Vodacom Group Annual Report 2004

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A better life for all

View our decade of milestones on the inside cover flap

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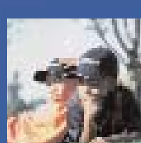
www.vodacom.co.za

Front cover pic: At Bluewater Bay in Port Elizabeth, Vodacom built a base station to look like a lighthouse. An added advantage is that it provides critical coverage to vessels at sea

1991

- Investigations into the cellphone industry begins – the outcome shows that the future would be in GSM technology

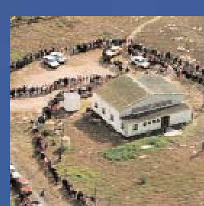


1992

- The decision is taken that competition will be introduced and more than one mobile operator licensed

1993

- The tender for the GSM cellular network licenses is issued. The licenses would be valid for 15 years
- Vodacom Group (Proprietary) Limited announces the name and the shareholders of the company who included Telkom, Vodafone Group and Rembrandt (now VenFin)
- Vodacom is awarded a license to operate a GSM cellular network in South Africa
- First TV advertisement appears – featuring blue sky and white clouds advertising airtime



1994

- Record-breaking roll-out: at least two base stations are built every day
- South Africa's first democratic elections are held during which government agreed to a limited test phase before commercial switch-on. 1,250 cellphones were distributed to election officials
- Switch-on: Vodacom begins full commercial operations on June 1, 1994 and connects 10,000 customers on the first day, with 50,000 in the first four weeks, and 100,000 in the first five months

1995

- Awarded GSM license in Lesotho
- Vodacom sponsors the South African national rugby team, the Springboks, winners of the 1995 Rugby World Cup

1996

- The erection of Vodacom's first cellular mast disguised as a palm tree in Durbanville, Western Cape
- Vodacom launches Vodago, its prepaid service, and connects 60,000 customers in the first month

1997

- The South African market reaches the one million customer mark, with Vodacom having 606,000 customers
- Vodacom signs an international roaming agreement with Russia
- South African Telecommunications Regulatory Authority (SATRA) established
- Vodacom publicly commits itself to a national environmental policy
- An estimated R1 billion of economic activity generated outside Vodacom's core business

vodacom

Vodacom's milestones of the last decade

10 years of service excellence

1998

- Vodaworld opens: the world's first cellular shopping mall

1999

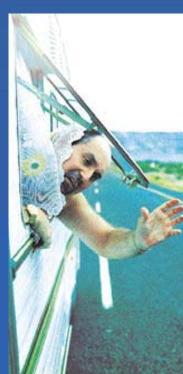
- Vodacom is awarded a GSM license in Tanzania
- Receives ISO 14001 certification for environmental policy

2000

- Vodacom announces the consolidation of Teljoy Holdings Limited, GSM Cellular (Pty) Limited, Vodac (Pty) Limited and Cellphones Direct (Pty) Limited into a single entity called Vodacom Service Provider Company (Pty) Limited

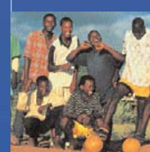
2001

- Thanks to Vodacom, Mount Kilimanjaro becomes the highest point in the world to be covered by GSM
- Completion of the R124 million Century City regional headquarters in Cape Town
- Launch of 4U, Vodacom's youth package
- Vodacom awarded a GSM license in the DRC
- Vodacom South Africa reaches the 5 million customer mark



2002

- Vodacom Congo launches in the DRC in May 2002
- Launch of Vodacom's GPRS offering – My Life – combining GPRS and MMS



2003

- Vodacom's coverage extends to more than 900,000 km^2 of South Africa's roads and over 95% of the population, "A better life for all"
- Vodacom Mozambique launches in December 2003
- Consumers rate Vodacom as South Africa's best performing telecommunications company

2004

- Vodacom celebrates ten years of the Vodacom Way
- Vodacom South Africa surpasses the 10 million customer mark

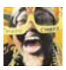
Highlights


Revenue up 18.7% to R23.5 billion


SA market share of 54%

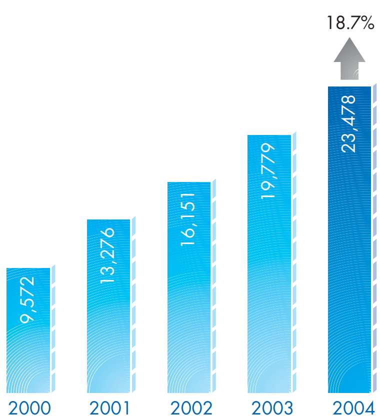

Net profit up 36.9% to 3.0 billion


Total customers up 29.7% to 11.2 million

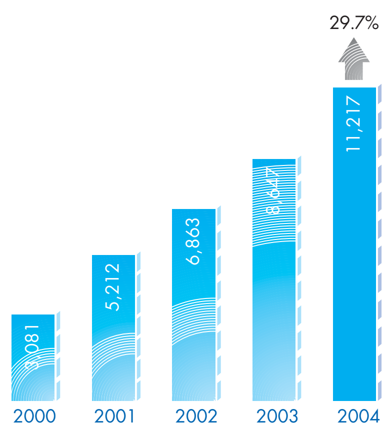

Acquired 51% of Smartphone SP in March 2004


Vodacom Mozambique launched December 2003

Total revenue
Rand millions

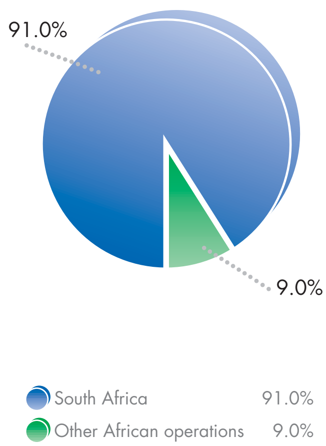


Total customers
('000)

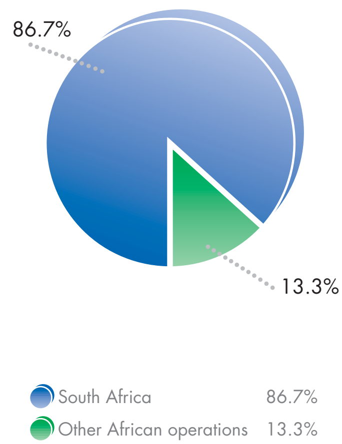


Highlights continued

Customer composition 2003

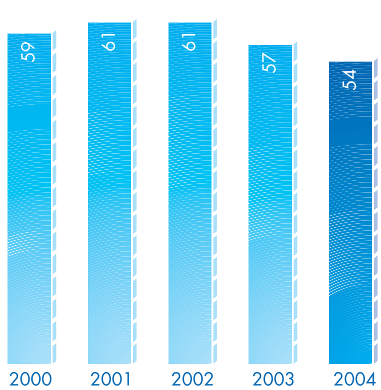


Customer composition 2004



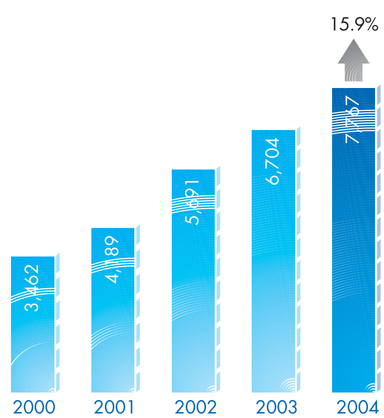
South African market share

(%)

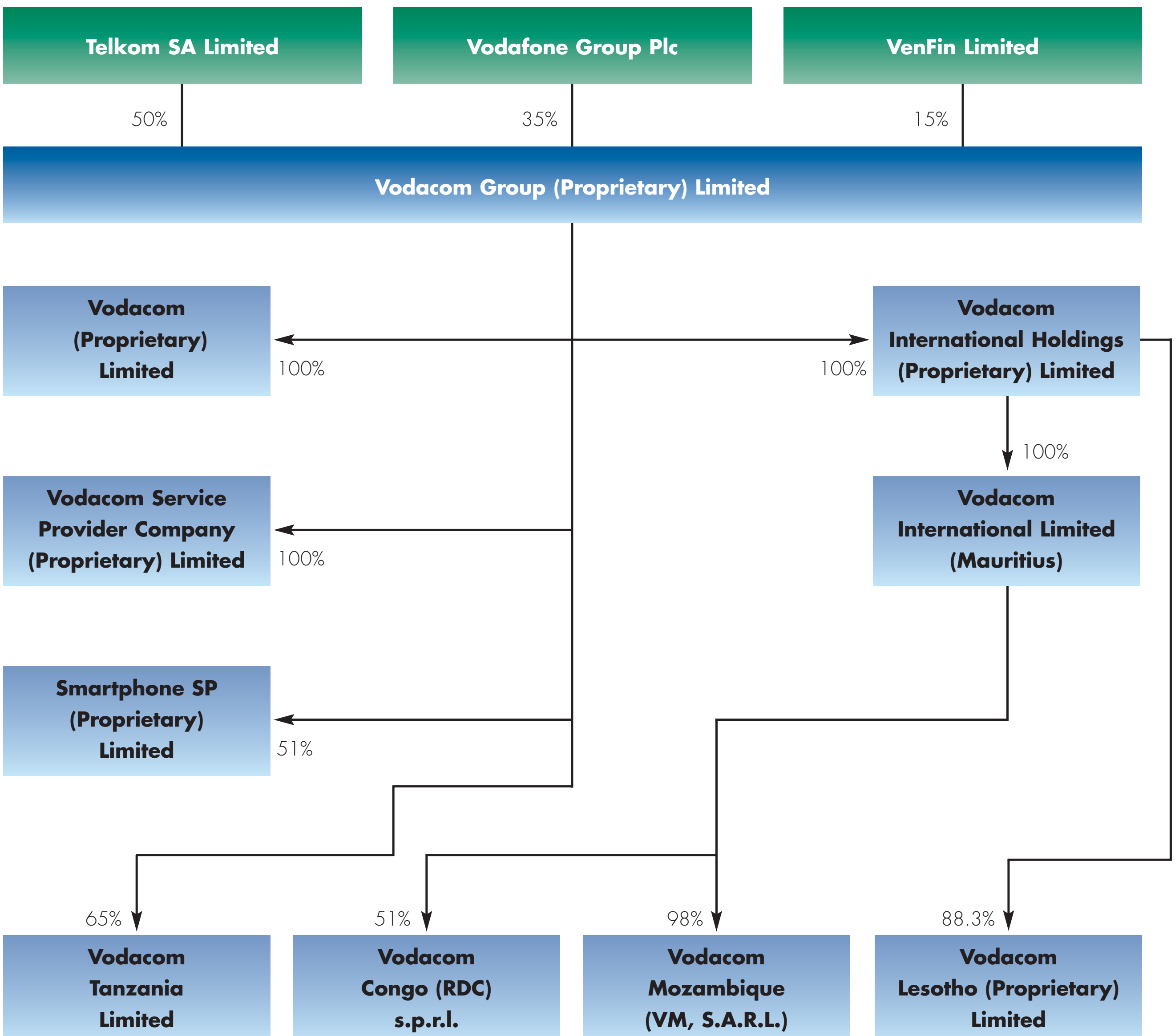


EBITDA growth

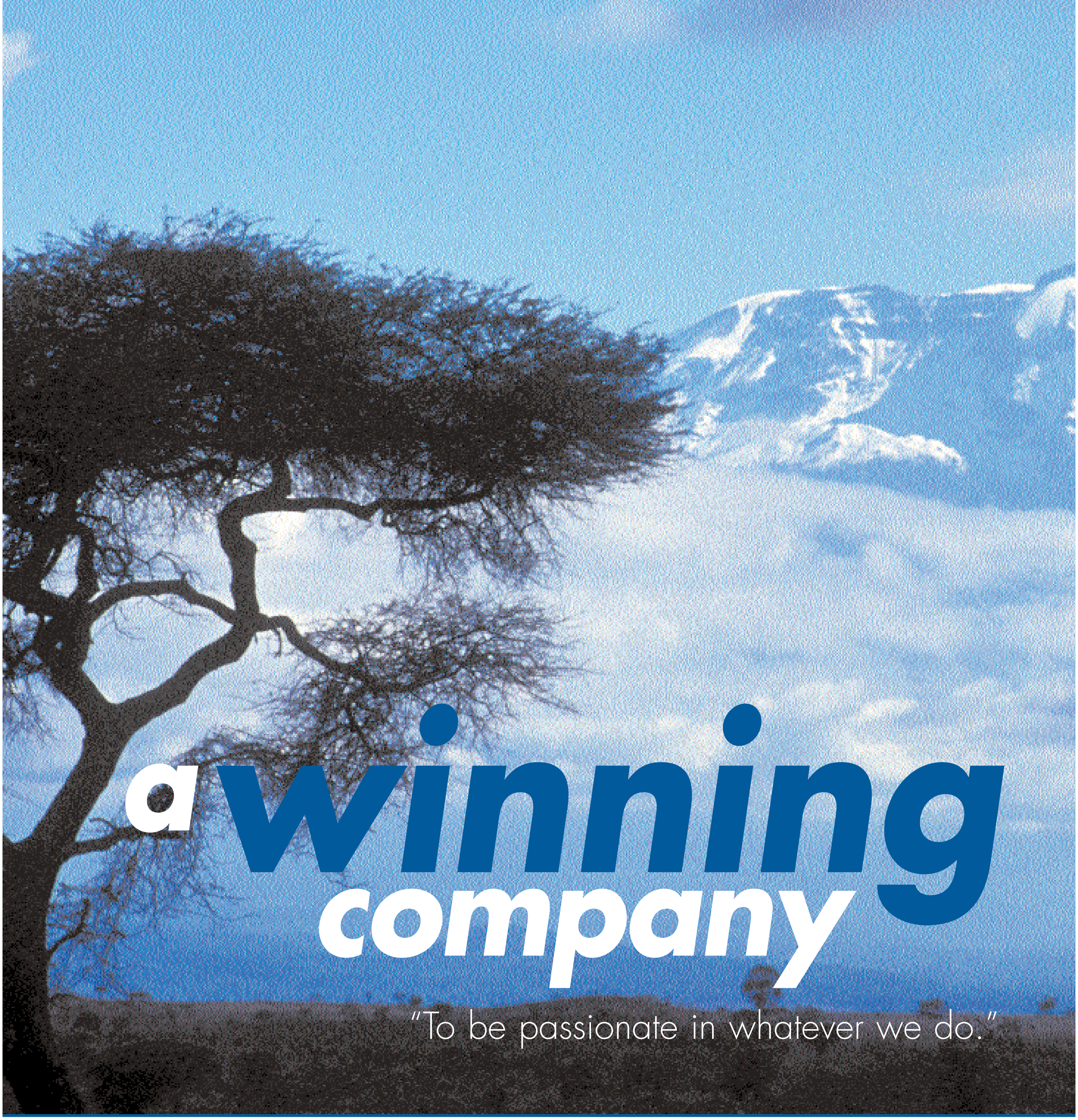
Rand millions



Ownership and corporate structure

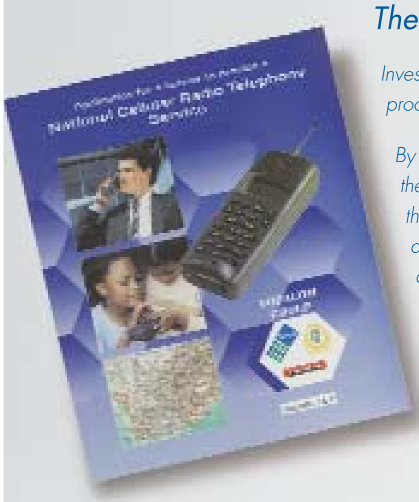


Note: The above structure excludes dormant and non-operating companies.



a winning company

"To be passionate in whatever we do."



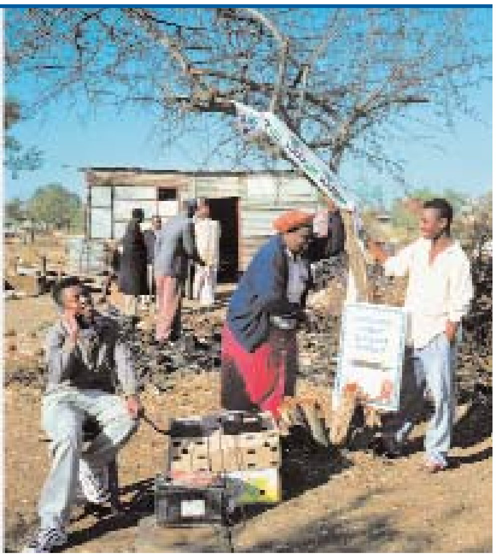
The first steps in our ten-year history

Investigations into the cellphone industry started in 1991, but the bidding process only came into full swing in 1993.

By the second week in April 1993 the tender was submitted of which the business plan included serious social development plans. One of these required Vodacom to provide a community telephone service and 22,000 community phones within six years, making the service available to one million people.

This target was reached within five years and an estimated three to four million people make use of the service, generating subsidized call traffic of some 80 million minutes per month.

Vodacom's cellular license was awarded in September 1993.



Chairman's review

Wendy Luhabe
Chairman
Vodacom Group (Proprietary) Limited

"Vodacom's contribution to the new South African economy that has unfolded during the past decade helped to grow and shape the cellular industry from its infancy to an economic giant."

The first decade

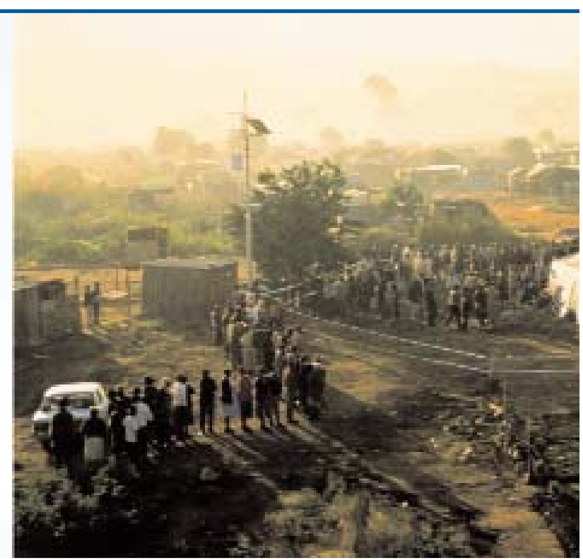
Having reached the end of the first ten years of South Africa's cellular revolution, there is no dispute that Vodacom played a leading role in democratizing telephony in southern Africa. Vodacom has indeed set some impressive benchmarks. We managed to roll out a network in South Africa at a speed that was unsurpassed in the history of cellular communication at that time and went on to sign up 100,000 contract customers in our first five months of operation. We were actively involved with the first democratic elections held in 1994, when we supplied the phones that kept election officials in constant contact with each other. In December 1996 we launched Vodago, a prepaid service pioneered in South Africa and which has since influenced the billing model of the world. Vodacom was also one of the first companies in the new South Africa to embrace black economic empowerment, with one of the biggest and most successful BEE deals being done years before the advent of the current urgency surrounding the achievement of BEE. Funding empowerment projects was then, just as it is now, a major hurdle. This hurdle was overcome through the foresight and innovative funding arrangements that VenFin put in place more than eight years ago. The result was that a 5% option in Vodacom was sold to NUM and SACTWU for R91 million on June 30, 1995. Six years later they sold this same stake to the current shareholders for an amount of R1.5 billion, making it one of the most successful BEE deals ever done in South Africa. During the year under review and to top a list of commendable achievements, consumers rated Vodacom South Africa's best performing telecommunications company in July 2003 according to a survey conducted by the SA Satisfaction Index on behalf of the Department of Trade and Industry.

Switch-on for Vodacom

In March 1994 Vodacom announced official limited switch-on and 24,000 people were able to use their cellphones for the first time in South Africa.

During the democratic elections in April, 1,250 cellphones were distributed to election officials.

Full commercial operations started on June 1, 1994 and Vodacom connected 10,000 customers on its first day, with 50,000 in the first four weeks and 100,000 in the first five months.



Chairman's review continued

"Telecommunications is critical to achieve the economic potential of the New Partnership for Africa's Development."

Growth

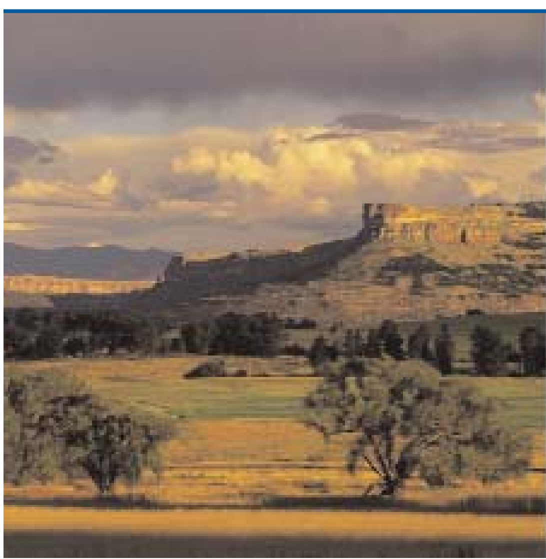
With Vodacom South Africa's operations being highly cash-generative and relatively mature, the longer-term growth of the Group needs to be augmented by finding new markets in which to operate. Vodacom is focused on African expansion but has managed this expansion cautiously, the latest equity investment being in Mozambique in December 2003. This brings the number of Vodacom operations outside of South Africa to four together with Vodacom Congo, Tanzania and Lesotho. These African operations should contribute greatly to our future growth. Vodacom's growth has been exemplary, with return on assets and the acquisition of new contract and prepaid customers for the year the highest in the history of the Group. EBITDA margin has remained relatively stable, and the mobile penetration of the total South African population is at an all-time high of 41.2%. Our net profit increased by 36.9% from the previous financial year and our cash generation has increased over the past five years. Vodacom is well positioned for further expansion into the African continent with its cost-efficient labor base and abundance of natural resources. Telecommunications is critical to achieve the economic potential of the New Partnership for Africa's Development.

Empowerment

In South Africa, Vodacom has committed itself to empowerment and has made further strides to achieve this economic imperative. Our preferential procurement programme, which aims to achieve commercial equity with regards to suppliers of the designated historically disadvantaged individuals and companies, as envisaged by the newly promulgated BEE Act, continued over the past financial year and reached R1.3 billion, or 60% of commercial spend in 2004. We are also proud of our achievements with regards employment equity, with HDI employees making up 79% of Vodacom's workforce as at March 31, 2004. Vodacom has been an active sponsor and member of the ICT empowerment charter drafting process and has contributed significantly to this transformation blueprint for the ICT sector. Over the past financial year, Vodacom spent about 3.1% of its total salary budget on training and development and increased its investment and focus in mentorship programmes and succession planning. We believe that Vodacom creates an environment that provides opportunities for employees to reach their full potential, while ensuring that depth of management and expertise is cultivated.

Corporate governance

The Vodacom Group subscribes to the principles of integrity, transparency and



African expansion

Vodacom's African expansions started in 1995 with the awarding of its second cellular license in Lesotho. Vodacom launched commercial operations in Lesotho in May 1996. In this arrangement Vodacom partnered with local shareholders, the Sekha-Metsi Investment Consortium Limited and has continued to use this model and partner with local shareholders in all its other African ventures.

accountability and strives to conduct all of its affairs in accordance with generally accepted corporate practices. We are aware of our accountability to our shareholders, employees, government, the environment and society in general for the responsible conduct of all of our affairs. During the year we increased our focus on enterprise-wide risk management. We will continue to practice the recommendations of the King Committee Report on Corporate Governance 2002. In keeping with the objectives of NEPAD and to foster an Africa in which good governance is important we are introducing our corporate governance practices into all of our African operations.

Conclusion

Under the leadership of Vodacom's long-serving management team and Alan Knott-Craig as CEO since inception, the Vodacom Group again performed admirably, with profit from operations exceeding R5.2 billion. We welcomed Pietro Guindani and Antonio Carrapatoso to our Board during the year, who brought with them years of experience as directors of several Vodafone companies. I wish to thank the Board for their significant contribution and stewardship, our employees at all levels for their continued passion and hard work. Finally, our appreciation is extended to our loyal customers who continue to inspire us to maintain our position as southern Africa's leading telecommunications company. Vodacom's contribution to the new South African economy that has unfolded during the past decade helped to grow and shape the cellular industry from its infancy to an economic giant, an industry that contributed significantly to our annual GDP during the last fiscal year. The next decade will see us continue to prioritize our partnership approach with an even wider base of suppliers, customers, regulators and governments, growing our business responsibly and contributing in a tangible way to Africa's future and sustainable economic development.

Wendy Luhabe
Chairman
Vodacom Group (Proprietary) Limited

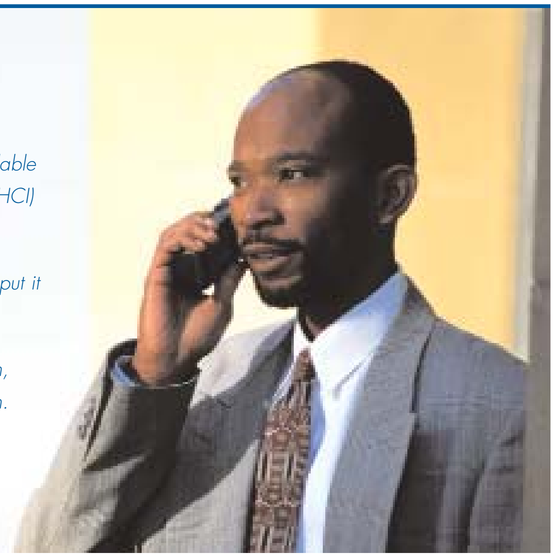
"The next decade will see us continue to prioritize our partnership approach with an even wider base of suppliers, customers, regulators and governments, growing our business responsibly and contributing in a tangible way to Africa's future and sustainable economic development."

Black economic empowerment

The 5% stake in Vodacom that was earmarked for black participation was made available on June 30, 1995. On October 31, 1996 SACTWU and NUM (later reversed into HCI) exercised their options and paid R118 million for their share.

This deal was made possible by Rembrandt (now VenFin) who bought the shares and put it in trust until such time as the unions could raise the money needed.

Six years later and after receiving more than R90 million in distributions from Vodacom, HCI sold their shares back to VenFin and Vodafone for full market value of R1.5 billion.



Board of directors as at March 31, 2004

From left to right

António Carrapatoso, Philip Williams, Sizwe Nxasana, Shawn McKenzie, Chian Khai Tan, Wendy Luhabe

Non-executive directors

António Carrapatoso (46) (Portuguese)

Mr Carrapatoso is Chairman of the board of directors of Vodafone Portugal and he is a member of the board of directors of Vodafone Spain and of Vodacom. Previously he was a member of the board of directors of several Portuguese companies. He also worked at Hoechst Portuguesa S.A. where he achieved the position of Divisional General Manager. Between 1980 and 1992 Mr Carrapatoso was a professor in Universidade Católica Portuguesa (in areas such as Marketing, Financial Mathematics, Personnel Management and Leadership and Organization). Mr Carrapatoso has a degree in Business Administration, Economics and Management and a MBA Business Management of Universidade Nova de Lisboa.

Philip Williams (53) (British)

Mr Williams is a representative of Vodafone and Group Human Resources Director of Vodafone Group plc. Mr Williams is director of several of the Vodafone Group of Companies and is a director of Vodafone Group's pension trustee company and the Vodafone Group Foundation. Before joining Vodafone, he was personnel director with Costain and Burmah Castrol.

Sizwe Nxasana (46)

Mr Nxasana is a representative of Telkom and is the Chief Executive Officer of Telkom. Before joining Telkom in March 1998, he was the national managing partner for Nkonki Sizwe Ntsaluba Inc. from June 1996 to March 1998. He is a director of Business Against Crime – South Africa (Association incorporated in terms of Section 21), Zenex 1995 Trust and Zenex Foundation, Telkom Directory Services (Proprietary) Limited, FirstRand Bank and Holdings Limited, chairman of the Audit Committee of the South African Revenue Service Board and was, in the past five years, a director of Coordinated Network Investments (Proprietary) Limited. He holds a Bachelor of Commerce degree from the University of Fort Hare and a Bachelor of Accounting Science (honors) degree from the University of South Africa and is a Chartered Accountant (South Africa).

Shawn McKenzie (44) (American)

Mr McKenzie is a representative of Telkom and is the Chief Operating Officer of Telkom. Before joining Telkom he was the president Texas, South-western Bell Telephone Company, a subsidiary of SBC Communications, from June 2001 until July 2002. Mr McKenzie also served as president – Kansas, South-western Bell Telephone from October 1997 until June 2001. Before 1997, Mr McKenzie served in a variety of marketing, technical and external affairs positions for South-western Bell Telephone Company since joining SBC Communications in 1979. He has a Bachelor of Science degree in Business Administration and Political Science from the College of the Ozarks and he serves on the College's Board of Trustees.

Chian Khai Tan (53) (Malaysian)

Mr Tan is a representative of Telkom and is the Chief Strategic Officer of Telkom. Before joining Telkom, he was senior vice president, consumer and business sales at Telekom Malaysia from February 2001 to June 2002, general manager special project focus group at Telekom Malaysia from June 1998 until October 2000 and general manager, major business sales at Telekom Malaysia from April 1997 until May 1998. In the past five years, Mr Tan has served as a director of Citifon Sdn Berhad and Telekom Publication Sdn Berhad, both subsidiaries of Telekom Malaysia. Mr Tan is a director of Telkom SA Limited and TMI Mauritius Limited. He holds a Bachelor of Engineering (honors) degree from the University of Liverpool.

Wendy Luhabe (47) (Chairman)

Ms Luhabe is a representative of Telkom and has been an entrepreneur since 1992 in various fields encompassing human resources management and development, pioneering women investment initiatives and private equity funding. She worked for ten years in marketing management in South Africa, Germany and the United States. Ms Luhabe is the Chairman of the Industrial Development Corporation of South Africa Limited, the International Marketing Council and Alliance Capital Management (Proprietary) Limited. She holds a Bachelor of Commerce degree from the University of Lesotho and has attended various management leadership development programmes. Over the past ten years she received various awards including Global Leader for Tomorrow.

Pietro Guindani (46) (Italian, absent)

Mr Guindani is a representative of Vodafone and is Chief Financial Officer of the Vodafone Group's South Europe, Middle East and Africa Region. He is a director of several Vodafone Group Companies. Before joining Vodafone, he was the International Finance Director of the Olivetti Group, and Group Finance,

From left to right
Josua Malherbe, Shameel Aziz Joosub, Alan Knott-Craig, Andrew Mthembu, Pieter Uys, Leon Crouse

Budget and Reporting Manager of Europe Vinyls Corporation in Belgium. He began his career at City Bank as Relationship Banker after graduating with an MBA degree from Bocconi University in Milan.

Josua (Dillie) Malherbe (48)
Mr Malherbe is the representative of VenFin Limited and the Chief Executive Officer of VenFin. He is a director of several VenFin investee companies in South Africa and overseas. Mr Malherbe holds a Bachelor of Commerce degree, an LLB and is a Chartered Accountant (South Africa).

Executive directors

Shameel Aziz Joosub (33)
Mr Aziz Joosub has served as the Managing Director of Vodacom Service Provider Company (Proprietary) Limited and a director of Vodacom Group (Proprietary) Limited since September 2000. Mr Aziz Joosub was previously Managing Director and founder of Vodacom Equipment Company (Proprietary) Limited, the handset distribution company in the Vodacom Group. He joined Vodacom in March 1994 and has held various positions within the Group. Mr Aziz Joosub holds a Bachelor of Commerce (honors) degree from the University of South Africa and holds a Masters of Business Administration degree from the University of Southern Queensland, Australia. He is an Associated General Accountant and Commercial and Financial Accountant (South Africa).

Alan Knott-.Craig (52) (CEO)
Mr Knott-Craig has served as Managing Director of Vodacom (Proprietary) Limited since 1993 and Chief Executive Officer of Vodacom Group since October 1996. Prior to 1993, Mr Knott-Craig was Senior General Manager of Mobile Communications at Telkom until 1993, when he left to form Vodacom. Mr Knott-Craig is also a director of the following other companies within the Vodacom Group: Vodacom (Proprietary) Limited, Vodacom Service Provider Company (Proprietary) Limited and Vodacom International Holdings (Proprietary) Limited. Mr Knott-Craig holds a Bachelor of Science degree in Electrical Engineering cum laude from the University of Cape Town and a Master of Business Leadership degree from the University of South Africa. He was inducted as one of the eight Gold Members of the GSM Association's 2001 inaugural "Roll of Honor" for his contribution to bringing mobile telephone to Africa's masses. He serves as a Commissioner on the Presidential National Commission on Information Society & Development for ICTs.

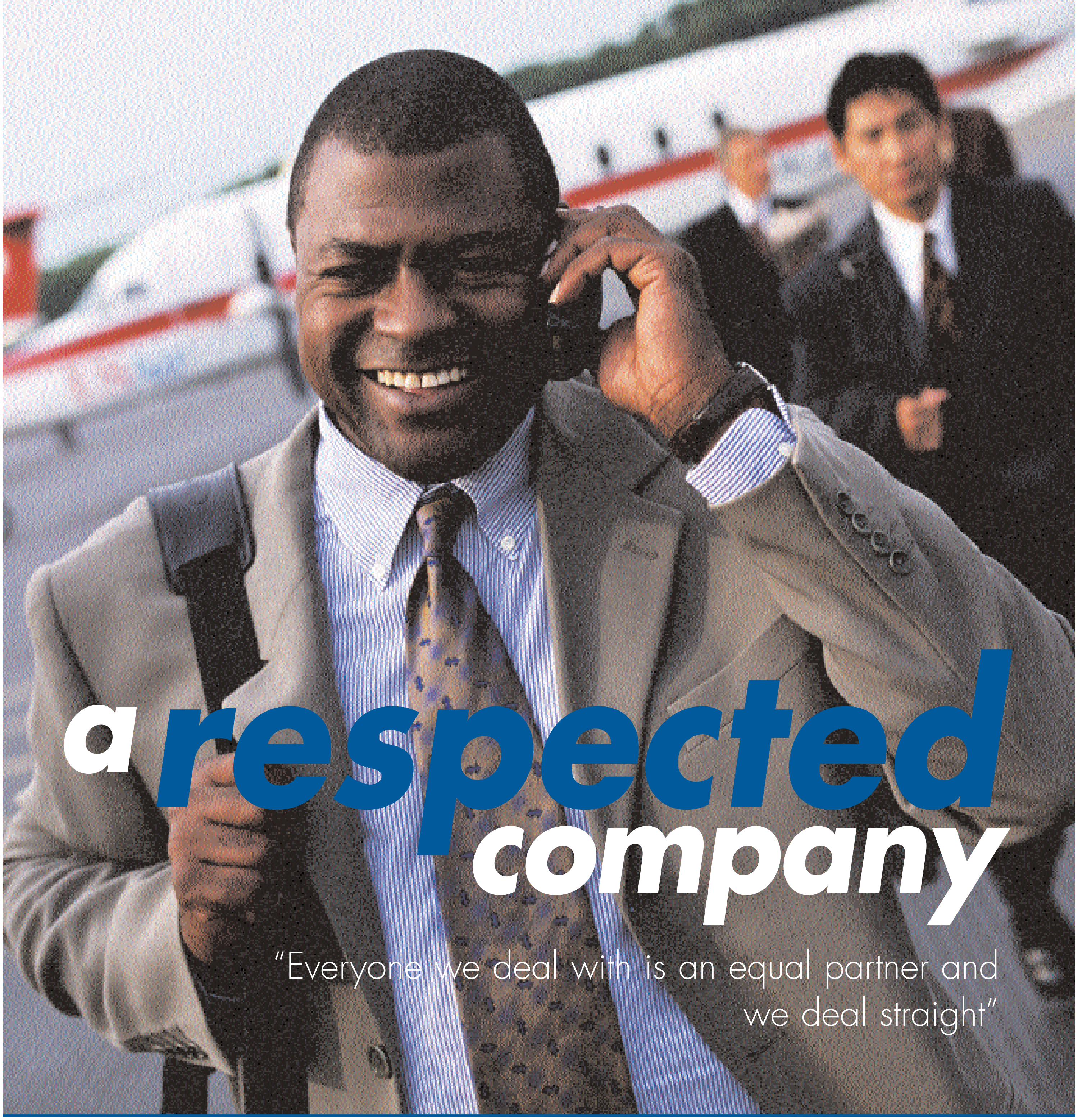
Andrew Mthembu (48)
Mr Mthembu has served as a director since he joined Vodacom in January 1998 and was appointed as the Deputy Chief Executive Officer of Vodacom Group in November 2001. Mr Mthembu is also the Managing Director of Vodacom International Holdings (Proprietary) Limited. Before 1998, Mr Mthembu was Managing Director at Tolcon, a tollroad concession company from 1995 until December 1997. Mr Mthembu holds a Bachelor of Science degree in Chemistry and Biology from the University of Botswana and Swaziland, a Bachelor of Science degree in Civil Engineering from the University of Calgary, Canada and a Masters of Science degree in Construction Management from the University of Reading, England.

