income from investments	-	21.1	-	13.1
Net finance costs	(57.5)	(87.0)	(38.8)	(54.0)
Profit before taxation	296.2	307.8	199.9	191.1
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	603.4	550.3	407.1	341.7
Balance sheet				
Non-current assets	1,096.5	1,063.6	774.6	668.2
Property, plant and equipment	964.7	897.9	681.5	564.1
Intangible assets	88.8	123.9	62.7	77.9
Other non-current assets	43.0	41.8	30.4	26.2
Current assets	362.6	427.5	256.2	268.6
Inventory	49.6	34.1	35.0	21.4
Accounts receivable	293.5	249.9	207.3	157.0
Bank and cash balances	19.5	143.6	13.8	90.2
Total assets	1,459.1	1,491.1	1,030.8	936.8
Shareholders' equity	577.1	578.3	407.7	363.3
Minority interest	(1.4)	(0.3)	(1.0)	(0.2)
Non-current liabilities	177.6	175.1	125.5	110.0
Interest-bearing debt	111.6	125.3	78.8	78.7
Other non-current liabilities	66.0	49.7	46.7	31.3
Current liabilities	705.8	738.0	498.6	463.7
Accounts payable and provisions	423.1	300.0	298.9	188.5
Bank and cash balances	118.7	222.6	83.8	139.8
Other current liabilities	164.0	215.4	115.8	135.3
Total equity and liabilities	1,459.1	1,491.1	1,030.8	936.8

	2001 USD'mil	2000 USD'mil	2001 GBP'mil	2000 GBP'mil
Cash flow statement				
Cash flows from operating activities	536.1	268.9	361.8	167.0
Cash flows from investing activities	(432.7)	(430.7)	(292.0)	(267.4)
Property, plant and equipment	(417.1)	(316.0)	(281.4)	(196.2)
Investments and intangible assets	(15.6)	(114.7)	(10.6)	(71.2)
Cash flows from financing activities	(141.8)	104.9	(95.7)	65.1
Shareholder loans	(20.5)	–	(13.8)	–
Non-current liabilities	(121.3)	104.9	(81.9)	65.1
Net decrease in cash	(38.4)	(56.9)	(25.9)	(35.3)

The average rates for the year has been used to translate income statement and cash flow statement items, while the balance sheet has been translated at the exchange rate at balance sheet date.

	USD	USD	GBP	GBP
The following are the applicable rates:				
Closing	8.0325	6.5200	11.3708	10.3780
Average	7.3214	6.1603	10.8509	9.9227

VODACOM GROUP (PROPRIETARY) LIMITED

11 Analysis of shareholders

31 March 2001

Shareholder	Holding
Telkom SA Limited	50%
Vodafone Group plc	31.5%
VenFin Limited	13.5%
Hosken Consolidated Investments Limited	5%

VODACOM GROUP (PROPRIETARY) LIMITED

The authorised (100 000 ordinary shares of 1 cents each) and issued (10 000 ordinary shares of 1 cents each) share capital remained unchanged during the year. Shareholder loans have been given in the same proportion as the shareholders' percentage holding. The following represents the corporate profile of the shareholders:

Telkom

Telkom SA Limited (Telkom) is currently South Africa's sole fixed-line telecommunication service provider and is licensed to provide public switched telecommunication services and value-added network services.

In May 1997, the South African Government sold 30% of its equity stake to Thintana Communications, a consortium comprising of SBC International (18%) and Telekom Malaysia (12%). Telkom was granted five-year exclusivity until May 2002 and has a monopoly on the provision of local, long distance, international and public payphone services, as well as telecommunication facilities in terms of its public switched telecommunication service licence. In return, Telkom is obliged to install 2.8 million new lines, including payphones, replace 1.2 million analogue lines, and meet service performance targets.

Telkom owns 50% of Vodacom Group (Proprietary) Limited.

vodafone

Vodafone Group plc (Vodafone) is the world's largest mobile telecommunications company and is headquartered in Newbury in the United Kingdom. Vodafone's market capitalisation, at present, is around £124.6 billion.

The company grew through the merger in June 1999 of Vodafone Group plc and AirTouch Communications Inc and has interests in mobile telephone networks in 23 countries on four continents.

Vodafone's proportionate customer base at the end of March 2001 stood at 83 million users and there were over 188 million customers served by companies which Vodafone controls or in which it has an investment.

GTE, Bell Atlantic and Vodafone recently reached a definitive agreement to create a new wireless business Verizon Wireless, with a national footprint, a single brand and a common digital technology across the United States (U.S.), composed of GTE's, Bell Atlantic's and Vodafone's U.S. wireless assets. The new business will serve approximately 20 million wireless customers and 3.5 million paging customers throughout the U.S., making it by far the largest wireless business in that country. The new enterprise will have a footprint covering more than 90% of the U.S. population and 96 of the top 100 U.S. mobile telecommunications markets. Vodafone owns a 45% interest in the new venture.

In the first quarter of 2000, German firm Mannesmann AG's shareholders agreed to a €180 billion merger with Vodafone. The merger of Vodafone and Mannesmann is a combination of two highly successful companies and management teams that will create one of the world's leading telecommunications groups. Mannesmann, a well-known industrial and manufacturing concern, has refocused on telecommmunications over the past decade and has built a wireless and fixed network.

Vodafone has also been selected as a long-term strategic partner of China Mobile (Hong Kong), acquiring a 2.5% stake in the Chinese company. Other recent corporate developments have seen acquisitions in Ireland and Switzerland, purchase of a stake in Mexico and an increased stake in Japan. The Group's joint venture with Vivendi, Vizzavi, has began implementing a multi-access Internet portal across Europe with launches expected in New Zealand and Australia by March 2001.

Vodafone owns 31.5% of Vodacom Group (Proprietary) Limited through its wholly owned subsidiary, Vodafone Holdings (SA) (Proprietary) Limited.

VenFin Limited

Venfin Limited (VenFin) is an investment holding company that was established through the reorganisation of Rembrandt Group Limited (Rembrandt) in September 2000. It consists of the telecommunication, technology and media oriented interests of Rembrandt and other technology investments made subsequent to the restructuring. VenFin is listed on the JSE Securities Exchange in South Africa and has a market capitalisation of nearly R10 billion.

VenFin owns 13.5% of Vodacom Group (Proprietary) Limited through its wholly owned subsidiary, Van Rijn Beleggingskorporasie Limited.

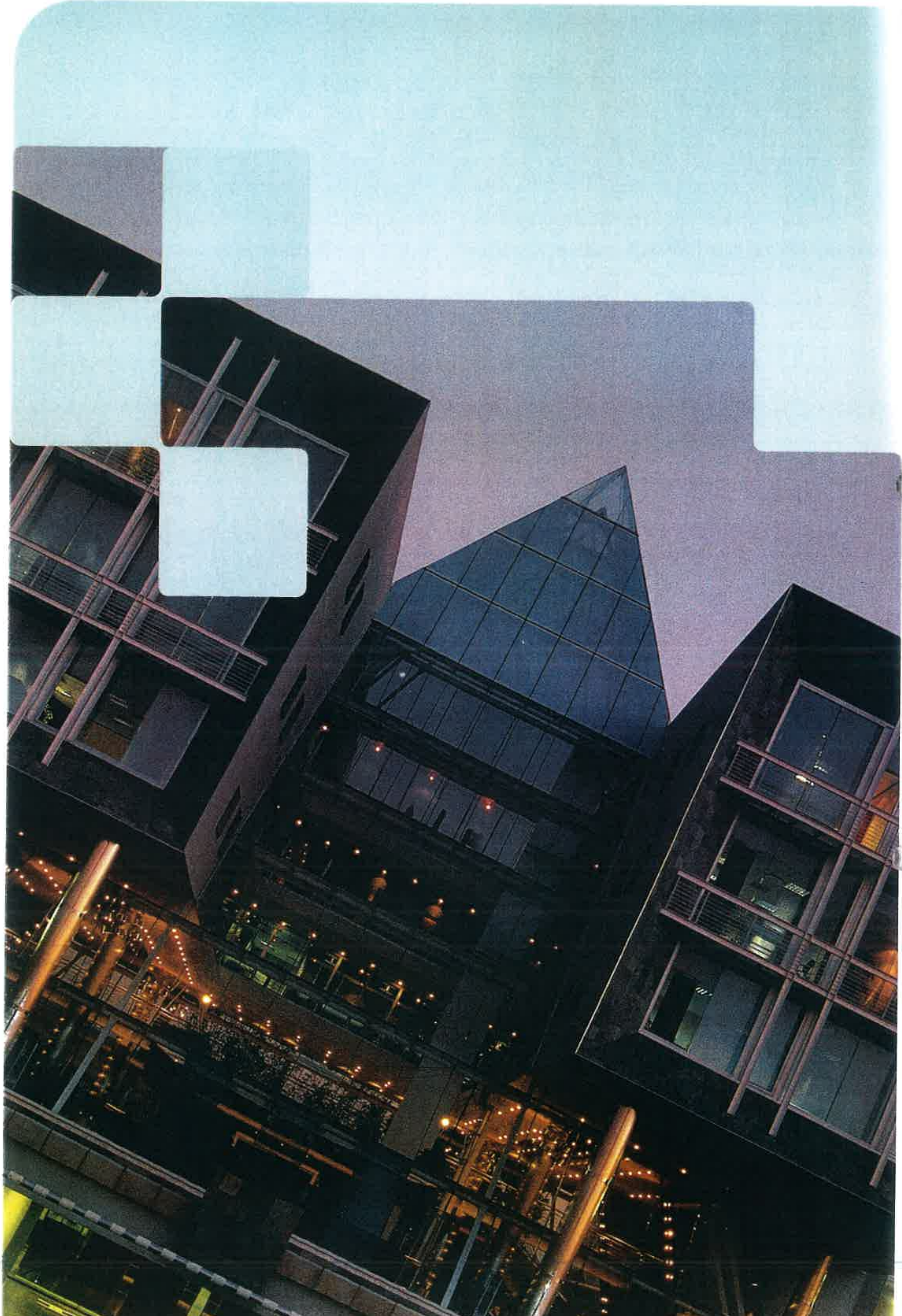
HCI

Hosken Consolidated Investments

Hosken Consolidated Investments Limited (HCI) is involved in high growth technology industries via cellular telecommunications and information technology, media, and video gaming interests, and in financial services. HCI's market capitalisation, at present, is R1.4 billion.

HCI is a trade union investment vehicle and is controlled by the South African Clothing and Textile Workers' Union (SACTWU) and the National Union of Mineworkers (NUM).

HCI owns 5% of Vodacom Group (Proprietary) Limited through its wholly owned subsidiary, Descarte Investments No.8 (Proprietary) Limited.



Consolidated Annual Financial Statements

Contents

VODACOM GROUP (PROPRIETARY) LIMITED

Statement of responsibility by the board of directors

The directors are responsible for the preparation, integrity and fair presentation of the consolidated annual financial statements of Vodacom Group (Proprietary) Limited.

The consolidated financial statements have been audited by the independent accounting firms PricewaterhouseCoopers Inc. and Deloitte & Touche, which were given unrestricted access to all financial records and related data, including the minutes of meetings of the shareholders, board of directors 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 independent auditors is presented on the next page.

The consolidated financial statements for the year ended 31 March 2001, presented on pages 60 to 106, have been prepared in accordance with International Accounting Standards. They are based on appropriate accounting policies which have been consistently applied, and which are supported by reasonable and prudent judgements and estimates. The going concern basis has been adopted in preparing the consolidated 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 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, identify material breakdowns and implement timely corrective action.

The consolidated financial statements were approved by the board of directors on 13 June 2001 and are signed on its behalf:

WYN Luhabe
Non-Executive Chairman

ADC Knott-Craig
Group Chief Executive Officer

Certificate by the group finance director

In my capacity as Group Finance Director, I hereby confirm that for the year ended 31 March 2001, the Group has lodged with the Registrar of Companies all such returns required in terms of relevant company registration and that all such returns are true, correct and up to date.

L Crouse
Group Finance Director

eport of the independent auditors

o the members of Vodacom Group (Proprietary) Limited

We have audited the consolidated annual financial statements, set out on pages 60 to 106, for the year ended 31 March 2001. These consolidated financial statements are the responsibility of the Group's directors. Our responsibility is to express an opinion on the consolidated financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures included in the consolidated financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit Opinion

In our opinion the consolidated financial statements fairly present, in all material respects, the financial position of the Group at 31 March 2001 and the results of their operations and cash flows for the year then ended in conformity with International Accounting Standards and in the manner required by the Companies Act, in South Africa.

Deloitte & Touche

Deloitte & Touche

Registered Accountants
and Auditors
Chartered Accountants (SA)

Pretoria
13 June 2001

PricewaterhouseCoopers Inc.

PRICEWATERHOUSECOOPERS

Registered Accountants
and Auditors
Chartered Accountants (SA)

Pretoria
13 June 2001

Directors' report
31 March 2001

The directors have the pleasure of presenting their report, which forms part of the audited consolidated annual financial statements, for the year ended 31 March 2001.

Nature of business

The principal nature of business of Vodacom Group (Proprietary) Limited (Vodacom) is the investment in the telecommunications industry through its subsidiaries. The principal nature of business of the Vodacom Group (Group) as a whole is the provision of voice and data communication services to its subscriber base.

Material changes in the group

On 1 July 2000 the businesses of GSM Cellular (Proprietary) Limited, Cellphones Direct (Proprietary) Limited and Vodac (Proprietary) Limited were merged with the business of Teljoy Cellular Services (Proprietary) Limited. Effective 1 July 2000, Teljoy Cellular Services (Proprietary) Limited changed its name to Vodacom Service Provider Company (Proprietary) Limited.

The activities of Vodacare (Proprietary) Limited and Vodacom Equipment Company (Proprietary) Limited were also merged into Vodacom Service Provider Company (Proprietary) Limited on 1 November 2000.

Review of activities and results

Revenue for the year was R13.3 billion (2000: R9.7 billion), representing a 37.2% increase over the previous year. This is largely attributable to the 69.2% increase in the total cellular subscriber base. Total cellular subscribers on the Vodacom (Proprietary) Limited, Vodacom Lesotho (Proprietary) Limited and Vodacom Tanzania Limited networks at 31 March 2001 were 5,212,242 (2000: 3,080,740), which includes 4,124,854 prepaid subscribers (2000: 2,081,803).

Profit from operations before exceptional items for the year was R3.0 billion compared to the prior year figure of R2.4 billion. For further information on the exceptional items, of R213.2 million during the year, refer to note 2 to the consolidated financial statements.

Earnings before interest, taxation, depreciation and amortisation (EBITDA), excluding exceptional items, of R4.4 billion (2000: R3.4 billion) has grown by 30.3% from the prior year. The compound growth in EBITDA over the past 4 years was 53.9%. EBITDA as a percentage of revenue for the year was 33.3% (2000: 35.1%). The impact of excluding cellular equipment sales and profit increases EBITDA as a percentage of revenue to 38.4% (2000: 40.8%).

Headline earnings per share for the year was R178,630 (2000: R130,190), a 37.2% increase over the previous year.

Further information on the activities and performance of the Group is presented in the consolidated income statement, and notes thereto, and Annexure 2 – Segment Analysis Report.

International accounting standards

During the year ended 31 March 2000, the Group adopted International Accounting Standards (IAS) as its primary basis of accounting. The effects of this adoption were brought into effect in that year, with the exception of IAS 39 – Financial Instruments: Recognition and Measurement, which has an effective application date for financial years commencing on or after 1 January 2001.

Dividends

An ordinary dividend of R480.0 million (2000: R'nil) was declared on 15 March 2001 for the current year and is payable on 29 June 2001.

Property, plant and equipment

During the year the Group invested R3.2 billion (2000: R2.0 billion) in network infrastructure, information technology, community services and other assets. The capital expenditure was funded by internal cash generation, extended supplier credit and bank credit.

Commitments at 31 March 2001 in respect of contracts for orders placed for the new financial year amount to R1.6 billion (2000: R0.7 billion). Commitments at 31 March 2001 not yet contracted for amount to R3.7 billion (2000: R3.5 billion).

Further information on investments in property, plant and equipment of the Group is presented in note 10 to the consolidated annual financial statements.

Investment activities

Change in nature of investments

Vodacom Tanzania Limited, Vodacom Lesotho (Proprietary) Limited and Vodacom Sport & Entertainment (Proprietary) Limited were accounted for as joint ventures in the prior year. Film Fun Holdings (Proprietary) Limited, trading as Teljoy Television, was accounted for as an investment in the prior year.

These investments have now been consolidated due to changes in shareholding, shareholder agreements or investment intention.

Vodacom Tanzania

Vodacom obtained a further 14% equity interest in Vodacom Tanzania Limited on 14 July 2000 bringing the shareholding to 65%, with Tanzanian companies, Planatel Communication

Limited, holding 19%, and Caspian Construction Company Limited, holding 16%. Shareholder loans to the value of US$3.9 million (R27.4 million) were advanced during the year.

The R28.9 million purchase price for the 14% equity interest comprised of the fair value of net liabilities acquired of R9.6 million, minority and other interest of R8.3 million, and goodwill of R30.2 million.

Globalstar

Vodacom acquired 100% of the share capital of Globalstar Southern Africa (Proprietary) Limited with effect from 1 August 2000. The principal nature of the business of the company is that of a provider of wholesale satellite airtime to cellular networks in Southern Africa.

The purchase price of R101.1 million comprised of the fair value of assets of R43.5 million, goodwill of R24.6 million and shareholder loans of R33.0 million.

The total goodwill on acquisition and the total net asset value of the company was impaired by R172.6 million. This was due to the fact that no satellite license has been issued by the Independent Communications Authority of South Africa (ICASA) and Globalstar Limited Partnership, the international satellite company, a listed company in the United States of America, is expected to go into Chapter 11 bankruptcy protection.

Further financial information in respect of interests in subsidiaries and joint ventures of the company is disclosed in Annexures 3 and 4 to the consolidated financial statements, respectively, and notes 28 and 29 to the consolidated financial statements, respectively.

Long-term funding

A loan from Commerzbank AG of R150 million was repaid on 21 May 2000.

An option agreement between Vodacom and RMB Corporate Finance (Proprietary) Limited for the purchase of the shares in Teljoy Holdings Limited lapsed on 3 April 2000 and Vodacom repaid RMB Corporate Finance (Proprietary) Limited the purchase consideration of R670 million on 17 April 2000.

Share capital and shareholder loans

The authorised and issued share capital remained unchanged during the year. Shareholder loan repayments during the year totalled R150 million.

The issued share capital of R100 and shareholder loans of R920 million (2000: R1,070 million) are ultimately held in the following percentages, which remained unchanged during the year:

Telkom SA Limited	50.0%
Vodafone Group plc	31.5%
VenFin Limited	13.5%
Hosken Consolidated Investments Limited	5.0%
	100.0%

Refer to the Analysis of Shareholders, set out on page 55, for details of the ultimate and effective shareholders. Refer to note 19 to the consolidated financial statements for further details of the shareholder loans.

Events subsequent to the year-end

The directors are not aware of any events that occurred subsequent to the balance sheet date that would have a material impact on the results of the Group.

Directors and secretary

The following movements in the directorate and company secretary took place during the year:

Directors

- Resignations

HA Kuropatwa *	01/08/2000
JM Pieterse	14/09/2000
MJ Pitt *	01/08/2000

- Appointments

PR Bamford *	01/08/2000
AN Halford *	01/08/2000
MSA Joosub	14/09/2000

Company secretary

- Resignations

Corporate Governance CC	01/08/2000

- Appointments

The position of company secretary was vacant at the date of signing this report.

Alternate Directors

- Resignations

WE Bührmann	09/11/2000

- Appointments

JJ Durand	09/11/2000
JM Horn-Smith *	01/08/2000
HA Kuropatwa *	01/08/2000
MJ Pitt *	01/08/2000

* British

Further details of the board are presented in Board of Directors, set out on page 6, as well as Directorate and Administration, set out on page 107.

Business and postal addresses

Business address

Vodacom Corporate Park
082 Vodacom Boulevard
Vodavalley
MIDRAND
1683

Postal address

Private Bag X9904
SANDTON
2146

Auditors

PricewaterhouseCoopers Inc. and Deloitte & Touche will continue in office in accordance with Section 270(2) of the Companies Act.

VODACOM GROUP (PROPRIETARY) LIMITED

Consolidated income statement
for the year ended 31 March 2001

	Notes	2001 R'mil	2000 R'mil
Revenue	1	13,263.5	9,664.9
Cost of sales		(8,054.2)	(5,588.8)
Gross profit		5,209.3	4,076.1
Other operating income		48.5	14.5
Staff expenses		(922.3)	(684.7)
Administration expenses		(773.2)	(444.6)
Marketing expenses		(514.6)	(596.5)
Profit from operations before exceptional items		3,047.7	2,364.8
Exceptional items	2	(213.2)	-
Profit from operations after exceptional items	3	2,834.5	2,364.8
Amortisation of intangible assets	4	(245.5)	(62.6)
Investment income and gains	5	-	130.0
Profit before finance costs		2,589.0	2,432.2
Net finance costs	6	(420.7)	(535.9)
Profit before taxation		2,168.3	1,896.3
Taxation	7	(815.8)	(537.8)
Profit after taxation		1,352.5	1,358.5
Minority interest		9.2	0.5
Net profit		1,361.7	1,359.0
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	8	4,417.6	3,390.1
		R	R
Basic earnings per share	9	136,170	135,900
Headline earnings per share	9	178,630	130,190
Dividend per share	9	48,000	-

VODACOM GROUP (PROPRIETARY) LIMITED

Consolidated balance sheet

at 31 March 2001

	Notes	2001 R'mil	2000 R'mil
Assets			
Non-current assets		8,807.8	6,934.4
Property, plant and equipment	10	7,749.2	5,854.1
Intangible assets	11	713.4	808.0
Investment in subsidiary	12	-	121.6
Other investments	13	13.4	15.7
Deferred taxation	14	331.8	135.0
Current assets		3,553.3	2,787.6
Inventory	15	398.4	222.1
Accounts receivable	16	2,357.3	1,629.4
Bank and cash balances		797.6	936.1
Total assets		12,361.1	9,722.0
Equity and liabilities			
Capital and reserves		4,635.6	3,770.3
Share capital	17	-	-
Distributable reserves		3,581.4	2,699.7
Non-distributable reserves	18	134.2	0.6
Shareholder loans	19	920.0	1,070.0
Minority interest		(11.4)	(2.2)
Non-current liabilities		1,427.2	1,142.1
Interest-bearing debt	20	896.1	817.2
Non-interest-bearing debt	21	32.4	4.3
Deferred taxation	14	498.7	320.6
Current liabilities		6,309.7	4,811.8
Accounts payable	22	3,019.4	1,661.4
Provisions	23	379.4	294.7
Shareholders for dividend		483.8	0.1
Taxation payable		832.9	560.1
Current portion of interest-bearing debt	20	0.5	844.4
Bank overdraft and other short-term debt		1,593.7	1,451.1
Total equity and liabilities		12,361.1	9,722.0

Consolidated statement of changes in equity
for the year ended 31 March 2001

	Share capital R'mil	Distributable reserves R'mil	Non-distributable reserves R'mil	Shareholder loans R'mil	Total R'mil
2001					
Balance at 31 March 2000	-	2,699.7	0.6	1,070.0	**3,770.3**
Net profit	-	1,361.7	-	-	**1,361.7**
Dividends declared	-	(480.0)	-	-	**(480.0)**
Shareholder loans repaid	-	-	-	(150.0)	**(150.0)**
Forward exchange contract equity	-	-	136.5	-	**136.5**
Foreign currency translation reserve	-	-	(2.9)	-	**(2.9)**
Balance at 31 March 2001	-	3,581.4	134.2	920.0	**4,635.6**
2000					
Balance at 31 March 1999	-	1,340.7	-	1,070.0	2,410.7
Net profit	-	1,359.0	-	-	1,359.0
Foreign currency translation reserve	-	-	0.6	-	0.6
Balance at 31 March 2000	-	2,699.7	0.6	1,070.0	3,770.3

Consolidated cash flow statement
for the year ended 31 March 2001

	Notes	2001 R'mil	2000 R'mil
Cash flow from operating activities			
Cash receipts from customers		12,681.1	9,712.4
Cash paid to suppliers and employees		(7,774.1)	(7,215.1)
Cash generated from operations	24	4,907.0	2,497.3
Finance costs paid	25	(439.5)	(554.3)
Interest income received		25.4	31.3
Taxation paid	26	(567.6)	(318.3)
Dividends received		-	0.7
Net cash inflow from operating activities		3,925.3	1,656.7
Cash flow from investing activities			
Additions to property, plant and equipment	27	(3,136.7)	(2,008.5)
Proceeds on disposal of property, plant and equipment		83.0	61.7
Additions to licences		(0.1)	(3.5)
Additions to subscriber bases		-	(7.5)
Net acquisition of subsidiaries	28	(113.8)	(699.3)
Net acquisition of joint venture	29	-	(68.9)
Disposal of internet division	30	-	199.8
Merger costs		(13.7)	-
Advances paid in respect of Globalstar Southern Africa (Proprietary) Limited		(4.9)	-
Acquisition of minority interest		-	(1.0)
Disposal / (acquisition) of other investments		18.0	(126.1)
Net cash outflow from investing activities		(3,168.2)	(2,653.3)
Cash flow from financing activities			
Interest-bearing debt (repaid) / raised		(847.4)	661.2
Shareholder loans repaid		(150.0)	-
Non-interest-bearing debt repaid		(16.9)	-
Finance leases repaid		(23.9)	(15.1)
Net cash (outflow) / inflow from financing activities		(1,038.2)	646.1
Net decrease in cash and cash equivalents		(281.1)	(350.5)
Cash and cash equivalents at the beginning of the year		(515.0)	(164.5)
Cash and cash equivalents at the end of the year	31	(796.1)	(515.0)

Statement of accounting policies
31 March 2001

Basis of preparation

These consolidated annual financial statements have been prepared in accordance with International Accounting Standards as the primary basis of accounting and have been prepared on the historical cost basis, unless otherwise indicated. The consolidated annual financial statements have been presented in South African Rands, as this is the currency in which the majority of the Group's transactions are denominated.