Pieter Uys (41)
(Mr Uys is not a director, but attends all meetings.)
Mr Uys is the Managing Director of Vodacom (Proprietary) Limited and the Group Chief Operating Officer for the Vodacom Group, positions he has held since December 1, 2001 and April 1, 2004 respectively. He holds Bachelor of Sciences and Master of Sciences degrees in Engineering from the University of Stellenbosch and a Master of Business Administration degree from the Stellenbosch Business School. Mr Uys joined Vodacom in 1993 as a member of the initial engineering team.

Leon Crouse (51)
Mr Crouse has served as Group Finance Director of Vodacom since October 1996. Before 1996, Mr Crouse served as Vodacom's general manager of Finance since Vodacom's inception in 1993. Mr Crouse is also a director of Vodacom (Proprietary) Limited, Vodacom Service Provider Company (Proprietary) Limited and Vodacom International Holdings (Proprietary) Limited. Mr Crouse holds a Bachelor of Commerce degree and a Certificate in the Theory of Accounting from the University of Port Elizabeth and is a Chartered Accountant (South Africa).

Alternate directors

Michael Pitt (47) (British), representative of Vodafone, for Pietro Guindani
Julian Horn-Smith (55) (British), representative of Vodafone, for Philip Williams
Nombulelo Moholi (44), representative of Telkom, for Shawn McKenzie
Chris Volschenk (35), representative of Telkom, for Sizwe Nxasana
Peter Bamford (49) (British), representative of Vodafone, for António Carrapatoso
Jan Durand (37), representative of VenFin, for Josua Malherbe.



a respected company

"Everyone we deal with is an equal partner and we deal straight"

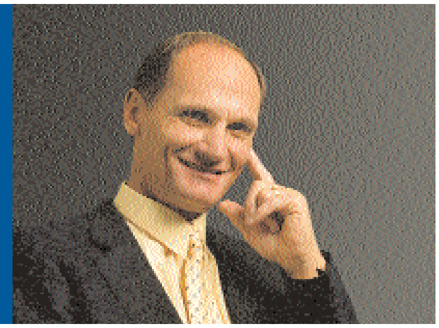
A dominant market share

In 1997, three years after launch, the South African market reached the one million customer mark with Vodacom having 66% market share at that time. Vodacom has been the leading operator since its inception and has maintained that position through service excellence and superior coverage. Currently Vodacom has a 54% market share in a three-player market.

Group chief executive officer's review

"Clearly even the most optimistic believers in cellular technology did not foresee that by March 2004 there would be some 18 million cellular customers in South Africa and that Vodacom would have 54% market share in a three-player market."

Alan Knott-Craig
Group Chief Executive Officer
Vodacom Group (Proprietary) Limited



The past

This year marks the tenth anniversary of cellular communications in South Africa and for us at Vodacom, ten years of the Vodacom Way. It has been a remarkable ten years in that South Africa has assumed a leadership position in the world in terms of the application of cellular for the benefit of both the rich and the poor. Prepaid, which Vodacom launched in 1996 revolutionized the affordability of cellular both in South Africa and indeed throughout the world. Clearly even the most optimistic believers in cellular technology did not foresee that by March 2004 there would be some 18 million cellular customers in South Africa and that Vodacom would have 54% market share in a three-player market. Even the strongest believers in the new technology did not envisage the enormous impact that cellular communications would have on our country and continent.

The year under review

It is against this historical setting that I present what was another superb year for Vodacom. I am pleased to report that despite a more competitive environment in all the countries where we operate, the weak US Dollar, a more aggressive network roll-out in the DRC and start-up losses in Mozambique, the Vodacom Group has again performed exceptionally well.

Revenue continued growing very strongly this year, exceeding the R20 billion mark to reach R23.5 billion, an 18.7% increase over 2003. Revenue growth is still a function of total customer growth. Total customers increased 29.7% to 11.2 million (2003: 8.6 million), which translated into strong earnings when combined with a relatively stable South African monthly ARPU of R177 (2003: R183).

Vodaworld: the one-stop cellular shop

Vodacom developed the very first cellular lifestyle complex in the world – Vodaworld – to generate loyalty towards Vodacom with the single-minded goal of satisfying every customer who visits the center while keeping the service provider structure in place.

The world's first cellular shopping mall opened its doors in March1998.

Vodaworld is a one-stop cellular center featuring the latest cutting-edge cellular and information technology and promises a one-hour turnaround on cellphone repairs. The Vodaworld experience is also designed to be as pleasant as possible and offers visitors a full range of entertainment options, including a chip and putt golf course, a health club and coffee shop.

Group chief executive officer's review continued

A buoyant South African market again ensured that local operations exceeded expectations as the stalwart of the Group. Vodacom South Africa saw a record number of 5.0 million new gross connections – the highest since the inception of Vodacom in 1994. This level of connections is a tribute to our consistent belief in this market and our strong and loyal distribution channels.

Our other African operations contributed 6.4% (2003: 6.2%) of total revenue. The stable contribution to Group revenue by our other African operations is due primarily to strong revenue growth in these operations, which was offset by a lower growth in Rand terms in these revenues.

Through sound cost management, we have ensured that our revenue growth translated into increased profits. Profit from operations increased 20.9% to R5.2 billion (2003: R4.3 billion) in line with revenue growth while net profit increased by a very strong 36.9% to R3.0 billion (2003: R2.2 billion). Our EBITDA margin contracted slightly to 33.1% (2003: 33.9%) due to Rand strength and a higher level of competition in all our operations. Vodacom's consolidated EBITDA grew by a healthy 15.9% to R7.8 billion in 2004 (2003: R6.7 billion).

In South Africa we have initiated a more aggressive network roll-out in order to soak up the extra traffic that the market has been generating as well as to reach more potential customers. Nevertheless we expect our capex to sales ratio to remain in the range of 10% to 12% in the future. I hold the view that the South African market will grow to between 25 and 30 million customers in the next five years with Vodacom remaining the dominant market player.

In our other African operations capex roll-out has also been accelerated, particularly in the Congo and Mozambique where the networks are still young and competition for coverage critical. Extent of coverage and quality of coverage are absolutely key to setting a sound foundation for a business with good long-term growth prospects. Whilst this depresses profits in the short term, it will ensure a much higher business value in the medium to long term.

As part of our broader strategy of margin leadership in South Africa, we are continuing the process of gaining control of our service provider channel and have taken the first steps toward attaining this goal by purchasing 51% of Smartphone SP (Proprietary) Limited, effective March 1, 2004. Smartphone SP (Proprietary) Limited has subsequent to year-end gained control of Smartcom (Proprietary) Limited. Vodacom South Africa now directly controls 70.6% of its contract customers and 97.8% of its prepaid customers. The South African market still holds a lot of potential and I believe that margins can be improved even further through the economies of scale that we can achieve by being the clear market leader. We also believe Vodacom is well-suited to capitalize on lower-margin new prepaid customers through our position as the lowest-cost operator in South Africa.

Our African expansion strategy has also started to bear fruit. All of our previously established other African operations are now profitable at the profit from operations level namely Tanzania, Congo and Lesotho, with Vodacom Congo experiencing very strong growth, and Vodacom Tanzania showing resilience despite very challenging market conditions. Our newly established business in Mozambique has done exceptionally well in a short period of time, managing to connect 58,000 customers in just three and a half months since opening on December 15, 2003. But we expect that it will take at least two years to start contributing positively to our profits from operations. The competitor is firmly entrenched and until we have superior coverage our growth will be inhibited.

Caring for our environment

Vodacom received ISO 14001 accreditation in 1999 for its environmental policy which was a first for a cellular company in South Africa.

As part of our environmental management programme, we put in place a programme to protect and monitor martial and black eagles nesting on top of our base stations. Once again, during the winter of 2003, the breeding activity on 75% of the confirmed eagle nesting sites was successful.

Rapidly extending our coverage therefore remains our top short-term priority in Mozambique.

Our attempts to gain a foothold in the Nigerian market have been much publicized and drawn out. We have been proceeding with a process designed to minimize our risks which included extensive due diligence carried out by reputable international experts in this field. Effective April 1, 2004 Vodacom International Mauritius entered into a five year management agreement with VEE Networks Limited (formerly Econet Wireless Nigeria Limited), subject to the right of termination in favor of each of the parties. In terms of the agreement, Vodacom International Mauritius would have managed VEE Networks' cellular network operations in Nigeria for a fee which is based on VEE Networks' turnover. VEE Networks would have been allowed to use the Vodacom logo and brand name. Vodacom International Mauritius also had the intention to acquire an equity stake in the business of VEE Networks.

However, on May 31, 2004, Vodacom International Mauritius and VEE Networks mutually agreed to terminate the management agreement entered into on April 1, 2004. Vodacom International Mauritius will continue to provide technical support to VEE Networks for a period of up to six months. Vodacom International Mauritius has also decided not to pursue an equity stake in the business of VEE Networks. Despite not being able to enter the Nigerian market, our African operations grew at a healthy rate, with total customers in other African countries increasing by 93.0% to 1,492,000 (2003: 773,000).

The final element of success continues to be our strong management teams across the various companies. These teams have recently been enhanced by new appointments which reflect our commitment to employment equity. There have also been strategic changes to the management structure to leverage operational efficiencies across the Group. The changes, which took effect on April 1, 2004 will see Pieter Uys head up all the operational aspects of the whole of the Vodacom Group including the African operations as Group Chief Operating Officer. These have been well received in the company, and the improved focus is already showing encouraging signs.

The future

We continue to believe we can achieve growth in profits and cash flow, while maintaining our leading market position in South Africa, growing our existing other African operations, and establishing new operations in other select African countries. The strategies underpinning these aims are simple: to focus on revenue growth through an extended customer base and the continuous introduction of new high utility services, whilst improving margins by leveraging our better economies of scale, as well as initiatives such as the current drive to acquire our customers from the independent service providers in South Africa. In South Africa we are also focusing more on our data offerings and this strategy has already shown good results. Data revenue in South Africa increased by 62.3% to R943 million for the year ended March 31, 2004 (2003: R581 million).

We need additional investments in Africa to augment our long-term future growth, but the South African market remains critical as the lowest risk keystone to any assured financial health. It therefore remains fundamental to maintain market share leadership in South Africa and to lead the market in South Africa through innovation, superior products and service excellence to our customers.

Alan Knott-Craig
Group Chief Executive Officer
Vodacom Group (Proprietary) Limited

Into Africa

The year1999 marked the start of further expansion into Africa after Lesotho when Vodacom was awarded a license to operate a GSM network in Tanzania. Shortly afterwards, Mount Kilimanjaro became the highest point in Africa to be covered by GSM and in December 2001 the Democratic Republic of Congo was added to Vodacom's geographical footprint.

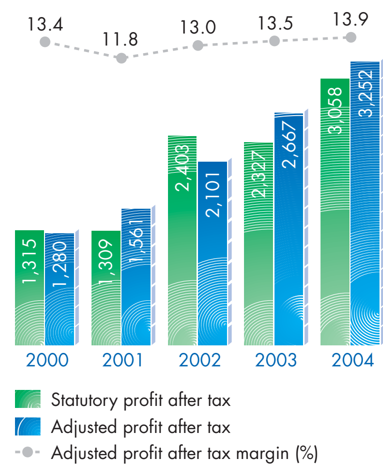
Today the network coverage in the DRC includes Kinshasa, Lubumbashi and the Congo River.

Group finance director's review

Leon Crouse
Group Finance Director
Vodacom Group (Proprietary) Limited

"The Vodacom Group has performed exceptionally well in a changing and more competitive market that required resilience of our Group."

Adjusted and statutory profit after tax
Rand millions

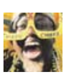



Revenue up 18.7% to R23.5 billion


Profit from operations up 20.9% to R5.2 billion


EBITDA up 15.9% to R7.8 billion


Net profit up 36.9% to R3.0 billion


Data revenue up 58.9% to R1.0 billion


Shareholder distributions of R2.1 billion

The year under review

The Vodacom Group achieved remarkable results in an ever more competitive and demanding environment. Revenue increased by 18.7% to R23.5 billion and net profit after tax and minorities to R3.0 billion, an impressive achievement for our ten-year old Group.

Our results over the past years have been distorted by four main factors. Firstly, the application of IAS 39, "Financial Instruments: Recognition and Measurement", resulted in a loss of R277 million in the year ended March 31, 2004 (2003: R486 million loss, 2002: R352 million profit). This is not as a result of any fundamental changes to operating conditions and is more technical in nature. Vodacom in South Africa operates in an environment with a history of fluctuating exchange rates and as a result all imports of equipment are hedged by forward exchange contracts, which, in terms of IAS 39, does not qualify as an effective hedge. The impact of fluctuations in exchange rates on the market value of our financial instruments are required to be reflected through the income statement. The Rand strengthened against the US Dollar by 20.7% during the 2004 financial year to close at R6.32 at March 31, 2004 compared to an even stronger appreciation of 30.3% during 2003, ending at R7.97 at March 31, 2003 and a significant weakening of 42.4% during 2002, ending at R11.44 at March 31, 2002.

Secondly, as a result of a more focused strategy, the disposal of non-core businesses principally relating to the consolidation of previously independent service providers resulted in an abnormal profit of R56 million in 2002.

Excluding integration costs and the after tax (at 30%) impact of the effects of hedging transactions, the profit after tax increased by 21.9% in 2004 (2003: 26.9%). The impact of adjusting for these distorting items on profit after tax, as well as the reconciliation to statutory profit after tax is shown in the table below and graph on the previous page.

Thirdly, the biggest change in operating conditions negatively impacting on profit from operations was the change in the traffic mix and the resultant margin squeeze. Total mobile traffic recorded on the South African network increased by 30.9% whereas fixed-line traffic decreased by 6.4% during 2004. This resulted in increased interconnect costs and a resultant decrease in margins because the cost of terminating calls on other mobile networks is higher than the cost of terminating calls on Telkom's fixed-line network. South African net interconnect revenue decreased year on year by 14.2% to R2,366 million (2003: R2,758 million).

Fourthly, the strengthening of the Rand had a direct impact on our results due to the consolidation of other African operations, the majority of whose revenues are denominated in US Dollars. Because the Rand appreciated against the US Dollar during 2004, Vodacom Tanzania and Vodacom Congo's Rand-based revenue growth was significantly lower than the US Dollar based growth.

Reconciliation of adjusted profit after tax to statutory profit after tax

	Year ended March 31,				
		Rand millions		% change	% change
	2002	2003	**2004**	03/02	04/03
Profit after tax	**2,403**	**2,327**	**3,058**	**(3.2)**	**31.4**
Less: Profit from, disposals of operations	(56)	–	**–**	(100.0)	–
Less: Gain/loss on foreign currency, FECs and liability revaluations	(352)	486	**277**	(238.1)	43.0
Tax effect (at 30%) of foreign currency, FECs and liability revaluations	106	(146)	**(83)**	237.7	(43.2)
Adjusted profit after tax	**2,101**	**2,667**	**3,252**	**26.9**	**21.9**

Key financial indicators

	2000	2001	2002	2003	**2004**
Net profit margin	13.7%	9.9%	14.7%	11.2%	**12.9%**
Net debt/EBITDA	93.9%	63.1%	66.7%	36.5%	**6.0%**
Net debt/equity	121.7%	75.4%	69.4%	35.8%	**6.1%**
Net debt/net tangible assets	187.9%	99.0%	81.1%	38.4%	**6.9%**
Adjusted profit after tax margin	13.4%	11.8%	13.0%	13.5%	**13.9%**
Operating expenditure as % of revenue	75.3%	80.8%	77.6%	78.1%	**77.7%**
Profit from operations margin	24.7%	19.2%	22.4%	21.9%	**22.3%**
Capex as % of revenue	21.1%	24.0%	25.3%	17.2%	**12.3%**

Group finance director's review
continued

Revenue – geographical split

	Year ended March 31,				
		Rand millions		% change	% change
	2002	2003	**2004**	03/02	04/03
South Africa (excluding holding companies)	15,410	18,544	**21,981**	20.3	18.5
Tanzania	657	880	**867**	33.9	(1.5)
DRC (51%)	14	259	**476**	1,750.0	83.8
Mozambique	–	–	**13**	–	–
Lesotho	70	96	**119**	37.1	24.0
Holding companies	–	–	**22**	–	–
Revenue	**16,151**	**19,779**	**23,478**	**22.5**	**18.7**

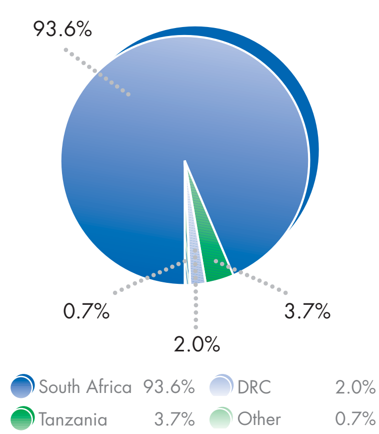
Revenue

Revenue increased year on year by 18.7% (2003: 22.5%) to R23.5 billion, of which our other African operations contributed 6.4% (2003: 6.2%). The increase in revenues was primarily driven by strong customer growth in all of our operations.

South Africa

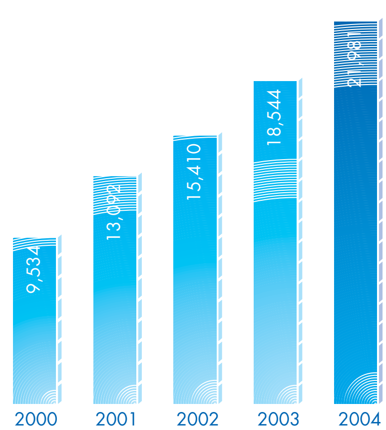
South Africa was by far the biggest contributor to this growth, accounting for 93.6%, or R3.4 billion of the growth in revenues. South African ARPU contracted by 3.3% to R177 per month, which is encouraging given the growth in customers in South Africa of 23.5%. South African contract ARPU grew by 0.8% to R634 per month (2003: R629) for the year ended March 31, 2004, while prepaid ARPU over the same period remained stable at R90 (2003: R90) per month.

Revenue composition 2004



Vodacom South Africa revenue

Rand millions



Other African countries

Vodacom's revenue from its other African operations increased 21.2% (2003: 66.7%) to R1.5 billion for the year ended March 31, 2004 (2003: R1.2 billion). The increase in revenue was driven by very strong customer growth, and was partially offset by lower Rand-based revenues in these countries due to the weakness of the US Dollar against the Rand.

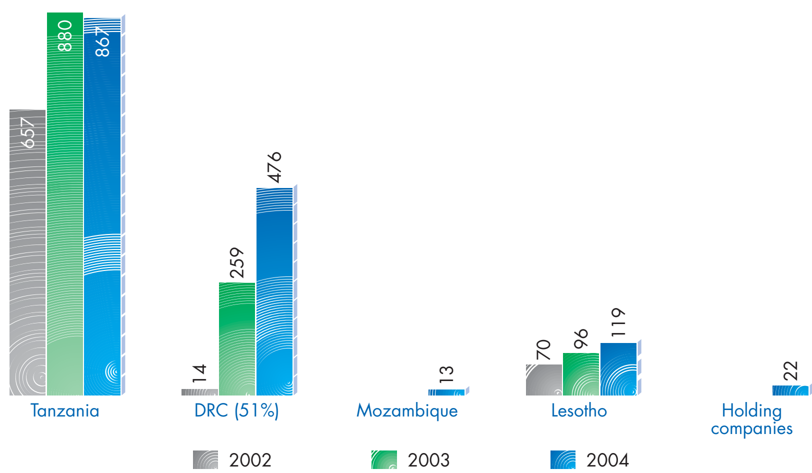
The slight decrease in revenue in Vodacom Tanzania was primarily as a result of Rand strength and lower US Dollar denominated tariffs, which were necessitated by a highly competitive environment and aggressive price cuts by competitors – as high as 40% to 50% for the year. Coupled with the stronger Rand, these factors resulted in the much lower recorded ARPU of R128 for the year (2003: R216), a decrease of 40.7%. The below expectation revenue performance was exacerbated by frustrations on international interconnect traffic collection. There has also been a severe drought and generally weaker economic conditions in Tanzania. As a result of competitive pressures the billing currency of Vodacom Tanzania has been changed to Tanzanian Shillings effective April 1, 2004.

The increases in the revenues of Vodacom Congo, Mozambique and Lesotho were the result of very strong customer growth. However, the strong revenue growth in US Dollar terms in Vodacom Congo and Vodacom Tanzania was significantly offset by the stronger Rand.

In US Dollar terms, Vodacom Tanzania's revenue grew by 34.4% to $121 million (2003: $90 million), Vodacom Congo's proportional revenue grew by 153.8% to $66 million (2003: $26 million) and Vodacom Mozambique's revenue was $2 million for the year ended March 31, 2004. US Dollar-based ARPUs declined to $18 (2003: $22) per month in Vodacom Tanzania, increased to $21 (2003: $20) per month in Vodacom Congo and was $15 per month in Vodacom Mozambique. Vodacom Lesotho's billing currency is the Maloti, which is pegged to the Rand on a 1:1 basis and Vodacom Mozambique's billing currency is the Metical.

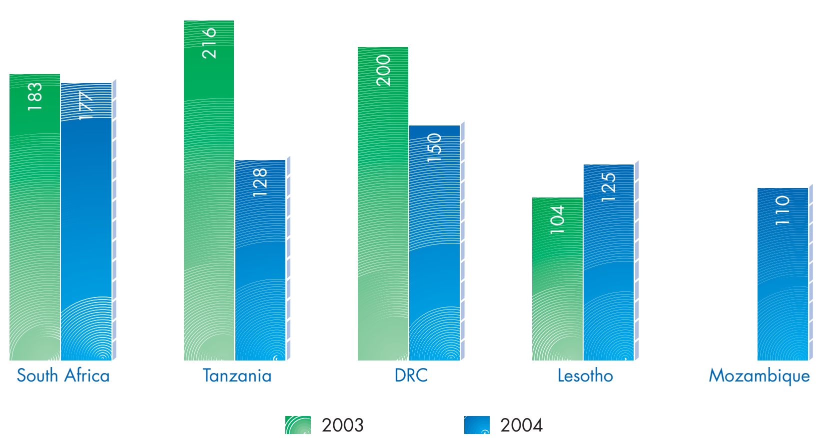
Revenue growth – other African countries

Rand millions



ARPU per country

Rand per customer per month



Group finance director's review
continued

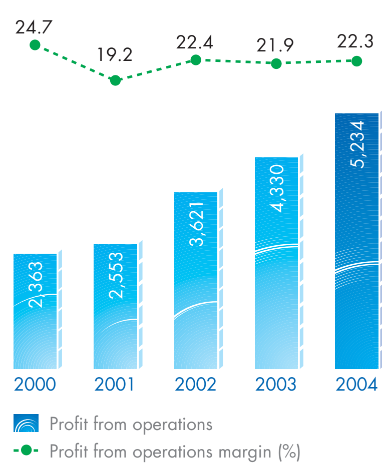
Profit from operations – geographical split

	Year ended March 31,				
		Rand millions		% change	% change
	2002	2003	**2004**	03/02	04/03
South Africa (excluding holding companies)	3,627	4,476	**5,466**	23.4	22.1
Tanzania	134	187	**141**	39.6	(24.6)
DRC (51%)	(20)	(117)	**9**	(485.0)	107.7
Mozambique	–	–	**(88)**	–	–
Lesotho	12	4	**1**	(66.7)	(75.0)
Holding companies	(132)	(220)	**(295)**	66.7	34.1
Profit from operations	**3,621**	**4,330**	**5,234**	**19.6**	**20.9**

Profit from operations

Profit from operations increased by 20.9% (2003: 19.6%) to R5.2 billion for the year ended March 31, 2004 (2003: R4.3 billion). Operating expenses increased by 18.1% (2003: 23.3%) which was lower than revenue growth of 18.7% (2003: 22.5%). This resulted in our profit from operations margin increasing marginally to 22.3% (2003: 21.9%). Margin squeeze resulted from the lower tariffs charged by Vodacom Tanzania in response to the changing market conditions, while operating expenses in South Africa grew by 18.0% (2003: 19.4%) versus revenue growth of 18.5% (2003: 20.3%) as we managed to contain overheads and thereby improve our margins in South Africa. Vodacom South Africa's profit from operations margin improved to 24.9% for 2004 (2003: 24.1%), despite further increased interconnect costs, the negative impact of the change in traffic mix and more competitive operating conditions, which demanded higher direct costs and incentives.

Profit from operations and profit from operations margin
Rand millions



EBITDA – geographical split

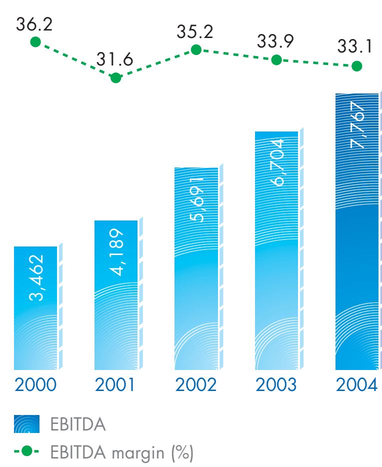
	Year ended March 31,				
		Rand millions		% change	% change
	2002	2003	**2004**	03/02	04/03
South Africa (excluding holding companies)	5,567	6,423	**7,536**	15.4	17.3
Tanzania	231	334	**278**	44.6	(16.8)
DRC (51%)	(12)	(49)	**97**	(308.3)	298.0
Mozambique	–	–	**(71)**	–	–
Lesotho	31	26	**27**	(16.1)	3.8
Holding companies	(126)	(30)	**(100)**	(76.2)	233.3
EBITDA	**5,691**	**6,704**	**7,767**	**17.8**	**15.9**

EBITDA

EBITDA increased by 15.9% (2003: 17.8%) to R7.8 billion (2003: R6.7 billion) for the year ended March 31, 2004 on the back of lower EBITDA margins, which decreased by 0.8 percentage points to 33.1% (2003: 33.9%). The lower EBITDA margin recorded was due mainly to margin pressure in South Africa and Tanzania but also due to the start-up losses incurred in Vodacom Mozambique. The difference between the profit from operations margin and EBITDA margin can be ascribed to the depreciation and amortization charge for the year under review increasing by only 6.7%, resulting in a decrease in EBITDA margin compared to an increase in profit from operations margin. EBITDA margin decreased to 34.3% in South Africa (2003: 34.6%), 32.1% in Tanzania (2003: 38.0%) and 22.7% in Lesotho (2003: 27.1%). Vodacom Congo turned EBITDA positive during the year, reporting EBITDA of R97 million (2003: R49 million EBITDA loss) and a 20.4% EBITDA margin. We expect Vodacom Congo and Mozambique's EBITDA margins to slowly improve going forward, and our other operations to start stabilizing. Excluding the impact of low margin cellular phone and equipment sales and profits thereon, the EBITDA margin for the year was 37.2%, down from 37.8% in 2003.

EBITDA and EBITDA margin

Rand millions



Group finance director's review
continued

Revenue composition

	Year ended March 31,							
		Rand millions		% of total	% of total	**% of total**	% change	% change
	2002	2003	**2004**	2002	2003	**2004**	03/02	04/03
Airtime, connection and access	9,030	10,647	**12,738**	55.9	53.8	**54.3**	17.9	19.6
Data revenue	457	654	**1,039**	2.8	3.3	**4.4**	43.1	58.9
Interconnection	4,301	5,309	**5,785**	26.6	26.8	**24.7**	23.4	9.0
Equipment sales	1,627	2,264	**2,898**	10.1	11.5	**12.3**	39.2	28.0
International airtime	301	539	**659**	1.9	2.7	**2.8**	79.1	22.3
Other sales and services	435	366	**359**	2.7	1.9	**1.5**	(15.9)	(1.9)
Total revenue	**16,151**	**19,779**	**23,478**	**100**	**100**	**100**	**22.5**	**18.7**

Revenue

Airtime, connection and access

Vodacom's airtime revenue increased 19.6% (2003: 17.9%) during the year ended March 31, 2004, primarily due to the increase in the number of Vodacom's customers, and, to a lesser extent, standard tariff increases.

During the year under review Vodacom reclassified revenue to enable separate identification of data revenue which was included in airtime, connection and access revenue in the past. Total customers increased 29.7% (2003: 26.0%) primarily due to strong prepaid customer growth in South Africa and significant customer growth in our other African operations. It is pleasing to see prepaid and contract ARPU in South Africa stabilizing, with the dilution in overall ARPU to R177 per month versus R183 per month in 2003 primarily the result of the higher proportion of prepaid customer growth relative to contract customer growth during the year.

Data revenue

During the year under review, Vodacom changed its classification of revenue to enable the separate identification of data revenue. This was done because of the strategic importance we place on understanding and growing data revenue in the future.

Vodacom's data revenue increased 58.9% to R1,039 million (2003: R654 million), mainly due to SMS traffic growth. Although the other African operations contribute a small proportion of data revenue, the substantial increase in Vodacom Tanzania of 28.2% for the year is encouraging. Data revenue in Vodacom Congo and Vodacom Mozambique is still very small.

Vodacom transmitted 2.0 billion SMSs (2003: 1.5 billion) over its South African network during the year ended March 31, 2004, up 33.3% from 2003. The number of active MMS users on the network as at March 31, 2004 was 61,374 (2003: 1,789) and the number of active GPRS users on the network was 100,128 (2003: 7,756). Data revenue contributed 4.4% of total revenue for the year ended March 31, 2004 (2003: 3.3%).

Interconnection

Vodacom's interconnection revenue increased 9.0% (2003: 23.4%) during the year to R5.8 billion (2003: R5.3 billion) primarily due to an increase in the number of calls terminating on Vodacom's network as a result of the increased number of Vodacom customers and mobile users generally in all operations during the period. Adding to the growth in interconnection revenue was the changing call patterns of mobile users in South Africa, with disproportionally more calls terminating on mobile networks than on the fixed-line network. However, significantly offsetting this and thereby inhibiting growth in interconnection revenue was a 9.2% reduction in traffic originating from Telkom and terminating on Vodacom's network. Adding to this was the frustrations

Data revenue – geographical split

	Year ended March 31,							
		Rand millions		% of total	% of total	**% of total**	% change	% change
	2002	2003	**2004**	2002	2003	**2004**	03/02	04/03
South Africa	436	581	**943**	95.4	88.8	**90.8**	33.3	62.3
Tanzania	21	71	**91**	4.6	10.9	**8.7**	238.1	28.2
Lesotho	–	2	**5**	0.0	0.3	**0.5**	–	150.0
Data revenue	**457**	**654**	**1,039**	**100.0**	**100.0**	**100.0**	**43.1**	**58.9**

experienced in Tanzania to collect international terminating interconnect revenue from the fixed-line operator. The new Cell C national roaming agreement has been amended to allow for continued roaming in certain urban areas.

Equipment sales

Vodacom's revenue from equipment sales, which yields relatively low margins, increased markedly during the year, reaching its highest level ever. Equipment sales revenue increased by 28.0% (2003: 39.2%) during the year to R2.9 billion (2003: R2.3 billion).

The growth in equipment sales was primarily due to the growth of our Vodacom Congo operations and the significant uptake of new handsets in South Africa because of the high level of new connections. The update was fuelled by cheaper Rand prices of MMS and GPRS-enabled handsets coupled with the added functionality of the new phones, such as built-in digital cameras.

International airtime

International airtime increased 22.3% (2003: 79.1%) to R659 million in 2004 (2003: R539 million), primarily as a result of a healthy increase in international airtime revenue in Vodacom Congo, coupled with a moderate increase in Vodacom South Africa.

International airtime comprise mainly of international calls by Vodacom customers, roaming revenue from Vodacom's customers making and receiving calls while abroad and revenue from international customers roaming on Vodacom's networks. The increase is mainly due to a 30.5% increase in Vodacom's South African customers roaming internationally and a 12.5% increase in international visitors roaming in South Africa. The increase in South African international airtime was offset to a degree by the strengthening of the Rand against the trade-weighted basket of international currencies during 2004.

Other sales and services

Other sales and services in prior years included revenue from our television rental business, Teljoy, which was sold in March 2002 and has shown a steady decrease from then on, as we focus on our core revenue generating business.

Group finance director's review
continued

Operating expenses composition

	Year ended March 31,				
	Rand millions			%	%
	2002	2003	**2004**	03/02	04/03
Depreciation and amortization	2,070	2,374	**2,533**	14.7	6.7
Payments to other operators	1,378	2,217	**2,990**	60.9	34.9
Other direct network operating costs[1]	6,992	8,643	**10,063**	23.6	16.4
Staff expenses	1,135	1,018	**1,332**	(10.3)	30.8
Marketing and advertising	542	653	**702**	20.5	7.5
General administration expenses	498	612	**682**	22.9	11.4
Integration costs, disposal of operations and impairments	(56)	–	**–**	–	–
Other operating income	(29)	(68)	**(58)**	134.5	(14.7)
Operating expenses	**12,530**	**15,449**	**18,244**	**23.3**	**18.1**

Note

1. Direct network operating costs less payments to other operators.

Operating expenses

Depreciation and amortization

Vodacom's depreciation and amortization increased by 6.7% to R2,533 million in the year ended March 31, 2004 (2003: R2,374 million). Our biggest capital investments have already been made in South Africa and growth in depreciation in South Africa is therefore slowly declining. The significant strengthening of the Rand against the US Dollar resulted in depreciation on foreign-denominated capital expenditure in our African operations for the year being translated at a lower exchange rate than in the past, which resulted in relatively lower depreciation for the year. In fact, the depreciation and amortization charge in Vodacom Tanzania in Rand terms actually decreased by 6.8% from 2003 to 2004.

Payments to other operators

Vodacom's payments to other network operators increased by 34.9% to R2,990 million in 2004 (2003: R2,217 million) increasing significantly in both the years ended March 31, 2004 and 2003, as a result of increased outgoing traffic and the increased amount of outgoing traffic terminating on other mobile networks, rather than on Telkom's fixed-line network. As the cost of terminating calls on other mobile networks is higher than calls terminating on Telkom's fixed-line network, as mobile substitution increases with the increasing number of total mobile users in South Africa, interconnection charges should also continue to increase and continue to put pressure on profit margins.

Other direct network operating costs

Other direct network costs include the cost to connect customers onto the network and are incurred to support growth in revenues. Other direct network expenses also includes cost of goods sold, commissions, customer retention expenses, regulatory and license fees, distribution expenses and site and maintenance costs. Despite increased competition these costs have increased at a lower rate than the record number of customer connections and growth in revenues, by 16.4% to R10.1 billion for the year ended March 31, 2004 (2003: R8.6 billion). The increase in regulatory and license fees during the period of 9.1% to R550 million (2003: R504 million) was due to an increase in revenues and corresponding payments under our existing licenses, coupled with payments made to secure temporary licenses for GSM 1800 frequency spectrum in South Africa.

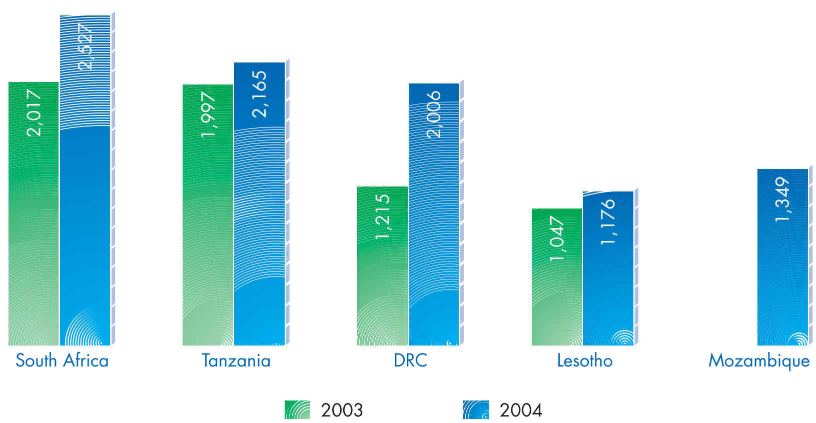
Staff expenses

Staff expenses increased by 30.8% in the year ended March 31, 2004 to R1,332 million (2003: R1,018 million) primarily as a result of an increase in headcount of 4.6% in 2004 (2003: 1.2%), as well as an average group-wide salary increase of 8%. Total headcount in our South African operations decreased by 1.4% (2003: increased by 1.2%) as we continued to increase productivity. Total headcount in our other African operations increased by a significant 51.6% (2003: 1.6%) in order to meet the demands of the rapid expansion of these operations. Vodacom's staff expenses include fees to directors, secondment fees and expenses raised in connection with our deferred bonus incentive scheme. Staff expenses increased further due to a higher deferred bonus incentive accrual, brought about by Vodacom's increased profits. Employee productivity has shown a marked improvement in all of our operations, as measured by customers per employee, increasing on an overall basis by 23.9% to 2,433 customers per employee in 2004 (2003: 1,963).