The principal accounting policies are consistent in all material respects with those applied in the previous period. The following are the principal accounting policies adopted by the Group in the preparation of these consolidated financial statements:

1 Consolidation

1.1 Basis of consolidation

The consolidated financial statements include the consolidated financial position, results of operations and cash flows of Vodacom Group (Proprietary) Limited and its subsidiaries, both foreign and domestic.

Joint ventures are included using the proportionate consolidation method, whereby the Group's share of the assets, liabilities, income, expenses and cash flows of joint ventures are combined on a line-by-line basis with similar items in the consolidated financial statements.

Subsidiaries and joint ventures where control is intended to be temporary, as they are acquired and held exclusively with a view to their subsequent disposal in the near future or the subsidiary or joint venture is operating under severe long-term restrictions which significantly impairs its ability to transfer funds, are not consolidated, or proportionately consolidated. Such subsidiaries and joint ventures are accounted for as investments in terms of the accounting policy for Financial Instruments. The Group, however, does not speculate in the acquisition and disposal of investments.

Minority interests in the consolidated balance sheet and income statement are separately presented.

Goodwill, or negative goodwill, on the acquisition of subsidiaries, joint ventures and associates is accounted for in accordance with the Group's accounting policy for Business Combinations set out below.

1.2 Business combinations

- **Acquisitions in a business combination**

Business combination acquisitions are accounted for using the purchase method of accounting, whereby the acquisition is accounted for at its cost plus any costs directly attributable to the acquisition. Cost represents the cash or cash equivalents paid or the fair value, at the date of the acquisition, of the purchase consideration. Business combinations include the acquisition of subsidiaries, joint ventures and associates.

On acquisition, the identifiable assets and liabilities of the relevant subsidiaries, joint ventures or associates are measured at the Group's interest in their fair value at the date of acquisition. The interest of minority shareholders, at acquisition, is stated at the minority's portion of the fair values of the identifiable assets and liabilities recognised.

- **Goodwill**

Goodwill represents the excess of the cost of the acquisition of a subsidiary, joint venture or associate over the Group's interest in the fair value of identifiable assets and liabilities at the date of acquisition, and is carried at cost less accumulated amortisation and accumulated impairment losses, if any. Goodwill is amortised on a straight-line basis over its estimated useful life, which is as follows:

Mobile subscriber related	5 years
Internet subscriber related	3 years

- **Negative goodwill**

Negative goodwill represents the excess of the Group's interest in the fair value of identifiable assets and liabilities of a subsidiary, joint venture or associate at the date of acquisition over the cost of the acquisition. Negative goodwill is carried as a negative asset less accumulated amortisation and recognition as income.

Negative goodwill relating to expected future losses and expenses but not representing identifiable liabilities at the date of acquisition, is recognised as income when the future losses and expenses are recognised. If the future losses and expenses are not recognised in the expected period, negative goodwill is treated as set out below.

Negative goodwill not relating to expected future losses and expenses is recognised as income as follows:

(i) The amount of negative goodwill not exceeding the fair values of acquired identifiable non-monetary assets is amortised on a straight-line basis over the estimated useful life of the non-monetary assets; and

(ii) The amount of negative goodwill in excess of the fair values of acquired identifiable non-monetary assets is recognised in income immediately.

1.3 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control can be demonstrated where the Group has an interest of more than one half of the voting rights or the power to control the financial and operating activities of the entities so as to obtain benefits from its activities.

Inter-company balances and transactions, and resulting unrealised profits, between Group companies are eliminated in full on consolidation. Unrealised losses are also eliminated, unless the cost cannot be recovered.

Where subsidiaries are consolidated using different reporting dates, adjustments are made for the effects of significant transactions or other events that occur between those dates and the Group's reporting date.

Where necessary, accounting policies of subsidiaries are adjusted to ensure that the consolidated annual financial statements are prepared using uniform accounting policies.

Investments in subsidiaries are consolidated from the date on which the Group exercises control, up to the date on which control ceases.

1.4 Joint ventures

Joint ventures, for the purpose of these consolidated annual financial statements, are those entities in which the Group has joint control through a contractual arrangement with one or more other venturers.

Investments in joint ventures are proportionately consolidated from the date on which the Group exercises joint control, up to the date on which joint control ceases.

The Group's proportionate share of inter-company balances and transactions, and resulting unrealised profit or losses, between Group companies and jointly controlled entities are eliminated on consolidation. Where unrealised losses provide evidence of a reduction in the net realisable value of current assets or an impairment loss, the Group recognises the loss immediately.

2. Property, plant and equipment

Property, plant and equipment, with the exception of land, is stated at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and is recorded at cost less any accumulated impairment losses.

Cost of property, plant and equipment includes all directly attributable expenditure incurred in the acquisition, establishment and installation of such assets so as to bring them to a working condition for their intended use. Cost also includes the capitalisation of fair value adjustments on forward exchange contracts. Other finance costs directly associated with the construction or acquisition of property, plant and equipment are expensed in the period in which they are incurred and are therefore excluded from cost.

Depreciation is calculated so as to write off the cost of property, plant and equipment on a straight-line basis, over their estimated useful lives to its estimated residual value. Depreciation commences when the asset is brought into use (in the case of infrastructure assets this is deemed to be the date of acceptance). The estimated useful lives of depreciable property, plant and equipment are as follows:

General purpose buildings	50 years
Special purpose buildings	15 years
Infrastructure	
- GSM	8 years
- VAS equipment	8 years
- VAS software	3 years
Community services	
- Containers	5 years
- Cellular equipment	2 years
Information services	
- Equipment	4 years
- Software	3 years
SIM centre	4 years
Office automation	2 - 3 years
Other assets:	
- Motor vehicles	4 years
- Furniture and fittings	5 years
- Office equipment	4 years

General purpose buildings are classified as owner-occupied. They are therefore held at cost and depreciated as property, plant and equipment, and not regarded as investment properties.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Maintenance and repairs, which neither materially add to the value of the assets nor appreciably prolong their useful lives, are recognised as an expense in the period incurred. Minor plant and equipment items are also recognised as an expense in the period incurred.

Profits or losses on the retirement or disposal of property, plant and equipment, determined as the difference between the actual or estimated disposal proceeds and the carrying amount of the assets, and are recognised in the consolidated income statement in the period in which they occur.

3. Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The residual value of intangible assets is assumed to be zero. Intangible assets are amortised to the consolidated income statement on a straight-line basis over their estimated useful lives, which are reviewed on an annual basis. Amortisation commences when the intangible asset is available for use. The estimated useful lives of intangible assets are as follows:

Licences	
- Mobile	5 - 15 years
Other intangible assets	
- Mobile subscriber related	5 years
- Internet subscriber related	3 years

The following are the main categories of intangible assets:

3.1 Licences

Licences, which are acquired to yield an enduring benefit, are capitalised at cost and amortised from the date of commencement over the duration of the licence agreement.

3.2 Subscriber bases

Cost of subscriber bases represents the purchase price on the acquisition of a mobile or internet subscriber bases. Subscriber bases are amortised on a straight-line basis over their estimated useful lives.

3.3 Trademarks and brands

Purchased trademarks and brands are capitalised at cost and amortised over their estimated useful lives. Expenditure incurred to develop, maintain and renew trademarks and brands internally is recognised as an expense in the period incurred.

3.4 Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities and can be allocated on a reasonable basis to such activities.

Research costs are recognised as an expense in the period in which they are incurred and are not recognised as an expense in a subsequent period.

Development costs of a clearly defined project are recognised as an expense in the period in which they are incurred, except where the following criteria for asset recognition can be demonstrated:

(i) The technical feasibility of, intention to complete a ability to use the project;

(ii) How the project will generate probable future economic benefits including the existence of a market for the output of the project or, if it is to be used internally, the usefulness of the result of the project;

(iii) That there are adequate technical, financial and other resources available to complete the project; and

(iv) Expenditure attributable to the project can be measured reliably.

Development costs recognised as an asset are limited to the amount that the costs will be recovered from related future economic benefits after deducting further development costs and selling and administration costs. The amount of development costs recognised as an asset is amortised as an expense over its estimated useful li Development costs initially recognised as an expense are not recognised as an asset in a subsequent period.

4. 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 all costs of purchase, costs of conversion and other costs incurred in bringing it to its present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs to completion and the estimated costs necessary to make the sale, including marketing, selling and distribution costs.

The amount of any write-down of inventory to net realisable value and all losses of inventory is recognised as an expense in the period the write-down or loss occurs.

5. Foreign currencies

5.1 Transactions and balances

Foreign currency transactions are translated, on initial recognition, at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate ruling at settlement date or balance sheet date. Exchange differences on the settlement or translation of monetary assets or liabilities are included in finance costs in the period in which they arise, except in the case of foreign entities.

5.2 Foreign entities

The annual financial statements of foreign entities are translated into South African Rands for incorporation into the consolidated annual financial statements. Assets and liabilities are translated at the foreign exchange rates ruling at balance sheet date. Income, expenditure and cash flow items are translated at the actual foreign exchange rate or average foreign exchange rates for the period.

All resulting unrealised exchange differences are classified as equity. On disposal, the cumulative amounts of unrealised exchange differences that have been deferred are recognised in the consolidated income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Group and translated at the foreign exchange rates ruling at transaction date.

5.3 Foreign currency hedges

Foreign currency hedges are dealt with in the Financial Instruments accounting policy.

6. Taxation

6.1 Current taxation

The charge for current taxation is based on the results for the period and is adjusted for items that are non-assessable or disallowed. Current taxation is measured at the amount expected to be paid, using taxation rates and laws that have been enacted or substantively enacted by the balance sheet date.

6.2 Deferred taxation

Deferred taxation is provided using the balance sheet liability method for all temporary differences arising between the carrying amounts of assets and liabilities, on the consolidated balance sheet, and their respective taxation bases. Deferred taxation is not provided on differences relating to goodwill for which amortisation is not deductible for taxation purposes nor on the initial recognition of assets or liabilities, which is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred taxation liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and joint ventures and associates, except where the Group is able to control the timing of the reversal of the temporary differences and it is probable that it will not reverse in the foreseeable future. Deferred taxation assets are recognised for deductible temporary differences associated with investments in subsidiaries and joint ventures and associates to the extent it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Deferred taxation balance is measured at taxation rates expected to apply to the period when the deferred taxation liability is settled or asset realised, using taxation rates and laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred taxation of any changes in taxation rates is charged or credited to the consolidated income statement, except to the extent that it relates to items previously charged or credited to equity.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the associated unused taxation losses or credits and deductible temporary differences can be utilised.

Provision for taxation, which could arise if undistributed retained profit of certain subsidiaries is remitted, is only made where a decision has been taken to remit such retained profits.

7. Employee benefits

7.1 Post-employment benefits

The Group provides a defined contribution fund for the benefit of employees, the assets of which are held in a separate fund. The fund is funded by payments from employees and the Group. Contributions to the fund are recognised as an expense in the period in which the employee renders the related service. No contributions are made to the medical aid of retired employees.

7.2 Short-term and long-term benefits

The cost of all short-term employee benefits, such as salaries, employee entitlements to leave pay, bonuses, medical aid and other contributions, are recognised during the period in which the employee renders the related service. The Group recognises the expected cost of bonuses only when the Group has a present legal or constructive obligation to make such payment and a reliable estimate can be made. There are currently no long-term benefits provided for by the Group, other than compensation benefits described below.

7.3 Termination benefits

Termination benefits are payable whenever an employee' s employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognises termination benefits when it is constructively obliged to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If the benefits fall due more than 12 months after balance sheet date, they are discounted to present value. In the case of an offer to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

7.4 Compensation benefits

Employees of wholly-owned subsidiaries, including executive directors, are eligible for compensation benefits in the form of a phantom share option scheme. A number of option schemes are in operation, participation in which depends on the employee level and when the employee joined the Group. Benefits of eligible employees arising from the option scheme are determined with reference to the value per share option, which is determined annually based on profits included in the audited annual consolidated financial statements.

The fair value of share options is calculated as the difference in the share option price at balance sheet date and the price at which the share options were issued, multiplied by the number of share options allocated to a participant. This is recorded in the income statement and as a liability on the balance sheet when it arises. The value of the share options is net of options that have been exercised in terms of the option scheme.

8. Revenue recognition

Revenue, which excludes value added taxation and sales between Group companies, represents the invoiced value of goods and services supplied by the Group. The Group measures revenue at the fair value of the consideration received or receivable. Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue, and associated costs incurred or to be incurred, can be measured reliably. If necessary, revenue is split into separately identifiable components in order to reflect the substance of the transaction.

The main categories of revenue and bases of recognition for the Group are:

8.1 Contract products

- **Connection fees**
  Revenue is recognised on the date of activation.
- **Access charges**
  Revenue is recognised in the period to which it relates.
- **Airtime**
  Revenue is recognised on the usage basis.

8.2 Prepaid products

- **Airtime (networks)**
  Revenue is recognised on the usage basis commencing on the date of activation with any revenue on airtime forfeited being recognised on expiry date.
- **Prepaid vouchers (service providers)**
  Revenue is recognised on the date significant risks and rewards associated with the sale are transferred to the purchaser.
- **Starterpacks**
  Revenue is recognised on the date significant risks and rewards associated with the starterpacks are transferred to the purchaser.
- **Commission on airtime (service providers)**
  Revenue is recognised at the earliest of the activation of the voucher and the expiry date.
- **Income vouchers (networks)**
  Revenue is recognised evenly over the period to which it relates commencing at the date of activation.