Marketing and advertising

Marketing and advertising expenses increased by 7.5% in 2004 to R702 million, (2003: R653 million) driven mainly by inflationary increases in South African expenditure, marginal decreases in Rand terms in Vodacom Tanzania, Congo and Lesotho coupled with the marketing expenses related to the launch of Vodacom Mozambique.

Customers per employee per country



General administration expenses

General administration expenses increased by 11.4% to R682 million (2003: R612 million). General administration expenses comprise a number of expenses including accommodation, information technology costs, office administration, consultants' expenses, social economic investment and insurance. Although small, the increase is mainly as a result of the continued expansion drive into Africa, which require expenses relating to assignees on secondments and high overhead costs such as accommodation, insurance and consulting fees.

Integration costs, disposal of operations and impairments

Integration costs, disposals of operations and impairments relate to our non-core investments, which have been disposed of during previous financial years. Details of these transactions are fully described in Note 3 to our annual financial statements.

Other operating income

Other operating income comprises income of a nature that we do not view as part of our core activities, and is therefore shown separately. Other operating income decreased by 14.7% to R58 million (2003: R68 million).

Group finance director's review
continued

Capital expenditure – geographical split

	Year ended March 31,							
		Rand millions		% of total	% of total	**% of total**	% change	% change
	2002	2003	**2004**	2002	2003	**2004**	03/02	04/03
South Africa excluding holding companies	3,253	2,482	**1,654**	79.6	73.0	**57.2**	(23.7)	(33.4)
Tanzania	676	323	**351**	16.5	9.5	**12.1**	(52.2)	8.7
Congo (51%)	92	516	**395**	2.3	15.2	**13.7**	460.9	(23.4)
Mozambique	–	–	**478**	–	–	**16.5**	–	–
Lesotho	26	72	**7**	0.6	2.1	**0.2**	176.9	(90.3)
Holding companies	38	6	**6**	1.0	0.2	**0.3**	(84.2)	–
Capital expenditure for the year	**4,085**	**3,399**	**2,891**	**100.0**	**100.0**	**100.0**	**(16.8)**	**(14.9)**

Capital expenditure

The total cumulative capital expenditure of the Group at March 31, 2004 increased by 13.1% to R20.7 billion (2003: R18.3 billion). The Group invested R2.9 billion (2003: R3.4 billion) in property, plant and equipment. R2.8 billion (2003: R3.2 billion) was for cellular network infrastructure and related IT and billing systems.

The stronger Rand aided the Group in that most capital expenditure is imported and foreign denominated. Although it is our policy to hedge all foreign denominated commitments from South Africa, we do not qualify for hedge accounting in terms of IAS 39. This means that all capital expenditure in South Africa is recorded at the exchange rate ruling at the date of acceptance of the equipment. Capital expenditure of our other African operations is translated at the average exchange rate of the Rand against the US Dollar during the year of R11.42, R9.81 and R7.17 for 2002, 2003 and 2004 respectively. Closing capital expenditure of our other African operations is translated at the closing exchange rate of the Rand against the US Dollar for the year, namely R11.44, R7.97 and R6.32 in 2002, 2003 and 2004 respectively. For this reason Vodacom's capital expenditure in any given year cannot be evaluated without taking the effect of the exchange rate movements against the Rand into account.

Vodacom's cumulative capital expenditure was R18.2 billion (2003: R16.6 billion) in South Africa, R1,145 million or $181 million in Tanzania (2003: R1,058 or $133 million), R1,433 million or $227 million in the DRC (2003: R948 million or $119 million), R201 million in Lesotho (2003: R194 million) and R478 million or $76 million in Mozambique. Only 51% of Vodacom Congo's capital expenditure is proportionally consolidated.

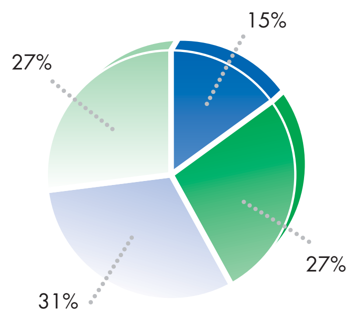
Vodacom (Proprietary) Limited, the subsidiary that owns the South African mobile operator license's capital expenditure per customer of R1,720 (2003: R1,993) as at March 31, 2004 is at its lowest level ever. Despite African expansion, capital expenditure was at 12.3% of revenue in 2004 (2003: 17.2%).

Financial structure and funding

Our on balance sheet consolidated net debt position has decreased considerably to R463 million as at March 31, 2004 (2003: R2,445 million). This reflects the Group's net debt position before the payment for 51% of the equity of Smartphone SP (Proprietary) Limited of R234 million and settlement of the R1.5 billion dividend payable at the end of May 2004 and brings the Group's net debt to EBITDA ratio to its lowest level ever of 6.0%. The repayment of our shareholder loans of R920 million during the year did not impact our net debt position and therefore did not impact our net debt/EBITDA ratio. If dividends payable were included in net debt, our net debt position would increase to R1,963 million, and our net debt/EBITDA ratio to 25.3%.

Gross debt composition including bank overdrafts

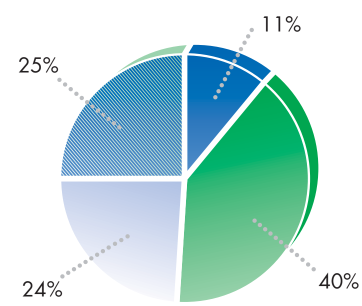
R2,833 million



Foreign denominated, ring-fenced	15%
Foreign denominated, not ring-fenced	27%
ZAR denominated, finance leases	31%
ZAR denominated, other	27%

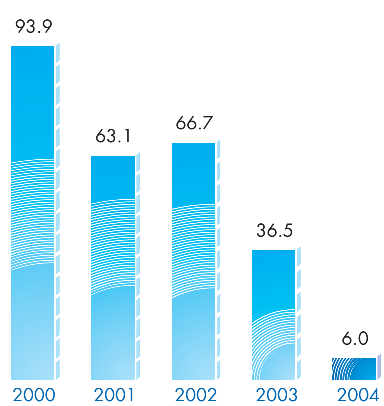
Gross debt compostition including bank overdrafts and off-balance sheet commitments

R3,752 million



Foreign denominated, ring-fenced	11%
Foreign denominated, not ring-fenced	40%
ZAR denominated, finance leases	24%
ZAR denominated, other	25%

Net debt/EBITDA
(%)



Group finance director's review
continued

Summary of net debt and maturity profile

	2005 Rm	2006 Rm	2007 Rm	2008 Rm	2009 Rm	2010 onwards Rm	**2004 Total** **Rm**	2003 Total Rm
Finance leases South African ZAR denominated debt	29	51	79	114	192	421	**886**	885
Funding loans Vodacom Tanzania shareholder and project finance loans, Euro, USD and TSH denominated	66	85	110	87	–	78	**426**	592
Vodacom Congo extended and revolving credit facilities, Euro denominated	626	–	–	–	–	–	**626**	542
Vodacom Congo preference share liability, US$ denominated	119	–	–	–	–	–	**119**	150
Vodacom Lesotho minority shareholders' loan, Maluti denominated	4	–	–	–	–	–	**4**	4
Shareholder loans	–	–	–	–	–	–	**–**	920
Debt excluding bank overdrafts	**844**	**136**	**189**	**201**	**192**	**499**	**2,061**	**3,093**
Less: net bank and cash balances							**(1,598)**	(648)
Net debt							**463**	**2,445**

The improvement in net debt was the result of very strong cash generation in our South African operations and a cash balance of R150.0 million in Smartphone SP (Proprietary) Limited at the time of purchasing our 51% stake, which significantly increased our consolidated cash deposits. Other changes in interest bearing debt were brought about primarily as a result of repayment and re-measurement in Rand terms of Vodacom Tanzania project finance debt, a further draw-down of South African guaranteed credit facilities in Vodacom Congo as well as the payment of dividends in Vodacom Group. The repayment and re-measurement of Vodacom Tanzania's project finance arrangements resulted in a reduction of R166 million in interest bearing debt. The draw-down on new debt and re-measurement of existing debt in Vodacom Congo brought about an increase of R84 million in our share of Vodacom Congo's debt. The gross recording of our share of Vodacom Congo's US Dollar denominated preference share liability has increased our net debt in the years ended March 31, 2004, 2003 and 2002 as is more fully described in Note 41 to the annual financial statements.

Vodacom Congo is only proportionately consolidated but almost 100% of the debt has recourse to South Africa. If the net debt on Vodacom Congo's balance sheet, guaranteed by the Group but not included in the 51% consolidation, is included, the consolidated net debt number increases by R753 million to R1,216 million and to R2,716 million if dividends payable are included, increasing Vodacom's net debt/EBITDA ratio to 35.0%.

The Group had a positive cash flow before shareholder distributions (dividends paid and shareholder loan interest paid) and financing activities of R3.0 billion (2003: R1.9 billion). The stronger cash flow in 2004 is mainly due to the greater cash generation from operations, as well as a reduction in capital expenditure.

Funding sources

We continue to aim to ultimately fund all of our other African operations by means of project finance structured so as to have no recourse to our South African operations. Strong South African cash flows are therefore principally utilized to pay dividends and make new, growth enhancing investments. We also utilize both on and off balance sheet structures, subject to South African Reserve Bank approval, to fund offshore investments in the initial stages of the investment, before project financing is possible. At this stage Vodacom Congo, Vodacom Lesotho and Vodacom Mozambique are still substantially dependent on funding from South Africa.

In South Africa debt consists of finance lease liabilities of R886 million (2003: R885 million) and net positive bank balances of R1,358 million (2003: R467 million) held principally on money market at variable rates. Vodacom has funded all of its major properties by way of finance leases. These leases are for between 10 and 15 years and the rates were competitively priced when they were fixed.

We have sourced project funding for our Tanzania investment but as mentioned above are still bridging all other African operations through a mix of market priced direct loans as well as security to facilitate their own credit lines.

Financial instruments and risk management

The Group's risk management procedures are described fully in Note 43 of the Group's annual financial statements. Subject to central bank regulations in the various countries as well as the local market condition restrictions we actively manage foreign currency risk, interest rate risk, credit risk and liquidity risk on an ongoing basis, and believe that our procedures are adequate for our organization.

Shareholder distributions

Shareholder distributions for the 2004 financial year totalled R2,147 million. This reflected an increase in shareholder distributions of 179.6% over the prior year and comprised of interest of R47 million (2003: R168 million) and dividends declared of R2,100 million (2003: R600 million). In addition, Vodacom Group repaid all its shareholder loans totalling R920 million in June 2003. This is the fourth year that dividends have been declared, although the first year that an interim dividend was declared and paid. The R1,500 million final dividend declared was paid to shareholders on May 31, 2004.

Conclusion

The Vodacom Group has performed exceptionally well in a changing and more competitive African market that required resilience of our Group. Our performance in the South African market continues to exceed expectations and we believe that our status as the least-cost South African cellular operator gives us a competitive advantage to maintain our margins. The strong cash generation from our South African operations ensured that our consolidated balance sheet remains as strong as ever, even after paying out substantial amounts to our shareholders and making equity investments in Mozambique and Smartphone SP. We continue to be confident of our success in all of our operations and look forward to an exciting next decade of growth, challenges and innovation.

"We continue to be confident of our success in all of our operations and look forward to an exciting next decade of growth, challenges and innovation."

Prepaid has captured the market

February 2001 saw the launch of the very popular 4U package, and in October 2002 Vodacom announced that one million customers had been connected.

Prepaid products make up 85.2% of the customer base with 67.9% being 4U customers. This success can be attributed to market demand combined with excellent advertising, branding and packaging.

Review of operations
South African operations

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

Pieter Uys
Managing Director
Vodacom (Proprietary) Limited

"It is Vodacom's strategy to eventually service all its customers directly."

Structure

The review of Vodacom's South African operations is based on a consolidation of two of Vodacom Group (Proprietary) Limited's wholly-owned subsidiaries, Vodacom (Proprietary) Limited and Vodacom Service Provider Company (Proprietary) Limited.

Service providers

Vodacom (Proprietary) Limited has contracts with a number of companies for the distribution of its services. These companies are referred to as service providers. They each have their own individual brand, manage the customer interface, are responsible for the billing and credit control of their own customers on behalf of Vodacom (Proprietary) Limited and provide individualised value-added services such as customer care, insurance, itemised billing, etc.

Vodacom Service Provider Company (Proprietary) Limited distributes only Vodacom services.

Vodacom services are also provided exclusively by the following service providers:

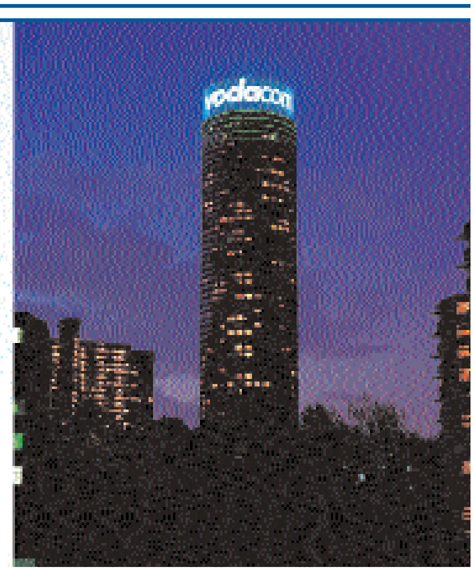
- Tiscali (Proprietary) Limited, previously World-on-Line;
- Global Telematics (Proprietary) Limited, trading as Orchid;
- Smartphone SP (Proprietary) Limited, trading as Smartcall and incorporating:
  – Smartcom (Proprietary) Limited.

During the year, Vodacom embarked on a strategy of acquiring the customer bases of all service providers who have been distributing Vodacom services.

A celebration of success for all

"A better life for all" was coined as Vodacom's promise to the nation, and this is evident in the way Vodacom changes lives and communities.

Vodacom's community services phones reached 24,767 deployed units in March 2004, empowering 1,962 previously disadvantaged entrepreneurs.



Review of operations
South African operations continued

Key operational information

	Year ended March 31,								
	2000	2001	2002	2003	**2004**	% change 01/00	% change 02/01	% change 03/02	% change 04/03
Customers ('000)[1]	**3,069**	**5,108**	**6,557**	**7,874**	**9,725**	**66.4**	**28.4**	**20.1**	**23.5**
Contract	963	1,037	1,090	1,181	**1,420**	7.7	5.1	8.3	20.2
Prepaid	2,082	4,046	5,439	6,664	**8,282**	94.3	34.4	22.5	24.3
Community services	24	25	28	29	**23**	4.2	12.0	3.6	(20.7)
Gross connections ('000)	**1,884**	**2,990**	**3,038**	**3,495**	**4,998**	**58.7**	**1.6**	**15.0**	**43.0**
Contract	261	263	199	197	**377**	0.8	(24.3)	(1.0)	91.4
Prepaid	1,617	2,725	2,836	3,295	**4,617**	68.5	4.1	16.2	40.1
Community services	6	2	3	3	**4**	(66.7)	50.0	0.0	33.3
Inactives (3 months – %)	**n/a[8]**	**n/a**	**13.9**	**18.2**	**17.6**	**–**	**–**	**4.3**	**(0.6)**
Contract	n/a	n/a	3.8	5.3	**5.7**	–	–	1.5	0.4
Prepaid	n/a	n/a	15.9	20.5	**19.7**	–	–	4.6	(0.8)
Total churn (%)[6]	**31.8**	**23.3**	**27.2**	**30.4**	**36.6**	**(8.5)**	**3.9**	**3.2**	**6.2**
Contract	17.4	18.7	14.5	11.9	**10.1**	1.3	(4.2)	(2.6)	(1.8)
Prepaid	40.5	24.8	30.1	34.0	**41.3**	(15.7)	5.3	3.9	7.3
Traffic (millions of minutes)[2]	**5,669**	**7,472**	**8,881**	**10,486**	**12,297**	**31.8**	**18.9**	**18.1**	**17.3**
Outgoing	2,885	4,052	4,967	6,343	**7,772**	40.5	22.6	27.7	22.5
Incoming	2,784	3,420	3,914	4,143	**4,525**	22.8	14.4	5.9	9.2
ARPU (Rand per month)[4]	**266**	**208**	**182**	**183**	**177**	**(21.8)**	**(12.5)**	**0.5**	**(3.3)**
Contract	481	493	560	629	**634**	2.5	13.6	12.3	0.8
Prepaid	132	98	93	90	**90**	(25.8)	(5.1)	(3.2)	0.0
Community service	n/a	1,453	1,719	1,861	**2,155**	–	18.3	8.3	15.8
Minutes of use per month (MOU)[3]	**158**	**137**	**111**	**101**	**96**	**(13.3)**	**(19.0)**	**(9.0)**	**(5.0)**
Contract	274	270	264	269	**263**	(1.5)	(2.2)	1.9	(2.2)
Prepaid	90	70	58	54	**56**	(22.2)	(17.1)	(6.9)	3.7
Community service	1,593	2,859	3,354	3,162	**3,061**	79.5	17.3	(5.7)	(3.2)
Number of employees	**4,048**	**4,102**	**3,859**	**3,904**	**3,848**	**1.3**	**(5.9)**	**1.2**	**(1.4)**
Customers per employee	**758**	**1,245**	**1,699**	**2,017**	**2,527**	**64.2**	**36.5**	**18.7**	**25.3**
Market share (%)[7]	**59**	**61**	**61**	**57**	**54**	**2.0**	**–**	**(4.0)**	**(3.0)**
Cumulative capex (Rand millions)	**7,048**	**10,232**	**14,317**	**16,535**	**18,132**	**45.2**	**39.9**	**15.5**	**9.7**
SA network capex per customer (Rand)	**2,543**	**2,053**	**1,991**	**1,933**	**1,720**	**(19.3)**	**(3.0)**	**(2.9)**	**(11.0)**

Vodacom acquired 51% of Smartphone SP (Proprietary) Limited effective March 1, 2004, after receiving the approval of the Competition Commission. It is Vodacom's strategy to eventually service all its customers directly. Vodacom paid R234 million for its 51% stake and in this way gained control of the base of more than 2.5 million prepaid customers. We believe that the effective control of our entire customer base will greatly facilitate enhanced communication with our customers and improve margins. Discussions and negotiations with our other service providers are at various stages of completion.

We will continue to distribute our services through our valued independent (non-exclusive) service providers:

- Nashua Mobile (Proprietary) Limited;
- Autopage Cellular (Proprietary) Limited; and
- Radiospoor (Proprietary) Limited.

The prepaid customer base of Radiospoor (Proprietary) Limited was acquired by Vodacom Service Provider Company (Proprietary) Limited with effect from February 1, 2004. However, they continue to support Vodacom in their capacity as Super Dealer.

Brand

The phrase "Yebo Gogo" has become synonymous with the brand and the series of 14 "Yebo Gogo" commercials has never rated lower than eight out of ten in likeability surveys. In addition, the Vodacom brand has moved from position ten to position seven in the 2003 Markinor brands and branding results category "Best liked South African Brands", again confirming the immense power of the Vodacom brand. In recognition of our truly South African roots, Vodacom joined the "Proudly South African" campaign in 2003.

The Vodacom brand is a truly African brand, built on elements that emphasize people rather than technology. The brand is built on the pillars of leadership, trust, warmth and approachability and has been one of the key drivers of our success in South Africa. From the ongoing "Vodatrack" brand health tracking study conducted by Millward Brown, Vodacom remains the network of choice among all chosen target segments.

Sponsorship

Vodacom recognizes the ability of sports sponsorships to further entrench brand loyalty and increase goodwill. Key leveraging objectives are set for each sponsorship in order to ensure relevance to the chosen target segments. Rugby and soccer are Vodacom's pillar sponsorships.

Customers and traffic

Customer growth and connections

The South African customer base continued to grow this year, showing the market is larger than previously forecast. Total customers increased by 23.5% to 9.7 million (2003: 7.9 million), with the majority of the growth coming from the prepaid market. The number of prepaid customers increased by 24.3% to 8.3 million, while the number of contract customers increased by 20.2% to 1.4 million, fuelled to a large extent by increased connection incentive levels in the market. The strong growth in customers was a direct result of the remarkable number of gross connections achieved, coupled with low churn in the contract base, offset to

Notes

1. Customer totals are based on the total number of customers registered on Vodacom's network, which have not been disconnected, including inactive customers, as at the end of the period indicated.
2. Traffic comprises total traffic registered on Vodacom's network, including bundled minutes, outgoing international roaming calls and calls to free services, but excluding national roaming and incoming international roaming calls.
3. Minutes of use per month is calculated by dividing the average monthly minutes during the period by the average monthly total reported customer base during the period. Minutes of use excludes calls to free services, bundled minutes and data minutes.
4. ARPU is calculated by dividing the average monthly revenue during the period by the average monthly total reported customer base during the period. ARPU excludes revenues from equipment sales, other sales and services and revenues from national and international users roaming on Vodacom's networks.
5. Value-added service revenue from previously partially owned service providers is included in contract and total average monthly revenue per customer from October 1, 2001, at which time Vodacom consolidated these previously partially owned service providers.
6. Churn is calculated by dividing the average monthly number of disconnections during the period by the average monthly total reported customer base during the period.
7. Market share is calculated based on Vodacom's total reported customers and the estimated total reported customers of MTN and Cell C.
8. N/a – not available.

Review of operations
South African operations continued

some extent by increased churn in the prepaid base. Contract gross connections increased by 91.4% to 377,000 (2003: 197,000) while prepaid gross connections increased 40.1% to 4.6 million (2003: 3.3 million), bringing the total number of connections for the year to 5.0 million (2003: 3.5 million). In December 2003, the deactivation rule for prepaid customers was changed to deletion after 215 days of inactivity, thereby aligning ourselves with European standards.

The year under review was a year of records in South Africa – the prepaid gross connections of 584,942 achieved in December were the highest ever monthly figure, being 26% more than the previous record of December 2001. Contract gross connections of 46,697 achieved in March 2004 were also the highest ever and were 8.7% higher than the previous record of December 2003.

ARPU

The developing market, through the prepaid service, has been driving market penetration in 2004 and made up 92.4% (2003: 94.3%) of all gross connections. Indications are that total ARPU has stabilized and during the period under review decreased to R177 per month (2003: R183) due to the continued dilution of ARPU caused by the higher proportion of new, lower ARPU prepaid connections. Contract customer ARPU has increased by 0.8% (2003: 12.3%) to R634, while prepaid customer ARPU remained stable (2003: decreased by 3.2%) at R90 per customer per month. Community services ARPU increased by 15.8% (2003: 8.3%) to R2,155 (2003: R1,861) due to tariff increases coupled with stable usage patterns. One community services phone is equivalent to approximately 38 prepaid customers on an outgoing revenue basis and nearly 127 on an outgoing usage basis, due to the subsidization of community service tariffs.

Churn

Due to the high cost of acquisition in a highly developed contract market, Vodacom has implemented upgrade and retention policies over the last couple of years that ensured the decrease in contract churn to the lowest level in our history of 10.1% in 2004 (2003: 11.9%).

The developing prepaid market however is characterized by low acquisition costs due to the flexibility required by this market to be able to access our services as the customer has disposable income. The high prepaid churn experienced during the year under review of 41.3% (2003: 34.0%) is a function of an increasingly competitive market, but also due to changes to the business rules governing prepaid customers as mentioned previously. During the year we have changed the deletion and activity rules as follows:

From June 1, 2003, any 4U connection for which the network recorded no revenue generating activity for a period of 90 consecutive days was deleted from the network and consequently resulted in increased churn.

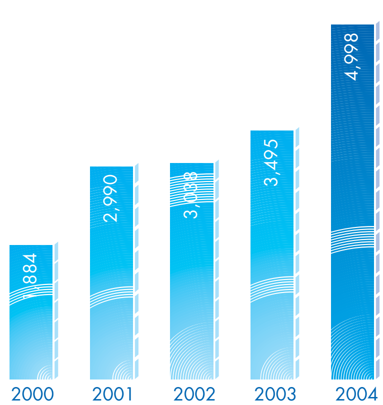
From December 1, 2003, however, to align ourselves with industry standards, any Vodago or 4U connection for which the network records no revenue generating activity within a period of 215 consecutive days will be deleted and counted as churn.

Traffic and minutes of use

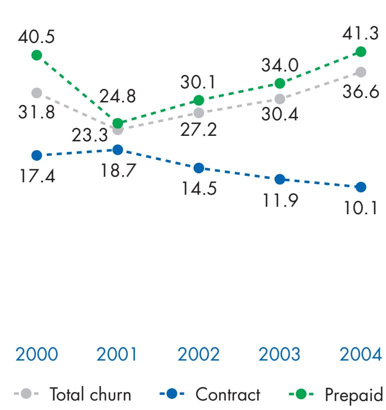
Total traffic on the network, excluding the impact of national and international roaming, has shown an increase of 17.3% to 12.3 billion minutes in 2004 (2003: 10.5 billion). This growth was due mainly to the 23.5% growth in the total customer base from 7.9 million to a base of 9.7 million as at the end of March 2004. Also evident was a marked change in customer calling patterns, with total mobile to mobile traffic increasing by 30.9% while total mobile to fixed and fixed to mobile traffic decreased by 6.4%.

MOU, which is reflective of voice trends outside and in excess of the bundle, shows a more stabilized trend for the period under review as contract minutes show a 2.2% decrease to 263 per month for 2004

South Africa gross connections
('000)



South Africa churn history
(%)



(2003: 1.9% increase to 269 per month) and prepaid minutes a 3.7% increase to 56 per month in 2004 (2003: 6.9% decrease to 54 per month). Vodacom considers this trend as very positive given the substantial, predominantly lower end prepaid, customer growth.

Market share

Vodacom has retained its dominance in the South African market with an estimated 54% market share as at March 31, 2004 despite strong competition. Although we have been highly successful in defending our market share, this competitiveness of the market has inevitably resulted in margin pressure.

Customer care

Vodacom considers customer care a top priority and an integral part of service differentiation. We are focused on our customers' needs and have consequently enabled our customers to choose the way in which they would like to communicate with us. Face-to-face interaction is possible via our walk-in customer care centers at Vodaworld in Midrand, Canal Walk in Cape Town and Gateway Shopping Mall in Durban and our 26 Vodacare branches and franchises. Plans are under way to establish more walk-in centers in other parts of the country.

Technology-supported interactions through call centers, email, fax and internet are provided not just for added convenience, but also result in much lower costs per transaction. Within this service-centered framework, one of Vodacom's key focus areas is to minimize the number of calls to the call centers by leveraging self-service technologies that empower the customer and reduce the operating cost of the service, for example Interactive Voice Response units.

Vodacare

The Vodacare infrastructure consists of 26 branches and franchises in all the major centers providing walk-in customer support to Vodacom customers and an advanced repair center hub for high-level repairs situated in Midrand. With an average of over 31,000 repairs per month, this dedicated customer service support center differentiates our offering from that of our competitors. A new 48-hour swap programme was launched towards the end of the financial year which has further increased service levels significantly. Vodacom's primary focus with respect to repairs is to manage and facilitate the process of putting the customer back on the air with as little interruption as possible. This is achieved by using a combination of repairs, swaps, refurbished handsets, loan handsets, and managed repairs through third parties. Vodacom is proud of the fact that it is the only network to offer a two-year warranty on phones that it supplies.

Customer relationship management

Although customer focus has always been important to Vodacom, during the last few years CRM has become a key strategic focus area and an important philosophy in the company. The current year saw ongoing integration of support systems and staff training as part of this continuously challenging area.

Vodacom strives to improve relationships with customers by understanding their needs, their likes, dislikes, how they use our products and how they would like Vodacom to interact with them. Our performance in this regard is measured through independent customer satisfaction surveys, conducted on a quarterly basis. These surveys, which have been designed by one of our shareholders, Vodafone, show that Vodacom is maintaining its market leadership. We ensure that we remain competitive by immediately putting action plans into place when any shortcomings are identified.

The launch of the Vodacom Customer Reward Programme has enabled us to recognize and reward our influential and high spending contract customers and has contributed to the very low churn in this sector.

Products and services

Vodacom has a culture of innovation and our record of accomplishments with regard to our product offering bears testimony to this. Vodacom offers contract subscription, prepaid, data and value-added voice and data services.

Contract subscription services

Vodacom offers contract customers a range of mobile service packages designed to appeal to specific customer segments, with residential packages such as Weekend Everyday for residential customers and business packages such as Business Call for business customers. As of March 31, 2004, 14.6% of Vodacom's customers were contract customers. As the high end of the market remains strategically important, a range of strategies have been implemented with the aim to retain these customers despite aggressive pricing by the competition. The exceptionally low churn rates recorded for contract customers reflect our success in achieving this goal.

Vodacom launched an innovative product designed to facilitate migrations to contract packages from existing prepaid packages called Top Up during the year under review, which combines the benefits of a contract service with the financial control offered by a prepaid service. Top Up has proved highly successful, and has contributed to the growth in contract customers.

Review of operations
South African operations continued

Prepaid services

Vodacom has two prepaid products, namely Vodago and 4U. The majority of our customers are prepaid customers and as of March 31, 2004, comprised 85.3% (2003: 84.6%) of the customer base.

Since its inception, our 4U offering, which was primarily aimed at the youth market, has proved highly successful and as of March 31, 2004, 67.9% of Vodacom's prepaid customers were 4U customers. We attribute the success of 4U to our excellent advertising, branding and packaging of this product.

Community services

At March 31, 2004 Vodacom had deployed more than 24,767 community services telephones in previously under-serviced areas compared to the license obligation of 22,000. These phones enable the residents of these areas to make phone calls at a highly subsidized price. The positive impact that these phones have had on the residents of these areas are profound. In September 2002, Vodacom undertook to disconnect all transportable community services phones and to ensure that 22,000 phoneshop-type telephones were deployed. The disconnection (conversion to other prepaid and contract packages) of the transportable community services phones resulted in a significant drop in the number of deployed community services phones. By October 1, 2003 all transportable community services telephones were converted to either prepaid or contract packages.

Approximately 1,962 historically disadvantaged operators who operate from 5,015 phone shops own these community service telephones. As part of Vodacom's ongoing commitment to truly broad-based black economic empowerment, the business skills training of community services telephone operators received significant attention during the past year. A total of 512 of these operators received Vodacom administered training on business subjects like financial management and marketing during the year under review.

Value-added voice and data services

A comprehensive voice and data VAS portfolio complements our contract and prepaid offerings, which include the My Life branded GPRS and MMS services. Vodacom introduced a number of innovative new products and services including Call Sponsor and SMS-only roaming in November 2003, and promotional offerings such as MMS and SMS bundles. Vodacom's Call Sponsor offering enables contract customers to sponsor the calls of up to three prepaid customers, while SMS roaming affords customers the ability to activate SMS-only roaming.

During the year there was a steady increase in the usage of both GPRS and MMS, with Vodacom ending the year with 510,000 MMS-capable handsets registered on the network.

GPRS users have increased to 100,128 as at March 31, 2004 (2003: 7,756). The number of active MMS users on the network as at March 31, 2004 was 61,374 (2003: 1,789). MMS messages continued to grow with the volume going from 41,472 messages in April 2003 to 350,260 in March 2004.

Vodacom has delivered on its data strategy during the year, which is centred around a WASP model for ease of connectivity and standardized interfaces. Currently, the WASP model is driven largely by consumer applications with the majority of interest being in premium-rated outgoing SMS and bulk incoming SMS services, although there have been an increased number of queries relating to MMS, USSD and GPRS. As of March 31, 2004, 106 WASPs had applied for connectivity to the Vodacom network.

Consumer content is still focused on competitions, accounting for approximately 32% of new services and information and alerts which account for roughly 15%. There has been a substantial increase in messaging services, which represented the bulk of new services in 2004. Consumer sensitivity to pricing appears to be stabilizing, as there is now a decrease in the attrition rate. Volumes have continued to grow despite WASPs having to increase content prices in order to improve margins.

Handset sales

The number of handsets sold during the year was 2.1 million units, an all time high, which represented a year-on-year growth of 40.5% from 2003. Our world-class warehouse in Midrand handled an average of 1,197 orders per day, up by 26.1% from the prior year figure of 949 orders per day. Attesting to our proficiency at effective distribution, 91% of all deliveries to our distribution channel are finalized within 24 hours of receiving the order.

During the year we saw a significant shift in handset technology, the uptake of which facilitated applications around MMS, WAP and GPRS. Camera phones became available in mid-tier products, which made it more affordable to the mass market. Color screens together with polyphonic sounds have become more of a standard on the high-bottom end handsets taking color from the mid-tier contract phone to an affordable prepaid phone. Moving forward the technology drive by the manufacturers will probably be to merge the digital camcorder into the phone and this should see a shift in the color resolution and camera technology from 65 thousand color VGA to 1.2 Megapixel cameras and higher later. Currently phones in the high-end category are able to record video clips of up to 15 seconds. Going forward, with increased memory capacity, we expect phones will be able to record video clips of a longer duration. Smartphones and PDA devices with GSM technology built-in should become more available and we anticipate an increased focus on customizing handsets with the aim to enhance the Vodacom customer's experience and ease of use.

National and international roaming services

Vodacom has a national roaming agreement with Cell C, which offers Cell C national roaming coverage for 15 years.

As at March 31, 2004, Vodacom had international roaming agreements with 249 mobile communications network operators in 132 countries for contract telephony services, ten GPRS roaming contracts and 12 inbound prepaid roaming telephony contracts. Plans for 2005 are to expand international roaming agreements to a further 21 operators, commercial GPRS roaming by a further 15 contracts, inbound prepaid roaming by a further ten contracts and launch an additional two bilateral roaming prepaid contracts.

Sales and marketing

Vodacom currently targets four market segments, namely:

- Corporate market – services to corporates and enterprises;
- Developed market – services to customers in the higher income groups;
- Developing market – services to customers in the informal sector and lower income groups, who increasingly participate in the economy; and
- Youth market – services specifically designed for the needs of the youth.

The more aggressive acquisition of customers and incentives resulted in a larger customer base with associated improved revenues and profits but also resulted in margin pressure due to connection costs. This focus had a very positive impact on the morale of our distribution channels by improving their profitability, enthusiasm and aggressiveness in acquiring customers.

Since most customers in the developed market already have cell phones our objective in the short to medium term is to retain market share and attract new customers through attractive products. Loyalty and retention programmes play an integral role in achieving this objective. Vodacom also expanded the contract portion of the market by migrating appropriate high-end prepaid customers to contracts.

Vodacom Service Provider Company remains the stalwart of our service provider channel, with 65.3% of the total customer base, and 70.6% (2003: 69%) of the contract base managed by them. As at March 31, 2004, Vodacom's distribution network consisted of:

- Vodaworld – A unique one-stop mobile telecommunications mall, showcasing the latest technology in mobile hardware;
- Dealers and franchises – 1,586 company and independently owned mobile dealer and franchise outlets including recently launched 4U stores;
- National chains – 4,945 retail outlets;
- Vodacom Direct – Vodacom's call center-based selling division;
- Corporate solutions – An extensive direct sales division within Vodacom which concentrates on the sale of contracts, data products and value-added services to businesses; and
- Wholesale – A significant channel representing the informal sector comprised of street vendors serving underserviced areas.

Currently the three Walk in Customer Care Centers in Vodaworld Midrand, Cape Town and Durban, have proven to be highly successful in addressing customer enquiries and needs. Footfall continues to increase on a daily basis.

A more sophisticated user based customer segmentation model is currently being developed. The model will allow Vodacom to do detailed customer profiling, needs analysis and demographic analysis.

Network infrastructure and technology

Vodacom operates the largest mobile communications network in South Africa, with excellent network quality.

As at March 31, 2004 Vodacom had achieved the following rates, based on network derived statistics and trailing statistics, carried out through vehicle trailing:

- 99.46% call set-up success rate;
- 99.38% call retention rate; and
- 98.83% call success rate.

The network continued to show improved performance as clearly reflected in the statistics above. During the 2003 year-end holiday season, retention rates were notably better than for the same period the previous year. This improvement is attributable to ongoing cell-densification and optimization initiatives. Widespread capacity upgrades in the base station subsystem, transmission and switching areas before the festive season minimized the degradation of performance throughout the network.

As at March 31, 2004 Vodacom's infrastructure covered an estimated 95.3% of the population and 65.3% of the geographical area of South Africa based on the latest available census information of 2001.

Review of operations
South African operations continued

The network's core GSM infrastructure as at March 31, 2004 is composed of:

- 33 mobile switching centers (including the VLRs and gateways);
- 231 base station controllers;
- 4,158 macro-base transceiver stations;
- 1,555 micro-base transceiver stations;
- 40,137 transceivers; and
- GPRS functionality across the network.

Vodacom's transmission network comprises of 13,066 E1 links and 30 STM-1 links leased from Telkom, which are managed by a comprehensive digital cross-connect infrastructure. In addition, Vodacom operates an extensive data network for its internal requirements based on internet protocol and supporting point-to-point, frame-relay and X.25 services. It is comprised of more than 50 packet/frame/circuit nodes and is supported (for transport) by the cross-connect network.

As part of its dual band strategy Vodacom has operational dual band (GSM 900/GSM 1800) base transceiver stations in 258 locations in Johannesburg, 180 locations in Pretoria, 68 locations in KwaZulu-Natal, 43 locations in the Western Cape, 19 locations in the Eastern Cape and six locations in the Central region. Vodacom will continue to deploy GSM 1800 radio equipment in all regions to provide additional customer capacity as necessitated by the increase in network traffic.

Procurement

Vodacom solicits bids for all goods and services in excess of R500,000. Bids are by invitation only via a closed tender system. A multi-disciplinary cross-functional team evaluates and awards bids to the best supplier based on the best overall score, taking into account technical specification, delivery time, costing, financial viability and black economic empowerment. Vodacom spent 60% of its total commercial expenditure with BEE companies during 2004 (2003: 52%) against a target of 58% for the year. Vodacom seeks to utilize at least two suppliers for all critical equipment where possible to minimize supply risk. Vodacom's main technology suppliers are Siemens for the core network and Alcatel and Motorola for the radio networks.

Regulatory affairs

Market regulation

The market regulation environment was very vibrant the past financial year with the publication of a Convergence Bill, an attempt to declare Vodacom a major operator which would have obliged Vodacom to provide interconnection services at long run incremental cost, as well as an attempt to impose an obligation on Vodacom to provide interconnection services to the under-serviced area licenses at subsidised rates. Vodacom believes that it has succeeded in minimizing these risks. The drafting of a broad-based black economic Empowerment Charter for the ICT industry as authorised in terms of the Broad-based Black Economic Empowerment Act was also kick-started and has gained much momentum.

On December 3, 2003 the Department of Communications published a draft Convergence bill. The bill was tabled in parliament in February 2004 but is expected to only receive parliamentary attention in the second quarter of the year. The bill aims to change the market structure from a vertically integrated infrastructure based market structure to a horizontally integrated service based technology neutral market structure. In this four-tier market, the following licenses will be awarded: infrastructure service licenses, communications network service licenses, communications application service licenses and communications content service licenses. Working closely with the Department of Communications, Vodacom was effective in mitigating against some of the threats posed by the bill by ensuring that clauses were included which would protect the existing rights of current holders of licenses such as Vodacom.

In early 2003 Cell C lodged an application with ICASA to declare Vodacom a major operator for interconnection pricing purposes. However, after long and protracted discussions the application was withdrawn on October 17, 2003. ICASA has also agreed to do a proper market study before imposing any wholesale

Base transceiver stations

	Year ended March 31,				
	2000	2001	2002	2003	**2004**
Macro-base transceiver stations	2,977	3,401	3,670	3,906	**4,158**
Micro-base transceiver stations	1,221	1,292	1,380	1,487	**1,555**
Total	**4,198**	**4,693**	**5,050**	**5,393**	**5,713**

price regulation in future. Draft regulations on interconnection pricing for USALs, which would have obliged Vodacom to provide interconnection to USALs at subsidised rates, were also substituted with regulations which stipulate that Vodacom must provide interconnection to a USAL at its best commercial tariff. To date, four letters of intent from bidders to utilize the Vodacom network, should they be awarded the USAL license, have been secured. Vodacom has also received notification from seven other bidders regarding their willingness to switch to Vodacom.

The ICT BEE Charter process commenced on September 16, 2003 at an indaba held in Johannesburg which was attended by all major ICT industry stakeholders and government. The ICT Charter seeks to establish a self-regulatory framework for the promotion of transformation in the ICT sector through the establishment of a balanced scorecard on empowerment. The scoring of the balanced scorecard will ultimately determine the BEE status of a company intending to engage government when applying for a license in a regulated economic activity, entering into a public-private partnership, or wanting to engage in any economic activity in South Africa. As such this process is of vital importance to Vodacom. Although Vodacom, as a platinum sponsor to the process, has been actively participating at all levels of the process and is the only stakeholder that is represented on the ICT task team, Vodacom intends to, in its individual capacity, insist on stakeholder specific consultation. The charter is expected to be finalized by June 25, 2004.

Technical regulation

From a technical regulatory perspective Vodacom is well positioned for future growth, with rights to the use of sufficient spectrum, in terms of a temporary GSM 1800 license, and numbers.

Vodacom had access to GSM 1800 spectrum via temporary licenses valid for three-month periods throughout the year. The GSM 1800 temporary licenses were issued against payment of the Minister's determined annual spectrum fee, pro-rated for three months for each renewal. Although the Minister's price determination of GSM 1800 and 3G spectrum was published on October 1, 2003, ICASA has not yet issued the section 30A GSM 1800 spectrum licenses. It is Vodacom's position that access to GSM 1800 and 3G spectrum are statutory rights.

All of Vodacom's number applications to ICASA were successful. As a result Vodacom has been allocated a total of 20 million numbers – the full 072 and 082 number ranges. Vodacom has also applied for a new National Destination Code 076 to be allocated no later than July 2004.

Special regulation

Vodacom is still awaiting confirmation from the Department of Justice on the effective date of the Interception of Communication and Communication-related Information Act. During its consultations with the Department of Justice, Vodacom succeeded in convincing the Department of Justice to revise the provisions regarding customer registration. Indications from the Department of Justice are that both customer registration requirements in terms of the Act, ie section 40 (cellular phones and SIM cards obtained after the effective date) and section 62 (cellular phones and SIM cards obtained prior to or on the effective date) will be amended on the basis of comments prepared by the three cellular operators. Vodacom and the other operators have motivated for an electronic registration process as opposed the paper-based registration process contained in the current Act.

Compliance

Vodacom did not receive any official statutory notices of non-compliance with its license from ICASA during the financial year.

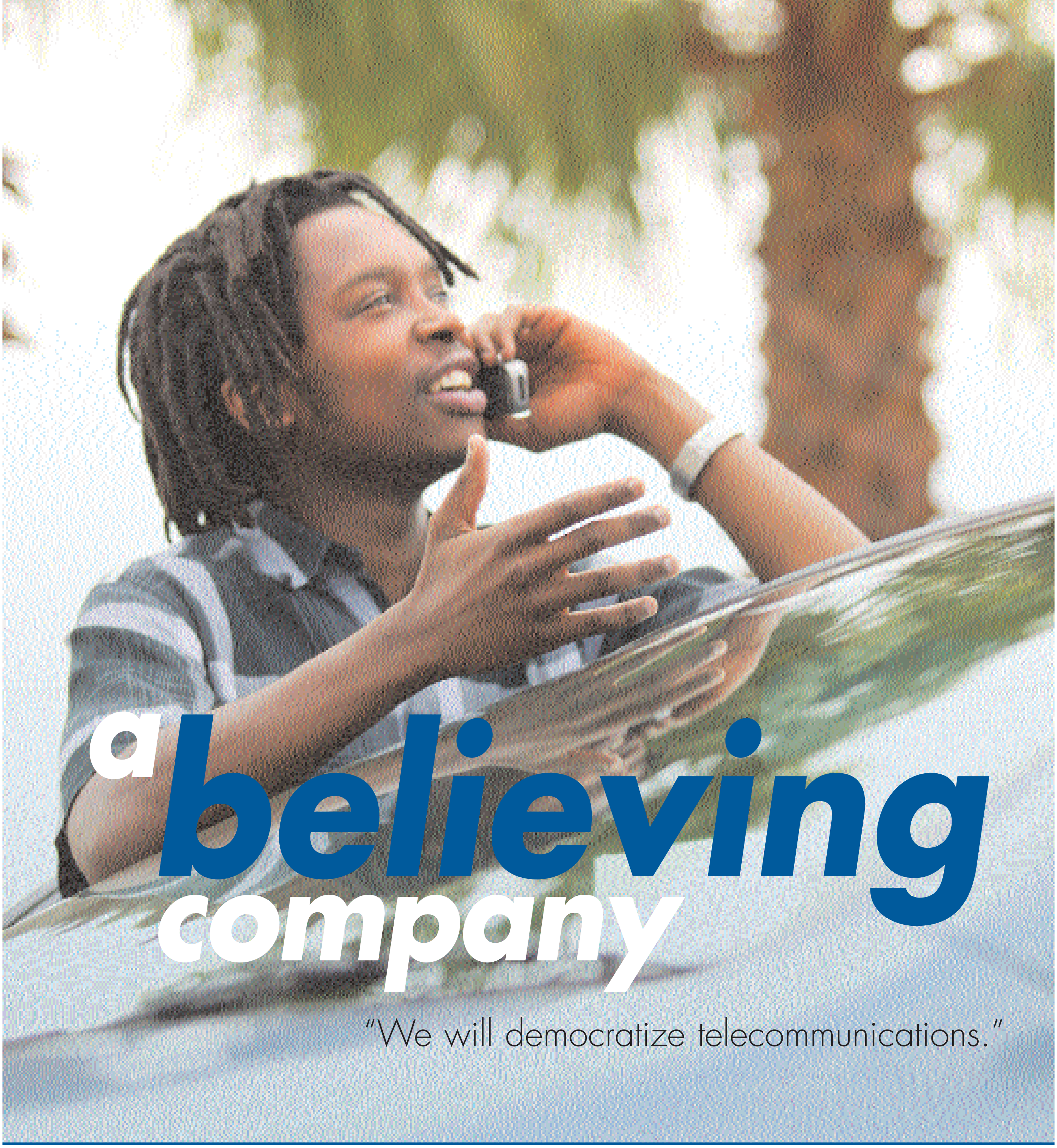
Conclusion

Although we operate in a highly competitive environment, we have managed to achieve and exceed most of our set goals. Our network continues to perform above expectations and the growth in the number of MMS and GPRS users and associated traffic is very encouraging and augurs well for the future. A new record for the most number of customers in a month has been set in December 2003 and the ten million customer mark is in sight and although we have lost marginal customer market share, we have retained our dominant position. We will concentrate on retaining the customer base gains made during the festive season and reversing the trend in market share.

We will continue with our efforts to stimulate traffic growth by encouraging higher network usage patterns with innovative product offerings designed to ensure Vodacom remains the market leader in South Africa.

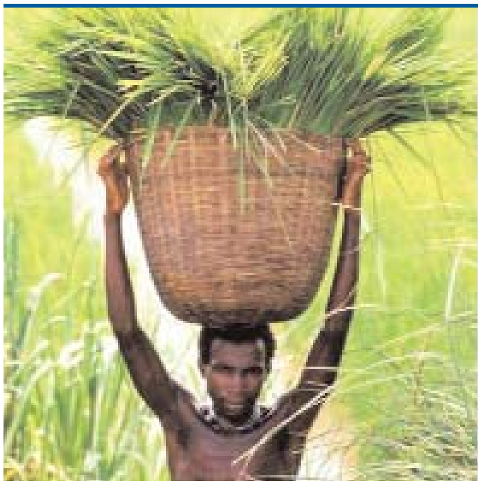
Pieter Uys
Managing Director
Vodacom (Proprietary) Limited

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



a believing company

"We will democratize telecommunications."



Connecting our neighbor

Commercial operations in Mozambique started on December 15, 2003 with the connection rate in the first three months being higher than expected at 58,000 customers.

Part of the future plans is to have a network capacity of 240,000 in 2005.

Review of operations
Other African operations

Overview

Existing investments

This was an exciting year for our existing investments as we further entrenched ourselves in all of our other African operations. Vodacom Tanzania has further consolidated its position as market leader in that country with a 57% market share at year-end. Vodacom Congo has significantly grown its market share since the re-launch of the operation under the Vodacom brand in May 2002 and has increased its market share from 9% at that time to 47% at year-end. Vodacom Lesotho has positioned itself to capitalize on any future market growth and minimize the impact of competitive activity. All our African operations, except our new Mozambican operation, were profitable at the profit from operations level for the year.

Mozambique

After almost two years of negotiations, Vodacom launched commercial operations in the Republic of Mozambique on December 15, 2003. Although still in its infancy, initial indications from this market are promising. The number of connections experienced in the three months since launching was ahead of expectations, enabling us to rapidly achieve a 11% market share against an established operator, MCel. Initial ARPU levels are at R110 or $15 per month.

Operational efficiency

The operational efficiency of the Group has been strengthened by the appointment of Pieter Uys as Group Chief Operating Officer with joint responsibility for the South African and African operations effective April 1, 2004.

We continue to assess opportunities presented to us in accordance with their ability to add to shareholder value as well as our capacity to manage and fund these operations.

Extended coverage over the DRC

Vodacom Congo was established in December, 2001, but official switch-on only happened in May 2002.

Coverage in the DRC now extends over all nine provinces which includes 71 towns, 227 base stations and four MSCs. This coverage translates into approximately 25% of the geographical area, and 55% of the population.

Review of operations
Other African operations continued

Vodacom Tanzania

Bruce Sherwood
Managing Director
Vodacom Tanzania Limited

Overview
Vodacom Group (Proprietary) Limited owns a 65% interest in Vodacom Tanzania Limited, which was issued its license in December 1999 and launched operations in August 2000. Two local shareholders, Planetel Communications Limited and Caspian Construction Limited hold the remaining 16% and 19% respectively. Vodacom became the largest mobile communications network operator in Tanzania within one year of launching.

Infrastructure
Vodacom Tanzania's cumulative capital expenditure to March 31, 2004 was R1.1 billion or $181 million (2003: R1.1 billion or $133 million). Network coverage was expanded to approximately 9% (2003: 6%) of the land surface of Tanzania and approximately 38% (2003: 25%) of the population.

Products and services
The current package offerings are Vodago (prepaid), Vodachoice (contract) and Vodatariffa, an SMS based information service. The people's phone "Adondo" continues to form an integral part of the company's public phone offering and strategy. Vodacom has launched an IVR this year to improve customer service levels. Customers can now be served in two languages, namely Kiswahili and English.

Customers
The Vodacom Tanzania market profile is currently 98.8% (2003: 98.4%) prepaid and this is not expected to change significantly. Despite challenging market conditions we have increased the number of customers registered on our network dramatically by 53.0% to 684,000 (2003: 447,000). This was achieved mainly because of a 54.2% increase in gross connections to 404,000 (2003: 262,000) offset by the significantly higher churn of 30.0% for the year (2003: 13.3%) due to the higher level of competition in Tanzania. Vodacom was the first operator in Tanzania to introduce per-second billing on October 3, 2003. Per-second billing has proved highly successful, and at year-end approximately 400,000 of our customers were utilizing this service. Vodacom Tanzania currently offers international roaming on 127 networks in 65 countries.

Competition
There are three other mobile operators licensed in Tanzania: Zantel, which operates almost exclusively on Zanzibar, Mobitel and Celtel, the mobile arm of the parastatal mainland fixed line operator TTCL. TTCL is the sole fixed-line operator licensed to provide basic telecommunications services in mainland Tanzania. Dutch-based MSI Cellular Investments Holdings B.V. owns 35% of TTCL and has management control of the company. In Zanzibar, Zantel is the sole operator granted a fixed line license, with international gateway rights for traffic originating on its own network.

There was little competitive activity from the mobile division of Zantel during the year and their market share remained relatively constant at approximately 4%. Mobitel failed to adequately expand their network resulting in continued quality deterioration. This led to a significant loss in market share from approximately 19% at the end of the 2003 financial year to an approximate 14% as at March 31, 2004. Celtel, the wholly-owned subsidiary of TTCL has been the most aggressive competitor and has managed to establish itself as a formidable competitor.

Intense pricing competition has led to a price war between the operators and has significantly affected US Dollar ARPUs. The decrease in ARPUs has been compounded by the strengthening of the Rand against the US Dollar. Despite the increased competition we have managed to increase our market share to 57% (2003: 53%).

Employees
Vodacom Tanzania had a total headcount of 316 (2003: 224) employees of whom ten were expatriates as at the end of March 2004. Effective April 1, 2004, a new managing director, José dos Santos, takes over from Bruce Sherwood, who will be returning to South Africa.

Key indicators

	Year ended March 31,				
	2002	2003	**2004**	% change 03/02	% change 04/03
Customers ('000)[1]	**229**	**447**	**684**	**95.2**	**53.0**
Contract	5	5	**5**	0.0	0.0
Prepaid	224	440	**676**	96.4	53.6
Community services	–	2	**3**	–	50.0
Gross connections ('000)	**154**	**262**	**404**	**70.1**	**54.2**
Churn (%)	**4.8**	**13.3**	**30.0**	**8.5**	**16.7**
ARPU (Rand)[2]	**305**	**216**	**128**	**(29.2)**	**(40.7)**
Cumulative capex (Rand millions)	**1,142**	**1,058**	**1,145**	**(7.4)**	**8.2**
Number of employees	**188**	**224**	**316**	**19.1**	**41.1**
Mobile penetration (%)[3]	**1.1**	**2.2**	**3.3**	**1.1**	**1.1**
Customers per employee	**1,215**	**1,997**	**2,165**	**64.4**	**8.4**
Mobile market share (%)[3]	**56**	**53**	**57**	**(3.0)**	**4.0**

Notes

1. Customer totals are based on the total number of customers registered on Vodacom's network, which have not been disconnected, including inactive customers, as of end of the period indicated.
2. ARPU is calculated by dividing the average monthly revenue during the period by the average monthly total reported customer base during the period. ARPU excludes revenue from equipment sales, other sales and services and revenue from national and international users roaming on Vodacom's networks.
3. Penetration and market share is calculated based on Vodacom estimates.

We view effective employee relations as the key to ensuring that staff are happy when fulfilling their day-to-day activities. All staff issues are addressed via the consultative committee where staff are given a platform to address issues and actions agreed are monitored on a monthly basis.

Regulatory

During the year under review Vodacom Tanzania undertook an internal audit to determine the extent to which it has met its roll-out obligations. The audit found that Vodacom has already met all the obligations for the ten-year period, except for the rural areas of Sadani, Kondoa and Seronera. Vodacom has drafted a report for submission to the National Regulatory Agency proposing improved quality of service parameters than those contained in Vodacom's license.

Vodacom requested the Tanzanian government during the year that Vodacom Tanzania and other mobile operators be granted authority to lease excess capacity on their transmission links and to operate an international gateway for their own customers. A response is pending with the Minister regarding the request for a relaxation of TTCL's exclusivity.

In an attempt to address the problems surrounding the collection of interconnect revenue from TTCL, Vodacom commissioned Visual Wireless of Sweden to undertake a reconciliation of historic interconnection payments between Vodacom and TTCL for the period August 2000 to October 2001. The process was completed in early February but has met with resistance from TTCL, who has refused to accept the conclusion of the reconciliation. The matter has now been referred to formal arbitration. The court case between Mobitel and TTCL regarding outstanding interconnection payments is still pending with the Appeal Court of Tanzania, and Vodacom is awaiting the result with interest.

Prospects

The 7.7% depreciation of the Tanzanian Shilling against the US Dollar during the year led to a translated increase in Vodacom's tariffs as they were denominated in US Dollars. The Tanzanian economy experienced significant strain during the year, exacerbated by a severe drought which forced Vodacom to reduce tariffs by up to 33%. Adding to an already difficult macro environment was our inability to collect any interconnect revenue for terminating international traffic on our network since the end of June 2003 and very aggressive price cuts by competitors. Despite these factors Vodacom has performed relatively well when compared to the general business environment and had strong customer growth, which has put us in a strong position going into the next financial year. As of April 1, 2004 we have changed our billing currency to Tanzania Shillings. With a new Tanzanian Shilling-based tariff structure in place for the new financial year, coupled with the strength of the management team, Vodacom projects improved performance for the coming financial year.

Review of operations
Other African operations continued

Vodacom Congo

Willem Swart
Managing Director
Vodacom Congo (RDC) s.p.r.l.

Overview
Vodacom Congo was established on December 11, 2001 in the Democratic Republic of Congo, but the Vodacom network was only officially launched on May 1, 2002. Vodacom International Mauritius owns a 51% interest in Vodacom Congo, with the remaining 49% owned by Congolese Wireless Network s.p.r.l. The Group proportionately consolidates its 51% interest in Vodacom Congo as a joint venture operation.

Vodacom Congo is currently performing well under challenging circumstances. An aggressive coverage strategy was the main contributing factor in achieving the successes in customer growth and profitability for the financial year.

Infrastructure
Vodacom embarked on an aggressive roll-out programme and achieved the implementation of the first true national network in the DRC. Network coverage has been rolled out in all of the nine provinces of the DRC. This includes roll-out in 71 (2003: 27) towns and consists of 227 (2003: 117) base stations and four (2003: three) MSCs. Network capacity in the main centers has also been upgraded to maintain quality and service. Vodacom now covers approximately 25% of the geographical area of the DRC, and 55% of the population.

The company's cumulative capital expenditure to March 31, 2004 was R1.4 billion (2003: R944 million).

Products and services
Vodacom Congo currently offers three products – a contract service, prepaid service and a public phone service. The contract product is aimed at the corporate market with the focus on customer service. The prepaid and public phone products are aimed at the general Congolese market with the main competitive advantage being coverage and network quality.

Vodacom's customer care center has been significantly improved during the year, with customers being served in their choice of French, English, Lingala, Kingongo, Swahili and Tshiluba. The IVR currently handles in excess of 3,800 calls per day. Vodacom Congo has been successful in establishing international roaming agreements with 136 operators.

Customers
Vodacom Congo's customer base consists 97.5% (2003: 95.6%) of prepaid customers. The 170.2% increase in customers (2003: 1,081.0%) to 670,000 (2003: 248,000) was the result of 513,000 gross connections (2003: 262,000) and a low churn percentage of 20.2% (2003: 24.2%). Vodacom's success is the result of an improved and more effective distribution channel and access to new areas through the success of the coverage roll-out.

Competition
Celtel, a subsidiary of the MSI Group of Companies, is the main competition. Celtel is focusing its coverage in the main city centres. Since the launch of Vodacom Congo, Celtel has embarked on an aggressive pricing campaign and further coverage roll-out. Currently Celtel has a market share of approximately 45% (2003: 50%).

The other operators share an 8% market share with the two bigger operators, SAIT and Congo Chine, who account for 4% and 2% market share respectively. Vodacom Congo has achieved market leadership with an estimated market share of 47% on March 31, 2004 (2003: 44%).

Employees
Vodacom Congo has 334 employees, which consists of 320 local Congolese employees and 14 expatriates. The process of evaluation, identifying and training of local staff is a continuous focus of the company as part of the skills transfer process.

Effective April 1, 2004, Dietlof Mare was appointed Managing Director of Vodacom Congo. The position was previously held by Willem Swart who was instrumental in initiating and entrenching the current strategy resulting in the successes of Vodacom

Key indicators (all indicators include 100% of Vodacom Congo)

	Year ended March 31,				
	2002	2003	**2004**	% change 03/02	% change 04/03
Customers ('000)[1]	**21**	**248**	**670**	**1,081.0**	**170.2**
Contract	–	4	**8**	–	100.0
Prepaid	21	237	**653**	1,028.6	175.5
Community services	–	7	**9**	–	28.6
Gross connections ('000)	**21**	**260**	**513**	**1,129.3**	**97.3**
Churn (%)	**–**	**24.2**	**20.2**	**24.2**	**(4.0)**
ARPU (Rand)[2]	**n/a**	**200**	**150**	**–**	**(25.0)**
Cumulative capex (Rand millions)	**180**	**944**	**1,432**	**424.4**	**51.7**
Number of employees	**235**	**204**	**334**	**(13.2)**	**63.7**
Mobile penetration (%)[3]	**0.3**	**1.0**	**2.3**	**0.7**	**1.3**
Customers per employee	**90**	**1,215**	**2,006**	**1,250.0**	**65.1**
Mobile market share (%)[3]	**9**	**44**	**47**	**35.0**	**3.0**

Notes

1. Customer totals are based on the total number of customers registered on Vodacom's network, which have not been disconnected, including inactive customers, as of end of the period indicated. The 2002 figure represents the customers acquired on formation of the company.
2 ARPU is calculated by dividing the average monthly revenue during the period by the average monthly total reported customer base during the period. ARPU excludes revenue from equipment sales, other sales and services and revenue from national and international users roaming on Vodacom's networks.
3. Penetration and market share is calculated based on Vodacom estimates.

Congo. Willem Swart was appointed CEO of VEE Networks (previously Econet Wireless Nigeria) on the same date.

Regulatory

Despite the disagreement of smaller stakeholders in the industry, the current interconnect agreements are still valid with the average flat charges of $0.15 per minute. The World Bank proposed a seminar on the costing of interconnection, and awaiting this seminar, the Ministry has accepted the Celtel and Vodacom interconnect charges without a downward adjustment. The date of the seminar to be hosted by the World Bank has not yet been fixed.

The President of the National Regulatory Agency confirmed that a draft of guidelines for wholesale pricing and interconnection is currently being prepared. This document will be submitted for discussion by network operators.

SuperCell was previously granted a license on a regional basis by the RCD political organization. The new political order established RCD as a recognized political power and SuperCell is lobbying the DRC government to acknowledge their license. Although the issue remains unresolved, the National Regulatory Agency's position is currently that no local interconnection is allowed with SuperCell.

Prospects

Vodacom Congo is well placed to take advantage of opportunities in the market. Given the accelerated capital expenditure programme that has been undertaken by Vodacom Congo and the capital structure of the company, we expect the company to take longer to turn profitable on a net profit basis. However, continued growth in EBITDA and profit from operations is expected.

Review of operations
Other African operations continued

Vodacom Lesotho

Mervyn Visagie
Managing Director
Vodacom Lesotho (Proprietary) Limited

Overview
Vodacom owns an 88.3% interest in Vodacom Lesotho (Proprietary) Limited which launched its commercial operations in May 1996. The remaining 11.7% is owned by the local Sekha-Metsi Investment Consortium Limited.

Although Vodacom Lesotho is a very small operation by South African standards, its strategic geographic importance in terms of our market share in neighboring South Africa justifies its inclusion in the Vodacom portfolio.

Infrastructure
The network has 41 BTSs, one MSC, two BSCs, one SMSC and one intelligent network platform. Vodacom Lesotho's cumulative capital expenditure to March 31, 2004 was R201 million (2003: R194 million).

Products and services
Vodacom Lesotho offers a variety of prepaid and contract services to customers and also offers public pay phone services. Vodacom Lesotho's new Corporate Direct service allows corporate customers to connect their PABXs directly to the Vodacom Lesotho network.

Vodacom Lesotho has six Vodashops, a walk-in customer care center and an IVR for customer care service.

Customers
During the year under review, Vodacom Lesotho managed to increase its customer base by 2.6% to 80,000 as at March 31, 2004 (2003: 78,000). The prepaid rate plan is the most popular package and accounts for 98.8% (2003: 93.8%) of our total customers.

The small net increase in total customers is the result of 51,000 gross connections for the year (2003: 76,000) coupled with a very high 65.1% (2003: 70.6%) churn rate. The high churn is the result of an ongoing process of cleaning up the inactive customer base which was connected in 2003. We anticipate the clean-up to be completed soon and therefore expect churn levels to normalize in the coming financial year.

Competition
Econet-Ezicell is the only opposition in Lesotho, and they offer coverage that equals our own. Econet-Ezicell has a signed interconnect agreement with Vodacom Lesotho, but not yet with Lesotho Telecommunication Corporation which has been advantageous to them. Vodacom Lesotho has an estimated 80% (2003: 80%) market share.

Employees
The headcount for Vodacom Lesotho decreased to 68 employees (2003: 74) as at March 31, 2004. The number of customers per employee improved as a result by 12.3% % from 1,047 to 1,176. During the year under review, Mervyn Visagie was appointed Managing Director of Vodacom Lesotho.

Key indicators

	Year ended March 31,				
	2002	2003	**2004**	% change 03/02	% change 04/03
Customers ('000)[1]	**56**	**78**	**80**	**39.3**	**2.6**
Contract	15	4	**3**	(73.3)	(25.0)
Prepaid	41	73	**76**	78.0	4.1
Community services	–	1	**1**	–	–
Gross connections ('000)	**45**	**76**	**51**	**68.9**	**(32.9)**
Churn (%)	**26.5**	**70.6**	**65.1**	**44.1**	**(5.5)**
ARPU (Rand)[2]	**144**	**104**	**125**	**(27.8)**	**20.2**
Cumulative capex (Rand millions)	**122**	**194**	**201**	**59.0**	**3.6**
Number of employees	**71**	**74**	**68**	**4.2**	**(8.1)**
Mobile penetration (%)[3]	**2.6**	**4.3**	**5.1**	**1.7**	**0.8**
Customers per employee	**796**	**1,047**	**1,176**	**31.5**	**12.3**
Mobile market share (%)[3]	**100**	**80**	**80**	**(20.0)**	**–**

Notes

1. Customer totals are based on the total number of customers registered on Vodacom's network, which have not been disconnected, including inactive customers, as of end of the period indicated.
2. ARPU is calculated by dividing the average monthly revenue during the period by the average monthly total reported customer base during the period. ARPU excludes revenue from equipment sales, other sales and services and revenue from national and international users roaming on Vodacom's networks.
3. Penetration and market share is based on Vodacom estimates.

Regulatory

The regulatory environment in Lesotho has continued to prove challenging. The situation has reached a point where the intervention of the LTA has been sought. Following futile attempts to have Lesotho Telecommunication Corporation remedy the poor quality of service provided in respect of calls terminating on South African mobiles from Vodacom Lesotho, Vodacom has been forced to lodge a formal complaint with the National Regulatory Agency. Vodacom has also challenged Econet on the basis that there is substantial evidence that the latter is routing some of its calls destined to Vodacom's network via Lesotho Telecommunication Corporation at a lower termination rate. Econet has been requested to correct the situation immediately.

Prospects

Vodacom Lesotho's performance has improved under a new management structure. We do not expect high levels of growth in the short to medium term, but because of its geographical importance, we will continue to give adequate management attention to the operation.

Review of operations
Other African operations continued

Vodacom Mozambique

Clive Tarr
Managing Director
VM, (S.A.R.L.) t/a Vodacom Mozambique

Overview

Vodacom Mozambique was established on October 23, 2003. Vodacom owns 98% of VM (S.A.R.L.) trading as Vodacom Mozambique and the remaining 2% is held by a local consortium named EMOTEL.

Vodacom Mozambique was awarded its license in August of 2002 but due to the fixed line operator and the cellular operator being one company with no interconnect rates applicable the license was not accepted until August 2003 when the issues where satisfactorily resolved. The license is a 2G GSM license and will expire in December 2018.

Infrastructure

Vodacom Mozambique's infrastructure roll-out consisted of one MSC, four BSCs and 101 BTSs as at March 31, 2004. The network had a capacity of 80,000 customers as at that date with an increase to a capacity of 240,000 planned for 2005.

Products and services

Vodacom offers customers contract and prepaid plans, and is planning to roll out public phones in the 2005 financial year. The contract products are mainly aimed at the corporate and business market, while the prepaid products are aimed at the large informal market. Vodacom has an IVR in place and customer care can handle customer queries in two languages, namely Portuguese and English.

Customers

Vodacom has managed to connect 58,000 customers to its network in just more than three months – a remarkable achievement. Vodacom will aim to increase market share further by offering competitive coverage through aggressive roll-out in the coming years.

Competition

Vodacom's only competition is Telecomunicações Móveis de Moçambique, Lda, or mCel, a company owned by Telecomunicações de Moçambique or TDM, who is also the national fixed line operator. Vodacom has managed to secure a 11% market share, despite mCel lowering prices and increasing discounts to distributors in anticipation of Vodacom's entry into the market. This has put pressure on ARPU and revenues.

Employees

Vodacom employs 43 people, of whom 22 are expatriates. A number of the expatriates were required during the initial roll-out and are on short-term contracts. They will be returning to South Africa in the near future.

Regulatory

On April 22, 2004 the parliament approved a new law of telecommunications. The new legislation has not yet been tabled and Vodacom is now waiting for the President of the Republic for final approval. A number

Key indicators

	Year ended March 31,
	2004
Customers ('000)[1]	**58**
Contract	**1**
Prepaid	**57**
Community services	**–**
Gross connections ('000)	**58**
Churn (%)	**0.3**
ARPU (Rand)[2]	**110**
Cumulative capex (Rand millions)	**478**
Number of employees	**43**
Mobile penetration (%)[3]	**2.6**
Customers per employee	**1,349**
Mobile market share (%)[3]	**11**

Notes

1. Customer totals are based on the total number of customers registered on Vodacom's network, which have not been disconnected, including inactive customers, as of end of the period indicated.
2. ARPU is calculated by dividing the average monthly revenue during the period by the average monthly total reported customer base during the period. ARPU excludes revenue from equipment sales, other sales and services and revenue from national and international users roaming on Vodacom's networks.
3. Penetration and market share is calculated based on Vodacom estimates.

of other regulatory processes are currently under way, such as amending interconnect agreements.

Vodacom has an international gateway in operation using leased TDM transmission. Telkom obtained regulatory approval from ICASA for a direct cross border microwave link between Vodacom Mozambique and Telkom and is expected to start commissioning the direct link soon.

Vodacom qualified for exemption from a variety of taxes and import duties in terms of Mozambique's Investment Law for a period of ten years starting from January 1, 2004.

Prospects

The newest venture in the Vodacom stable got off to a good start in terms of attracting customers from a very well entrenched competitor. However, a relatively low minutes of use per customer has exacerbated financial losses. Whilst we believe our network quality is superior and our brand has been well received, we will aim to expand coverage much more rapidly to ensure success. We believe that matching the coverage of our competitor should ensure much bigger market share and will conceivably improve minutes of usage. This should ensure a solid long-term business, but will negatively impact on short-term financial results.

Corporate governance statement

Corporate practices and conduct

Vodacom Group is guided in its commitment to the principles of good governance by the King Committee Report on Corporate Governance 2002.

The characteristics of this code are recognized as including ethical conduct, discipline, transparency, through timely and accurate information, independence, accountability and responsibility to statute and law as well as to the relevant stakeholders, which is balanced by fairness and social responsibility. 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 King II, as updated from time to time, forms part of the mandate of the audit committee.

Board of directors

The composition of the Vodacom Group Board of directors is governed by the shareholder's agreement between the Group's three shareholders. All directors are appointed by the shareholders. The Board consists of 12 members, four executive and eight non-executives and also comprise six alternate non-executive directors. All companies within the Group have unitary Board structures, with a mix of non-executive and executive directors.

Meetings are held quarterly, more frequently if circumstances or decisions require, and the Board retains full and executive control over the companies concerned.

The Board has a formal schedule of matters specifically reserved for decisions, including the approval of Group commercial strategy, major capital projects and investments, 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 CEO.

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 organizational, operational and administrative matters with the Chairman, the CEO 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 exercize any influence over other Board members or receive relevant Board papers.

Chairman and Chief Executive Officer

The role of Chairman and CEO does not vest in the same person. For the year under review, Wendy Luhabe continued to act as Chairman, and Alan Knott-Craig as the CEO of Vodacom Group. Telkom SA Limited, the Group's major shareholder, appoints the Chairman.

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 advisers.

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 have operated during 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 appear on page 8 to 9 of this report.

Directing committee

The Board has delegated all its powers, functions and authority to act for and on behalf of the company to the 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.

Non-executive directors bring with them diversity of experience, insight, business acumen and skills, and independent judgment on issues of strategy, performance, resources and standards of conduct.

Non-executive directors have no service contracts with the company, and are nominated and appointed on a proportional basis by the shareholders of the company, who have an equity interest of more than 10% in the Group. Recommendation for re-appointment as director is not automatic, but considered individually based on their contribution.

Executive committee

This committee is responsible for ensuring that the decisions, strategies and views of the Board are implemented. The committee consists of the four executive directors, as well as the managing director of Vodacom (Proprietary) Limited, who is not a Group Board member, but who attends all Board meetings by invitation. Executive directors are considered for re-appointment annually. The Group follows a decentralized approach with regard to the day-to-day running of its businesses.