8.3 Equipment sales

Revenue is recognised on the date significant risks and rewards associated with the sale are transferred to the purchaser.

8.4 Other revenue and income

- **Dividends**
  Dividends from investments are recognised when the right to receive payment has been established.
- **Interest**
  Interest is recognised on a time proportion basis with reference to the principal amount receivable and the effective interest rate applicable.

- Royalties

  Revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

- Other sales

  Revenue is recognised when the significant risks and rewards of ownership of the goods sold are transferred to the purchaser and the Group retains no degree of continuing managerial involvement or control associated with ownership.

- Other services

  Revenue is recognised when the outcome and stage of completion can be estimated, with reference to the stage of completion. When the outcome of the transaction cannot be reliably estimated, the revenue is recognised to the extent that expenses recognised are recoverable.

9. Leases

9.1 Lease classification

Leases involving property, plant and equipment whereby the lessor provides finance to the lessee with the asset as security, and where the lessee assumes the significant risks and rewards of ownership of those leased assets, are classified as finance leases.

Leases of property, plant and equipment to the lessee, under which the lessor effectively retains the significant risks and rewards of ownership of those leased assets, are classified as operating leases.

9.2 Group as lessee

- Finance leases

  Lessee finance leases are capitalised, as property, plant and equipment, at their cash equivalent cost and a corresponding finance lease liability is raised. The cash equivalent cost is the lower of fair value or the present value of the minimum lease payments, at inception of the lease. Such assets are depreciated in terms of the accounting policy on property, plant and equipment stated above.

  Lease payments are allocated between lease finance costs and a capital reduction of the finance lease liability. Lease finance costs are allocated to periods over the term of the lease using the effective interest rate method, so as to produce a constant periodic rate of return on the remaining balance of the liability for each period.

- Operating leases

  Lessee operating lease rental payments are expensed in the consolidated income statement on a straight-line basis over the lease term.

  When an operating lease is terminated before the lease term has expired any payment to the lessor that is required, by way of penalty, is recognised as an expense in the period in which termination takes place.

9.3 Group as lessor

- Finance leases

  Lessor finance leases are recognised at an amount equal to the gross investment in the lease less unearned finance income. The gross investment in the lease is the aggregate of the minimum lease payments receivable and any unguaranteed residual value accruing to the Group in terms of the lease. Unearned finance income is equivalent to the gross investment less the present value of the gross investment at the interest rate implicit in the lease.

  The investment is reduced by the principal component of the lease receipts. The interest component is recognised as income over the term of the lease using a constant periodic rate of return.

- Operating leases

  Lessor operating lease rental income is recognised in the consolidated income statement on a straight-line basis over the lease term. Such leases are included under property, plant and equipment and depreciated in terms of the accounting policy stated above.

10. Financial instruments

10.1 Initial recognition and measurement

All financial instruments, including derivative instruments, are recognised on the consolidated balance sheet. Financial instruments are initially recognised when the Group becomes party to the contractual terms of the instruments and are measured at cost, which is the fair value of the consideration given (financial asset) or received (financial liability or equity instrument) for it. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement on initial recognition. Transaction costs are included in the initial measurement of the financial instrument. Subsequent to initial recognition these instruments are measured as set out below.

10.2 Financial assets

The Group's principal financial assets are investments, receivables and bank and cash balances:

- Investments

  Investments in equity instruments, excluding those in subsidiaries, joint ventures and associates, are stated at cost less accumulated impairment.

  Interest-bearing investments, including investments in finance leases, are stated at original investment less principal payments, and amortisations, and less accumulated impairment. The accounting policy for investments in finance leases is dealt with under leases set out above.

- Accounts receivable

  Accounts receivable originated by the Group are stated at their cost less a provision for impairment. An estimate of doubtful debts is made based on a review of all outstanding amounts at balance sheet date. Bad debts are written off during the period in which they are identified.

- **Bank and cash balances**

  The accounting policy for bank and cash balances is dealt with under cash and cash equivalents set below.

10.3 Financial liabilities

The Group's principal financial liabilities are Shareholders' loans, interest-bearing debt, non-interest bearing debt, accounts payable and bank overdrafts and other short-term debt:

- **Shareholders loans**

  Shareholders loans are recognised at the original proceeds received less principal payments. Shareholders loans are disclosed under equity due to their long-term nature and the fact that they are subordinated and comprise the majority of the Group's initial financing.

- **Interest-bearing debt**

  Interest-bearing debt, including finance lease obligations, is recognised at amortised cost, namely original debt less principal payments and amortisations. The accounting policy for finance lease obligations is dealt with under leases set out above.

- **Non-interest-bearing debt**

  Non-interest-bearing debt is recognised at original debt less principal payments.

- **Accounts payable**

  Accounts payable are stated at their cost.

- **Bank overdraft and other short-term debt**

  The accounting policy for bank overdraft and other short-term debt is dealt with under cash and cash equivalents set below.

10.4 Equity instruments

The Group's principal equity instrument is ordinary share capital, which is recorded at original cost.

10.5 Derivative instruments

Derivative instruments are entered into for risk management purposes, and not for speculative or trading purposes, and are used only to hedge exposure to foreign currency risk and interest rate risk. Derivatives utilised comprise mainly of forward exchange contracts and interest rate swap agreements, which are utilised to hedge the respective risks. Derivatives are measured at fair value.

Derivatives are either designated as a hedge of a forecasted transaction (cash flow hedges) or a hedge of the fair value of a recognised asset or liability (fair value hedges). Certain derivatives, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting.

10.6 Gains and losses on remeasurement to fair value

- **Cash flow hedges**

  Gains and losses from measuring cash flow hedges are deferred and recognised in equity. If the hedged forecasted transaction results in the recognition of an asset or a liability, then the cumulative amount deferred in equity is adjusted against the initial measurement of the hedged asset or liability. For other cash flow hedges, the cumulative amount deferred in equity is included in the consolidated income statement in the period when the forecasted transaction affects the consolidated income statement.

  Cash flow hedges for foreign currency denominated forecasted transactions are recognised in the initial measurement of the hedged asset or liability. Cash flow hedges under interest rate swap agreements are recognised as an adjustment to finance costs.

- **Fair value hedges**

  Gains and losses from measuring fair value hedges, including fair value hedges for foreign currency denominated monetary assets or liabilities, are recognised immediately in finance costs together with the change in fair value of the hedged asset or liability.

- **Instruments not forming part of a hedging relationship**

  Gains and losses arising from a change in the fair value of financial instruments that are not part of a hedging relationship are included in finance costs for the period in which they occur.

10.7 De-recognition

Financial assets (or a portion thereof) are de-recognised when the Group realises the rights to the benefits specified in the contract, the rights expire or the Group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On de-recognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity are included in the consolidated income statement.

Financial liabilities (or a portion thereof) are de-recognised when the obligation specified in the contract is discharged, cancelled or expires. On de-recognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and amount paid for it are included in the consolidated income statement.

10.8 Fair value methods and assumptions

The fair value of financial instruments traded in an organised financial market are measured at the applicable quoted prices, adjusted for any transaction costs necessary to realise the assets or settle the liabilities.

The fair value of financial instruments not traded in an organised financial market, is determined using a variety of methods and assumptions that are based on market conditions and risk existing at balance sheet date, including independent appraisals and discounted cash flow methods. The fair value determined is adjusted for any transaction costs necessary to realise the assets or settle the liabilities.

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair value.

10.9 Offset

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

11. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation resulting from past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. A past event is deemed to give rise to a present obligation if, taking account of the available evidence, it is more likely than not that a present obligation exists at balance sheet date.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at balance sheet date, taking into account risks and uncertainties surrounding the provision. Where the effect of the time value of money is material, the provisions are discounted to the present value of expenditures expected to be required to settle the obligation. The expenditures are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, risks specific to the liability. Reimbursements on the settlement of provisions are only recognised when it is virtually certain that reimbursements will be received if the Group settles the obligation.

12. Impairment of assets

The carrying amounts of assets, mentioned in the accounting policy notes, are assessed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the Group estimates the recoverable amount of the asset, being the higher of the asset's net selling price and its value in use. An impairment loss is recognised if the recoverable amount of an asset is less than its carrying amount.

The net selling price represents the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. The value in use of an asset represents the expected future cash flows, from continuing use and disposal, that are discounted to their present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised whenever the recoverable amount of a cash-generating unit is less than its carrying amount. The impairment loss is allocated to reduce the carrying amount of the assets of the cash-generating unit, first to goodwill in respect of the cash generating unit, if any, and then to the other assets on a pro-rata basis based on their carrying amounts.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised in prior periods.

For goodwill a recognised impairment loss is not reversed, unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and the increase relates clearly to the reversal of the effect of that event.

13. Cash and cash equivalents

Cash and cash equivalents are measured at their fair value. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the Group unless otherwise stated.

14. Comparatives

Comparative figures have been reclassified or restated, where required or necessary, in accordance with current period classifications and presentation.

Notes to the consolidated annual financial statements
31 March 2001

	2001 R'mil	2000 R'mil
1. Revenue		
Airtime, connection and access	10,502.3	7,996.3
Equipment sales	2,042.3	1,275.0
International services	260.0	292.0
Other sales and services	458.9	101.6
	13,263.5	9,664.9
2. Exceptional items		
Impairment of investment in Globalstar Southern Africa (Proprietary) Limited	(148.0)	-
Impairment of property, plant and equipment	(97.6)	-
Impairment of inventory	(45.5)	-
Impairment of shareholder loan	(4.8)	-
Merger costs in respect of Vodacom Service Provider Company (Proprietary) Limited	(36.5)	-
Provisions for merger costs and pre-acquisition claims in respect of Film Fun Holdings (Proprietary) Limited, trading as Teljoy Television	(30.3)	-
Capital gains in respect of Joycell Shops (Proprietary) Limited and Yellow Lizard Web Design (Proprietary) Limited	1.6	-
	(213.2)	-
3. Profit from operations after exceptional items		
The profit from operations is arrived at after taking the following (expenditure) / income into account:		
Net (profit) / loss on disposal of property, plant and equipment	0.4	(9.6)
Loss on disposal of property, plant and equipment	(8.2)	(9.8)
Profit on disposal of property, plant and equipment	8.6	0.2
Depreciation of property, plant and equipment	(1,369.9)	(1,025.3)
Land and buildings - leasehold	(10.5)	(9.5)
Infrastructure	(1,013.9)	(790.8)
Information services	(177.9)	(128.3)
Community services	(7.4)	(7.2)
SIM centre	(3.8)	(3.8)
Office automation	(52.0)	(35.6)
Other assets		
Purchased	(101.5)	(48.5)
Leased	(2.9)	(1.6)

	2001 R'mil	2000 R'mil
3. Profit from operations after exceptional items (continued)		
Auditors' remuneration	(9.4)	(3.6)
Current year audit fees	(4.5)	(2.4)
Prior year under provision of audit fees	(0.4)	–
Expenses	(0.1)	(0.1)
Other services	(4.4)	(1.1)
Consultancy services	(35.4)	(35.1)
Directors' remuneration and emoluments:	(17.4)	(14.1)
Executive directors – fees for management and other services	(16.9)	(13.0)
Non-executive directors – fees as directors	(0.5)	(1.1)
Directors' remuneration and emoluments paid by:	(17.4)	(14.1)
Vodacom Group (Proprietary) Limited	(11.3)	(8.8)
Subsidiaries	(6.1)	(5.3)
Operating lease rentals	(471.5)	(378.8)
GSM transmission and data lines	(332.3)	(301.0)
Office accommodation	(66.8)	(40.7)
Other accommodation	(54.3)	(32.1)
Office equipment	(13.1)	(5.0)
Motor vehicles	(5.0)	–
Licence fees	(328.8)	(271.2)
GSM	(328.8)	(271.0)
C450	–	(0.2)
Pension and retirement fund contributions	(42.5)	(29.8)
4. Amortisation of intangible assets		
Goodwill	(223.0)	(48.3)
Subscriber bases	(1.5)	(1.3)
Trademarks	(13.8)	(6.3)
Licences	(7.2)	(6.7)
	(245.5)	(62.6)

	2001 R'mil	2000 R'mil
5. Investment income and gains		
Dividends received	–	0.7
Capital gain on business combinations	–	129.3
	–	130.0
6. Net finance costs		
Finance costs	(446.1)	(567.2)
Shareholder loans	(157.9)	(202.1)
Commercial loans	(65.7)	(113.5)
Foreign exchange differences and hedging costs	2.3	(133.7)
Interest rate swaps	(1.1)	(1.0)
Finance leases	(60.8)	(61.2)
Bank interest	(150.9)	–
Other finance costs	(12.0)	(55.7)
Interest received	25.4	31.3
	(420.7)	(535.9)
7. Taxation		
South African normal taxation	(771.2)	(556.2)
Current year	(786.7)	(562.9)
Prior year over provision	15.5	6.7
Deferred taxation	18.4	21.2
Current year	23.1	4.3
Prior year (under) / over provision	(4.7)	16.1
Rate change	–	0.8
Secondary taxation on companies	(60.5)	(1.0)
Foreign taxation	(2.5)	(1.8)
Current year	(2.4)	(1.8)
Prior year under provision	(0.1)	–
	(815.8)	(537.8)

	2001 R'mil	2001 %	2000 R'mil	2000 %
7. Taxation (continued)				
Reconciliation of rate of taxation				
Normal taxation on profit before taxation	650.5	30.0	568.9	30.0
Adjustment for:				
Exempt income	(0.1)	-	(1.9)	(0.1)
Disallowable expenditure	124.7	5.8	13.3	0.7
Prior year over provision	(3.9)	(0.2)	(24.7)	(1.3)
Unutilised assessed loss	42.8	1.9	-	-
Utilisation of assessed loss	(2.2)	(0.1)	7.6	0.4
Other	4.0	0.2	(25.4)	(1.3)
	815.8	37.6	537.8	28.4

	2001 R'mil	2000 R'mil
8. Earnings before interest, taxation, depreciation and amortisation (EBITDA)		
Profit from operations before exceptional items	3,047.7	2,364.8
Depreciation of property, plant and equipment	1,369.9	1,025.3
	4,417.6	3,390.1

9. Earnings and dividend per share

9.1 Basic earnings per share

The calculation of basic earnings per ordinary share is based on earnings of R1,361.7 million (2000: R1,359.0 million) and 10,000 issued ordinary shares (2000: 10,000).