The executive committee meets each month under the chairmanship of the CEO. This committee is responsible for the day-to-day management of the Group's businesses and it also reviews strategic plans, potential acquisitions, major capital expenditure projects, company operating and financial performance and the central and administrative functions of the Group.

Remuneration committee

The remuneration committee consists entirely of non-executive directors, and is advised by independent outside experts. Its written charter and specific terms of reference include direct authority for, or consideration and recommendation to the Board 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, deferred bonus incentive 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 deferred bonus incentive 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, 1973.

Audit committee

The audit committee comprise entirely of non-executive directors. All the members are financially literate and no relationships exist which could possibly 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 or compromised.

The committee meets at least three times a year.

These meetings are attended by both 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, specifically the internal audit plan which is risk based, and internal audit policy, as well as reviewing their activity and significant findings;
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 findings, issues of concern or changes to the statutory and interim audits as well as setting principles for external auditors to do other work;
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 as updated from time to time; and
ix) Executing special projects and other investigations where deemed necessary.

Critical findings arising from both internal and external audit activities are formally

Corporate governance statement
continued

reported to, and comprehensively addressed by, the audit committee.

In order to assess the principle of going concern, the audit committee reviews the operations and business competitiveness together with management. In addition to the historical and current year financial statements, the five year forecasts, budgets and cash flow projections are considered. Due consideration is also given to the information contained in the current initiative of effective ongoing risk management. The committee has reviewed and noted the assumptions taken on these issues and considers the going concern principle to be appropriate for the company and the Group as at the date of signing the annual financial statements.

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.

The directors when setting strategy, approving budgets and monitoring progress against budget, consider the business risks identified.

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.

Key policies and procedures in place to manage operating risk involve segregation of duties, transaction authorization, supervision, monitoring and financial and managerial reporting.

A separate division, reporting directly to the Finance Director of Vodacom Group is tasked with identifying, measuring, and recording the core risks facing the Group as well as, where appropriate, implementing procedures to mitigate against pertinent risks. Risks are categorized and assessed as to:

i) whether the risk was insured, uninsured or uninsurable;
ii) the perceived financial impact;
iii) the cultural awareness of the risk.

Risks are continually reviewed and through risk mitigation processes rolled out to individual companies and formalized in part through policies and procedures. Compliance with these policies is enforced and monitored by internal audit. This process is as dynamic as the risks that face Vodacom. Professional advisors are invited from time to time to assist the directors in evaluating risk management strategies presented by management.

Internal control systems

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 unauthorized acquisition, use or disposition and that transactions are properly authorized 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.

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 authorized and recorded properly, and that material errors and irregularities are either prevented or detected within a timely period.

Control environment

The Board has established an organizational 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.

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 by the Board;
ii) Forecasts, revised on a quarterly basis, compared against budget;
iii) Monthly management accounts with a comparison against the latest forecast and budget; and
iv) An update, at least annually of the five year forecast, including key assumptions and indicators.

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 financial limits on delegated authority and detailed policies and procedures regulating treasury activities, which are 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.

Review of effectiveness

The Board believes 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 confirms that it has reviewed the effectiveness of the system of internal control through the monitoring process set out above and is not aware of any significant weakness or deficiency in the Group's system of internal control during the period covered by this report.

Internal audit

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 risk management process, the systems of internal control, the means of safeguarding assets, the efficient management of the Group's resources, effective quality assurance, 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.

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 continuous 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.

The internal audit function also manages specific quality compliance of environmental, health and safety, information security and other quality issues.

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, is beyond reproach. Ethical conduct must be an integral part of the organization, a deeply ingrained tradition that is passed from one generation of employees to the next.

The Group has adopted a code of ethics, which complies with 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, shareholders, and society at large. The code also spells out policies and guidelines regarding the personal conduct of directors and employees.

All new staff receives 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 receives a presentation on the code as part of the induction process. The directors regularly review this code to ensure it reflects best practice in corporate governance.

Stakeholder communication and relationships

The Group has formalized 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 but does include, by invitation, two formal presentations to the investor community per year, on which the interim and annual results are presented.

Communication with stakeholders addresses material matters of significant interest to shareholders, other stakeholders and the financial and investment community, and is augmented by a group-wide disclosure policy.

The quality of information is based on the guidelines of promptness, relevance, accuracy and transparency and is covered by our internal control processes. Detailed

Corporate governance statement
continued

reports on how we comply with our responsibilities to society at large, specifically relating to social investment and environmental responsibility are attached on page 56 and 58 of this report.

Employees and employee participation

For employee-related matters, the Group is dependent on consultative committees of Vodacom (Proprietary) Limited and Vodacom Service Provider Company (Proprietary) Limited, the major subsidiaries within the Group, which contribute to employee policies within the Group. A consultative committee consists of a maximum of nine staff members with the managing director of the subsidiary concerned as the Chairman. 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.

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. We are committed to equity in the workplace, and a detailed report on human resources and employment equity is attached on page 53 of this report.

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. In-house 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 victimization. Policies and practises have also been developed to identify issues of potential conflict and to effectively resolve them in a timely fashion.

Human resources

Introduction

There is increasingly irrefutable evidence that the calibre of talent in the organization is key to corporate performance and sustaining shareholder value. It is people that make the difference between success and failure of strategy execution. This adage holds true for Vodacom Group as it celebrates its first ten years of successful commercial operations where the key differentiator in retaining its market leadership is the calibre of its people and visionary leadership.

The 2004 financial year has again been characterized by an increased tempo of change, stretching targets, increased infrastructure roll-out in our other African operating companies to extend coverage and the launch of a new network in Mozambique.

The strategic efforts of the group human resources function are administered centrally in South Africa with a strong senior human resources presence in each of our other African operations – to ensure that our strategies are tailored and are sensitive to meet local requirements and regulations. This section discusses the Group's HR activities, but focuses more on South African issues. Each of our other African operations has a section supporting that operation's unique HR activities.

Key focus of activities

The thrust of our human resources strategy continues to be creating and re-inforcing a compelling value proposition for our employees that not only attracts and retains the best talent within Vodacom Group but also ensures the highest levels of employee commitment. Our focus this past financial year was on enhancing management skills, succession development, beefing up individual competencies to improve business performance, addressing the HIV/Aids challenge through treatment and care, rolling out learnerships and other skills development initiatives and bolstering our HR practices to support the Africa expansion strategic objective.

We will continue to strive to have a pool of talented and capable employees to meet the future needs of the business including our expansion into the rest of the continent.

"It is people that make the difference between success and failure of strategy execution."

Headcount

	Year ended March 31,				
	2002	2003	**2004**	% change 03/02	% change 04/03
Number of employees including part-time staff	**4,353**	**4,406**	**4,609**	**1.2**	**4.6**
South Africa	3,859	3,904	**3,848**	1.2	(1.4)
Other African countries	494	502	**761**	1.6	51.6
Number of part-time staff included above	423	219	**280**	(48.2)	27.9
Total customers per employee	1,577	1,963	**2,433**	24.5	23.9

Human resources continued

Headcount

Headcount continues to be tightly managed to ensure that we contain and reduce administration overheads. Headcount increased by 4.6% to 4,609 (2003: 4,406) in the Group. The Group performed very well in containing headcount growth despite a significant increase in customers, expansion in both the DRC and Tanzania to improve coverage and a new network in Mozambique. In South Africa headcount reduced by 1.4%.

In the past three years there has been a steady improvement of our organizational efficiencies as Group-wide customers per employee grew from 1,557 in 2002 and 1,963 in 2003 to 2,433 in 2004 which represents a 23.9% increase in employee productivity for the year as measured by this indicator. The Group's annualised voluntary staff turnover is at 5.8% compared to the South African market average of 12%. We believe that this is directly attributable to Vodacom's challenging, nurturing work environment as well as our compelling employee value proposition.

Employment equity

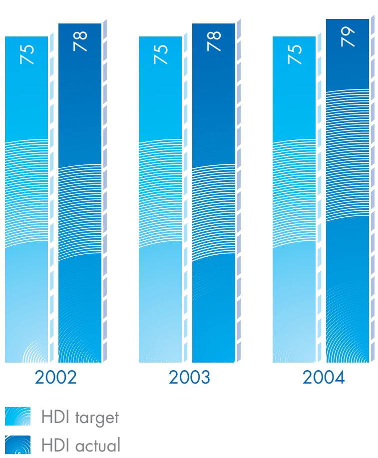
Vodacom is an equal opportunity employer that upholds the principles and spirit of the Employment Equity Act. Vodacom has a stakeholder supported employment equity programme. In the past three financial years there has been an established trend of exceeding our overall EE targets with the exception of the disabled as set out in our EE plan. The Group prides itself on advances it has made in having an employee profile that is highly representative of the demographic profile of South Africa. As at March 31, 2004, 65% (2003: 64%) of our workforce were from the designated groups, excluding white women. To facilitate achievement of our EE plans, 81% of our external appointments were made from designated groups during the year under review.

Employment equity and gender representivity at senior levels and disability targets continue to be a challenge. However, Vodacom is confident that with the current initiatives such as Vodacom Advance Executive Programme, succession development, focused resourcing at senior levels and stretch assignments, it will meet its objectives.

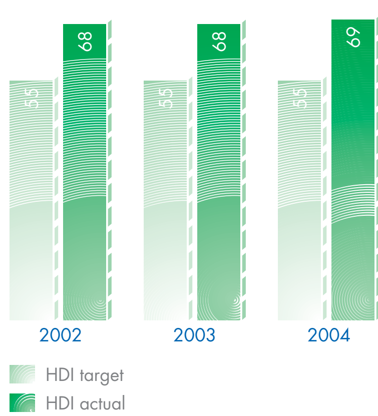
Human resources development

The Group's HR development strategy is driven by the passion to be the best in whatever we do and to win. We believe that the focus on building capacity through developing managerial, leadership and functional competencies achieves this and creates a sustainable competitive advantage for us. The Group's commitment to employee

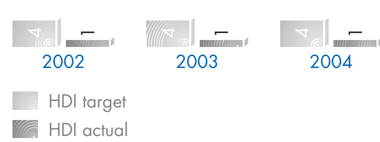
HDI actual versus target
(%)



Gender actual versus target
(%)



Disabled actual versus target
(%)



development is demonstrated by the heavy investment it continues to make to employee development. The past financial year the Group invested R15.1million (2003: R9.5 million) or 3.1% of payroll in HR development, exceeding the 2.7% global benchmark of the American Society for Training and Development.

The Group is committed to the Skills Development Act and has gone beyond compliance in its implementation of skills development initiatives. The Group has continued to actively participate in the ISETT SETA and implemented a number of learnerships. Currently the company is providing workplace experience to 52 contact center learners. Vodacom Group has received R4.6 million from the ISETT SETA which has been utilized to fund the learnerships and the Global Leadership Programme.

The Group launched the Vodacom Advanced Executive Development Programme during the past financial year. This programme is aimed at growing a senior management pipeline for the future that will not only meet our business needs but will address employment equity imperatives. The Group has continued to focus on succession development as this initiative remains one of our key mechanisms to grow our own talent. This initiative has been extended to the other African operations to drive the localization strategy. More than 70% of participants are from previously disadvantaged backgrounds. All participants are strongly supported through mentoring and business coaching.

The Group continues to use computer-based training to equip employees with knowledge and skills and raise product knowledge amongst employees. This has resulted in significant savings as compared to instructor-led courses through more efficient use of employee's time and lower costs per course.

Employee education assistance

To promote lifelong learning principles, Vodacom extends educational assistance to its full-time employees through its 'Yebo' bursary scheme. For the year ended March 31, 2004 the Group spent R3.1 million on the scheme (2003: R3.0 million).

The scheme has been in operation for the past six years and to date 3,594 employees have benefited from the scheme. This demonstrates the premium the Group places on learning and acquisition of skills.

Employee wellness

Vodacom Group strongly cares about its employees and this caring philosophy is carried through to the employee wellness domain. The employee wellness strategy comprises of taking care of emotional well-being, physical wellness and our thrust in fighting the scourge of HIV and Aids.

All our employees and their immediate families have access to a 24-hour confidential counselling service offered by Independent Advisory Counselling Services at no cost to themselves. The Group firmly believes in the adage of healthy minds, healthy bodies and we have therefore invested in facilities that aim to keep our employees in peak physical wellness.

The Group's response to mitigating the adverse impact of HIV/Aids on its workforce has been based on the principles of non-discrimination, confidentiality, fairness and extending treatment and care to those employees who need it. In fighting the scourge of HIV/Aids we have extended the Direct Aids Intervention programme. Our campaigns during the past year have been targeted at raising awareness levels and knowing one's HIV status through voluntary counselling and testing campaigns on site and off site. As at end March 2004 1,333 employees have undergone voluntary counselling which indicated a prevalence rate of 3.1% of those tested.

The employee wellness initiatives are a strong demonstration of the value we attach to employees as our most important asset. Employee well-being is a component of Vodacom's employee value proposition.

Employee relations

Vodacom prides itself on the harmonious relationship it has with its employees as demonstrated by the low labor turnover, management stability and low trade union activity. Vodacom's employee relationships are facilitated through the various platforms of employee participation entrenched in our business and supported by robust internal communication tools.

Our consultative committees are the employees' voice and are key stakeholders in all business processes. Amongst others they have representation in the Medical Aid Forum, the Policy Forum and the Vodacom Group Retirement funds Boards of Trustees.

Trade union representivity for the Group has marginally increased to 7.9% of all employees in South Africa (2003 6.4%). The increase in trade representivity is primarily related to headcount reduction and re-structuring uncertainties.

Conclusion

Vodacom's enviable success has been attained through leveraging our brand, visionary leadership and committed employees. The tapestry of Vodacom's success is woven in a highly adapted and disciplined organization that has been at the forefront of transforming ideas into customer benefits, products and services. At the core of the Vodacom's DNA is the Vodacom Way which continues to energize employees to higher levels of performance.

Report on corporate social investment

Vodacom Group's commitment to CSI

Vodacom Group, as a South African company and one which has expanded its footprint into Africa, believes that it will continue to grow if it operates in functional communities. It firmly believes that social development is not a responsibility that can be handled solely by governments, but needs the cooperation of companies like ours. With this philosophy in mind, Vodacom established in 1999 the Vodacom Foundation to coordinate the company's community upliftment programmes. Over the past few years, Vodacom has invested more than R180 million in various initiatives that are aimed at redressing the effects of social deprivation, particularly in disadvantaged communities of which R30.6 million was spent during the year under review (2003: R20.3 million).

Strategy

Vodacom Foundation makes an amount available each year for social upliftment for which non-governmental organizations, government departments and civic societies who have projects that meet Foundation criteria within the focus areas, compete. The Foundation augments the funding with in-kind support through the man-hours that some members of staff volunteer in the projects. Projects benefiting children and the youth enjoy priority in Foundation funding.

Focus areas

From the list of challenges facing developing countries, Vodacom Foundation chose education, health and welfare as well as safety and security as the main thrust of its activities. This was done to complement government efforts in these areas. The 2003 corporate and social research lists these three areas in the top ten areas that were identified by communities as critical priorities for redress.

As a communications technology company, every endeavour is made to use technology to find solutions for the country's social problems. Strategic partnerships with organizations that share similar objectives are continually sought in an effort to reach as many beneficiaries as possible. Vodacom South Africa has recently assumed responsibility for coordinating all CSI activities on a group-wide basis. Vodacom's role in these areas may be described as follows:

- Education – to help develop a human resource base for the information communications technology industry;
- Health and welfare – to help reduce the impact of HIV/Aids and other diseases in the communities where we do business; and
- Safety and security – to help counter the effect of criminal activity in the communities where our employees and customers live.

The Foundation also considers, to a lesser extent, projects in the areas of arts and culture, community sports and the environment.

Key initiatives – South Africa

Education

Open bursary and trainee schemes

During the period 1995 to 2003 a total of 339 students were awarded Vodacom bursaries, in the disciplines of electrical engineering, IT and accounting at both university and technikon level. In 2003 alone, there were 156 bursars in this scheme. Additionally, between 1998 and 2003, 175 trainees were able to complete their experiential (in-service) training at Vodacom.

Cangci Comprehensive Technical High School, Bizana

Besides the investment in 1999 in the construction of the school, the Foundation also focused on the matric pass rate at the school. From a mere 19% pass rate in 2001, the school improved to 57% in 2002 and to 86% in 2003, thanks largely to an integrated teacher and student support programme, which the Foundation instituted.

Thuto Lesedi High School, Kroonstad

Thuto Lesedi, a high school with a rich history of being one of the first black high schools to sit for the Joint Matriculation Board Examinations and producing some of the top political and business icons in the Free State, was at the brink of collapse when the Foundation was summoned to help. In a public-private-partnership initiative involving the Free State Department of Education and Vodacom, some R5.0 million was invested in the reconstruction of the school.

University of South Africa

Noting the difficulties encountered by black accounting graduates in successfully sitting for the qualifying exams, the Foundation partnered with University of South Africa in developing a bridging programme. A total of 1,840 candidates have been helped through the programme in its six years of existence.

Institute of Software and Satellite Applications

Vodacom also supported the Department of Communications with the programme of training black female BSc graduates from the country's rural areas in IT and science engineering at postgraduate level, at Carnegie Melon University, USA. More than 30 students qualified for the programmes and some of whom are employed at Houwteq, near Cape Town.

University of Port Elizabeth Academic Development Scholarship

The Vodacom University of Port Elizabeth Masters Scholarship Programme has been responsible for awarding masters and doctoral bursaries to previously disadvantaged students. More than 78 bursaries were awarded through this programme between 1999 and 2004.

Learning Information and Network Center

The Foundation is also the main funder of the Wits Link Center. This center is the only one of its kind in Africa and focuses on telecommunication regulation education. The Link Center has seen a total of 795 students attending short courses, seminars and workshops since its formation.

African Institute of Mathematical Sciences

The Foundation joined forces with other funders, including Vodafone, to establish a postgraduate institute which caters for mathematics graduates from all over the African continent. The institute, in its first year of operation, registered 30 students from the Democratic Republic of Congo, Nigeria, South Africa, Zimbabwe, Kenya, Sudan, Cameroon, Morocco, Ghana and Algeria. The programme, initiated by a Cambridge University professor, seeks to respond to the shortage of black mathematicians on the continent.

Health and welfare

Cell Life

The Foundation was the first funder of the University of Cape Town's Cell Life programme, which has provided a ray of light for many HIV/Aids sufferers. Amongst the reasons for scepticism about the efficacy of anti-retroviral drugs is the problem of compliance to the strict regimen of medication that is required. Cell Life seeks to help the compliance through an SMS-based system which utilizes health care workers to stand-in for doctors in the monitoring of medication. Both Cell C and MTN have been invited to join the initiative.

LoveLife

Vodacom has invested approximately R8.0 million in LoveLife to date. Our investment covered the training of youth community leaders, the establishment of support infrastructures, training and the establishment of new premises.

Feeding schemes

As an integral part of child care, Vodacom is currently providing food on a daily basis to more than 1,700 children in various centers around the country.

Safety and security

Thuthuzela Care Centers

"One-Stop" centers providing police services, health care services, counselling and court preparation do much to ease the suffering of sexual-abuse victims. This is what Vodacom in partnership with the Sexual Offenses and Community Affairs unit of the Department of Justice and Constitutional Development has opened in four hospitals. In their first year of establishment, these centers have assisted more than 1,200 victims.

Kidz Clinics

Women and Men Against Child Abuse is an NGO that assists children and their families dealing with the trauma resulting from abuse. Vodacom has assisted the organization with the running costs of their Boksburg-based centre as well as the establishment of a new clinic in Alexandra. The two centers combined have assisted 4,689 children in the past twelve months.

Sexual Offenses Courts

In an effort to improve the conviction rates of perpetrators, the government has established specialised Sexual Offenses Courts to deal with such cases. These courts are equipped with audio-visual equipment which allows for evidence to be given without having to get into direct contact with the alleged perpetrator. Vodacom has assisted the government in establishing seven such courts in Umtata, Thohoyandou, Natalspruit, Umlazi, Vosloorus, George and Evander.

Key initiatives – Democratic Republic of the Congo

Vodacom Congo is committed to social upliftment and community enhancement and has implemented various social responsibility programmes. Programmes implemented include rebuilding and revamping of schools, rebuilding of hospitals, HIV/Aids awareness programmes, orphan feeding schemes and food distribution to underprivileged communities.

Education

Vodacom Congo responded to the country's huge demand for seating at schools by donating benches that have already benefited seven primary schools involving 4,200 pupils.

Health

Vodacom accepted the challenge of reviving the emergency center of the local university clinic by refurbishing 37 rooms.

Welfare

During the month of December 2003, Vodacom staff and management, as part of their "Charity Month" campaign, visited 42 orphanages and old age homes, delivering much-needed foodstuff and T-shirts. Altogether 1,500 children and 500 pensioners benefited from these donations.

Key initiatives – Tanzania

Vodacom Tanzania has served the Tanzanian community not only in providing affordable communication to an increased number of people, but also by undertaking community service initiatives providing support and facilitation and direct sponsorships of events. Amongst the activities that Vodacom Tanzania supports are:

Education and welfare

Vodacom is supporting the work of the Freeplay Foundation (a South African, UK and USA non-profit organization) which is distributing self-powered radios for educational purposes in Tanzania. Vodafone Group Foundation provided a grant to the Freeplay Foundation covering the purchase of 3,300 Lifeline wind-up and solar powered radios. These radios were distributed to a variety of beneficiaries including HIV/Aids sufferers, education and health ministries and NGOs. The project has impacted the Tanzanian community in more than 15 of the 21 regions of Tanzania.

Health

Vodacom Tanzania has in conjunction with other sponsors installed a toll-free line – the first national Aids help-line center in Tanzania. This line is known as "Vodacom 800 HIV" and is managed by the Tanzanian Youth Aware Trust Fund. Vodacom customers throughout Tanzania can now get free access to HIV/Aids counselling services. Billboard messages and bumper stickers have also been utilized by Vodacom.

Key initiatives – Lesotho

Vodacom supports the annual Morija Arts Festival that the government utilizes to showcase local arts and crafts. A donation was also presented to the Maloti Rotary Club to upgrade the Scott Hospital Maternity Ward.

Occupational health and environmental responsibility

Occupational health and safety activities

Vodacom adheres to the highest international standards applicable to occupational health and safety management systems. The Occupational Health and Safety Assessment 18001 series – has been developed to facilitate the integration of quality, environmental and occupational health and safety management systems by organizations. An external systems certification audit was done by DEKRA in June 2003. No non-conformities were reported. In February 2004 the Vodafone director for occupational health and safety visited Vodacom to do a systems evaluation. The outcome of the evaluation was very positive. We are in the process of re-evaluating all Vodacom policies and procedures to align, where possible, with Vodafone policies and procedures.

We are very proud to state that the average legal compliance percentage with reference to the Occupational Health and Safety Act achieved by our South African operations was 95% in 2004. Because of the intricacies of local conditions and regulations, we have a more detailed approach to occupational health and safety in our other African countries.

Activities currently in progress in the African operations include a holistic implementation strategy that includes disciplines such as health and safety, quality and risk management. Implementation of a system that will include the above-mentioned activities has started in Vodacom Congo. To assist with the establishing and implementation of the system a consultant was appointed in the DRC.

We are currently performing a gap analysis to identify shortcomings in Vodacom Congo's systems in relation to this framework.

Environmental management

As our environmental management system grows we benefit from the learning curve of past experiences and ongoing monitoring and measurement. Our emphasis during the year was specifically on growing our database of key environmental indicators. We have, however, not ignored our obligation to protect the physical environment in which we operate and we have therefore continued our efforts in managing and limiting our operational impacts as well as supporting those environmental conservation initiatives that are aligned with our responsibility toward sustainable development. A few highlights are listed below:

The management of birds on base station structures

Once again during the winter of 2003, the breeding activity on 75% of the confirmed eagle nesting sites on Vodacom base stations was successful. The sites are currently made up of an equal number of martial eagles and black eagles. The high rate of breeding success can clearly be attributed to our strict management plans implemented at each nesting site during the breeding season.

We are particularly proud of the fact that a Vodacom employee was awarded the Raptor Conservationist of the Year for the Gariep Region of South Africa in his capacity as custodian of Vodacom's efforts toward protecting the threatened martial eagle nests on Vodacom structures.

The monitoring of key environmental indicators

The scope of key environmental indicators has been expanded and in fact has almost doubled over the past year. The initiative falls further in line with shareholder requirements and is strongly geared to provide benefits in terms of environmental performance as well as cost reduction. The results of this effort have brought us to the stage of being able to implement experimental projects around the reduction of certain resources and the use of alternatives. These projects will be implemented during the next financial year. The monitoring of indicators in operations outside of South Africa will be the focus for the coming year and systems capable of providing us with the ability are currently being investigated.

Environmental sponsorships

Vodacom continues to support the WWF-SA and the Peace Parks Foundation as a corporate member. Furthermore we were actively involved and participated in the compilation and publication of the Red Data Book of the Mammals of South Africa in partnership with the Endangered Wildlife Trust. The Wildlife Biological Resource Center has also benefited from Vodacom's support.

Relationship with shareholders

The authorized (100,000 ordinary shares of 1 cent each) and issued (10,000 ordinary shares of 1 cent each) share capital remained unchanged during the year. The following are short corporate profiles of our shareholders:

Telkom SA Limited

Telkom is one of the largest companies registered in the Republic of South Africa and is the largest communications services provider on the African continent. Telkom is listed on the JSE Securities Exchange, South Africa and the New York Stock Exchange. Telkom is an integrated communication group with investments in Vodacom Group (Proprietary) Limited, Telkom Directory Services (Proprietary) Limited, a provider of directory services and Swiftnet (Proprietary) Limited a provider of wireless data services. Telkom is currently the only national provider of public switched telecommunications services in South Africa, although a process has been commenced to liberalize the South African communications market introducing competition in a number of their business areas. As of March 31, 2004, Telkom had approximately 4.8 million telephone access lines in service and 99.9% of its telephone access lines were connected to digital exchanges. On March 31, 2004, Telkom had a market capitalization of R44 billion. The government of the Republic of South Africa owns 38.3% of Telkom's issued share capital, Thintana Communications LLC, which is beneficially owned by SBC Communications and Telekom Malaysia, owns 30% and the public owns 31.7%. Telkom owns 50% of Vodacom Group (Proprietary) Limited.

Vodafone Group Plc

Vodafone is the largest mobile telecommunications network company in the world, with equity interests in 26 countries and partner networks in a further 13 countries. At March 31, 2004, Vodafone had over 133.4 million proportionate customers worldwide. The company's ordinary shares are listed on the London Stock Exchange and the company's American Depository Shares are listed on the New York Stock Exchange. The company had a total market capitalization of approximately £86 billion at March 31, 2004, making it the second largest company in the Financial Times Stock Exchange 100 index, or FTSE 100, and the eleventh largest company in the world based on market capitalization at that date. Vodafone owns 35% of Vodacom Group (Proprietary) Limited through its wholly owned subsidiary, Vodafone Holdings (SA) (Proprietary) Limited.

VenFin Limited

VenFin is an investment holding company listed on the JSE Securities Exchange, South Africa. It has investments in telecommunications, media, technology, financial services and other businesses. VenFin focuses on technology oriented investments, in South Africa and internationally, which own proprietary intellectual property and have the potential to produce superior growth. At March 31, 2004, VenFin's market capitalization was approximately R10.2 billion. VenFin owns 15% of Vodacom Group (Proprietary) Limited through its wholly owned subsidiary, VenFin Telecommunications Investments Limited.

Consolidated value-added statement

for the three years ended March 31, 2004

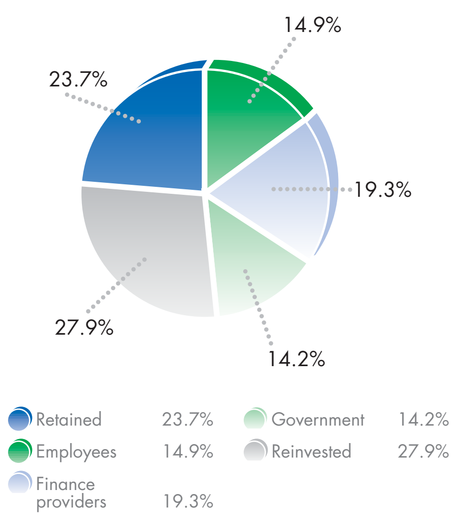
	2002 Rm	2002 %	2003 Rm	2003 %	**2004 Rm**	**2004 %**
Value added						
Value added by operating activities	6,769.9	89.0	7,722.2	91.2	**9,098.4**	**93.3**
Revenue	16,150.7		19,778.7		**23,478.0**	
Net operating expenses	(9,380.8)		(12,056.5)		**(14,379.6)**	
Value added by investing activities	840.4	11.0	742.4	8.8	**656.6**	**6.7**
Income from investments	8.2		5.1		**16.6**	
Interest income	832.2		737.3		**640.0**	
	7,610.3	**100.0**	**8,464.6**	**100.0**	**9,755.0**	**100.0**
Value distributed						
Distributed to employees	1,135.2	14.9	1,018.6	12.0	**1,331.6**	**13.7**
Salaries, wages, medical and other benefits	1,090.1		960.7		**1,259.8**	
Pension and retirement fund contributions	45.1		57.9		**71.8**	
Distributed to providers of finance	1,468.2	19.3	2,146.3	25.4	**3,207.5**	**32.9**
Finance costs	868.2		1,546.3		**1,107.5**	
Dividends	600.0		600.0		**2,100.0**	
Distributed to government	1,078.7	14.2	1,301.0	15.4	**1,970.5**	**20.2**
SA normal taxation	1,001.7		1,223.3		**1,702.6**	
Secondary taxation on companies	74.5		75.0		**262.5**	
Foreign taxation	2.5		2.7		**5.4**	
Value reinvested	2,125.6	27.9	2,271.6	26.8	**2,287.4**	**23.4**
Depreciation of property, plant and equipment	1,857.3		2,163.0		**2,316.9**	
Amortization of intangible assets	212.7		210.7		**216.0**	
Integration costs, disposals of operations and impairments	(56.4)		–		**–**	
Deferred taxation	82.7		(135.8)		**(143.9)**	
Foreign deferred taxation	29.3		33.7		**(101.6)**	
Value retained	1,802.6	23.7	1,727.1	20.4	**958.0**	**9.8**
Retained profit (adjusted for dividends)	1,773.0		1,614.6		**931.8**	
Outside shareholders' interest	29.6		112.5		**26.2**	
	7,610.3	**100.0**	**8,464.6**	**100.0**	**9,755.0**	**100.0**

Notes to the consolidated value-added statement

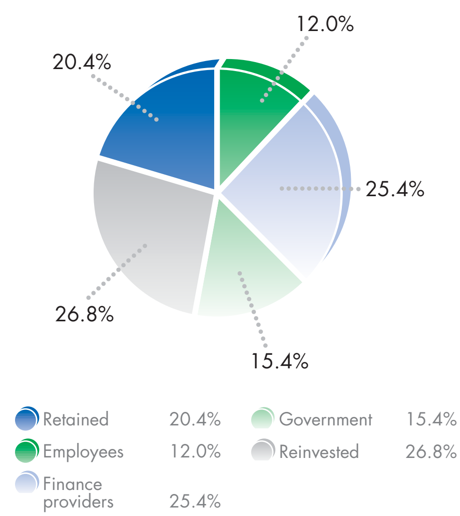
	2002 Rm	2003 Rm	**2004 Rm**
1. Net operating expenses			
Direct network operating costs	8,369.8	10,860.4	**13,052.9**
Other operating income	(29.2)	(68.0)	**(57.6)**
Marketing expenses	542.0	652.5	**702.0**
Administration expenses	498.2	611.6	**682.3**
	9,380.8	12,056.5	**14,379.6**

2. Analysis of value distributed

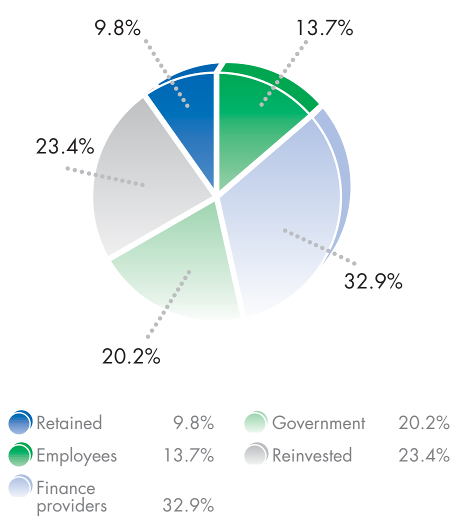
Value distributed 2002



Value distributed 2003



Value distributed 2004



Definitions

Aids	Acquired immune deficiency syndrome
ARPU	Average revenue per customer per month
BEE	Black economic empowerment
BSC	Base station controller
BTS	Base transceiver station
Capex	Capital expenditure
Cell C	Cell C (Proprietary) Limited, a company incorporated in the Republic of South Africa
Celtel	Celtel Tanzania Limited, a company incorporated in the United Republic of Tanzania
CEO	Chief executive officer
CRM	Customer relationship management
CSI	Corporate social investment
DRC	Democratic Republic of the Congo
EBITDA	Earnings before interest, tax, depreciation and amortization
EE	Employment equity
Euribor	Euro interbank offered rate
FEC	Forward exchange contract
GAAP	Generally accepted accounting practice
GPRS	General packet radio service
GSM	Global system for mobile communications
HDI	Historically disadvantaged individual or company
HIV	Human immuno deficiency virus
HR	Human resources
IAS	International accounting standards
ICASA	Independent Communications Authority of South Africa
ICT	Information, communications, technology
IFRS	International financial reporting standards
2G	Second generation
IPO	Initial public offering
IT	Information technology
IVR	Interactive voice response
King II	King Committee Report on Corporate Governance 2002
LRIC	Long run incremental cost
LTA	Lesotho Telecommunications Authority
MMS	Multimedia messaging service
Mobitel	MIC Tanzania Limited, a company incorporated in the United Republic of Tanzania
MOU	Minutes of use per customer per month
MSC	Mobile services switching center
MTN	MTN Group Limited, a company incorporated in the Republic of South Africa
NEMEA	Northern Europe Middle East and Africa
NGO	Non-governmental organization
NUM	National Union of Mineworkers
PABX	Private automatic branch exchange
PDA	Personal digital assistant
SACTWU	Southern African Clothing and Textile Workers Union
SMS	Short message service
TTCL	Tanzania Telecommunication Company Limited, a company incorporated in the United Republic of Tanzania
Telkom	Telkom SA Limited, a public company incorporated in the Republic of South Africa
The Board	The Vodacom Group Board of directors
The Group	Vodacom Group (Proprietary) Limited and all its subsidiaries and joint ventures
USA	United States of America
USAL	Under-serviced area license
USSD	Unstructured supplementary service data
VAS	Value added services
VEE Networks	VEE Networks Limited (formerly Econet Nigeria Limited), a company incorporated in the Federal Republic of Nigeria
VenFin	VenFin Limited, a public company incorporated in the Republic of South Africa
VLR	Visitor location register
Vodacom Congo	Vodacom Congo (RDC) s.p.r.l., a company incorporated in the Democratic Republic of Congo
Vodacom International Mauritius	Vodacom International Limited, a company incorporated in the Republic of Mauritius
Vodacom Lesotho	Vodacom Lesotho (Proprietary) Limited, a company incorporated in the Kingdom of Lesotho
Vodacom Mozambique	Vodacom Mozambique (VM,S.A.R.L.), a company incorporated in the Republic of Mozambique
Vodacom Tanzania	Vodacom Tanzania Limited, a company incorporated in the United Republic of Tanzania
Vodafone	Vodafone Group Plc, a public company incorporated in England and Wales
VSAT	Very small aperture terminal
WAP	Wireless application protocol
WASP	Wireless application service provider
Zantel	Zanzibar Telecom Limited, a company incorporated in the United Republic of Tanzania

Annual financial statements

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

The consolidated annual financial statements for the three years ended March 31, 2004 presented on pages 66 to 157 have been prepared in accordance with International Financial Reporting Standards and South African Statements of Generally Accepted Accounting Practice. 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 annual financial statements. The directors have no reason to believe that the Group will not be a going concern in the foreseeable future based on forecasts and available cash resources.

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

The consolidated annual financial statements were approved by the Board of directors on June 3, 2004 and are signed on its behalf:

WYN Luhabe
Chairman

ADC Knott-Craig
Chief executive officer

CERTIFICATE BY THE COMPANY SECRETARY

In my capacity as Company Secretary, I hereby confirm that for the year ended March 31, 2004, the Group has lodged with the Registrar of Companies all such returns required in terms of relevant company legislation and that all such returns are true, correct and up to date.

L Crouse
Company Secretary

Report of the independent auditors and independent registered public accounting firm*

TO THE MEMBERS OF VODACOM GROUP (PROPRIETARY) LIMITED

We have audited the Group annual financial statements for each of the three years in the period ended March 31, 2004 set out on pages 66 to 157. These financial statements are the responsibility of the Group's directors. Our responsibility is to express an opinion on these financial statements based on our audits.

SCOPE

We conducted our audit in accordance with statements of South African Auditing Standards and the standards of the Public Company Accounting Oversight Board (PCAOB) (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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, referred to above, present fairly, in all material respects, the financial position of the Group as at March 31, 2004, 2003 and 2002, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2004, in conformity with International Financial Reporting Standards, South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa, 1973.

As discussed in Note 41, the accompanying 2003 and 2002 balance sheets have been restated to reflect the reclassification of Vodacom Congo (RDC) s.p.r.l.'s preference shares from its shareholders' equity to liabilities. The restatement of both investments and interest bearing liabilities amounted to R150.3 million for 2003 and R215.8 million for 2002 and does not impact the Group's results or cash flow information for these years.

International Financial Reporting Standards vary in certain significant respects from accounting principles generally accepted in the United States of America ("US GAAP"). Information relating to the nature and effect of such differences is presented in Note 48 to the consolidated financial statements.

Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (SA)
Pretoria, South Africa
June 4, 2004

** As defined in Rule 1001 of the PCAOB rules included in PCAOB Release No 2003-007*

A complete list of partners is available from any of our offices.

Directors' report

for the year ended March 31, 2004

The directors have the pleasure of presenting their report, which forms part of the audited consolidated annual financial statements, for the three years ended March 31, 2004.

1. NATURE OF BUSINESS

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

2. MATERIAL CHANGES IN THE GROUP

The Group's operations outside South Africa were expanded in December 2003 by the launch of a cellular network in Mozambique. Shareholding of the operations in Mozambique is held via Vodacom International Limited, a company based in Mauritius.

On March 1, 2004 the Group acquired a 51% share of Smartphone SP (Proprietary) Limited, an exclusive service provider to the prepaid market of the South African operations. Shareholding is held via Vodacom Group (Proprietary) Limited. The results of Smartphone SP (Proprietary) Limited have been consolidated from March 1, 2004.

3. REVIEW OF ACTIVITIES AND RESULTS

Revenue for the year was R23.5 billion (2002: R19.8 billion; 2001: R16.2 billion), representing an 18.7% (2003: 22.5%; 2002: 21.6%) increase over the year. This is largely attributable to the 29.7% (2003: 26.0%; 2002: 31.7%) increase in the total customer base.

Customer base	2002	2003	**2004**
Total	6,862,976	8,646,877	**11,217,372**
Contract	1,109,848	1,194,526	**1,437,344**
Prepaid	5,725,194	7,414,331	**9,743,493**
Community services	27,934	38,020	**36,535**
Location of customer base			
South Africa	95.5%	91.0%	**86.7%**
International	4.5%	9.0%	**13.3%**
Total ARPU			
South Africa (R)	182	183	**177**
Tanzania (US$)	27	22	**18**
Lesotho (R)	144	104	**125**
Congo (US$)	n/a	20	**21**
Mozambique (Metical '000)	n/a	n/a	**408,919**

3. REVIEW OF ACTIVITIES AND RESULTS (continued)

Profit from operations for the year was R5.2 billion (2003: R4.3 billion; 2002: R3.6 billion), representing a 20.9% (2003: 19.6%; 2002: 41.8%) increase over the prior year. The net profit for the year under review is R3.0 billion (2003: R2.2 billion; 2002: R2.4 billion). The 36.9% increase (2003: 6.7% decrease; 2002: 80.1% increase) in net profit is mainly due to the increase in operating profit and a net decrease in finance cost expenditure to R450.9 million in 2004, compared to a R803.9 million net finance cost expenditure in 2003. The decrease in net finance cost is mainly attributable to the slower appreciation of the South African Rand against all major currencies compared to its significant appreciation in 2003. The appreciation of the Rand resulted in significant losses in 2003 on the revaluation of foreign exchange contracts that are purchased on all foreign currency exposures of the South African operations. Although foreign exchange contracts are purchased only on committed foreign currency exposures, the Group does not qualify for hedge accounting, under IAS 39: Financial Instruments: Recognition and Measurement (Revised 2000, "IAS 39").

The earnings before interest, taxation, depreciation and amortisation (EBITDA) for the year was R7.8 billion (2003: R6.7 billion; 2002: R5.7 billion), representing a 15.9% (2003: 17.8%; 2002: 35.9%) increase over the year. EBITDA as a percentage of revenue is currently 33.1% (2003: 33.9%; 2002: 35.2%). EBITDA as a percentage of revenue is 37.2% (2003: 37.8%; 2002: 39.2%) when mobile phone and accessory sales and profit thereon are excluded from the Group's results.

Further information on the activities, performance and financial position of the Group is presented in the consolidated annual financial statements and notes thereto.

4. DIVIDEND DISTRIBUTION

An ordinary dividend of R2,100.0 million (2003: R600.0 million, 2002: R600.0 million) was declared for the year:

	2002 Rm	2003 Rm	**2004 Rm**
Declared March 11, 2004 and payable May 31, 2004	–	–	**1,500.0**
Declared September 30, 2003 and payable September 30, 2003	–	–	**600.0**
Declared March 20, 2003 and payable June 30, 2003	–	600.0	**–**
Declared March 21, 2002 and payable June 28, 2002	600.0	–	**–**

Payment of the current final ordinary dividend will be made on May 31, 2004 to all shareholders registered on May 28, 2004. Payment of the interim dividend was made on September 30, 2003 to all shareholders registered on that date. Payment of the 2003 and 2002 ordinary dividend was made on June 30, 2003 and June 28, 2002, to all shareholders registered on that date.

5. CHANGE IN ACCOUNTING POLICY

During the 2002 financial year, the Group changed its accounting policy for the recognition and measurement of financial instruments by adopting IAS 39. In accordance with IAS 39 the Group does not qualify for hedge accounting to foreign exchange contracts entered into for foreign currency commitments and therefore all fair value adjustments are recognized in the consolidated income statement in the period in which they occur. Interest rate swaps are also recorded and measured at fair value. All changes in fair value are recognized in the consolidated income statement in the period in which they occur. The application of IAS 39 has had a material impact on net profit growth for the 2003 and 2002 year as discussed in Note 3 above. Details of the effect of this change in accounting policy implemented in 2002 are disclosed in Note 24 to the consolidated annual financial statements.

Directors' report continued

for the year ended March 31, 2004

6. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group invested R2.9 billion (2003: R3.4 billion; 2002: R4.1 billion) in property, plant and equipment. Of this capital expenditure R2.4 billion (2003: R2.8 billion; 2002: R3.1 billion) was for cellular network infrastructure. Capital expenditure in South Africa comprised R1.7 billion (2003: R2.5 billion; 2002 R3.3 billion) of the total amount invested. The capital expenditure was funded by internal cash generation, extended supplier credits and bank credit.

Commitments at March 31, 2004 in respect of contracts for orders placed for the new financial year amount to R0.7 billion (2003: R0.7 billion; 2002: R1.5 billion). Commitments at March 31, 2004 not yet contracted for amount to R4.5 billion (2003: R3.3 billion; 2002: R2.9 billion).

Further information on the investment in property, plant and equipment of the Group is presented in Note 9 to the consolidated annual financial statements.

7. INVESTMENT ACTIVITIES

7.1 Vodacom International Holdings (Proprietary) Limited

Vodacom International Holdings (Proprietary) Limited was established as the holding company for the group of companies operating beyond South Africa's borders. As a result the Vodacom Group (Proprietary) Limited investments in Vodacom International Limited, Vodacom Lesotho (Proprietary) Limited and Vodacom Congo (RDC) s.p.r.l. are held through Vodacom International Holdings (Proprietary) Limited. It is envisaged that Vodacom International Limited will hold all new investments in companies outside South African borders.

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

  The company was incorporated on November 28, 2001 and the license and infrastructure of an incumbent network was acquired in December 2001. The new infrastructure and newly branded Vodacom services were launched during May 2002. Vodacom International Holdings (Proprietary) Limited, via Vodacom International Limited, holds 51% of the ordinary share capital of the company. Vodacom International Limited issued redeemable preference shares totalling R386.9 million (US$39.0 million) to Vodacom Group (Proprietary) Limited during December 2001 to generate funding for those operations. In its first two years of operations, Vodacom Congo (RDC) s.p.r.l. experienced substantial competition for market share. This necessitated lowering tariffs in order to achieve market share. Excellent customer growth was achieved, but the effect of the lower tariffs and high finance charges, is seen in the net loss before taxation of R129.5 million (2003: R208.3 million; 2002: R25.5 million) attributable to the Group. In the current year the company focussed on expanding coverage and its customer base. In the current financial year the company achieved an EBITDA of R190.6 million. The Group's 51% share of the company's financial results is proportionally consolidated.

- Vodacom Tanzania Limited

  The Tanzanian operations continued to grow showing a steady increase in profitability and customers. No additional shareholders' loans (2003: $nil; 2002: $27.6 million) were advanced by Vodacom Group (Proprietary) Limited to fund operations during the current year. No additional shareholders' loans were advanced by the minority shareholders in 2004 (2003: $8.4 million; 2002: $nil). The company secured project finance to the value of $65.0 million in 2003 via the international market to fund its operations. The draw down on the project finance is collateralized by a charge of over 51% of the shares, the Tanzanian cellular license and the company's other tangible and intangible assets. Vodacom Group (Proprietary) Limited and the minority shareholders have subordinated their loans to the company in favour of the project financiers. Due to the project finance covenants all payments of dividends

7. INVESTMENT ACTIVITIES (continued)

7.1 Vodacom International Holdings (Proprietary) Limited (continued)

- Vodacom Tanzania Limited (continued)

  and interest to shareholders have been suspended until 2009. From April 1, 2004 the Tanzanian operations will change their billing and reporting to the local currency being Tanzanian Shilling.

- VM, S.A.R.L., trading as Vodacom Mozambique

  The company was incorporated on August 14 , 2002 and was awarded the second cellular license on August 23, 2003. Commercial Vodacom services were launched during December 2003. Vodacom International Holdings (Proprietary) Limited, via Vodacom International Limited, holds 98% of the ordinary share capital of the company, but local shareholders have an option to acquire another 25% of the ordinary share capital, while 5% of the ordinary share capital is reserved for a listing in future.

7.2 Acquisition of Smartphone SP (Proprietary) Limited and subsidiaries

On March 1, 2004 the Group acquired a 51% share of Smartphone SP (Proprietary) Limited and subsidiaries, an exclusive prepaid service provider to the South African operations, in line with the strategy to gain control of the distribution chain. Smartphone SP (Proprietary) Limited is consolidated into the Group's results from March 1, 2004.

7.3 Disposal of non-core operations

- Vodacom Sport & Entertainment (Proprietary) Limited

  The Group's 51% shareholding in the company was disposed of on February 27, 2002 for R45.0 million, resulting in a profit on the sale of R40.0 million. Refer to Note 4.1 in the annual financial statements for additional information.

- Vodacom World Online (Proprietary) Limited

  The Group's 40% shareholding in the company was disposed of on November 30, 2002 for R31.8 million resulting in a profit on the sale of R30.1 million. Refer to Note 4.3 in the annual financial statements for additional information.

- Film Fun (Holdings) (Proprietary) Limited and subsidiaries

  The sale agreements were signed on March 27, 2002 with the effective dates of sale as follows:

– Africell Cellular Services (Proprietary) Limited	February 1, 2002
– Teljoy Botswana (Proprietary) Limited	March 1, 2002
– Film Fun (Holdings) (Proprietary) Limited	March 31, 2002

  The proceeds from the sale were R9.0 million, resulting in a loss on sale of R53.8 million. Refer to Note 4.2 in the annual financial statements for additional information.

- Vodacom Satellite Services (Proprietary) Limited, previously trading as Globalstar Southern Africa (Proprietary) Limited

  The company changed its name during August 2002 to Vodacom Satellite Services (Proprietary) Limited.

  Refer to Note 3.1 in the annual financial statements for additional information.

Directors' report continued

for the year ended March 31, 2004

7. INVESTMENT ACTIVITIES (continued)

Further financial information in respect of interests in subsidiaries and joint ventures of the company are disclosed in Notes 46 and 47 to the consolidated annual financial statements, respectively.

8. SHORT-TERM PORTION OF LONG-TERM FUNDING

On March 17, 2003, Vodacom Group repaid the R400.0 million owing to Commerzbank AG and Credit Agricole Indosuez reducing the short-term portion of long-term funding. These loans were replaced with short-term funding. The short-term portion of long-term funding amounting to R844.2 million at March 31, 2004 consists predominantly of bridging facilities for Vodacom Congo (RDC) s.p.r.l., amounting to R622.3 million, preference shares amounting to R119.1 million and the short-term portion of project finance funding of Vodacom Tanzania Limited.

9. SHARE CAPITAL AND SHAREHOLDER LOANS

The authorised and issued share capital remained unchanged during the year under review.

The issued share capital of R100 (2003: R100, 2002: R100) and shareholder loans of Rnil (2003: R920.0 million; 2002: R920 million) are ultimately held in the percentages as outlined below. During December 2002, Descarte Investments No 8 (Proprietary) Limited sold its 5% shareholding in four tranches to Vodafone Holdings (SA) (Proprietary) Limited and VenFin Telecommunication Investments Limited.

	Shareholding 2002 %	Shareholder loan balance 2002 Rm	Shareholding 2003 %	Shareholder loan balance 2003 Rm	**Shareholding 2004 %**	**Shareholder loan balance 2004 Rm**
Telkom SA Limited	50.0	460.0	50.0	460.0	**50.0**	**–**
Vodafone Group Plc	–	124.3	–	124.3	**–**	**–**
Vodafone Holdings (SA) (Proprietary) Limited	31.5	165.5	35.0	197.7	**35.0**	**–**
VenFin Telecommunication Investments Limited	13.5	–	15.0	–	**15.0**	**–**
VenFin Finance Corporation (Proprietary) Limited	–	124.2	–	138.0	**–**	**–**
Descarte Investments No 8 (Proprietary) Limited	5.0	46.0	–	–	**–**	**–**
	100.0	920.0	100.0	920.0	**100.0**	**–**

9. SHARE CAPITAL AND SHAREHOLDER LOANS (continued)

The Group elected to repay the shareholder loans on June 30, 2003.

In terms of section 221 of the Companies Act, the directors do not have power to allot or issue shares of Vodacom Group (Proprietary) Limited without the prior approval of the Vodacom Group (Proprietary) Limited shareholders in a general meeting.

Refer to Note 21 to the consolidated annual financial statements for further details on the shareholder loans.

10. EVENTS SUBSEQUENT TO THE YEAR-END

Smartphone SP (Proprietary) Limited offered to purchase an 85.75% equity stake in Smartcom (Proprietary) Limited, an exclusive service provider to the contract market of the South African operations, for R77.2 million. All suspensive conditions contained in the sale of shares agreement were met on April 16, 2004 when the Group received Competition Commission approval. The directors are not aware of any other matter or circumstance arising, except as detailed in Note 11 below, since the end of the financial year, not otherwise dealt with in the consolidated annual financial statements, which significantly affected the financial position of the Group and the results of its operations. For further matters relevant to the Group refer to Notes 39 and 40 to the consolidated annual financial statements.

11. OTHER

Effective April 1, 2004 Vodacom International Limited ("VIL") entered into a five year management agreement with VEE Networks Limited ("VEE"), (formerly Econet Wireless Nigeria Limited), subject to the right of termination in favor of each of the parties. In terms of the agreement, VIL would have managed VEE's cellular network operations in Nigeria for a fee which is based on VEE's turnover. VEE would have been allowed to use the Vodacom logo and brand name. VIL also had the intention to acquire and equity stake in the business of VEE.

However, on May 31, 2004, VIL and VEE mutually agreed to terminate the management agreement entered into on April 1, 2004. VIL will continue to provide technical support to VEE for a period of up to six months. VIL has also decided not to pursue an equity stake in the business of VEE.

The Group is further also a defendant in certain legal proceedings with Econet Wireless Limited related to its activities in Nigeria. The outcome or extent of any claims against the Group, should the Group not be successful in defending these claims, is unknown.

12. COUNTRY OF INCORPORATION

Vodacom Group (Proprietary) Limited is incorporated in the Republic of South Africa.

Directors' report continued

for the year ended March 31, 2004

13. DIRECTORS AND SECRETARY

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

	In office 31/03/2003	Resignations	Appointments	In office 31/03/2004
Directors	WYN Luhabe	HA Kuropatwa*	A Carrapatoso†	WYN Luhabe
	(Chairman)	(09/05/2003)	(12/09/2003)	(Chairman)
	ADC Knott-Craig	E Langston*	PAM Guindani"	ADC Knott-Craig
	(Chief Executive Officer)	(12/09/2003)	(12/09/2003)	(Chief Executive officer)
	AFB Mthembu	EJX Bourland*	EJX Bourland*	AFB Mthembu
	(Deputy Chief Executive Officer)	(12/09/2003)	(09/05/2003)	(Deputy Chief Executive Officer)
	MS Aziz Joosub			MS Aziz Joosub
	L Crouse			L Crouse
	HA Kuropatwa*			A Carrapatoso†
	E Langston*			PAM Guindani"
	J Malherbe			J Malherbe
	SM McKenzie#			SM McKenzie#
	SE Nxasana			SE Nxasana
	CK Tan^			CK Tan^
	PR Williams*			PR Williams*
Secretary	L Crouse			L Crouse
Alternate directors	PR Bamford *+	PR Bamford*+	PR Bamford*+	PR Bamford *+
	JJ Durand	(12/09/2003)	(12/09/2003)	JJ Durand
	JM Horn-Smith *+	JM Horn-Smith*+	JM Horn-Smith*+	JM Horn-Smith *+
	NT Moholi	(09/05/2003)	(09/05/2003)	NT Moholi
	MJ Pitt *+	MJ Pitt *+	JM Horn-Smith*+	MJ Pitt *+
	CWJ Volschenk	(12/09/2003)	(12/09/2003)	CWJ Volschenk
		JM Horn-Smith*+	MJ Pitt*+	
		(12/09/2003)	(12/09/2003)	

 # USA
^ Malaysia
** UK*
† Portugal
" Italy
+ PR Bamford, JM Horn-Smith and MJ Pitt resigned as alternate directors, but were re-appointed as alternate directors for different directors.

14. REGISTERED OFFICE AND POSTAL ADDRESSES

Registered office: Vodacom Corporate Park
082 Vodacom Boulevard
Vodavalley
Midrand

Postal address: Private Bag X9904
Sandton
2146

15. AUDITORS

Deloitte & Touche has been appointed as the sole auditors on April 1, 2003, and will continue in office in accordance with section 270(2) of the Companies Act, 1973.

Consolidated income statements

for the three years ended March 31, 2004

	Notes	2002 Rm	2003 Rm	**2004 Rm**
Revenue	1	16,150.7	19,778.7	**23,478.0**
Other operating income		29.2	68.0	**57.6**
Direct network operating cost		(8,369.8)	(10,860.4)	**(13,052.9)**
Depreciation	5	(1,857.3)	(2,163.0)	**(2,316.9)**
Staff expenses		(1,135.2)	(1,018.6)	**(1,331.6)**
Marketing and advertising expenses		(542.0)	(652.5)	**(702.0)**
General administration expenses		(498.2)	(611.6)	**(682.3)**
Amortization of intangible assets	2	(212.7)	(210.7)	**(216.0)**
Integration costs, disposal of operations and impairments	3	56.4	–	**–**
Profit from operations	5	3,621.1	4,329.9	**5,233.9**
Interest, dividends and other financial income	6	840.4	742.4	**656.6**
Finance costs	7	(868.2)	(1,546.3)	**(1,107.5)**
Profit before taxation		3,593.3	3,526.0	**4,783.0**
Taxation	8	(1,190.7)	(1,198.9)	**(1,725.0)**
Profit after taxation		2,402.6	2,327.1	**3,058.0**
Minority interest	18	(29.6)	(112.5)	**(26.2)**
Net profit		2,373.0	2,214.6	**3,031.8**

	Notes	2002 R	2003 R	**2004 R**
Basic and diluted earnings per share	34	237,300	221,460	**303,180**
Dividend per share	34	60,000	60,000	**210,000**

Consolidated balance sheets

as at March 31, 2004

	Notes	2002 Rm	2003 Rm	**2004 Rm**
ASSETS				
Non-current assets		11,429.1	12,276.2	**13,194.2**
Property, plant and equipment	9	9,896.6	10,675.0	**10,858.6**
Investment properties	10	–	–	**63.8**
Intangible assets	11	796.3	551.1	**1,034.1**
Investments*	12	238.5	345.4	**222.4**
Deferred taxation	13	497.7	704.7	**1,015.3**
Current assets		4,145.3	4,689.7	**6,903.5**
Inventory	14	306.0	238.8	**288.5**
Accounts receivable	15	2,845.9	3,158.9	**3,926.5**
Short-term investments	12	58.6	50.9	**316.5**
Foreign currency derivatives	43	215.6	34.6	**1.9**
Bank and cash balances	33	719.2	1,206.5	**2,370.1**
Total assets		15,574.4	16,965.9	**20,097.7**
EQUITY AND LIABILITIES				
Capital and reserves		5,463.8	6,837.4	**7,603.1**
Ordinary share capital	16	–	–	**–**
Non-distributable reserves	17	106.1	(132.3)	**(299.2)**
Retained earnings		5,357.7	6,969.7	**7,902.3**
Minority interest	18	10.6	88.0	**93.0**
Non-current liabilities		1,894.4	2,881.6	**2,568.5**
Interest bearing debt	19	780.2	1,732.2	**1,216.6**
Deferred taxation	13	926.2	993.1	**1,173.5**
Provisions	23	188.0	156.3	**178.4**
Current liabilities		8,205.6	7,158.9	**9,833.1**
Accounts payable	20	3,223.6	3,799.0	**5,326.3**
Taxation payable		351.6	315.2	**852.0**
Shareholder loans	21	920.0	920.0	**–**
Non-interest bearing debt	22	4.3	4.3	**4.3**
Short-term interest bearing debt*	19	1,231.7	436.4	**839.9**
Provisions	23	297.6	324.4	**473.7**
Dividends payable		600.0	600.0	**1,500.0**
Foreign currency derivatives	43	–	200.6	**64.5**
Bank overdraft	33	1,576.8	559.0	**772.4**
Total equity and liabilities		15,574.4	16,965.9	**20,097.7**
Commitments and contingent liabilities	35 – 37			

* The Group restated its investments and short-term interest bearing debt for the 2003 and 2002 financial years. Refer to Note 41 for full details of restatement disclosure.

Consolidated statements of changes in equity

for the three years ended March 31, 2004

	Notes	Share capital Rm	Retained earnings Rm	Non-distributable reserves Rm	Total Rm
Balance at March 31, 2001		–	3,508.3	(2.3)	3,506.0
Change in accounting policy	24	–	84.9	–	84.9
Balance at March 31, 2001		–	3,593.2	(2.3)	3,590.9
Net profit for the year		–	2,373.0	–	2,373.0
Dividends declared		–	(600.0)	–	(600.0)
Contingency reserve		–	(8.5)	8.5	–
Net gains and losses not recognized in the income statement	17				
Foreign currency translation reserve		–	–	119.8	119.8
Foreign currency translation reserve – deferred taxation		–	–	(19.9)	(19.9)
Balance at March 31, 2002		–	5,357.7	106.1	5,463.8
Net profit for the year		–	2,214.6	–	2,214.6
Dividends declared		–	(600.0)	–	(600.0)
Contingency reserve		–	(2.6)	2.6	–
Net gains and losses not recognized in the income statement	17				
Foreign currency translation reserve		–	–	(262.0)	(262.0)
Foreign currency translation reserve – deferred taxation		–	–	21.0	21.0
Balance at March 31, 2003		–	6,969.7	(132.3)	6,837.4
Net profit for the year		–	3,031.8	–	3,031.8
Dividends declared		–	(2,100.0)	–	(2,100.0)
Contingency reserve		–	0.8	(0.8)	–
Net gains and losses not recognized in the income statement	17				
Foreign currency translation reserve		–	–	(177.0)	(177.0)
Foreign currency translation reserve – deferred taxation		–	–	10.9	10.9
Balance at March 31, 2004		**–**	**7,902.3**	**(299.2)**	**7,603.1**

Consolidated cash flow statements

for the three years ended March 31, 2004

	Notes	2002 Rm	2003 Rm	**2004 Rm**
CASH FLOW FROM OPERATING ACTIVITIES				
Cash receipts from customers		15,583.1	19,349.0	**22,798.3**
Cash paid to suppliers and employees		(9,395.0)	(12,627.9)	**(15,201.6)**
Cash generated from operations	25	6,188.1	6,721.1	**7,596.7**
Finance costs paid	26	(889.2)	(721.7)	**(512.3)**
Interest, dividends and other financial income received	27	541.6	280.0	**368.7**
Taxation paid	28	(1,539.1)	(1,337.4)	**(1,463.3)**
Dividends paid – shareholders		(480.0)	(600.0)	**(1,200.0)**
Dividends paid – minority shareholders in subsidiaries		(6.3)	–	**–**
Net cash flows from operating activities		3,815.1	4,342.0	**4,789.8**
CASH FLOW FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	29	(4,409.1)	(3,066.5)	**(2,813.8)**
Proceeds on disposal of property, plant and equipment		92.4	7.7	**5.0**
Additions to investment properties	30	–	–	**–**
Acquisition of intangible assets	11	(193.7)	–	**(121.1)**
Disposal of subsidiaries	31	1.7	31.5	**–**
Acquisition of subsidiaries	31	(0.1)	–	**149.6**
Disposal of joint ventures	32	23.3	–	**–**
Acquisition of joint ventures	32	–	–	**–**
Advance to minority shareholders		–	(157.9)	**–**
Disposal of other investments		–	9.0	**–**
Other investing activities		(57.8)	(67.0)	**(219.5)**
Net cash flows utilized in investing activities		(4,543.3)	(3,243.2)	**(2,999.8)**
CASH FLOW FROM FINANCING ACTIVITIES				
Shareholder loans repaid		–	–	**(920.0)**
Interest bearing debt raised		570.6	774.1	**186.9**
Interest bearing debt repaid		–	(426.1)	**(55.6)**
Finance lease capital repaid		–	(1.6)	**(9.6)**
Finance lease capital raised		–	13.2	**–**
Funding received from minority shareholders		–	157.9	**–**
Net cash flows (utilized in)/from financing activities		570.6	517.5	**(798.3)**
Net increase/(decrease) in cash and cash equivalents		(157.6)	1,616.3	**991.7**
Cash and cash equivalents at the beginning of the year		(796.1)	(857.6)	**647.5**
Effect of foreign exchange rate changes		96.1	(111.2)	**(41.5)**
Cash and cash equivalents at the end of the year	33	(857.6)	647.5	**1,597.7**

Notes to the consolidated financial statements

March 31, 2004

BASIS OF PREPARATION

These consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards and South African Statements of Generally Accepted Accounting Practice 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, except where disclosed elsewhere.

The following are the principal accounting policies adopted by the Group in the preparation of these consolidated annual financial statements:

ACCOUNTING POLICIES

A. Consolidation

A.1 Basis of consolidation

The consolidated annual 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, up to March 31, 2004.

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 annual 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 available for sale in terms of the accounting policy for financial instruments.

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

Goodwill on the acquisition of subsidiaries and joint ventures is accounted for in accordance with the Group's accounting policy for intangible assets set out below.

A.2 Business combinations

- Acquisitions of a business

  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 or other consideration given, at the date of the acquisition. Business combinations include the acquisition of subsidiaries and joint ventures.

  On acquisition, the identifiable assets and liabilities of the relevant subsidiaries or joint ventures are measured based upon the fair value at the date of acquisition.

Notes to the consolidated financial statements continued

March 31, 2004

A. Consolidation (continued)

A.2 Business combinations (continued)

- Disposals

  On subsequent disposal, the profit or loss on disposal is the difference between the selling price and the fair value of net assets and liabilities disposed of, adjusted for any related goodwill to the extent that it has not been amortized in the consolidated income statement in accordance with the Group's accounting policies.

A.3 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control is presumed to exist where the Group has an interest of more than one half of the voting rights and the power to control the financial and operating activities of the entities so as to obtain benefits from its activities. All subsidiaries are consolidated.

Inter-company balances and transactions, and resulting unrealized profits between Group companies, are eliminated in full on consolidation.

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 has power to exercise control, up to the date on which power to exercise control ceases.

A.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 has power to exercise joint control, up to the date on which power to exercise joint control ceases.

The Group's proportionate share of inter-company balances and transactions, and resulting unrealized profit or losses, between Group companies and jointly controlled entities are eliminated on consolidation.

B. Property, plant and equipment

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

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. Interest costs are not capitalized.

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 ready for its intended 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:

B. Property, plant and equipment (continued)

General-purpose buildings	50 years
Special-purpose buildings	15 years
Infrastructure:	
– GSM	8 years
– Value added services equipment	8 years
– Value added services 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 and special-purpose buildings are generally 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 recognized as an expense in the period incurred. Minor plant and equipment items are also recognized 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 proceeds and the carrying amount of the assets, are recognized in the consolidated income statement in the period in which they occur.

C. Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated so as to write off the cost of the investment property on a straight-line basis, over its estimated useful life to its estimated residual value. Depreciation commences when the property is ready for its intended use. The estimated useful lives of depreciable properties are disclosed under property, plant and equipment and can be general-purpose buildings or special-purpose buildings.

Notes to the consolidated financial statements continued

March 31, 2004

D. Intangible assets

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

Licenses:	
– Mobile	5 – 20 years
Other intangible assets:	
– Contract mobile customers	5 years
– Prepaid mobile customers	3 years
– Trademarks	5 – 10 years
– Goodwill	(Note D.4)

The following are the main categories of intangible assets:

D.1 Licenses

Licenses, which are acquired to yield an enduring benefit, are capitalized at cost and amortized from the date of commencement of usage rights over the shorter of the economic life or the duration of the license agreement.

D.2 Customer bases

Cost of contract customer bases or prepaid customer bases represents the purchase price on the acquisition of mobile customer bases. Customer bases are amortized on a straight-line basis over their estimated useful lives.

D.3 Trademarks and brands

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

D.4 Goodwill

Goodwill represents the excess of the cost of the acquisition of a subsidiary or joint venture, 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 amortization and accumulated impairment losses, if any. Goodwill is amortized on a straight-line basis over its estimated useful life, not exceeding 20 years.

E. Inventory

Inventory is stated at the lower of cost and net realizable 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 realizable 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.

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

F. Foreign currencies

F.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 whichever occurs first. Exchange differences on the settlement or translation of monetary assets or liabilities are included in finance costs and finance income in the period in which they arise.

F.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.

Gains and losses on the translation of equity loans to foreign entities that are intended to be permanent are recognized in equity.

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

Goodwill and intangibles 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.

F.3 Foreign currency hedges

Foreign currency hedges are dealt with in the financial instruments accounting policy.

G. Taxation

G.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.

G.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 amortization 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 recognized for taxable temporary differences associated with investments in subsidiaries and joint ventures, 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.

Notes to the consolidated financial statements continued

March 31, 2004

G. Taxation (continued)

G.2 Deferred taxation (continued)

Deferred taxation assets are recognized 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 utilized.

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.

G.3 Secondary Taxation on Companies

Secondary Taxation on Companies (STC) is provided for at a rate of 12.5% on the amount of the net dividend declared by Vodacom Group (Proprietary) Limited. It is recorded as a tax expense when dividends are declared.

H. Employee benefits

H.1 Post-employment benefits

The Group provides defined contribution funds for the benefit of employees, the assets of which are held in separate funds. The funds are funded by payments from employees and the Group. Contributions to the fund are recognized as an expense in the period in which the employee renders the related service.

The Group has no liability for contributions to the medical aid of retired employees.

H.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 recognized during the period in which the employee renders the related service. The Group recognizes 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.

H.3 Accumulative termination benefits

Accumulative termination benefits are payable whenever:

- an employee's employment is terminated before the normal retirement date, or
- an employee accepts voluntary redundancy.

The Group recognizes 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 and if the amount can be reasonably estimated, the measurement of termination benefits is based on the number of employees expected to accept the offer.

H.4 Compensation benefits

Employees of the wholly owned subsidiaries, including executive directors, are eligible for compensation benefits in the form of a deferred bonus incentive scheme. Periodically, a number of entitlements are issued to employees, the value of which depends on the seniority of the employee. Benefits of eligible employees arising from the entitlements are determined with reference to the present value per entitlement, which is determined annually based on profits as per the audited consolidated annual financial statements of Vodacom Group (Proprietary) Limited.

The fair value of the entitlements is calculated as the difference in the entitlement value at balance sheet date and the value at which the entitlements were issued, multiplied by the number of entitlements allocated to a participant. Any change in

H. Employee benefits (continued)

H.4 Compensation benefits (continued)

entitlement value is recorded in the income statement based on the present value of the expected future cash outflows and recorded as a liability in the balance sheet. Participating employees are entitled to cash in their entitlements once the right to do so has vested.

I. 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 recognized 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. The Group invoices its independent service providers and dealers (agents) for the revenue billed by them on behalf of the Group. The Group, within its contractual arrangements with its agents, pays them administrative fees. The Group receives in cash, the net amount equal to the gross revenue earned less the administrative fees payable to the agents.

If necessary, revenue is split into separately identifiable components.

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

I.1 Contract products

These contracts may include a subsidized handset, 24-month service, activation, SIM-card and a user manual. Revenue is recognized as follows:

- The loss on the subsidized handset, which includes the costs of the handset, the SIM-card and manual, is recognized upon activation by the customer.
- Activation fee revenue received from the customer is recognized upon activation by the customer.
- Monthly access revenue received from the customer is recognized in the period in which the service is delivered.
- Airtime revenue is recognized on the usage basis. The terms and conditions of the bundled airtime products, where applicable, allow the carry over of unused minutes. The unused airtime is deferred in full.
- Deferred revenue related to unused airtime is recognized when utilized by the customer. Upon termination of the customer contract, all deferred revenue for unused airtime is recognized in income.
- Any other costs incurred as a result of a new customer, are expensed upon activation as this is treated as a customer acquisition cost.

I.2 Prepaid products

- Airtime

  Upon purchase of an airtime voucher the customer receives the right to make outgoing calls and receive incoming calls. Revenue is recognized as the customer utilizes the voucher.

- Remaining elements of prepaid packages

  When a prepaid package is sold, all the costs, which include the costs of the SIM-card and manual, together with the commission, is treated as a customer acquisition cost. Activation cost up to the amount of revenue, including the revenue from the sale of the starter pack, is deferred and recognized upon activation by the customer. Any activation cost exceeding the revenue received is recognized as a loss upon sale of the starter pack by the Group. If a handset is bundled with a prepaid package, the cost is also treated as a customer acquisition cost.

Notes to the consolidated financial statements continued

March 31, 2004

I. Revenue recognition (continued)

I.2 Prepaid products (continued)

- Remaining elements of prepaid packages (continued)

  The residual revenue related to the remaining elements of the prepaid packages is not separable since no objective evidence of fair value exists. The Group currently recognizes this residual amount upon activation.

I.3 Equipment sales

All equipment sales are recognized only when delivery and acceptance has taken place. Equipment sales to third party service providers are recognized when delivery is accepted. No rights of return exist on sales to third party service providers.

I.4 Other revenue and income

- Interconnect and data revenue

  Interconnect and data revenue is recognized on the usage basis.

- Dividends

  Dividends from investments are recognized when the right to receive payment has been established.

- Interest

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

J. Leases

J.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.

J.2 Group as lessee

- Finance leases

  Lessee finance leases are capitalized, 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 the consolidated income statement 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 recognized as an expense in the period in which termination takes place.

K. Derivative instruments

Prior to April 1, 2001, the Group entered into foreign exchange forward contracts to hedge the Group's exposure to fluctuations in foreign currency exchange rates on specific transactions.

Up to March 31, 2001, gains and losses on forward contracts designated as hedges of identifiable foreign currency firm commitments were deferred and included in the measurement of the related foreign currency transactions.

The portion of the premium paid or received relating to the commitment period was included in the measurement of the basis of the related foreign currency transaction when recorded. Any remaining premium was amortized over the remaining life of the forward contract.

Foreign exchange contract costs incurred in covering foreign currency loans are expensed over the period of the contract and are included in finance costs.