9.2 Headline earnings per share

The calculation of headline earnings per ordinary share is based on headline earnings of R1,786.3 million (2000: R1,301.9 million) and 10,000 issued ordinary shares (2000: 10,000).

	2001 R'mil	2000 R'mil
Reconciliation of net profit to headline earnings		
Net Profit	1,361.7	1,359.0
Adjusted for:		
Exceptional items	213.2	-
Exceptional items - taxation effect	(33.6)	-
Amortisation of intangible assets	245.5	62.6
Amortisation of intangible assets - minority interest	(0.1)	-
Net (profit) / loss on disposal of property, plant and equipment	(0.4)	9.6
Capital gain on business combinations	-	(129.3)
Headline earnings	1,786.3	1,301.9

9.3 Dividend per share

The calculation of the dividend per ordinary share is based on a declared ordinary dividend of R480.0 million (2000: R'nil) and 10,000 issued ordinary shares (2000: 10,000).

10. Property, plant and equipment

	Cost R'mil	Accumulated depreciation R'mil	Accumulated impairment R'mil	Net book value R'mil
2001				
Land and buildings				
Freehold	0.6	-	-	**0.6**
Leasehold	456.0	(21.4)	-	**434.6**
Infrastructure	9,584.1	(3,011.2)	(96.7)	**6,476.2**
Information services	932.1	(471.4)	-	**460.7**
Community services	80.1	(48.6)	-	**31.5**
SIM centre	32.6	(19.5)	-	**13.1**
Office automation	216.5	(133.9)	-	**82.6**
Other assets				
Purchased	594.5	(349.5)	(0.9)	**244.1**
Finance leases	8.7	(2.9)	-	**5.8**
	11,807.6	(4,058.4)	(97.6)	**7,749.2**
2000				
Land and buildings				
Freehold	5.5	-	-	5.5
Leasehold	379.2	(15.7)	-	363.5
Infrastructure	6,868.3	(1,997.6)	-	4,870.7
Information services	603.8	(293.6)	-	310.2
Community services	61.6	(41.2)	-	20.4
SIM centre	27.1	(15.7)	-	11.4
Office automation	191.7	(94.6)	-	97.1
Other assets				
Purchased	275.6	(110.3)	-	165.3
Finance leases	12.2	(2.2)	-	10.0
	8,425.0	(2,570.9)	-	5,854.1

	Opening net book value R'mil	Additions R'mil	Disposals R'mil	Business combination R'mil	Depreciation/ impairment R'mil	Closing net book value R'mil
10. Property, plant and equipment (continued)						
2001						
Land and buildings						
Freehold	5.5	-	(4.9)	-	-	**0.6**
Leasehold	363.5	109.7	(28.1)	-	(10.5)	**434.6**
Infrastructure	4,870.7	2,621.6	-	94.5	(1,110.6)	**6,476.2**
Information services	310.2	331.6	(3.2)	-	(177.9)	**460.7**
Community services	20.4	18.5	-	-	(7.4)	**31.5**
SIM centre	11.4	5.5	-	-	(3.8)	**13.1**
Office automation	97.1	79.5	(46.7)	4.7	(52.0)	**82.6**
Other assets						
Purchased	165.3	76.6	(21.4)	126.0	(102.4)	**244.1**
Finance leases	10.0	-	(1.3)	-	(2.9)	**5.8**
	5,854.1	3,243.0	(105.6)	225.2	(1,467.5)	**7,749.2**
2000						
Land and buildings						
Freehold	5.4	0.1	-	-	-	5.5
Leasehold	384.7	6.2	(18.0)	0.1	(9.5)	363.5
Infrastructure	4,024.4	1,637.1	(0.1)	0.1	(790.8)	4,870.7
Information services	234.0	217.8	(12.5)	(0.8)	(128.3)	310.2
Community services	13.3	14.3	-	-	(7.2)	20.4
SIM centre	14.4	0.8	-	-	(3.8)	11.4
Office automation	46.5	65.5	-	20.7	(35.6)	97.1
Other assets						
Purchased	178.2	71.3	(40.6)	4.9	(48.5)	165.3
Finance leases	-	8.9	-	2.7	(1.6)	10.0
	4,900.9	2,022.0	(71.2)	27.7	(1,025.3)	5,854.1

	2001 Net book value R'mil	2000 Net book value R'mil
Freehold land and buildings		
Erand 189 Agricultural Holdings Ext.	-	4.8
Stand 172 Sandton	**0.5**	0.5
Stand 200 Chelmsfordville	**0.1**	0.1
Sectional Plan No. 33/1981, High Level Road, Sea Point, Cape Town	-	0.1
	0.6	5.5

	2001 Net book value R'mil	2000 Net book value R'mil
10. Property, plant and equipment (continued)		
Leasehold land and buildings		
Portion 769 of farm Randjesfontein no. 405	155.9	154.8
Stand 34083 Bellville, City of Tygerberg	111.1	112.6
Holding 350 Erand Agricultural Holdings Ext. 1	66.4	70.6
Holding 359 Erand Agricultural Holdings Ext. 1	-	9.9
Holding 188 Erand Agricultural Holdings Ext. 1	-	7.8
Portion 45 of Randjesfontein no 405, and Holding 202 Erand Agricultural Holdings Ext. 1	1.6	7.8
Cape Town Century City	99.6	-
	434.6	363.5

Interest-bearing debt is secured on properties to the value of R495.7 million (2000: R414.4 million). A detailed list of land and buildings is available for inspection at the registered address of Vodacom Group (Proprietary) Limited.

	Cost R'mil	Accumulated amortisation R'mil	Net book value R'mil
11. Intangible assets			
2001			
Goodwill	943.5	(327.0)	616.5
Subscriber bases	7.5	(2.8)	4.7
Trademarks	52.2	(21.2)	31.0
Licences	108.8	(47.6)	61.2
	1,112.0	(398.6)	713.4
2000			
Goodwill	797.5	(103.9)	693.6
Subscriber bases	7.5	(1.3)	6.2
Trademarks	51.9	(7.4)	44.5
Licences	104.1	(40.4)	63.7
	961.0	(153.0)	808.0

	Opening net book value R'mil	Additions R'mil	Foreign currency translation reserve R'mil	Business combination R'mil	Amortisation R'mil	Closing net book value R'mil
11. Intangible assets (continued)						
2001						
Goodwill	693.6	-	-	145.9	(223.0)	**616.5**
Subscriber bases	6.2	-	-	-	(1.5)	**4.7**
Trademarks	44.5	-	-	0.3	(13.8)	**31.0**
Licences	63.7	-	1.5	3.2	(7.2)	**61.2**
	808.0	-	1.5	149.4	(245.5)	**713.4**
2000						
Goodwill	89.5	0.5	-	651.9	(48.3)	693.6
Subscriber bases	-	7.5	-	-	(1.3)	6.2
Trademarks	18.0	-	-	32.8	(6.3)	44.5
Licences	67.6	2.5	-	0.3	(6.7)	63.7
	175.1	10.5	-	685.0	(62.6)	808.0

	2001 R'mil	2000 R'mil
12. Investment in subsidiary		
Teljoy Holdings Limited		
Shares at cost less provisions and amounts written off	-	51.6
Shareholder loans	-	70.0
	-	121.6

The investment is subsidiary related to the acquisition of Teljoy Holdings Limited, during January 2000, and is in connection with the television and rental segments of that group. The investment has now been consolidated due to a change in investment intention. Refer to note 28.3 Film Fun Holdings (Proprietary) Limited, trading as Teljoy Television, for further information and the fair value of net liabilities now consolidated.

13. Other investments

	2001 R'mil	2000 R'mil
Unlisted redeemable preference shares (refer to note 13.1)	0.7	0.7
Vodacom Tanzania Limited shareholder loans	11.2	4.9
Loan to joint venture – Vodacom World Online (Proprietary) Limited	–	4.0
Net investment in leased assets (refer to note 13.2)	0.8	6.0
Other	0.7	0.1
	13.4	15.7

13.1 Unlisted redeemable preference shares

	2001 Number of shares	2001 Directors' valuation R'mil	2000 Number of shares	2000 Directors' valuation R'mil
Pridave (Proprietary) Limited	66	0.6	66	0.6
Nova Risk Partners Limited	5	0.1	5	0.1
	71	0.7	71	0.7

13.2 Net Investment in leased assets

	2001 R'mil	2000 R'mil
Gross investment		
Vodacom World Online (Proprietary) Limited: Repayments of R39,028 are made monthly, which include interest charged at an effective rate of 19.2%. The final instalment is payable on 31 May 2003. Assets of R4.3 million were returned during the year.	1.0	8.0
Unearned finance income	(0.2)	(2.0)
	0.8	6.0

Net annual amount receivable	Within one year R'mil	Between two and five years R'mil	After five years R'mil	Total R'mil
Vodacom World Online (Proprietary) Limited	0.3	0.5	–	0.8

	2001 R'mil	2000 R'mil
14. Deferred taxation		
Deferred taxation asset	331.8	135.0
Deferred taxation liability	(498.7)	(320.6)
	(166.9)	(185.6)
14.1 Components		
Capital allowances	498.7	315.6
Provisions	(220.3)	(135.0)
Assessed losses	(107.2)	(0.1)
Prepayments and other allowances	(4.3)	5.1
	166.9	185.6
14.2 Reconciliation		
Balance at the beginning of the year	185.6	201.3
Prior year under / (over) provision	4.7	(16.1)
Temporary differences	(23.1)	(4.3)
Rate change	-	(0.8)
Deferred taxation on joint venture acquired now consolidated	(0.3)	5.5
Balance at the end of the year	166.9	185.6
15. Inventory		
Finished goods	392.1	218.3
Work in progress	0.6	0.1
Consumable inventory	3.2	0.3
Other inventory	2.5	3.4
	398.4	222.1
16. Accounts receivable		
Trade and other debtors	2,017.7	1,515.4
Prepayments	174.0	114.0
Forward exchange contract asset	107.7	-
Value added taxation	57.9	-
	2,357.3	1,629.4

	2001 R	2000 R
17. Share capital		
Authorised		
100,000 ordinary shares of 1 cent each	1,000	1,000
Issued		
10,000 ordinary shares of 1 cent each	100	100

Unissued share capital is not under the control of the board of directors.

	2001 R'mil	2000 R'mil
18. Non-distributable reserves		
Forward exchange contract equity	136.5	-
Foreign currency translation reserve	(2.3)	0.6
	134.2	0.6
19. Shareholder loans		
Telkom SA Limited	460.0	535.0
Vodafone Group plc	124.3	171.6
Vodafone Holdings (SA) (Proprietary) Limited	165.5	165.5
VenFin Finansieringskorporasie (Proprietary) Limited	124.2	144.4
Descarte Investments No.8 (Proprietary) Limited	46.0	53.5
	920.0	1,070.0

The shareholder loans are unsecured and bear interest at a rate of prime + 2% (2000: prime + 2%). The loans are repayable not later than 31 March 2019. The shareholders have deferred their right to claim or accept payment of the amount owing to them in favour of all other creditors in the event of the liquidation of Vodacom Group (Proprietary) Limited or similar event. As per the approval of the shareholders, R150 million of the loans were repaid on 30 June 2000.