Prior to April 1, 2001, the Group entered into interest rate swap agreements in order to manage interest rate exposure. The net interest paid or received on the swaps was recognized as interest expense or income. Gains resulting from the early termination of interest rate swap agreements were deferred and amortized as adjustments to interest expense over the remaining period originally covered by the terminated swap.

Effective April 1, 2001, the Group adopted IAS 39: Financial Instruments: Recognition and Measurement (Revised 2000) ("IAS 39"), which requires that all derivative instruments be recorded on the balance sheet at fair value, including certain derivative instruments embedded in other contracts. Changes in the fair value of forward contracts and interest rate swaps are recorded each period in current earnings, as these contracts do not qualify as hedges under IAS 39. Upon initial application of IAS 39, the Group recorded the fair value of the existing forward contracts on the balance sheet and the corresponding gain was recognized as an adjustment of the opening balance of retained earnings.

The Group records options at fair value. Where the fair value of options cannot be reliably estimated, the options are recorded at cost.

The Group does not use derivatives for trading or speculative purposes.

L. Financial instruments – other than derivatives

L.1 Initial recognition and measurement

All financial instruments, other than derivatives, which are dealt with above, are recognized on the consolidated balance sheet. Financial instruments are initially recognized 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 issued by the Group are classified at initial recognition as debt or equity or compounded instruments in terms of IAS 32: Financial Instruments: Disclosure and Presentation ("IAS 32") on the basis of their contractual terms.

Transaction costs are included in the initial measurement of the financial instrument. Subsequent to initial recognition, these instruments are measured as set out below.

Notes to the consolidated financial statements continued

March 31, 2004

L. Financial instruments – other than derivatives (continued)

L.2 Financial assets

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

- Investments

  Investments in equity instruments, excluding those in subsidiaries and joint ventures, are classified as available for sale and are stated at fair value. Gains and losses from changes in fair value of available for sale financial assets are recognized directly in equity until the financial asset is disposed of or it is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the consolidated income statement.

  Investments acquired principally for the purpose of generating a profit from the short-term fluctuations in price, are classified as held for trading and are recorded and measured at fair value. Gains and losses on these investments are recorded in the consolidated income statement.

  Interest bearing investments, including investments in finance leases, are stated at original investment less principal payments, and amortizations, and less accumulated impairment.

- Receivables

  Receivables originated by the Group by providing goods or services directly to the customer are carried at original invoice amount less provision for doubtful receivables. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount.

  The provision for doubtful receivables covers losses where there is objective evidence that probable losses are present in components of the receivable portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the customers and reflecting the current economic climate in which the borrowers operate. When a receivable is uncollectible, it is written off to the income statement; subsequent recoveries are credited to the income statement.

- Bank and cash balances

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

L.3 Financial liabilities

The Group's principal financial liabilities are shareholder loans, interest bearing debt, non-interest bearing debt, accounts payable, foreign currency derivatives, dividends payable, provisions and bank borrowings and other short-term debt:

- Shareholder loans

  Shareholder loans are recognized at the original proceeds received less principal payments.

- Debt

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

L. Financial instruments – other than derivatives (continued)

L.3 Financial liabilities (continued)

- Accounts payable

  Accounts payable are stated at their cost.

- Dividends payable

  Dividends payable are stated at amounts declared.

- Provisions

  Provisions are recognized 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 into account the available evidence, it is more likely than not that a present obligation exists at balance sheet date.

  The amount recognized 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. Long-term provisions are discounted to net present value.

- Bank borrowings and other short-term debt

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

L.4 Equity instruments

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

L.5 De-recognition

Financial assets (or a portion thereof) are de-recognized when the Group realizes 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-recognized when the obligation specified in the contract is discharged, cancelled or expire. On de-recognition, the difference between the carrying amount of the financial liability, including related unamortized costs and amounts paid for it are included in the consolidated income statement.

L.6 Fair value methods and assumptions

The fair value of financial instruments traded in an organized financial market are measured at the applicable quoted prices.

The fair value of financial instruments not traded in an organized 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 carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair value.

Notes to the consolidated financial statements continued

March 31, 2004

L. Financial instruments – other than derivatives (continued)

L.7 Offset

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

M. Impairment of assets

The carrying amounts of assets, mentioned in the accounting policy notes, are assessed at each balance sheet date or earlier if there is a triggering event, 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 recognized if the recoverable amount of an asset is less than its carrying amount. The impairment loss is recognized as an expense in the consolidated income statement immediately.

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 recognized 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 recognized 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 recognized in prior periods.

After the recognition of an impairment loss, any depreciation or amortization charge for the asset is adjusted for future periods to allocate the asset's revised carrying amount, less its estimated residual value, on a systematic basis over its remaining useful life.

For goodwill, a recognized 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.

N. Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call, net of bank borrowings, all of which are available for use by the Group unless otherwise stated. Cash on hand is measured at its face value. Deposits held on call are classified as loans originated by the company and carried at amortized cost. Due to the short-term nature of these, the amortized cost approximates its fair value.

N. Cash and cash equivalents (continued)

Bank borrowings, consisting of interest bearing short-term bank loans repayable on demand and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance costs, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

O. Borrowing costs

Borrowing costs are expensed as they are incurred.

P. Expenses

Marketing and advertising costs are expensed as they are incurred. Prepaid costs related to annual events sponsorships are written off over the duration of the event.

Q. Incentives

Incentives paid to service providers and dealers for new activations, retention of existing customers and reaching specified sales targets are expensed as incurred.

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

R. Discontinuing operations

Discontinuing operations are significant, distinguishable components of an enterprise that have been sold, abandoned or are the subject of formal plans for disposal or discontinuance.

The profit or loss on the sale or abandonment of a discontinuing operation is determined from the earlier of the enterprise entering into a binding sale agreement for substantially all of the assets attributable to the discontinuing operation, or, the approval and announcement of a detailed, formal plan of discontinuance by the Board of directors.

S. Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles require the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

T. Comparatives

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

Notes to the consolidated financial statements continued

March 31, 2004

		2002 Rm	2003 Rm	**2004 Rm**
1.	**REVENUE**			
	Airtime and access	9,029.4	10,646.7	**12,738.0**
	Data revenue	457.1	654.4	**1,039.2**
	Interconnect revenue	4,300.9	5,309.2	**5,784.8**
	Equipment sales	1,627.4	2,263.7	**2,897.4**
	International airtime	301.1	539.1	**659.2**
	Other	434.8	365.6	**359.4**
		16,150.7	19,778.7	**23,478.0**

Data revenue, which previously formed part of airtime and access revenue for the 2003 and 2002 financial years, has now been separately disclosed due to the strategic importance of the disclosure to the Group. The 2003 and 2002 related disclosure have thus been restated in accordance with current year disclosure.

		2002 Rm	2003 Rm	**2004 Rm**
2.	**AMORTIZATION OF INTANGIBLE ASSETS**			
	Goodwill	(98.9)	(96.4)	**(94.8)**
	Licenses	(9.4)	(12.9)	**(14.8)**
	Trademarks	(7.1)	(4.1)	**(7.3)**
	Customer bases	(97.3)	(97.3)	**(99.1)**
		(212.7)	(210.7)	**(216.0)**
3.	**INTEGRATION COSTS, DISPOSAL OF OPERATIONS AND IMPAIRMENTS**			
	Vodacom Satellite Services (Proprietary) Limited (Note 3.1)	37.7	–	**–**
	Satellite phones – onerous contract	45.5	–	**–**
	Recoupment of Gateway assets accrual	15.0	–	**–**
	Management fees paid to Telkom SA Limited in respect of the Delareyville earth station	(22.8)	–	**–**
	Net capital gain on disposal of discontinued operations	19.0	–	**–**
	Joycell Shops (Proprietary) Limited and Yellow Lizard Web Design (Proprietary) Limited	2.7	–	**–**
	Vodacom Sport & Entertainment (Proprietary) Limited (Note 4.1)	40.0	–	**–**
	Film Fun (Holdings) (Proprietary) Limited (Note 4.2)	(53.8)	–	**–**
	Vodacom World Online (Proprietary) Limited (Note 4.3)	30.1	–	**–**
	Write-off of investment in GSM companies	(0.3)	–	**–**
		56.4	–	**–**

3. INTEGRATION COSTS, DISPOSAL OF OPERATIONS AND IMPAIRMENTS (continued)

3.1 Vodacom Satellite Services (Proprietary) Limited

Vodacom Group (Proprietary) Limited acquired 100% of the share capital of Vodacom Satellite Services (Proprietary) Limited with effect from August 1, 2000. The principal nature of the business of the company is that of a provider of wholesale satellite airtime to cellular networks in South Africa. During the year ended March 31, 2001, a provision was made to reflect a contractual obligation of R45.5 million to purchase satellite phones. Since a satellite license was not issued to Vodacom Satellite Services (Proprietary) Limited, these phones could not be utilized. The provision was reversed during the year ended March 31, 2002 as the Group was subsequently released from this contractual obligation, and a recoupment of R15.0 million was made on certain of the Gateway assets that were impaired in 2001.

An invoice amounting to R34.0 million was raised and issued to Vodacom Satellite Services (Proprietary) Limited on May 22, 2001, for services rendered at the earth station in Delareyville, over a period of 26 months. The invoice was under dispute as no formal agreement was in place with the supplier, Telkom SA Limited, for those services rendered. Vodacom Satellite Services (Proprietary) Limited and Telkom SA Limited reached an agreement during the course of the 2002 financial year whereby an invoice of R22.8 million, inclusive of VAT, was issued and paid in December 2001.

4. DISCONTINUED OPERATIONS

4.1 Vodacom Sport & Entertainment (Proprietary) Limited

On September 1, 2001, the Group entered into a sale agreement to dispose of its 51% interest in Vodacom Sport & Entertainment (Proprietary) Limited to South African Investments Limited (SAIL). The company carried out the Group's sport and entertainment marketing operations. The disposal was completed on February 27, 2002, on which date control of Vodacom Sport & Entertainment (Proprietary) Limited passed to SAIL. The results were de-consolidated from February 28, 2002. A profit of R40.0 million arose on the disposal of Vodacom Sport & Entertainment (Proprietary) Limited, being the proceeds of disposal less the carrying amount of the subsidiary's net assets (Note 31.1 a). No tax charge or credit arose from the transaction.

4.2 Film Fun (Holdings) (Proprietary) Limited, Teljoy Botswana (Proprietary) Limited and Africell Cellular Services (Proprietary) Limited

The 100% shareholding in Film Fun (Holdings) (Proprietary) Limited, Teljoy Botswana (Proprietary) Limited and Africell Cellular Services (Proprietary) Limited was sold to a management consortium for R9.0 million. These disposals were effected in order to dispose of non-core operations. A loss of R53.8 million was realized, being the proceeds of disposal less the carrying amount of the subsidiary's net assets (Note 31.1 b). The sale agreements were signed on March 27, 2002. The results were de-consolidated from March 31, 2002. The goodwill associated with the entities was allocated on the initial acquisition of the Teljoy Group on January 31, 2000.

4.3 Vodacom World Online (Proprietary) Limited

On November 9, 2001, the Group entered into a sale agreement to dispose of its 40% interest in the joint venture company of Vodacom World Online (Proprietary) Limited to Tiscali International BV, the other party to the joint venture. The company carried out the Group's internet service provider operations. The disposal was completed on November 30, 2001, on which date control of Vodacom World Online (Proprietary) Limited passed to Tiscali International BV. A profit of R30.1 million arose on the disposal of Vodacom World Online (Proprietary) Limited, being the proceeds of disposal of R31.8 million less the realization of the shareholders' loan of R134.9 million, net liabilities of R34.9 million and deferred profit of R98.3 million on the sale of the internet division by Vodacom (Proprietary) Limited in the 2000 financial year now realized. No tax charge or credit arose from the transaction. The results were de-consolidated from November 30, 2001.

Notes to the consolidated financial statements continued

March 31, 2004

4. DISCONTINUED OPERATIONS (continued)

4.4 Results and cash flows

The results and cash flows of Vodacom Sport & Entertainment (Proprietary) Limited (VSE), Vodacom World Online (Proprietary) Limited (VWOL), Film Fun (Holdings) (Proprietary) Limited (FFH), which have been included in the consolidated financial statements, were as follows:

	VSE Rm	VWOL Rm	FFH Rm
2002			
Income statement			
Revenue	52.8	36.1	160.7
Expenditure	(38.0)	(56.0)	(148.0)
Profit/(Loss) before taxation	14.8	(19.9)	12.7
Taxation	(4.3)	–	(0.1)
Profit/(Loss) after taxation	10.5	(19.9)	12.6
Cash flow statement			
Net cash flows from/(utilized in) operating activities	(2.8)	1.4	54.2
Net cash flows from/(utilized in) investing activities	(2.6)	–	(0.3)
Net cash flows from/(utilized in) financing activities	–	4.8	(129.4)
Net increase/(decrease) in cash and cash equivalents	(5.4)	6.2	(75.5)

	2002 Rm	2003 Rm	**2004 Rm**
5. PROFIT FROM OPERATIONS			
The profit from operations (including integration costs, disposal of operations and impairments (Note 3)) is arrived at after taking the following income/(expenditure) into account:			
Net (loss)/profit on disposal of property, plant and equipment	3.4	2.6	**(6.8)**
Loss on disposal of property, plant and equipment	(2.6)	(0.9)	**(7.9)**
Profit on disposal of property, plant and equipment	6.0	3.5	**1.1**
Depreciation of property, plant and equipment (Note 9)	(1,857.3)	(2,163.0)	**(2,312.7)**
Buildings	(12.7)	(16.6)	**(13.4)**
Infrastructure	(1,388.5)	(1,657.6)	**(1,840.1)**
Information services	(332.1)	(379.5)	**(350.5)**
Community services	(11.1)	(12.4)	**(12.8)**
Motor vehicles	(19.6)	(20.1)	**(20.2)**
Furniture	(16.3)	(18.0)	**(17.7)**
Office equipment	(14.3)	(16.8)	**(11.3)**
Leasehold improvements	(31.0)	(39.1)	**(36.4)**
Other assets	(31.7)	(2.9)	**(10.3)**
Depreciation of investment properties (Note 10)	–	–	**(4.2)**

	2002 Rm	2003 Rm	**2004 Rm**
5. PROFIT FROM OPERATIONS (continued)			
Auditors' remuneration – audit fees	(6.2)	(5.4)	**(5.6)**
Current year audit fees	(5.7)	(6.0)	**(5.7)**
Prior year over/(under) provision of audit fees	(0.1)	0.4	**0.3**
Telkom SA Limited foreign issuer costs	(0.3)	(28.2)	**(6.8)**
Recovered from Telkom SA Limited	–	28.5	**6.8**
Expenses	(0.1)	(0.1)	**(0.2)**
Auditors' remuneration – other services	(6.4)	(7.4)	**(6.8)**
For other services	(9.6)	(11.2)	**(7.4)**
Capitalized	3.2	3.8	**0.6**
Consultancy services – professional fees	(102.1)	(117.8)	**(117.3)**
Operating lease rentals	(474.2)	(546.3)	**(532.8)**
GSM transmission and data lines	(336.0)	(460.8)	**(465.6)**
Office accommodation	(79.7)	(27.8)	**(35.6)**
Other accommodation	(49.4)	(54.4)	**(29.6)**
Office equipment	(7.6)	(3.3)	**(2.0)**
Motor vehicles	(1.5)	–	**–**
Payment to other operators	(1,378.1)	(2,217.2)	**(2,990.3)**
License fees – GSM	(384.4)	(503.7)	**(550.1)**
Staff expenses – pension and provident fund contributions	(45.1)	(57.9)	**(71.8)**
Pension fund contributions	(42.8)	(52.5)	**(65.9)**
Provident fund contributions	(2.3)	(5.4)	**(5.9)**
Increase in provision for obsolete inventory	(10.5)	(36.5)	**(30.9)**
Bad debts written off	(111.2)	(31.1)	**(48.8)**
Decrease/(Increase) in provision for doubtful receivables	64.9	(15.5)	**0.8**

	2002	2003	**2004**
Consolidated headcount for the Group			
Total number of employees	4,353	4,406	**4,609**

Notes to the consolidated financial statements continued

March 31, 2004

		2002 Rm	2003 Rm	**2004 Rm**
6.	**INTEREST, DIVIDENDS AND OTHER FINANCIAL INCOME**			
	Banks and loans	23.8	51.4	**68.4**
	Dividends received – unlisted investments	4.3	–	**5.4**
	Gain on remeasurement of minority shareholder loan*	–	92.8	**–**
	Guarantee fees	–	14.7	**26.4**
	Investment income – held for trading investments	3.9	5.1	**11.2**
	Other interest income	4.9	1.4	**6.2**
	Foreign exchange gains	2.5	6.7	**0.5**
	Gain on foreign exchange contract revaluation	778.4	244.7	**269.6**
	Gain on foreign liability and asset revaluation	18.3	301.4	**237.5**
	Interest rate swap interest	–	6.0	**5.1**
	Interest rate swap revaluation	4.3	18.2	**26.3**
		840.4	742.4	**656.6**

* This amount of Rnil (2003: R92.8 million; 2002: Rnil) relates to a loan from Caspian Construction Company Limited and Planetel Communications Limited, that was remeasured at amortized cost, at an effective interest rate of LIBOR plus 5%, for which no consideration has been recorded.

		2002 Rm	2003 Rm	**2004 Rm**
7.	**FINANCE COSTS**			
	Bank overdraft	(86.1)	(50.0)	**(27.3)**
	Finance leases	(98.9)	(123.8)	**(130.1)**
	Funding loans	(87.2)	(127.3)	**(64.4)**
	Interest on minority shareholder loan**	–	(9.7)	**(7.6)**
	Leasehold property	–	–	**(5.2)**
	Other finance costs	–	(6.8)	**(13.3)**
	Shareholder loans	(144.2)	(167.9)	**(47.2)**
	Foreign exchange losses	(5.0)	(62.2)	**(29.7)**
	Interest rate swap interest	–	(4.0)	**(1.1)**
	Interest rate swap revaluation	–	–	**(18.9)**
	Loss on foreign exchange contract revaluation	(199.0)	(831.2)	**(479.1)**
	Loss on foreign liability and asset revaluation	(247.8)	(163.4)	**(283.6)**
		(868.2)	(1,546.3)	**(1,107.5)**

** This amount of R7.6 million (2003: R9.7 million; 2002: Rnil) relates to notional interest on the loan from Caspian Construction Company Limited and Planetel Communications Limited, that was remeasured at amortized cost, at an effective interest rate of LIBOR plus 5%, for which no consideration has been recorded.

	2002 Rm	2003 Rm	**2004 Rm**
8. TAXATION			
South African normal taxation	(1,001.7)	(1,223.3)	**(1,702.6)**
Current year	(1,022.9)	(1,231.5)	**(1,716.4)**
Prior year over provision	21.2	8.2	**13.8**
Deferred taxation	(82.7)	135.8	**143.9**
Current year	(79.7)	154.0	**156.4**
Prior year under provision	(3.0)	(18.2)	**(12.5)**
Secondary taxation on companies	(74.5)	(75.0)	**(262.5)**
Current year	(75.5)	(75.0)	**(262.5)**
Prior year over provision	1.0	–	**–**
Foreign taxation	(2.5)	(2.7)	**(5.4)**
Current year	(3.7)	(2.7)	**(4.3)**
Prior year (under)/over provision	1.2	–	**(1.1)**
Foreign deferred taxation – current year	(29.3)	(33.7)	**101.6**
Current year	(29.3)	(79.9)	**109.8**
Prior year (under)/over provision	–	46.2	**(8.2)**
	(1,190.7)	(1,198.9)	**(1,725.0)**

	2002 Rm	2002 %	2003 Rm	2003 %	**2004 Rm**	**2004 %**
Reconciliation of rate of taxation						
Normal taxation on profit before taxation	1,078.0	30.0	1,057.8	30.0	**1,434.9**	**30.0**
Adjusted for:						
Exempt income	(1.3)	–	(0.9)	–	**(0.8)**	**–**
Disallowed expenditure	6.7	0.1	28.5	0.7	**26.4**	**0.6**
Goodwill	27.8	0.7	27.0	0.7	**27.6**	**0.6**
Prior year over provision	(19.4)	(0.5)	(36.2)	(0.9)	**(0.5)**	**–**
Unutilized taxation loss	21.9	0.6	–	–	**24.8**	**0.5**
Utilization of taxation loss	(0.6)	–	–	–	**(75.3)**	**(1.6)**
Foreign taxation rate differences	14.1	0.4	66.3	1.9	**78.2**	**1.6**
Secondary taxation on companies	74.5	2.1	75.0	2.1	**262.5**	**5.5**
Utilization of investment deductions	–	–	(18.6)	(0.5)	**(24.1)**	**(0.5)**
Utilization of cumulative timing and permanent differences of Vodacom Congo (RDC) s.p.r.l.	–	–	–	–	**(28.7)**	**(0.6)**
Temporary differences in subsidiaries not provided for	(11.0)	(0.3)	–	–	**–**	**–**
Vodacom Satellite Services (Proprietary) Limited	(4.1)	(0.1)	–	–	**–**	**–**
Other	(6.9)	(0.2)	–	–	**–**	**–**
	1,190.7	33.1	1,198.9	34.0	**1,725.0**	**36.1**

Notes to the consolidated financial statements continued

March 31, 2004

	Cost Rm	Accumulated depreciation Rm	Net book value Rm
9. PROPERTY, PLANT AND EQUIPMENT			
2002			
Land and buildings	795.7	(34.0)	761.7
Infrastructure	12,559.1	(4,393.9)	8,165.2
Information services	1,606.3	(936.6)	669.7
Community services	85.2	(55.6)	29.6
Motor vehicles	67.0	(25.8)	41.2
Furniture	96.7	(48.6)	48.1
Office equipment	69.0	(42.6)	26.4
Leasehold improvements	196.6	(76.1)	120.5
Other assets	56.2	(22.0)	34.2
	15,531.8	(5,635.2)	9,896.6
2003			
Land and buildings	879.3	(50.7)	828.6
Infrastructure	14,818.4	(5,922.5)	8,895.9
Information services	1,979.6	(1,298.9)	680.7
Community services	78.3	(49.8)	28.5
Motor vehicles	109.7	(68.2)	41.5
Furniture	109.5	(62.3)	47.2
Office equipment	80.6	(60.1)	20.5
Leasehold improvements	211.4	(114.4)	97.0
Other assets	56.4	(21.3)	35.1
	18,323.2	(7,648.2)	10,675.0
2004			
Land and buildings	**820.9**	**(43.4)**	**777.5**
Infrastructure	**16,738.5**	**(7,678.4)**	**9,060.1**
Information services	**2,359.6**	**(1,599.2)**	**760.4**
Community services	**90.7**	**(62.3)**	**28.4**
Motor vehicles	**128.9**	**(77.7)**	**51.2**
Furniture	**122.6**	**(84.4)**	**38.2**
Office equipment	**89.0**	**(66.6)**	**22.4**
Leasehold improvements	**247.3**	**(150.1)**	**97.2**
Other assets	**55.0**	**(31.8)**	**23.2**
	20,652.5	**(9,793.9)**	**10,858.6**

	Land and buildings Rm	Infra-structure Rm	Infor-mation services Rm	Com-munity services Rm	Motor vehicles Rm	Furniture Rm	Office equipment Rm	Leasehold improve-ments Rm	Other assets Rm	Total Rm
9. PROPERTY, PLANT AND EQUIPMENT (continued)										
Reconciliation										
2002										
Opening balance	435.2	6,423.2	556.3	31.5	8.8	14.9	7.8	4.8	213.7	7,696.2
Additions	339.6	3,050.3	476.4	9.5	20.5	39.2	15.9	94.2	39.7	4,085.3
Disposals	(0.5)	(48.4)	(17.5)	(0.3)	(0.1)	(4.1)	(0.1)	(0.1)	(17.8)	(88.9)
Foreign currency translation	0.1	128.9	0.7	–	1.5	0.5	0.1	1.0	–	132.8
Depreciation	(12.7)	(1,388.5)	(332.1)	(11.1)	(19.6)	(16.3)	(14.3)	(31.0)	(31.7)	(1,857.3)
Other	–	–	(0.1)	–	–	(0.1)	–	–	1.3	1.1
Business combinations	–	–	(12.2)	–	(0.2)	(4.4)	(1.0)	–	(54.8)	(72.6)
Asset category transfers	–	(0.3)	(1.8)	–	30.3	18.4	18.0	51.6	(116.2)	–
Closing balance	761.7	8,165.2	669.7	29.6	41.2	48.1	26.4	120.5	34.2	9,896.6
Reconciliation										
2003										
Opening balance	761.7	8,165.2	669.7	29.6	41.2	48.1	26.4	120.5	34.2	9,896.6
Additions	85.0	2,795.4	412.9	11.3	24.2	17.8	12.0	36.3	4.4	3,399.3
Disposals	–	(3.1)	(0.2)	–	(1.3)	(0.2)	(0.1)	–	(0.2)	(5.1)
Foreign currency translation	(2.4)	(421.8)	(22.4)	–	(2.4)	(1.5)	(0.4)	(1.7)	(0.2)	(452.8)
Depreciation	(16.6)	(1,657.6)	(379.5)	(12.4)	(20.1)	(18.0)	(16.8)	(39.1)	(2.9)	(2,163.0)
Asset category transfer	0.9	17.8	0.2	–	(0.1)	1.0	(0.6)	(19.0)	(0.2)	–
Closing balance	828.6	8,895.9	680.7	28.5	41.5	47.2	20.5	97.0	35.1	10,675.0
Reconciliation										
2004										
Opening balance	**828.6**	**8,895.9**	**680.7**	**28.5**	**41.5**	**47.2**	**20.5**	**97.0**	**35.1**	**10,675.0**
Transfer to investment properties	**(58.1)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(58.1)**
Additions	**16.8**	**2,345.0**	**421.1**	**12.7**	**31.3**	**9.3**	**10.4**	**34.2**	**9.9**	**2,890.7**
Disposals	**0.1**	**(7.4)**	**(2.5)**	**–**	**(1.2)**	**(0.2)**	**(0.1)**	**(0.2)**	**(0.3)**	**(11.8)**
Foreign currency translation	**(1.6)**	**(295.6)**	**(27.5)**	**–**	**(2.0)**	**(1.3)**	**(0.5)**	**(1.9)**	**(0.3)**	**(330.7)**
Depreciation	**(13.4)**	**(1,840.1)**	**(350.5)**	**(12.8)**	**(20.2)**	**(17.7)**	**(11.3)**	**(36.4)**	**(10.3)**	**(2,312.7)**
Business combinations	**5.1**	**–**	**0.7**	**–**	**–**	**0.3**	**0.1**	**–**	**–**	**6.2**
Asset category transfer	**–**	**(37.7)**	**38.4**	**–**	**1.8**	**0.6**	**3.3**	**4.5**	**(10.9)**	**–**
Closing balance	**777.5**	**9,060.1**	**760.4**	**28.4**	**51.2**	**38.2**	**22.4**	**97.2**	**23.2**	**10,858.6**

Notes to the consolidated financial statements continued

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	2002 Net book value Rm	2003 Net book value Rm	**2004 Net book value Rm**
9. PROPERTY, PLANT AND EQUIPMENT (continued)			
Freehold land and buildings			
Portions 859, 847, 827, the remaining extent of Portion 45 (a portion of Portion 9), and Portion 828 (a portion of Portion 9) of farm Randjesfontein No 405, Registration division J.R., Province of Gauteng, RSA	32.4	32.4	**35.0**
43 Kwale Road, Dar es Salaam, Tanzania	6.8	4.7	**3.7**
Holding 359 Erand Agricultural Holdings Ext 1, RSA	–	1.6	**1.6**
Stand 200 Chelmsfordville, RSA	0.1	0.5	**0.6**
1046 Mama Yemo Avenue, Lubumbashi, Province De Katanga, Democratic Republic of Congo	–	1.5	**0.5**
Kinshasa Building (Justice), 292 Justice Avenue, Gombe, Kinshasa, Democratic Republic of Congo	–	–	**4.2**
MSC Building, Maseru West, Lesotho	–	0.7	**0.7**
Stand 15, Eastwood Road, Dunkeld West, RSA	–	–	**5.0**
	39.3	41.4	**51.3**
Leasehold land and buildings			
Portion 827 and 828 of farm Randjesfontein No 405, RSA	279.4	273.7	**268.0**
Portion 769 of farm Randjesfontein No 405, RSA	164.8	162.1	**159.5**
Stand 34083 Bellville, City of Tygerberg, RSA	109.5	107.9	**106.3**
Erf 5259 and 5260 Montague Gardens, RSA	98.1	96.5	**94.9**
Holding 350 Erand Agricultural Holdings Ext. 1, RSA	62.2	58.1	**–**
Stand 207 Erand Agricultural Holdings Ext. 28, RSA	6.8	88.9	**87.2**
Holding 359 Erand Agricultural Holdings Ext. 1, RSA	1.6	–	**–**
Erf 33153 Bellville, Cape Town, RSA	–	–	**10.3**
	722.4	787.2	**726.2**
Total freehold and leasehold land and buildings	761.7	828.6	**777.5**

Debt is collateralized over leasehold land and buildings and the fair value of the lease liability is R845.4 million (2003: R884.9 million; 2002: R790.6 million).

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

		Total Rm
10.	**INVESTMENT PROPERTIES**	
	2004	
	Opening balance	**–**
	Transfer from property, plant and equipment (Note 10.1)	**58.1**
	Business combination (Note 10.2)	**9.9**
	Depreciation	**(4.2)**
	Closing balance	**63.8**

10.1 Holding 350 Erand Agricultural Holdings Ext. 1, RSA

The fair value of the investment property at March 31, 2004 has been arrived at on the basis of a valuation carried out at that day by RMB Properties Limited, on an open market value basis. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The property has been valued at R60.1 million.

Debt is collateralized over this leasehold land and building and the fair value of the lease liability included in Note 19.1 is R110.0 million at March 31, 2004.

The property has been reclassified to investment properties, due to the majority of the premises being leased to third parties.

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to R6.6 million. Direct operating expenses incurred on the investment property in the period amounted to R2.1 million.

10.2 Stand 13 and 14 Dunkeld West, RSA

The Group acquired these properties on March 1, 2004 through its equity investment in Smartphone SP (Proprietary) Limited.

The fair value of these investment properties at March 31, 2004 have been arrived at on the basis of a valuation carried out at that day by professional valuators, on an open market value basis. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The properties have been valued at R9.9 million.

The property rental income earned by the Group from these investment properties, all of which is leased out under operating leases, amounted to R0.1 million.

Notes to the consolidated financial statements continued

March 31, 2004

	Cost Rm	Accumulated amortization Rm	Net book value Rm
11. INTANGIBLE ASSETS			
2002			
Goodwill	669.4	(326.5)	342.9
Licenses	221.3	(56.9)	164.4
Trademarks	51.5	(24.8)	26.7
Customer bases	486.9	(224.6)	262.3
	1,429.1	(632.8)	796.3
2003			
Goodwill	669.4	(422.9)	246.5
Licenses	184.7	(67.7)	117.0
Trademarks	51.5	(28.9)	22.6
Customer bases	486.9	(321.9)	165.0
	1,392.5	(841.4)	551.1
2004			
Goodwill	**893.4**	**(517.7)**	**375.7**
Licenses	**262.0**	**(80.4)**	**181.6**
Trademarks	**209.7**	**(36.2)**	**173.5**
Customer bases	**724.3**	**(421.0)**	**303.3**
	2,089.4	**(1,055.3)**	**1,034.1**

	Opening net book value Rm	Additions Rm	Foreign currency translation Rm	Business combination Rm	Amortization Rm	Closing net book value Rm
Reconciliation						
2002						
Goodwill	359.1	98.5	–	(15.8)	(98.9)	342.9
Licenses	61.2	95.2	17.5	(0.1)	(9.4)	164.4
Trademarks	43.0	–	–	(9.2)	(7.1)	26.7
Customer bases	359.6	–	–	–	(97.3)	262.3
	822.9	193.7	17.5	(25.1)	(212.7)	796.3
Reconciliation						
2003						
Goodwill	342.9	–	–	–	(96.4)	246.5
Licenses	164.4	–	(34.5)	–	(12.9)	117.0
Trademarks	26.7	–	–	–	(4.1)	22.6
Customer bases	262.3	–	–	–	(97.3)	165.0
	796.3	–	(34.5)	–	(210.7)	551.1

	Opening net book value Rm	Additions Rm	Foreign currency translation Rm	Business combi-nation Rm	Amorti-zation Rm	Closing net book value Rm
11. INTANGIBLE ASSETS (continued)						
Reconciliation						
2004						
Goodwill	**246.5**	**–**	**–**	**224.0**	**(94.8)**	**375.7**
Licenses	**117.0**	**114.1**	**(34.7)**	**–**	**(14.8)**	**181.6**
Trademarks	**22.6**	**–**	**–**	**158.2**	**(7.3)**	**173.5**
Customer bases	**165.0**	**7.0**	**–**	**230.4**	**(99.1)**	**303.3**
	551.1	**121.1**	**(34.7)**	**612.6**	**(216.0)**	**1,034.1**

	2002 Rm	2003 Rm	**2004 Rm**
12. INVESTMENTS			
Held for trading			
Money market investments (Note 12.1)	65.0	60.4	**80.1**
Less: Short-term portion of held for trading (Note 12.2)	(54.6)	(50.9)	**(70.8)**
Available for sale			
Listed investment – SAGE shares	–	–	**16.5**
Unlisted preference shares in Vodacom Congo (RDC) s.p.r.l.*	215.8	150.3	**119.1**
The preference shares of US$18.9 million bear interest at a rate of 4% per annum. The preference shares are redeemable, but only after the first three years from date of inception and only on the basis that the shareholders are repaid simultaneously and in proportion to their shareholding.			
Less: Short-term portion of available for sale (Note 12.2)	–	–	**(16.5)**
Balance carried forward	226.2	159.8	**128.4**

* The Group restated its investments for the 2003 and 2002 financial years. Refer to Note 41 for full details of restatement disclosure.

Notes to the consolidated financial statements continued

March 31, 2004

	2002 Rm	2003 Rm	**2004 Rm**
12. INVESTMENTS (continued)			
Balance brought forward	226.2	159.8	**128.4**
Originating loans			
South African Investments Limited	11.8	–	**–**
Long-term portion of the note receivable issued as part of the consideration for the disposal of Vodacom Sport & Entertainment (Proprietary) Limited. Interest is charged on this amount receivable at the prime lending rate minus 1% per annum from the transaction date.			
Loan to Planetel Communications Limited and Caspian Construction Company Limited	4.0	–	**–**
Planetel Communications Limited	–	54.2	**43.0**
The loan of US$6.8 million issued during the 2003 year, bears interest at LIBOR plus 5%. Planetel Communications Limited utilized this loan to ensure sufficient shareholder loan funding by itself as a shareholder of Vodacom Tanzania Limited. The loans and capitalized interest are collateralized by cession over all shareholder distributions and a pledge over their shares of Vodacom Tanzania Limited. All the shareholders subordinated their loans to Vodacom Tanzania Limited for the duration of the project finance funding. (Note 19)			
Caspian Construction Company Limited	–	64.4	**51.0**
The loan of US$8.1 million issued during the 2003 year, bears interest at LIBOR plus 5%. Caspian Construction Company Limited utilized this loan to ensure sufficient shareholder loan funding by itself as a shareholder of Vodacom Tanzania Limited. The loans and capitalized interest are collateralized by cession over all shareholder distributions and a pledge over their shares of Vodacom Tanzania Limited. All the shareholders subordinated their loans to Vodacom Tanzania Limited for the duration of the project finance funding. (Note 19)			
ABSA Bank Limited	–	67.0	**78.3**
The Group's share of Vodacom Congo (RDC) s.p.r.l.'s deposit account amounts to €10.1 million (2003: €7.8 million; 2002: €nil), which is charged as security for the extended credit facility of Vodacom Congo (RDC) s.p.r.l., and bears interest at EURIBOR less 0.2%. The deposit is refundable once the extended credit facility is repaid. (Note 19)			
Vodacom Congo (RDC) s.p.r.l.	–	–	**150.9**
The joint venture partners' share of the loan issued by Vodacom International Limited to Vodacom Congo (RDC) s.p.r.l. amounts to US$23.9 million. The loan bears interest at LIBOR plus 6.5%. The loan is repayable on December 12, 2004.			
Other	0.5	–	**–**
Less: Short-term portion of originating loans (Note 12.2)	(4.0)	–	**(229.2)**
	238.5	345.4	**222.4**

The fair value of the Group's investments is R538.9 million (2003: R396.3 million; 2002: R297.1 million).