	2001 Current portion R'mil	2001 Long-term portion R'mil	2001 Total R'mil	2000 Current portion R'mil	2000 Long-term portion R'mil	2000 Total R'mil
20. Interest-bearing debt						
Finance leases	0.5	496.1	496.6	0.7	417.2	417.9
Funding loans	–	400.0	400.0	820.0	400.0	1,220.0
Forward exchange contract premiums	–	–	–	23.7	–	23.7
	0.5	896.1	896.6	844.4	817.2	1,661.6

	2001 R'mil	2000 R'mil
20.1 Finance leases		
Vodacom (Proprietary) Limited The finance leases are secured by various land and buildings with a book value of R434.6 million (2000: R363.5 million), bear interest at effective interest rates of between 13.0% and 16.0% and are repayable between 5 and 13 years.	495.7	414.4
Vodacare (Proprietary) Limited The finance leases have been paid up in conjunction with the merger of the company into Vodacom Service Provider Company (Proprietary) Limited.	–	0.4
Teljoy Holdings Limited The finance lease bears interest at 14.5% and is repayable by March 2004.	0.9	0.9
Other	–	2.2
	496.6	417.9
Less: Current portion of finance leases		
Vodacare (Proprietary) Limited	–	(0.4)
Teljoy Holdings Limited	(0.5)	(0.3)
	(0.5)	(0.7)
Long-term portion of finance leases	496.1	417.2

	2001 R'mil	2000 R'mil
20. Interest-bearing debt (continued)		
20.2 Funding Loans		
Commerzbank AG The R200 million loan is unsecured, bears interest at a fixed rate of 13.7% NACQ (Nominal Amount Compounded Quarterly) and is repayable on 17 March 2003. The R150 million loan (2000: R150 million) was unsecured, bore interest at a fixed rate of 14.9% NACM (Nominal Amount Compounded Monthly) and was repaid on 21 May 2000.	**200.0**	350.0
Crédit Agricole Indosuez The loan is unsecured, bears interest at a fixed rate of 14.0% and is repayable on 17 March 2003.	**200.0**	200.0
RMB Corporate Finance (Proprietary) Limited An option agreement between Vodacom Group (Proprietary) Limited and RMB Corporate Finance (Proprietary) Limited for the purchase of the shares in Teljoy Holdings Limited lapsed on 3 April 2000 and Vodacom Group (Proprietary) Limited repaid RMB Corporate Finance (Proprietary) Limited the amount due of R670 million, on 17 April 2000.	-	670.0
	400.0	1,220.0
Less: Current portion of funding loans		
Commerzbank AG	-	(150.0)
RMB Corporate Finance (Proprietary) Limited	-	(670.0)
	-	(820.0)
Long-term portion of funding loans	**400.0**	400.0

	2002 R'mil	2003 R'mil	2004 R'mil	2005 R'mil	2006 onwards R'mil	Total R'mil
20.3 Repayment of interest-bearing debt						
Finance leases						
Vodacom (Proprietary) Limited	-	(5.8)	8.7	20.5	472.3	**495.7**
Teljoy Holdings Limited	0.5	0.3	0.1	-	-	**0.9**
Funding loans						
Commerzbank AG	-	200.0	-	-	-	**200.0**
Crédit Agricole Indosuez	-	200.0	-	-	-	**200.0**
	0.5	394.5	8.8	20.5	472.3	**896.6**

	2001 R'mil	2000 R'mil
21. Non-interest-bearing debt		
Vodacom Tanzania Limited Shareholder loans from Planatel Communication of R15.3 million, and from Caspian Construction of R12.8 million respectively. These loans are unsecured, interest free and no repayment terms have been determined.	28.1	-
Vodacom Lesotho (Proprietary) Limited Shareholder loan from Sekha-Metsi Consortium Limited (2000: Lesotho Telecommunications Corporation). The loan is unsecured, interest free and no repayment terms have been determined.	4.3	4.3
	32.4	4.3
22. Accounts payable		
Trade creditors	1,370.7	482.3
Income charged in advance	702.2	377.1
Capital expenditure	664.8	421.6
Value added taxation	45.5	11.0
Interest accrual	28.9	22.3
Forward exchange contract liability	-	1.3
Other accruals	207.3	345.8
	3,019.4	1,661.4
23. Provisions		
Bonus and incentives	309.5	229.2
Leave pay	33.6	27.0
Other provisions	36.3	38.5
	379.4	294.7

	2001 Bonus and incentives	2001 Leave pay	2001 Other provisions	2000 Bonus and incentives	2000 Leave pay	2000 Other provisions
Reconciliation						
Balance at beginning of the year	229.2	27.0	38.5	107.7	14.3	15.0
Additional provisions	153.2	13.1	69.4	-	-	-
Charged to income statement	(72.9)	(6.5)	(71.6)	-	-	-
Prior year movement	-	-	-	121.5	12.7	23.5
Balance at the end of the year	309.5	33.6	36.3	229.2	27.0	38.5

23. Provisions (continued)

Bonus and incentives comprise of a bonus provision and a share incentive scheme provision in the form of a phantom share option scheme, in which employees, including those of wholly-owned subsidiaries, are entitled to participate.

The bonus provision consists of a holiday bonus and a profit based performance bonus. The holiday bonus is payable in December to all level 5 and 6 staff in employment on 30 September each year. The profit based performance bonus is payable in May each year at the sole discretion of the shareholders. The maximum bonus payable is fixed by applying a specific formula based on the Group's profit and the employee's achievement of targets. The employee must be in service on 31 May to qualify for the bonus.

The phantom share options provision is based on the difference between the phantom share option price and the price at which the phantom shares were issued to each participant. The option price of the shares is determined by independent auditors based on the audited consolidated annual financial statements of Vodacom Group (Proprietary) Limited as approved by the Board of Directors. New phantom share options are issued each year during July and August.

	2001 R'mil	2000 R'mil
24. Cash generated from operations		
Profit from operations before exceptional items	3,047.7	2,364.8
Adjusted for:		
Depreciation of property, plant and equipment	1,369.9	1,025.3
Net (profit) / loss on disposal of property, plant and equipment	(0.4)	9.6
Cashflow from operations before working capital changes	4,417.2	3,399.7
(Increase) / decrease in accounts receivable	(582.3)	57.0
Increase in inventory	(162.5)	(42.3)
Increase / (decrease) in accounts payable and provisions	1,234.6	(917.1)
Cash generated from operations	4,907.0	2,497.3
25. Finance costs paid		
Interest accrual at the beginning of the year	(22.3)	(9.4)
Finance costs	(446.1)	(567.2)
Interest accrual at the end of the year	28.9	22.3
	(439.5)	(554.3)
26. Taxation paid		
Increase in taxation payable	272.8	271.5
Increase in net deferred taxation liability	(18.7)	(15.7)
Taxation payable on subsidiary acquired now consolidated	(3.4)	(5.5)
Taxation payable on joint venture acquired now consolidated	(2.5)	(30.8)
Taxation per the income statement	(815.8)	(537.8)
	(567.6)	(318.3)

	2001 R'mil	2000 R'mil
27. Additions to property, plant and equipment		
Land and buildings		
Freehold	–	4.8
Leasehold	109.7	1.5
Infrastructure	2,621.6	1,637.1
Information services	331.6	217.8
Community services	18.5	14.3
SIM centre	5.5	0.8
Office automation	79.5	65.5
Other assets		
Purchased	76.6	71.3
Leased	–	8.9
	3,243.0	2,022.0
Adjusted for:		
Acquired in business combinations – subsidiaries	–	(3.1)
Non cashflow item – Vodacom (Proprietary) Limited finance leases raised	(106.3)	(10.4)
	3,136.7	2,008.5

28. Net acquisition of subsidiaries

28.1 Globalstar Southern Africa (Proprietary) Limited

During the year the Group acquired 100% of Globalstar Southern Africa (Proprietary) Limited. The fair value of the assets acquired and liabilities assumed were as follows:

	2001 R'mil	2000 R'mil
Fair value of net assets acquired	(43.5)	–
Property, plant and equipment	96.6	–
Inventory	0.7	–
Accounts receivable	1.9	–
Cash and cash equivalents	10.0	–
Shareholder loans	(33.0)	–
Accounts payable	(32.7)	–
Goodwill	(24.6)	–
Shareholder loans	(33.0)	–
Purchase price	(101.1)	–
Cash and cash equivalents	10.0	–
Cash consideration	(91.1)	–

28. Net acquisition of subsidiaries (continued)

28.2 Vodacom Tanzania Limited

During the year the Group acquired an additional 14% of Vodacom Tanzania Limited. The fair value of the assets acquired and liabilities assumed were as follows:

	2001 R'mil	2000 R'mil
Fair value of net liabilities acquired	9.6	-
Property, plant and equipment	6.7	-
Intangible assets	6.8	-
Inventory	10.2	-
Accounts receivable	6.8	-
Cash and cash equivalents	2.7	-
Shareholder loans	(39.2)	-
Accounts payable	(3.6)	-
Minority interest	(3.4)	-
Investments previously recognised	(4.9)	-
Goodwill	(30.2)	-
Cash consideration	(28.9)	-

During the previous financial year, Vodacom Tanzania Limited was treated as a joint venture and proportionately consolidated at 51%, but in the current year, it is consolidated in full. The adjustments that were made are as follows:

	2001 R'mil	2000 R'mil
Fair value of net assets consolidated	(1.0)	-
Property, plant and equipment	0.7	-
Intangible assets	3.2	-
Investments	4.7	-
Accounts receivable	0.4	-
Cash and cash equivalents	6.8	-
Non-distributable reserve	0.1	-
Shareholder loans	(16.0)	-
Accounts payable	(0.9)	-
Net assets consolidated	7.8	-
Cash and cash equivalents	6.8	-

	2001 R'mil	2000 R'mil

28. Net acquisition of subsidiaries (continued)

28.3 Film Fun Holdings (Proprietary) Limited, trading as Teljoy Television

During the previous financial year the Group acquired 100% of Film Fun Holdings (Proprietary) Limited trading as Teljoy Television. The investment was not consolidated as it was acquired with a view to its subsequent disposal. However, the investment is being consolidated in the current year due to a change in intention. The fair value of the assets acquired and liabilities assumed were as follows:

	2001 R'mil	2000 R'mil
Fair value of net assets consolidated	(8.7)	-
Property, plant and equipment	126.9	-
Intangible assets	0.3	-
Investments	0.3	-
Inventory	12.9	-
Accounts receivable	17.2	-
Shareholder loans	(70.0)	-
Interest-bearing debt	(20.4)	-
Accounts payable	(46.6)	-
Taxation payable	(3.4)	-
Cash and cash equivalents	(8.5)	-
Goodwill	(37.1)	-
Purchase price	(45.8)	-
Cash consideration	54.3	-
Cash and cash equivalents	(8.5)	-

28.4 Vodacom Sport & Entertainment (Proprietary) Limited

During the previous financial year, Vodacom Sport & Entertainment (Proprietary) Limited was treated as a joint venture and proportionately consolidated at 51%, but in the current year it is being consolidated in full. The adjustments that were made are as follows:

	2001 R'mil	2000 R'mil
Fair value of net assets consolidated	(1.0)	-
Property, plant and equipment	0.9	-
Investments	0.1	-
Deferred taxation	0.3	-
Accounts receivable	9.3	-
Cash and cash equivalents	7.9	-
Accounts payable	(15.0)	-
Taxation payable	(2.5)	-
Net assets consolidated	8.9	-
Cash and cash equivalents	7.9	-

	2001 R'mil	2000 R'mil
28. Net acquisition of subsidiaries (continued)		
28.5 GSM Cellular (Proprietary) Limited		
During the prior financial year the Group acquired 50% of GSM Cellular (Proprietary) Limited to take the total shareholding to 100% and resulted in the company being treated as a subsidiary. The fair value of the assets acquired and liabilities assumed were as follows:		
Fair value of net liabilities assumed	–	7.3
Property, plant and equipment	–	8.1
Inventory	–	7.8
Accounts receivable	–	27.2
Cash and cash equivalents	–	3.9
Accounts payable	–	(54.3)
Goodwill	–	(82.6)
Purchase price	–	(75.3)
Cash and cash equivalents	–	3.9
Cash consideration	–	(71.4)
28.6 Teljoy Holdings Limited		
During the prior year the Group acquired 100% of Teljoy Holdings Limited. The fair value of the assets acquired and liabilities assumed were as follows:		
Fair value of net assets acquired	–	(191.1)
Property, plant and equipment	–	27.6
Intangible assets	–	33.2
Investments	–	11.0
Inventory	–	26.1
Accounts receivable	–	207.4
Cash and cash equivalents	–	132.5
Minority interest	–	(0.8)
Interest-bearing debt	–	(0.6)
Deferred taxation	–	(5.5)
Accounts payable	–	(239.8)
Goodwill	–	(569.3)
Purchase price	–	(760.4)
Cash and cash equivalents	–	132.5
Cash consideration	–	(627.9)
Net cash outflow on acquisition of subsidiaries	**(113.8)**	(699.3)

	2001 R'mil	2000 R'mil

29. Net acquisition of joint venture

During the prior financial year, subsequent to the disposal of the internet division (see note 30), the Group acquired 50% of Vodacom World Online (Proprietary) Limited. The fair value of the assets acquired and liabilities assumed were as follows:

	2001 R'mil	2000 R'mil
Fair value of net assets disposed	–	(9.4)
Property, plant and equipment	–	3.1
Inventory	–	0.4
Accounts receivable	–	16.9
Cash and cash equivalents	–	12.0
Accounts payable	–	(23.0)
Goodwill	–	(123.3)
Purchase price	–	(132.7)
Cash and cash equivalents	–	12.0
Cash consideration	–	(120.7)

During the prior year, subsequent to the acquisition above, the Group disposed of 10% of the joint venture in Vodacom World Online (Proprietary) Limited. The fair value of the assets and liabilities disposed of were as follows:

	2001 R'mil	2000 R'mil
Fair value of net assets disposed	–	14.6
Property, plant and equipment	–	2.0
Intangible assets	–	17.8
Accounts receivable	–	3.7
Accounts payable	–	(8.2)
Cash and cash equivalents	–	(0.7)
Capital gain	–	36.5
Selling price	–	51.1
Cash and cash equivalents	–	0.7
Cash consideration	–	51.8
Net cash outflow on acquisition of joint venture	–	(68.9)

	2001 R'mil	2000 R'mil
30. Disposal of internet division		
During the prior year the Group disposed of the Vodacom Internet Company which was a division of Vodacom (Proprietary) Limited. The fair value of assets and liabilities disposed of were as follows:		
Fair value of net assets disposed	-	18.8
Property, plant and equipment	-	6.6
Inventory	-	0.9
Accounts receivable	-	33.7
Cash and cash equivalents	-	24.0
Accounts payable	-	(46.4)
Capital gain	-	(246.6)
Selling price	-	265.4
Cash and cash equivalents	-	(24.0)
Cash flow included in capital gain	-	(41.6)
Cash consideration	-	199.8
31. Cash and cash equivalents at the end of the year		
Bank and cash balances	797.6	936.1
Bank overdrafts and other short-term debt	(1,593.7)	(1,451.1)
	(796.1)	(515.0)
32. Capital commitments		
Commitments for orders in respect of existing contracts		
Vodacom (Proprietary) Limited	1,272.1	657.7
Vodacom Service Provider Company (Proprietary) Limited	290.8	-
Vodacom Tanzania Limited	47.5	-
Other	5.1	5.3
	1,615.5	663.0
Commitments not yet contracted for		
Vodacom (Proprietary) Limited	2,871.9	3,460.9
Vodacom Tanzania Limited	484.5	-
Vodacom Service Provider Company (Proprietary) Limited	250.8	-
Vodacom Lesotho (Proprietary) Limited	23.5	16.2
Vodacom Group (Proprietary) Limited	2.7	3.8
Vodac (Proprietary) Limited	-	18.5
Other	32.9	8.6
	3,666.3	3,508.0

The capital expenditure of the Group will be financed from internal cash generation, extended supplier credit and bank credit.

	2001 R'mil	2000 R'mil
33. Other commitments		
Operating leases	**3,749.3**	2,780.6
Finance leases	**496.6**	890.3
Sports and marketing contracts	**388.8**	154.5
	4,634.7	3,825.4

It is intended to finance these commitments from internal cash generation, extended supplier credits and bank credit.

Annual commitments	Within one year R'mil	Between two and five years R'mil	After five years R'mil	Total R'mil
33.1 Operating leases				
GSM transmission and data lines	361.3	2,149.6	548.4	**3,059.3**
Office accommodation	44.8	142.2	24.2	**211.2**
Other accommodation	59.9	305.6	63.0	**428.5**
Office equipment	16.1	33.4	0.8	**50.3**
	482.1	2,630.8	636.4	**3,749.3**
33.2 Finance leases				
Land and buildings	(7.2)	65.6	437.3	**495.7**
Office equipment	0.5	0.4	-	**0.9**
	(6.7)	66.0	437.3	**496.6**
33.3 Sports and marketing contracts	152.6	236.2	-	**388.8**

34. Contingent liability

An invoice amounting to R34.0 million was raised and issued to Globalstar Southern Africa (Proprietary) Limited on 22 May 2001, for services rendered at the earth station in Delareyville, over a period of 26 months. The invoice is under dispute as no formal agreement is in place with the supplier, Telkom SA Limited, for those services rendered.

35. Retirement benefits

All eligible employees of the company and wholly-owned subsidiaries are members of the Vodacom Group Pension Fund, a defined contribution pension scheme, administered by ABSA Consultants and Actuaries (Proprietary) Limited. Current contributions to the pension fund amounted to R42.5 million (2000: R29.8 million). South African funds are governed by the Pension Funds Act of 1956.

	2001 R'mil	2000 R'mil
36. Related party transactions		
36.1 Obligations between related parties and the Group, not disclosed elsewhere:		
Included in accounts receivable		
Telkom SA Limited – interconnect	516.4	481.0
Telkom SA Limited – other	13.8	–
Vodafone Group plc	1.0	15.7
Included in accounts payable		
Telkom SA Limited	50.1	50.4
Vodafone Group plc	0.8	11.6
36.2 Transactions with related parties:		
Telkom SA Limited		
Shareholder loan repayment	75.0	–
Interest payments on shareholder loan	78.9	101.1
Interconnect fees	297.0	276.5
C450 billing and administration fees	0.1	0.1
Installation of transmission lines	34.3	36.4
Lease of transmission lines	321.1	287.5
Site costs	6.5	3.3
Interconnect income	(2,729.1)	(2,405.9)
C450 income	(0.1)	(0.3)
Subscriber billing	(43.4)	–
Telephone landline usage	20.4	11.7
Vodafone Group plc		
Shareholder loan repayment	47.3	
Interest payments on shareholder loan	22.4	32.4
Roaming income (transacted within the Vodafone Group)		
Airtel Movil S.A.	(0.4)	–
Europolitan AB	(0.7)	–
Libertel bv	(1.6)	–
Mannesmann Mobilfunk GmbH.	(4.9)	–
Omnitel Pronto Italia S.p.A.	(1.5)	–
Panafon Hellenic Telecommunications S.A.	(0.6)	–
Vodafone Network (Proprietary) Limited	(0.6)	–
Vodafone Limited	(13.5)	(18.9)
Vodafone New Zealand Limited	(0.3)	–
Roaming expenses (transacted within the Vodafone Group)		
Airtel Movil S.A.	1.2	–
Europolitan AB	0.2	–
Libertel bv	1.6	–
Mannesmann Mobilfunk GmbH.	2.6	–
Omnitel Pronto Italia S.p.A.	1.8	–
Panafon Hellenic Telecommunications S.A.	1.0	–
Vodafone Network (Proprietary) Limited	2.0	–
Vodafone Limited	13.6	15.1
Vodafone New Zealand Limited	0.6	–

36. Related party transactions (continued)

36.2 Transactions with related parties (continued):

	2001 R'mil	2000 R'mil
Vodafone Holdings (SA) (Proprietary) Limited		
Interest payment on shareholder loan	27.3	31.2
VenFin Finansieringskorporasie (Proprietary) Limited		
Shareholder loan repayment	20.2	
Interest payments on shareholder loan	21.3	27.3
Descarte Investments No.8 (Proprietary) Limited		
Shareholder loan repayment	7.5	
Interest payments on shareholder loan	7.9	10.1

Transactions with related parties are priced at prevailing market rates. Where no comparative information is disclosed for 31 March 2000, it was impractical to reasonably determine the amounts transacted with related parties.

VODACOM GROUP (PROPRIETARY) LIMITED

Annexure 1 – Financial instruments and risk management report
31 March 2001

1. Foreign currency risk management

The Group enters into forward exchange contracts to buy specified amounts of various foreign currencies in the future at a predetermined exchange rate. The contracts are entered into in order to manage the Group's exposure to fluctuations in foreign currency exchange rates on specific transactions. The contracts are matched with anticipated future cash flows in foreign currencies primarily from purchases of capital equipment. The Group's policy is to enter into forward exchange contracts for 100% of the committed net foreign currency payments.

The Group has entered into numerous forward exchange contracts to cover foreign capital commitments in respect of future imports of GSM infrastructure. The total value of foreign exchange contracts at year end was:

	Foreign value 'mil	Forward value R'mil	Fair value R'mil
2001			
Deutschmark	90.2	322.7	331.6
United States Dollar	130.2	995.0	1,063.4
Pound Sterling	0.9	10.9	11.0
Swedish Krona	1.7	1.3	1.3
Euro	41.3	300.2	300.1
Swiss Franc	0.1	0.6	0.6
		1,630.7	**1,708.0**
2000			
Deutschmark	187.7	613.3	611.1
United States Dollar	85.7	564.8	572.0
Pound Sterling	2.5	26.2	25.8
Swedish Krona	1.1	0.8	0.8
Euro	26.4	167.4	165.6
		1,372.5	1,375.3

Of these, the following forward exchange contracts relate to commitments for which authorised orders have been placed but the underlying assets and related liabilities remain unrecognised on the consolidated balance sheet because the risks and rewards of ownership of the related assets have not been transferred to the Group:

	Foreign value 'mil	Fair value R'mil
2001		
Deutschmark	59.9	208.8
United States Dollar	69.1	479.2
Euro	3.2	22.9
		710.9
2000		
Deutschmark	183.4	616.0
United States Dollar	56.7	379.3
Pound Sterling	0.3	3.6
Euro	27.0	101.6
		1,100.5

2. Interest rate risk management

The Group has entered into interest rate swap contracts that entitle it to receive interest at fixed rates on notional principal amounts and oblige it to pay interest at floating rates on the same amounts. The interest rate swaps allow the Group to raise long-term debt at fixed rates and swap them into floating rates that are lower than those available if it had borrowed at floating rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (usually quarterly), the difference between fixed rate and floating rate interest amounts, calculated by reference to the agreed notional principal amounts. At 31 March 2001 the fixed interest rate was 14.9% (2000: 14.9%) NACQ (Nominal Amount Compounded Quarterly) and the floating rates are linked to the BA (Banker's Acceptance) rate.

	2001 R'mil	2000 R'mil
Fair value of interest rate swap liability	11.0	6.5
Fair value of interest rate swap asset	(6.3)	(5.2)

The fair value of the interest rate swap liability was represented by a notional principal amount of R29.0 million (2000: R26.7 million) at a floating interest rate of 12.9% (2000: 13.7%). The fair value of the interest rate swap asset was represented by a notional principal amount of R117.9 million (2000: R116.1 million) at a floating interest rate of 12.6% (2000: 11.8%).

3. Credit risk management

Financial assets that potentially subject the Group to concentrations of credit risk, consist principally of cash and cash equivalents, short-term deposits and trade receivables. The Group's cash and cash equivalents, and short-term deposits are placed with high credit quality financial institutions. Trade receivables are presented net of an allowance for doubtful receivables. Credit risk with respect to trade receivables is limited due to the large number of subscribers comprising the Group's subscriber base and stringent credit approval processes for contracted subscribers. Accordingly, the Group has no significant concentration of credit risk.

With respect to the forward exchange contracts, the Group's exposure is on the full amount of the foreign currency payable on settlement. The Group minimises such risk by limiting the counter-parties to a group of major international banks, and does not expect to incur any losses as a result of non-performance by these counter-parties. The positions in respect of these counter-parties are closely monitored.

The carrying amounts of financial assets included in the consolidated balance sheet represent the Group's exposure to credit risk in relation to these assets. The credit exposure of forward exchange contracts is represented by the fair value of the contracts.

The company does not have any significant exposure to any individual customer or counter-party, except commercially to Telkom SA Limited (the Group's largest shareholder).

4. Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short-term deposits, accounts receivables, accounts payable and accrued expenses, and short-term debt approximate their fair values due to the short-term maturities of these assets and liabilities.

The fair values of long-term investments and long-term debt are not materially different from their carrying amounts.

VODACOM GROUP (PROPRIETARY) LIMITED

Annexure 2 – Segmental analysis report

31 March 2001

The Group is primarily an integrated mobile telecommunication and data communication business located in South Africa but does have businesses in other African countries. The primary reporting format therefore comprises the business segments of the Group. Segment information is prepared in conformity with accounting policies adopted for preparing and presenting the consolidated annual financial statements.

Business Segments	Holding company R'mil	Networks R'mil	Service providers R'mil	Other R'mil	Inter-group R'mil	Total R'mil
2001						
Segment revenue						
External	-	6,540.3	6,417.3	305.9	-	13,263.5
Inter-segment	106.3	4,175.0	137.0	26.8	(4,445.1)	-
	106.3	10,715.3	6,554.3	332.7	(4,445.1)	13,263.5
Segment profit / (loss) from operations	10.5	2,794.1	243.3	(6.4)	6.2	3,047.7
Exceptional items	(165.0)	(50.3)	(173.4)	(42.1)	217.6	(213.2)
Amortisation of intangible assets	-	(7.1)	(56.8)	(7.4)	(174.2)	(245.5)
Finance costs	(229.0)	(284.8)	(27.5)	(0.8)	253.9	(288.2)
Interest received	1,529.8	7.4	31.4	14.0	(1,557.2)	25.4
Segment profit / (loss) before taxation	1,146.3	2,459.3	17.0	(42.7)	(1,253.7)	2,326.2
Shareholders' interest						(157.9)
Profit before taxation						2,168.3
Depreciation and amortisation	(2.1)	(1,293.3)	(92.0)	(53.8)	(174.2)	(1,615.4)
Property, plant and equipment	(2.1)	(1,286.2)	(35.2)	(46.4)	-	(1,369.9)
Intangible assets	-	(7.1)	(56.8)	(7.4)	(174.2)	(245.5)
Capital expenditure	(5.3)	(3,155.2)	(80.4)	(33.5)	31.4	(3,243.0)
Assets	3,316.9	10,182.0	1,639.9	273.0	(3,050.7)	12,361.1
Segment assets	3,292.8	9,967.4	1,557.7	262.1	(3,050.7)	12,029.3
Deferred taxation asset	24.1	214.6	82.2	10.9	-	331.8
Liabilities	(1,077.2)	(6,457.1)	(1,393.1)	(126.3)	1,316.8	(7,736.9)
Segment liabilities	(527.2)	(5,289.8)	(1,313.5)	(107.8)	1,316.8	(5,921.5)
Deferred taxation liability	-	(487.0)	(1.5)	(10.2)	-	(498.7)
Taxation liability	(70.0)	(680.3)	(78.1)	(4.5)	-	(832.9)
Shareholders for dividend	(480.0)	-	-	(3.8)	-	(483.8)
Included in the exceptional items above, is an impairment of property, plant and equipment	-	-	(97.6)	-	-	(97.6)

Business Segments	Holding company R'mil	Networks R'mil	Service providers R'mil	Other R'mil	Inter-group R'mil	Total R'mil
2000						
Segment revenue						
External	-	5,438.6	4,218.0	8.3	-	9,664.9
Inter-segment	80.1	2,868.4	27.8	18.1	(2,994.4)	-
	80.1	8,307.0	4,245.8	26.4	(2,994.4)	9,664.9
Segment profit from operations	0.1	2,230.9	125.2	5.1	3.5	2,364.8
Amortisation of intangible asset	-	(6.7)	(45.2)	-	(10.7)	(62.6)
Investment income and gains	551.6	198.0	3.7	-	(623.3)	130.0
Net finance costs	185.9	(359.4)	24.9	1.2	(186.4)	(333.8)
Segment profit/(loss) before taxation	737.6	2,062.8	108.6	6.3	(816.9)	2,098.4
Shareholders' interest						(202.1)
Profit before taxation						1,896.3
Depreciation and amortisation	(0.8)	(1,004.3)	(71.9)	(0.2)	(10.7)	(1,087.9)
Property, plant and equipment	(0.8)	(997.6)	(26.7)	(0.2)	-	(1,025.3)
Intangible assets	-	(6.7)	(45.2)	-	(10.7)	(62.6)
Capital expenditure	(6.2)	(1,963.6)	(51.1)	(1.1)	-	(2,022.0)
Assets	3,295.8	7,701.7	1,582.9	20.5	(2,878.9)	9,722.0
Segment assets	3,281.6	7,644.9	1,519.4	20.0	(2,878.9)	9,587.0
Deferred taxation asset	14.2	56.8	63.5	0.5	-	135.0
Liabilities	(1,351.8)	(4,784.7)	(985.3)	(18.3)	1,186.2	(5,953.9)
Segment liabilities	(1,354.4)	(3,993.8)	(895.5)	(15.7)	1,186.2	(5,073.2)
Deferred taxation liability	(0.5)	(306.6)	(13.7)	0.2	-	(320.6)
Taxation liability	3.1	(484.3)	(76.1)	(2.8)	-	(560.1)

"Holding company" comprises the reporting relevant to Vodacom Group (Proprietary) Limited the parent company in the Group, which is primarily an investment holding company, but also offers combined administrative and shared-function services to companies within the Group.

"Networks" comprise services provided by cellular networks within South Africa and other African countries. Services offered by the companies include the standard voice telecommunication services of cellular networks as well as data communication services through the cellular network, including short message servicing (SMS) and wireless application protocol (WAP).

"Service providers" comprise services provided by cellular telecommunication, satellite telecommunication and internet service providers within South Africa. Cellular and satellite telecommunication service providers purchase bulk airtime from their respective networks and sell this on to their subscriber base. Internet service providers provide their subscriber base access to the World Wide Web.

"Other" comprises of other business lines of the Group, including the providing of promotion and event services as well as providing television rental, and related rental services, neither of which fall within the Group's strategic focus nor do they constitute a separately reportable segment.

VODACOM GROUP (PROPRIETARY) LIMITED
Annexure 2 – Segmental analysis report
31 March 2001

Geographical Segments	South Africa R'mil	Other African Countries R'mil	Inter-group R'mil	Total R'mil
2001				
Segment revenue				
External	13,079.1	184.4	–	**13,263.5**
Inter-segment	116.0	–	(116.0)	**–**
	13,195.1	184.4	(116.0)	**13,263.5**
Segment profit / (loss) from operations	3,072.9	(31.2)	6.0	**3,047.7**
Exceptional items	(213.2)	–	–	**(213.2)**
Amortisation of intangible assets	(240.8)	(0.4)	(4.3)	**(245.5)**
Finance costs	(279.0)	(10.4)	1.2	**(288.2)**
Interest received	27.2	0.7	(2.5)	**25.4**
Segment profit / (loss) before taxation	2,367.1	(41.3)	0.4	**2,326.2**
Shareholders' interest				**(157.9)**
Profit before taxation				**2,168.3**
Depreciation and amortisation	(1,576.4)	(34.7)	(4.3)	**(1,615.4)**
Property, plant and equipment	(1,335.6)	(34.3)	–	**(1,369.9)**
Intangible assets	(240.8)	(0.4)	(4.3)	**(245.5)**
Capital expenditure	(2,920.4)	(354.0)	31.4	**(3,243.0)**
Assets	11,764.9	579.0	17.2	**12,361.1**
Segment assets	11,541.9	470.2	17.2	**12,029.3**
Deferred taxation asset	223.0	108.8	–	**331.8**
Liabilities	(7,222.3)	(490.9)	(23.7)	**(7,736.9)**
Segment liabilities	(5,501.4)	(396.4)	(23.7)	**(5,921.5)**
Deferred taxation liability	(408.5)	(90.2)	–	**(498.7)**
Taxation liability	(828.6)	(4.3)	–	**(832.9)**
Shareholders for dividend	(483.8)	–	–	**(483.8)**
Included in the exceptional items above, is an impairment of property, plant and equipment	(97.6)	–	–	**(97.6)**

Geographical Segments	South Africa R'mil	Other African Countries R'mil	Inter-group R'mil	Total R'mil
2000				
Segment revenue				
External	9,626.9	38.0	–	**9,664.9**
Inter-segment	5.7	–	(5.7)	–
	9,632.6	38.0	(5.7)	**9,664.9**
Segment profit from operations	2,358.5	6.3	–	**2,364.8**
Amortisation of intangible assets	(62.5)	(0.1)	–	**(62.6)**
Investment income and gains	130.0	–	–	**130.0**
Finance costs	(334.0)	0.2	–	**(333.8)**
Segment profit before taxation	2,092.0	6.4	–	**2,098.4**
Shareholders' interest				**(202.1)**
Profit before taxation				**1,896.3**
Depreciation and amortisation	(1,080.7)	(7.2)	–	**(1,087.9)**
Property, plant and equipment	(1,018.2)	(7.1)	–	**(1,025.3)**
Intangible assets	(62.5)	(0.1)	–	**(62.6)**
Capital expenditure	(2,003.1)	(18.9)	–	**(2,022.0)**
Assets	9,657.6	75.9	(11.5)	**9,722.0**
Segment assets	9,525.7	72.8	(11.5)	**9,587.0**
Deferred taxation asset	131.9	3.1	–	**135.0**
Liabilities	(5,947.5)	(17.9)	11.5	**(5,953.9)**
Segment liabilities	(5,069.2)	(15.5)	11.5	**(5,073.2)**
Deferred taxation liability	(320.0)	(0.6)	–	**(320.6)**
Taxation liability	(558.3)	(1.8)	–	**(560.1)**

"South Africa", which is also the home country of the parent, comprises the segment information relating to South African based cellular networks as well as all the segment information of the service providers and other business segments. "Other African countries" comprise of only cellular networks, which are located in Tanzania and Lesotho.

Segment revenue excludes value added taxation and includes inter-Group revenue. External segment revenue represents segment revenue for which inter-Group revenue has been eliminated. Sales between segments are made on a commercial basis.

Segment profit / (loss) from operations represents segment revenue less segment operating expenses. Segment expenses include direct and reasonably allocatable operating expenses.

The segment assets and liabilities comprise all assets and liabilities of the different segments including those relating to operating activities and financing activities. Intangible assets and the associated amortisation have been allocated to the segments to which they relate.

The comparative figures have been restated due to reclassification of the companies involved in the merger. Due to the impracticality of presenting the information, disclosures of segment cash flows have not been made.

For disclosures of the Group's proportionate share of net assets and liabilities, net profit / (loss) and cash flows in joint ventures refer to Annexure 4 – Interests in Joint Ventures.

Annexure 3 – Interest in subsidiaries
31 March 2001

Name and nature of business	Issued share capital 2001 R	Issued share capital 2000 R	Class of share	Interest in issued share capital 2001 %	Interest in issued share capital 2000 %
Vodacom (Proprietary) Limited Cellular network operator	100	100	Ordinary	100	100
Vodac (Proprietary) Limited Cellular service provider	1	1	Ordinary	100	100
Vodacom Equipment Company (Proprietary) Limited Cellular telephone and accessory merchandiser	100	100	Ordinary	100	100
Vodacare (Proprietary) Limited Cellular telephone repairer	100	100	Ordinary	100	100
GSM Cellular (Proprietary) Limited Cellular service provider	1,200	1,200	Ordinary	100	100
Teljoy Holdings Limited Cellular service provider and provider of television rental and related rental services	158,999	1,160,000	Ordinary	100	100
Vodacom Service Provider Company (Proprietary) Limited Cellular service provider	1,020	1,020	Ordinary	100	100
Globalstar Southern Africa (Proprietary) Limited Satellite airtime service provider	100	-	Ordinary	100	-
Vodacom Sport & Entertainment (Proprietary) Limited Sport and entertainment contracts manager	100	100	Ordinary	51	51
Vodacom Lesotho (Proprietary) Limited Cellular network operator	4,180	4,180	Ordinary	88.3	88.3
Vodacom Tanzania Limited Cellular network operator	100	100	Ordinary	65	51

The above information discloses interests in subsidiaries material to the financial position of the Group. A full list of subsidiaries is available to shareholders, on request, at the registered office of Vodacom Group (Proprietary) Limited.

Annexure 4 – Interest in joint ventures
31 March 2001

	Vodacom World Online (Proprietary) Limited
2001	
Interest held	40%
	R'mil
The Group's proportionate share of assets and liabilities:	
Property, plant and equipment	9.9
Intangible assets	38.4
Current assets	4.9
	53.2
Current liabilities	(22.2)
Net assets	31.0
The Group's proportionate share of revenue and expenditure:	
Revenue	43.0
Loss before taxation	(12.1)
Taxation	–
Net loss	(12.1)
The Group's proportionate share of cash flows:	
Net cash flows from operating activities	(9.1)
Net cash flows from investing activities	(5.8)
Net cash flows from financing activities	4.0
Net cash flow	(10.9)
The Group's proportionate share of contingent liabilities and capital commitments:	
Contingent liabilities	–
Capital commitments	0.2

VODACOM GROUP (PROPRIETARY) LIMITED
Annexure 4 – Interest in joint ventures
31 March 2001

	Vodacom Tanzania Limited	Vodacom Lesotho (Proprietary) Limited	Vodacom World Online (Proprietary) Limited	Vodacom Sport and Entertainment (Proprietary) Limited	Total
2000					
Interest held	51%	88.3%	50% / 40%	51%	
	R'mil	R'mil	R'mil	R'mil	R'mil
The Group's proportionate share of assets and liabilities:					
Property, plant and equipment	0.4	3.8	3.2	0.5	7.9
Intangible assets	1.7	0.1	28.5	-	30.3
Investments	2.5	-	-	0.1	2.6
Current assets	3.8	12.0	11.2	9.1	36.1
	8.4	15.9	42.9	9.7	76.9
Long term liabilities	-	(7.3)	-	-	(7.3)
Current liabilities	(0.5)	(7.7)	(13.2)	(9.3)	(30.7)
Net assets	7.9	0.9	29.7	0.4	38.9
The Group's proportionate share of revenue and expenditure:					
Revenue	-	33.5	18.5	13.3	65.3
Profit / (loss) before taxation	(0.5)	7.0	(32.4)	3.1	(22.8)
Taxation	-	(0.6)	-	(1.1)	(1.7)
Net profit / (loss)	(0.5)	6.4	(32.4)	2.0	(24.5)
The Group's proportionate share of cash flows:					
Net cash flows from operating activities	-	(0.2)	0.4	0.5	0.7
Net cash flows from investing activities	(0.4)	(16.1)	(6.1)	(0.6)	(23.2)
Net cash flows from financing activities	(6.0)	9.2	63.1	-	66.3
Net cash flow	(6.4)	(7.1)	57.4	(0.1)	43.8
The Group's proportionate share of contingent liabilities and capital commitments:					
Contingent liabilities	-	-	-	-	-
Capital commitments	-	8.8	-	-	8.8

13 Directorate and administration

31 March 2001

1. Directorate

Chairman
WYN Luhabe

Group Chief Executive Officer
A de VC Knott-Craig

Executive directors
L Crouse
MSA Joosub
AFB Mthembu

Non-executive directors
P Bamford *
TM Barry #
A Halford *
MD Kerckhoff #
J Malherbe
SE Nxasana
PR Williams *

Alternate directors
CWJ Volschenk
HA Kuropatwa *
MJ Pitt *
JJ Durand
JM Horn-Smith *

* British
\# USA

2. Company secretary

No company secretary was in office at 31 March 2001. Mr Leon Crouse, the Group Finance Director oversees the functions of company secretary.

3. Auditors

PricewaterhouseCoopers Inc.
Deloitte & Touche

4. Registered office

Vodacom Corporate Park
082 Vodacom Boulevard
Vodavalley
MIDRAND
1683

5. Postal address

Private Bag X9904
SANDTON
2146

6. Telephone details

Tel: 011 653 5000
Fax: 011 653 5607

7. Company registration

Vodacom Group (Proprietary) Limited
1993/05461/07

8. Internet address

http://www.vodacom.co.za

Design

Jonssons