	Maturity period	Interest rate	Market value Rm
12. INVESTMENTS (continued)			
12.1 Money market investments			
2002			
Details of the maturity periods and interest rates of the money market investments at year-end are as follows:	0 – 6 months	9.1% – 9.6%	36.2
	6 – 12 months	10.0% – 11.1%	18.4
	Over 12 months	9.7% – 12.0%	10.4
			65.0
2003			
Details of the maturity periods and interest rates of the money market investments at year-end are as follows:	0 – 6 months	9.1% – 11.1%	18.7
	6 – 12 months	11.3%	32.2
	Over 12 months	9.7%	9.5
			60.4
2004			
Details of the maturity periods and interest rates of the money market investments at year-end are as follows:	0 – 6 months	7.2% – 12.1%	**70.8**
	Over 12 months	8.1% – 8.8%	**9.3**
			80.1

	2002 Rm	2003 Rm	**2004 Rm**
12.2 Short-term portion			
Held for trading	54.6	50.9	**70.8**
Available for sale	–	–	**16.5**
Originating loans	4.0	–	**229.2**
	58.6	50.9	**316.5**

Notes to the consolidated financial statements continued

March 31, 2004

	2002 Rm	2003 Rm	**2004 Rm**
13. DEFERRED TAXATION			
Deferred taxation assets	497.7	704.7	**1,015.3**
Deferred taxation liabilities	(926.2)	(993.1)	**(1,173.5)**
	(428.5)	(288.4)	**(158.2)**
13.1 Components			
Capital allowances	(822.9)	(877.5)	**(959.6)**
Foreign equity revaluation reserve	(17.9)	1.1	**12.0**
Remeasurement of shareholder loans liability	–	(48.9)	**(33.0)**
Remeasurement of shareholder loans asset	–	46.3	**42.1**
Taxation losses	295.9	276.0	**323.5**
Provisions and deferred income	160.8	378.1	**615.5**
Prepayments and other allowances	41.0	(18.0)	**(35.7)**
Customer base	(77.5)	(48.7)	**(88.9)**
Trademark	–	–	**(46.5)**
Revaluation of property	–	–	**(2.2)**
Foreign exchange losses – Vodacom Congo (RDC) s.p.r.l.	–	–	**22.2**
Other	(7.9)	3.2	**(7.6)**
	(428.5)	(288.4)	**(158.2)**
13.2 Reconciliation			
Balance at the beginning of the year	(268.4)	(428.5)	**(288.4)**
Income statement income/(expense)	(112.0)	102.1	**245.5**
Foreign equity revaluation reserve	(19.9)	21.0	**10.9**
Movement due to IAS 39 adjustment	(36.5)	–	**–**
Business combinations			
Acquisition of customer base	2.7	–	**(69.1)**
Acquisition of trademark	–	–	**(47.5)**
Revaluation of property	–	–	**(2.2)**
Foreign exchange differences on consolidation of foreign subsidiaries	7.2	17.0	**(7.4)**
Disposal of subsidiaries	(1.6)	–	**–**
Balance at the end of the year	(428.5)	(288.4)	**(158.2)**

	2002 Rm	2003 Rm	**2004 Rm**
13. DEFERRED TAXATION (continued)			
13.3 Utilization of taxation losses			
Opening taxation loss	439.3	1,068.4	**1,119.3**
Foreign exchange movement on opening taxation loss	–	(304.7)	**(231.6)**
Prior year adjustment	–	113.9	**(134.5)**
Current year taxation loss created	682.4	305.6	**433.9**
Subsidiaries liquidated	–	(63.9)	**–**
Disposal of subsidiaries and joint ventures	(53.3)	–	**–**
Closing taxation loss	1,068.4	1,119.3	**1,187.1**
Utilized to reduce net deferred taxation liability	(986.3)	(949.5)	**(1,022.1)**
Deferred taxation at 40%	–	–	**(165.6)**
Deferred taxation at 35%	–	(4.3)	**(6.6)**
Deferred taxation at 30%	(986.3)	(884.6)	**(849.9)**
Deferred taxation at 15%	–	(60.6)	**–**
Tax holiday	–	(169.8)	**–**
Taxation losses available to reduce deferred taxation	82.1	–	**165.0**

There are unused taxation losses to the value of R165.0 million (2003: Rnil; 2002: R82.1 million) available to reduce the net deferred taxation liability. The effect of this would be a R24.8 million (2003: Rnil; 2002: R24.6 million) reduction in the net deferred taxation liability for the year to R133.4 million (2003: R288.4 million; 2002: R403.9 million). A deferred taxation asset was not recognized during the 2002 financial year for the above-mentioned unused taxation losses, as uncertainty existed as to whether future taxable profits would be available to utilize the asset against. During 2003 uncertainty existed as to whether the accumulated losses incurred by Vodacom Congo (RDC) s.p.r.l. during their tax holiday period will be available to reduce future taxable profits after expiry of the tax holiday period, and therefore no deferred taxation asset was raised. During the 2004 financial year it was confirmed by the local tax authority that the accumulated taxation losses will still be available after expiry of the tax holiday, resulting in the accumulated taxation asset being recognized.

	2002 Rm	2003 Rm	**2004 Rm**
14. INVENTORY			
Merchandise	305.3	229.1	**260.4**
Other inventory	0.7	9.7	**28.1**
	306.0	238.8	**288.5**
14.1 Inventory valuation allowance included above			
Balance at the beginning of the year	(1.3)	(11.8)	**(48.3)**
Foreign exchange movement on opening balance	–	–	**0.3**
Charged to costs and expenses	(10.5)	(36.5)	**(30.9)**
Balance at the end of the year	(11.8)	(48.3)	**(78.9)**

Notes to the consolidated financial statements continued

March 31, 2004

	2002 Rm	2003 Rm	**2004** **Rm**
15. ACCOUNTS RECEIVABLE			
Trade debtors	2,395.2	2,645.5	**3,072.4**
Deferred incentives	56.8	235.3	**440.6**
Prepayments	262.5	185.4	**240.6**
Interest rate swap asset	9.4	27.6	**35.9**
Value added taxation	31.3	11.0	**58.5**
Interest income receivable	–	10.3	**18.9**
Guarantee fees receivable	–	14.7	**13.1**
Deferred proceeds from disposal of investments			
South African Investments Limited	11.8	–	**–**
Short-term portion of the note receivable issued as consideration for the disposal of Vodacom Sport & Entertainment (Proprietary) Limited. Interest is charged on this amount receivable at the prime lending rate minus 1% per annum from the transaction date.			
Film Fun (Holdings) (Proprietary) Limited	9.0	–	**–**
Other	69.9	29.1	**46.5**
	2,845.9	3,158.9	**3,926.5**
15.1 Doubtful receivable allowance included above			
Balance at the beginning of the year	(141.9)	(77.0)	**(82.6)**
Foreign exchange movement on opening balance	–	9.9	**6.2**
Charged to/(Reversed from) costs and expenses	64.9	(15.5)	**0.8**
Balance at the end of the year	(77.0)	(82.6)	**(75.6)**

	2002 R	2003 R	**2004** **R**
16. ORDINARY SHARE CAPITAL			
Authorized			
100,000 ordinary shares of 1 cent each	1,000	1,000	**1,000**
Issued			
10,000 ordinary shares of 1 cent each	100	100	**100**

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

	2002 Rm	2003 Rm	**2004 Rm**
17. NON-DISTRIBUTABLE RESERVES			
Foreign currency translation reserve	117.5	(144.5)	**(321.5)**
Deferred taxation on foreign currency translation reserve	(19.9)	1.1	**12.0**
Contingency reserve	8.5	11.1	**10.3**
	106.1	(132.3)	**(299.2)**
Reconciliation			
Balance at the beginning of the year	(2.3)	106.1	**(132.3)**
Foreign currency translation reserve	99.9	(241.0)	**(166.1)**
Foreign currency translation	119.8	(262.0)	**(177.0)**
Deferred taxation	(19.9)	21.0	**10.9**
Other non-distributable reserves			
Transferred from distributable reserves – Contingency reserve	8.5	2.6	**(0.8)**
Balance at the end of the year	106.1	(132.3)	**(299.2)**

Deferred taxation on the foreign currency translation reserve relates only to the translation of equity loans advanced to foreign subsidiaries.

In terms of the Short-term Insurance Act, 1998 the Group's cell captive partner, Nova Risk Partners Limited is required to raise a contingency reserve equal to 10% of premiums written less approved reinsurance (as defined in the Act). This reserve can be utilized only with the prior permission of the Registrar of Short-term Insurance.

	2002 Rm	2003 Rm	**2004 Rm**
18. MINORITY INTEREST			
Distributable reserves	12.0	124.5	**150.7**
Non-distributable reserves	(1.4)	(36.5)	**(57.7)**
	10.6	88.0	**93.0**
Reconciliation			
Balance at the beginning of the year	(11.4)	10.6	**88.0**
Profit transferred from distributable reserves	29.6	112.5	**26.2**
Foreign currency translation reserve	(0.1)	(35.1)	**(21.2)**
Disposal of subsidiary	(4.7)	–	**–**
Dividend	(2.8)	–	**–**
Balance at the end of the year	10.6	88.0	**93.0**

Notes to the consolidated financial statements continued

March 31, 2004

	2002 Short-term portion Rm	2002 Long-term portion Rm	2002 Total Rm	2003 Short-term portion Rm	2003 Long-term portion Rm	2003 Total Rm
19. INTEREST BEARING DEBT						
Finance leases (Note 19.1)	10.4	780.2	790.6	13.5	871.4	884.9
Funding loans (Note 19.2)	655.8	–	655.8	416.7	860.8	1,277.5
Other short-term loans (Note 19.3)	565.5	–	565.5	6.2	–	6.2
	1,231.7	780.2	2,011.9	436.4	1,732.2	2,168.6

	2004 Short-term portion Rm	**2004 Long-term portion Rm**	**2004 Total Rm**
Finance leases (Note 19.1)	**29.0**	**856.7**	**885.7**
Funding loans (Note 19.2)	**807.7**	**359.9**	**1,167.6**
Other short-term loans (Note 19.3)	**3.2**	**–**	**3.2**
	839.9	**1,216.6**	**2,056.5**

	2002 Rm	2003 Rm	**2004 Rm**
19.1 Finance leases			
Vodacom (Proprietary) Limited	502.4	594.3	**596.4**
The finance leases are collateralized by various land and buildings with a book value of R512.1 million (2003: R513.5 million; 2002: R443.0 million), bearing interest at fixed effective interest rates of between 12.1% and 16.9% per annum and are repayable between four and eight years.			
Vodacom Service Provider Company (Proprietary) Limited	288.2	290.6	**289.3**
The finance lease is collateralized by land and buildings with a book value of R268.0 million (2003: R273.7 million; 2002: R279.4 million), and bearing interest at a fixed effective interest rate of 14.8% per annum. Payments are made every six months in arrear and commenced on March 1, 2002. The finance lease expires on September 1, 2011.			
Less: Short-term portion of finance leases			
Vodacom (Proprietary) Limited	(7.1)	(12.2)	**(22.5)**
Vodacom Service Provider Company (Proprietary) Limited	(3.3)	(1.3)	**(6.5)**
Short-term portion of finance leases	(10.4)	(13.5)	**(29.0)**
Long-term portion of finance leases	780.2	871.4	**856.7**

The fair value of the Group's finance lease liability is R955.4 million (2003: R884.9 million; 2002: R790.6 million).

	2005 Rm	2006 Rm	2007 Rm	2008 Rm	2009 Rm	2010 onwards Rm	Total Rm
19. INTEREST BEARING DEBT (continued)							
19.1 Finance leases (continued)							
Future minimum lease payments	154.8	171.9	190.7	211.9	269.4	535.5	1,534.2
Finance costs	(125.8)	(121.3)	(111.7)	(98.3)	(77.2)	(114.2)	(648.5)
Net present value	29.0	50.6	79.0	113.6	192.2	421.3	885.7

	2002 Rm	2003 Rm	**2004 Rm**
19.2 Funding loans			
Commerzbank AG	200.0	–	**–**
The loan was uncollateralized, bore interest at a fixed quarterly rate of 13.7% and was repaid on March 17, 2003.			
Crédit Agricole Indosuez	200.0	–	**–**
The loan was uncollateralized, bore interest at a fixed quarterly rate of 14.0% NACQ and was repaid on March 17, 2003.			
Planetel Communications Limited	18.3	48.5	**35.4**
The shareholder loan of US$10.0 million (2003: US$10.0 million; 2002: US$1.6 million) is subordinated for the duration of the project finance funding period of Vodacom Tanzania Limited, bears no interest from April 1, 2002 (2002: 1%), and is thereafter available for repayment, by approval of at least 60% of the shareholders of Vodacom Tanzania Limited. The loan became non-interest bearing and was re-measured at amortized cost at an effective interest rate of LIBOR plus 5% (Note 12) during the 2003 financial year. The gain on re-measurement was included in the income statement (Note 6).			
Caspian Construction Company Limited	21.7	40.9	**42.1**
The shareholder loan of US$8.4 million (2003: US$8.4 million; 2002: US$1.9 million) is subordinated for the duration of the project finance funding period of Vodacom Tanzania Limited, bears no interest from April 1, 2002 (2002: 1%), and is thereafter available for repayment, by approval of at least 60% of the shareholders of Vodacom Tanzania Limited. This loan became non-interest bearing and was re-measured at amortized cost at an effective interest rate of LIBOR plus 5% (Note 12) during the 2003 financial year. The gain on re-measurement was included in the income statement (Note 6).			
Balance carried forward	440.0	89.4	**77.5**

Notes to the consolidated financial statements continued

March 31, 2004

	2002 Rm	2003 Rm	**2004 Rm**
19. INTEREST BEARING DEBT (continued)			
19.2 Funding loans (continued)			
Balance brought forward	440.0	89.4	**77.5**
Project finance funding to Vodacom Tanzania Limited	–	501.6	**348.7**
The drawn down portions of the project finance funding from external parties include the following: (a) Netherlands Development Finance Company of US$11.3 million (2003: US$11.3 million; 2002: US$nil); (b) DEG of €11.5 million (2003: €11.5 million; 2002: €nil); (c) Standard Corporate and Merchant Bank of US$16.0 million (2003: US$20.0 million; 2002: US$nil); (d) Barclays Bank (Local Syndicate Tanzania) of TSH15,356.3 million (2003: TSH19,744.0 million; 2002:TSHnil) and is collateralized by a charge over 51% of the shares, the license and Vodacom Tanzania Limited's tangible and intangible assets. The loans bear interest based upon the foreign currency denomination of the project financing between 4.9% and 11.6% per annum and will be fully repaid by March 2009.			
Extended credit facility to Vodacom Congo (RDC) s.p.r.l.	–	335.7	**310.1**
The Group's share of Vodacom Congo (RDC) s.p.r.l.'s extended credit facility amounts to €38.8 million (2003: €38.8 million; 2002: €nil), which is partially collateralized by guarantees (Note 44) and a cash deposit (Note 12), and bears interest at a rate of between EURIBOR plus 1.5% and EURIBOR plus 1.75%. The facility will be fully repaid by July 31, 2005.			
Balance carried forward	440.0	926.7	**736.3**

	2002 Rm	2003 Rm	**2004** **Rm**
19. INTEREST BEARING DEBT (continued)			
19.2 Funding loans (continued)			
Balance brought forward	440.0	926.7	**736.3**
Revolving credit facilities to Vodacom Congo (RDC) s.p.r.l.	–	130.0	**312.2**
The Group's share of the short-term revolving credit facility provided by ABSA amounts to US$16.3 million (2003: US$16.3 million; 2002: US$nil). The credit facility is collateralized by guarantees (Note 44) provided by the Group, which bears interest at an effective interest rate of LIBOR plus 1.5% and is available until December 31, 2004.			
The Group's share of the short-term Euro revolving credit facility provided by Standard Finance (Isle of Man) Limited amounts to €11.5 million (2003: €nil; 2002: €nil). The credit facility is collateralized by guarantees (Note 44) provided by the Group and bears interest at an effective interest rate of EURIBOR plus 1.5%.			
The Group's share of the short-term Dollar revolving credit facility provided by Standard Finance (Isle of Man) Limited amounts to US$19.1 million (2003: US$nil; 2002: US$nil). The credit facility is collateralized by guarantees (Note 44) provided by the Group and bears interest at an effective interest rate of LIBOR plus 1.5%.			
Loan to Vodacom Congo (RDC) s.p.r.l.	–	70.5	**–**
The Group's share of the loan provided by Standard Finance (Isle of Man) Limited amounted to US$8.8 million at March 31, 2003. The loan bore interest at an effective rate of LIBOR plus 1.5% and was repaid on July 1, 2003.			
Balance carried forward	440.0	1,127.2	**1,048.5**

Notes to the consolidated financial statements continued

March 31, 2004

	2002 Rm	2003 Rm	**2004 Rm**
19. INTEREST BEARING DEBT (continued)			
19.2 Funding loans (continued)			
Balance brought forward	440.0	1,127.2	**1,048.5**
Preference shares issued by Vodacom Congo (RDC) s.p.r.l.*	215.8	150.3	**119.1**
The preference shares of USD$18.9 million bear interest at a rate of 4% per annum. The preference shares are redeemable, but only after the first three years from date of inception and only on the basis that the shareholders are repaid simultaneously and in proportion to their shareholding.			
Less: Short-term portion of funding loans			
Commerzbank AG	(200.0)	–	**–**
Crédit Agricole Indosuez	(200.0)	–	**–**
Caspian Construction Company Limited	(18.3)	–	**–**
Planetel Communications Limited	(21.7)	–	**–**
Project finance to Vodacom Tanzania Limited	–	(65.9)	**(66.3)**
Extended credit facility to Vodacom Congo (RDC) s.p.r.l.	–	–	**(310.1)**
Revolving credit facilities to Vodacom Congo (RDC) s.p.r.l.	–	(130.0)	**(312.2)**
Loan to Vodacom Congo (RDC) s.p.r.l.	–	(70.5)	**–**
Preference shares issued by Vodacom Congo (RDC) s.p.r.l.	(215.8)	(150.3)	**(119.1)**
Short-term portion of funding loans	(655.8)	(416.7)	**(807.7)**
Long-term portion of funding loans	–	860.8	**359.9**

The fair value of the Group's funding loan liability is R1,167.6 million (2003: R1,277.5 million; 2002: R660.4 million).

	2002 Rm	2003 Rm	**2004 Rm**
19.3 Other short-term loans			
Vodacom Tanzania Limited	539.4	–	**–**
The loan of US$47.2 million from Standard Bank of London was uncollateralized, bore interest at an effective interest rate of LIBOR plus 1.5% and was repaid during August 2002.			
Vodacom (Proprietary) Limited	26.1	–	**–**
Vodacom Congo (RDC) s.p.r.l.	–	6.2	**3.2**
The Group's share of the short-term facility amounts to US$0.5 million (2003: US$0.8 million; 2002: US$nil). The facility bears interest at 18% per annum. The facility is subject to termination of the collection agreement.			
	565.5	6.2	**3.2**

The fair value of the Group's short-term loans is R3.2 million (2003: R6.2 million; 2002: R565.5 million)

* The Group restated its interest bearing debt for the 2003 and 2002 financial year. Refer to Note 41 for full details of restatement disclosure.

	2005	2006	2007	2008	2009	2010 onwards	Total
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
19. INTEREST BEARING DEBT (continued)							
19.4 Repayment of interest bearing debt							
Finance leases							
Vodacom (Proprietary) Limited	22.5	37.7	58.1	83.0	149.6	245.5	596.4
Vodacom Service Provider Company (Proprietary) Limited	6.5	12.9	20.9	30.6	42.6	175.8	289.3
Funding loans							
Planetel Communications Limited	–	–	–	–	–	35.4	35.4
Caspian Construction Company Limited	–	–	–	–	–	42.1	42.1
Project finance funding to Vodacom Tanzania Limited	66.3	85.2	110.4	86.8	–	–	348.7
Extended credit facility to Vodacom Congo (RDC) s.p.r.l.	310.1	–	–	–	–	–	310.1
Revolving credit facilities to Vodacom Congo (RDC) s.p.r.l.	312.2	–	–	–	–	–	312.2
Preference shares issued by Vodacom Congo (RDC) s.p.r.l.	119.1	–	–	–	–	–	119.1
Other short-term loans	3.2	–	–	–	–	–	3.2
	839.9	135.8	189.4	200.4	192.2	498.8	2,056.5

	2002	2003	**2004**
	Rm	Rm	**Rm**
20. ACCOUNTS PAYABLE			
Trade creditors	2,030.0	2,129.5	**2,900.9**
Revenue charged in advance	610.4	920.5	**1,492.2**
Capital expenditure creditors	457.8	707.9	**774.4**
Value added taxation	16.3	–	**101.6**
Interest accrual	5.7	–	**14.2**
Sundry accounts payable and accruals	103.4	41.1	**43.0**
	3,223.6	3,799.0	**5,326.3**

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	2002 Rm	2003 Rm	**2004** **Rm**
21. SHAREHOLDER LOANS			
Telkom SA Limited	460.0	460.0	**–**
Vodafone Group Plc	124.3	124.3	**–**
Vodafone Holdings (SA) (Proprietary) Limited	165.5	197.7	**–**
VenFin Finance Corporation (Proprietary) Limited	124.2	138.0	**–**
Descarte Investments No 8 (Proprietary) Limited	46.0	–	**–**
	920.0	920.0	**–**

The shareholder loans were uncollateralized and bore interest at a rate of prime plus 2%. The average annualized effective interest rate during the financial year was 19.0% (2003: 18.35%; 2002: 15.69%). The loans were repayable on demand of all the shareholders by no later than March 31, 2019. The shareholders have deferred their right to claim or accept payment of the amounts owing to them in favor of all other creditors in the event of the liquidation of the Group or should similar events occur. The shareholders elected for the loans to be repaid on June 30, 2003.

	2002 Rm	2003 Rm	**2004** **Rm**
22. NON-INTEREST BEARING DEBT			
Vodacom Lesotho (Proprietary) Limited	4.3	4.3	**4.3**
The minority shareholders' loan is uncollateralized and no repayment terms have been determined.			
	4.3	4.3	**4.3**

The fair value of the Group's non-interest bearing debt liabilities could not be readily determined.

	2002 Rm	2003 Rm	**2004** **Rm**
23. PROVISIONS			
Deferred bonus incentive provision (Note 23.1)	311.4	231.7	**359.5**
Bonus provision (Note 23.2)	95.8	128.8	**149.1**
Leave pay provision (Note 23.3)	44.6	52.4	**53.9**
Warranty provision (Note 23.4)	1.8	9.5	**34.3**
Other (Note 23.5)	32.0	58.3	**55.3**
	485.6	480.7	**652.1**

	Deferred bonus incentive provision Rm	Bonus provision Rm	Leave pay provision Rm	Warranty provision Rm	Other Rm
23. PROVISIONS (continued)					
Reconciliation					
2002					
Balance at the beginning of the year	214.4	66.0	33.6	–	36.4
Provision created	161.8	112.0	19.5	39.8	76.1
Provision utilized	(64.8)	(82.2)	(8.5)	(38.0)	(80.5)
Balance at the end of the year	311.4	95.8	44.6	1.8	32.0
Reconciliation					
2003					
Balance at the beginning of the year	311.4	95.8	44.6	1.8	32.0
Provision created	16.7	141.1	13.4	9.2	43.3
Provision utilized	(96.4)	(108.1)	(5.6)	(1.5)	(17.0)
Balance at the end of the year	231.7	128.8	52.4	9.5	58.3
Reconciliation					
2004					
Balance at the beginning of the year	**231.7**	**128.8**	**52.4**	**9.5**	**58.3**
Provision created	**169.5**	**165.7**	**10.1**	**28.9**	**67.5**
Provision utilized	**(41.7)**	**(145.4)**	**(8.6)**	**(4.1)**	**(70.5)**
Balance at the end of the year	**359.5**	**149.1**	**53.9**	**34.3**	**55.3**

	2002 Rm	2003 Rm	**2004 Rm**
Timing of provisions			
Within one year	297.6	324.4	**473.7**
After one year	188.0	156.3	**178.4**
	485.6	480.7	**652.1**

23.1 Deferred bonus incentive provision

The deferred bonus incentive provision represents the present value of the expected future cash outflows of the entitlement value at the balance sheet date less the value at which the entitlements were issued, multiplied by the number of entitlements allocated to a participant.

The value of the bonus entitlements are determined based upon the audited consolidated financial statements of the Group. Periodically, a number of entitlements are issued to employees, the value of which depends on the seniority of the employee. The participating rights of employees vest at different stages and employees are entitled to cash in their entitlements within one year after the participating rights have vested. The provision is utilized when eligible employees receive the value of vested entitlements.

Notes to the consolidated financial statements continued

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23. PROVISIONS (continued)

23.2 Bonus provision

The bonus provision consists of a performance bonus based on profit achievement. The performance bonus is payable in May each year to members of management and is payable bi-annually in December and May to staff members. The maximum bonus payable is determined by applying a specific formula based upon the Group achieving a pre-determined profit and the employee's achievement of specified performance targets. Management and staff must be in service on May 31, to qualify for the bonus.

23.3 Leave pay provision

The leave pay provision relates to vested leave pay to which employees may become entitled upon leaving the employment of the Group. The provision arises as employees render a service that increases their entitlement to future compensated leave. The provision is utilized when employees who are entitled to leave pay, leave the employment of the Group or when the accrued leave due to an employee, is utilized.

23.4 Warranty provision

The warranty provision covers manufacturing defects in the second year of warranty on handsets sold to customers.

23.5 Other

Other provisions for the Group include provisions for losses as a result of onerous contracts, advertising cooperation provision funds received from suppliers of handsets and various other smaller provisions.

The provision for onerous contracts represents the Group's liability in respect of onerous lease contracts related to certain buildings. The provision is discounted for the respective periods of the lease contracts.

The advertising co-operation provision is based on a percentage of the purchase price of handsets purchased by Vodacom Service Provider Company (Proprietary) Limited from the various handset manufacturers. This provision is realised when the company provides evidence to the handset manufacturer that the company has incurred advertising expenditure in accordance with the manufacturer's co-operation rules. The external service providers can claim future advertising expenditure incurred by them per manufacturer from this provision, based on their purchases from the company. The provision represents the advertising expenditure not yet spent by the company or external service providers.

24. CHANGE IN ACCOUNTING POLICY

The Group changed its accounting policy for foreign exchange contracts and other financial instruments due to the adoption of International Accounting Standard 39 – Financial Instruments: Recognition and Measurement during the year ended March 31, 2002. Under IAS 39, the Group does not qualify to apply hedge accounting to foreign exchange contracts and therefore all fair value adjustments are recognized in the income statement in the period in which they occur.

Interest rate swaps are also recorded and measured at fair value. All changes in fair value are recognized in the income statement in the period in which they occur.

	2002 Net profit Rm	2002 Opening retained earnings Rm
24. CHANGE IN ACCOUNTING POLICY (continued)		
These changes have had the effect of increasing net profit for the 2002 year and retained profit at the beginning of the 2002 year, and have been applied prospectively from April 1, 2001:		
Gross effect	352.3	121.4
Foreign exchange contracts	347.4	104.2
Interest rate swaps	4.9	17.2
Taxation effect	(105.7)	(36.5)
Foreign exchange contracts	(104.2)	(31.3)
Interest rate swaps	(1.5)	(5.2)
	246.6	84.9

	2002 Rm	2003 Rm	**2004 Rm**
25. CASH GENERATED FROM OPERATIONS			
Reconciliation of profit from operations to cash generated from operations:			
Profit from operations	3,621.1	4,329.9	**5,233.9**
Adjusted for:			
Depreciation of property, plant and equipment	1,857.3	2,163.0	**2,312.7**
Depreciation of investment properties	–	–	**4.2**
Net loss/(profit) on disposal of property, plant and equipment	(3.4)	(2.6)	**6.8**
Revaluation of equity investment	8.9	–	**–**
Recoupment of Gateway asset accrual	(15.0)	–	**–**
Bad debts written off	111.2	31.1	**48.8**
Capital profit on disposal of subsidiaries	(16.3)	–	**–**
Write-off of investment in GSM companies	0.3	–	**–**
Impairment of assets	(1.0)	–	**–**
Amortization of intangible assets	212.7	210.7	**216.0**
Cash flow from operations before working capital changes	5,775.8	6,732.1	**7,822.4**
Increase in accounts receivable	(264.5)	(241.9)	**(704.6)**
(Increase)/Decrease in inventory	93.3	52.0	**(32.2)**
Increase in accounts payable and provisions	583.5	178.9	**511.1**
Cash generated from operations	6,188.1	6,721.1	**7,596.7**

Notes to the consolidated financial statements continued

March 31, 2004

	2002 Rm	2003 Rm	**2004 Rm**
26. FINANCE COSTS PAID			
Bank overdraft	(86.1)	(50.0)	**(27.3)**
Finance leases	(98.9)	(123.8)	**(130.1)**
Funding loans	(87.2)	(127.3)	**(64.4)**
Interest on minority shareholder loan	–	(9.7)	**(7.6)**
Leasehold property	–	–	**(5.2)**
Other finance costs	–	(6.8)	**(13.3)**
Shareholder loans	(144.2)	(167.9)	**(47.2)**
Interest accrual at the beginning of the year	(28.9)	(5.7)	**–**
Interest accrual at the end of the year	5.7	–	**14.2**
	(439.6)	(491.2)	**(280.9)**
Foreign exchange losses	(5.0)	(62.2)	**(29.7)**
Interest rate swap interest	–	(4.0)	**(1.1)**
Interest rate swap revaluation	–	–	**(18.9)**
Loss on foreign exchange contract revaluation	(199.0)	(831.2)	**(479.1)**
Loss on foreign liability and asset revaluation	(247.8)	(163.4)	**(283.6)**
Unrealized losses on foreign exchange contract revaluation	–	808.8	**393.2**
Unrealized losses on foreign liability and asset revaluation	–	11.8	**155.9**
Unrealized losses on interest rate swap	2.2	–	**18.9**
Other non-cash flow items	–	9.7	**13.0**
	(889.2)	(721.7)	**(512.3)**
27. INTEREST, DIVIDENDS AND OTHER FINANCIAL INCOME RECEIVED			
Banks and loans	23.8	51.4	**68.4**
Dividends received – unlisted investments	4.3	–	**5.4**
Gain on remeasurement of minority shareholder loan	–	92.8	**–**
Guarantee fees	–	14.7	**26.4**
Investment income – held for trading investments	3.9	5.1	**11.2**
Other interest income	4.9	1.4	**6.2**
Interest accrual at the beginning of the year	–	–	**10.3**
Interest accrual at the end of the year	–	(10.3)	**(18.9)**
Guarantee fees accrual at the beginning of the year	–	–	**14.7**
Guarantee fees accrual at the end of the year	–	(14.7)	**(13.1)**
	36.9	140.4	**110.6**
Foreign exchange gains	2.5	6.7	**0.5**
Gain on foreign exchange contract revaluation	778.4	244.7	**269.6**
Gain on foreign liability and asset revaluation	18.3	301.4	**237.5**
Interest rate swap interest	–	6.0	**5.1**
Interest rate swap revaluation	4.3	18.2	**26.3**
Unrealized gain on foreign exchange contract revaluation	(220.4)	(213.4)	**(210.3)**
Unrealized gain on foreign liability and asset revaluation	(41.0)	(113.0)	**(38.9)**
Unrealized gain on interest rate swap revaluation	–	(18.2)	**(26.3)**
Other non-cash flow items	(37.4)	(92.8)	**(5.4)**
	541.6	280.0	**368.7**

	2002 Rm	2003 Rm	**2004 Rm**
28. TAXATION PAID			
Taxation per the income statement	(1,190.7)	(1,198.9)	**(1,725.0)**
Taxation payable at the beginning of the year	(810.0)	(351.6)	**(315.2)**
Taxation payable at the end of the year	351.6	315.2	**852.0**
Deferred taxation at the beginning of the year	(268.4)	(428.5)	**(288.4)**
Deferred taxation at the end of the year	428.5	288.4	**158.2**
Business combination – deferred taxation	(0.9)	–	**(118.8)**
Business combination – taxation payable	–	–	**(29.6)**
Movement due to IAS 39 adjustment	(36.5)	–	**–**
Movement due to foreign equity revaluation reserve	(19.9)	21.0	**10.9**
Exchange difference on consolidation of foreign subsidiary	7.2	17.0	**(7.4)**
	(1,539.1)	(1,337.4)	**(1,463.3)**
29. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT			
Additions to property, plant and equipment (Note 9)	(4,085.3)	(3,399.3)	**(2,890.7)**
Less: Vodacom (Proprietary) Limited finance leases	–	81.1	**10.4**
Vodacom Service Provider Company (Proprietary) Limited finance leases	282.2	–	**–**
Vodacom Properties No 1 (Proprietary) Limited finance leases	–	1.6	**–**
Increase/(Decrease) in capital expenditure related creditors	(606.0)	250.1	**66.5**
	(4,409.1)	(3,066.5)	**(2,813.8)**
30. ADDITIONS TO INVESTMENT PROPERTIES			
Additions to investment properties (Note 10)	–	–	**68.0**
Less: Transfer from property, plant and equipment	–	–	**(58.1)**
Business combinations	–	–	**(9.9)**
	–	–	**–**
31. DISPOSAL/(ACQUISITION) OF SUBSIDIARIES			
Disposals of subsidiaries			
Vodacom Sport & Entertainment (Proprietary) Limited (Note 31.1 a)	17.9	22.5	**–**
Film Fun (Holdings) (Proprietary) Limited (Note 31.1 b)	(16.2)	9.0	**–**
	1.7	31.5	**–**
Acquisition of subsidiaries			
Vodacom Properties No 1 (Proprietary) Limited (Note 31.2 a)	–	–	**–**
Vodacom International Holdings (Proprietary) Limited and Vodacom International Limited (Note 31.2 b)	(0.1)	–	**–**
Smartphone SP (Proprietary) Limited and subsidiaries (Note 31.2 c)	–	–	**149.6**
VM, S.A.R.L. trading as Vodacom Mozambique (Note 31.2.d)	–	–	**–**
	(0.1)	–	**149.6**

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	2002 Rm	2003 Rm	**2004 Rm**
31. DISPOSAL/(ACQUISITION) OF SUBSIDIARIES (continued)			
31.1 Subsidiaries disposed			
a) Vodacom Sport & Entertainment (Proprietary) Limited			
On February 27, 2002, the Group disposed of its 51% interest in Vodacom Sport & Entertainment (Proprietary) Limited. The fair value of the assets and liabilities disposed were as follows:			
Carrying amount of net assets disposed of	9.8	–	**–**
Property, plant and equipment	1.3	–	**–**
Investments	2.7	–	**–**
Inventory	0.5	–	**–**
Accounts receivable	228.6	–	**–**
Deferred taxation	1.6	–	**–**
Cash and cash equivalents	4.6	–	**–**
Accounts payable	(227.9)	–	**–**
Taxation payable	(0.4)	–	**–**
VAT payable	(1.2)	–	**–**
Minority interest	(4.8)	–	**–**
Capital gain on disposal	40.0	–	**–**
Selling price	45.0	–	**–**
Cash and cash equivalents	(4.6)	–	**–**
Cash consideration	40.4	–	**–**
Less: Amount receivable	(22.5)	–	**–**
	17.9	–	**–**
Selling price satisfied by:	45.0	22.5	**–**
Cash	22.5	22.5	**–**
The consideration was deferred during 2002 for settlement in two equal installments on August 31, 2002 and August 31, 2003 (Notes 12 and 15)	22.5	–	**–**

The total amount of R25.7 million, which includes accrued interest, was received during the 2003 financial year.

	2002 Rm	2003 Rm	**2004 Rm**
31. DISPOSAL/(ACQUISITION) OF SUBSIDIARIES (continued)			
31.1 Subsidiaries disposed (continued)			
b) Film Fun (Holdings) (Proprietary) Limited			
On March 31, 2002, the Group disposed of its interest in Film Fun (Holdings) (Proprietary) Limited, Africell Cellular Services (Proprietary) Limited and Teljoy (Botswana) (Proprietary) Limited. The fair value of the assets and liabilities disposed were as follows:			
Carrying amount of net assets disposed of	62.8	–	–
Property, plant and equipment	64.7	–	–
Loan – Teljoy Holdings Limited	28.0	–	–
Goodwill	15.9	–	–
Cash and cash equivalents	16.2	–	–
Accounts receivable	7.2	–	–
Inventory	5.3	–	–
Shareholding in subsidiaries	4.2	–	–
Investments	3.3	–	–
Taxation receivable	1.1	–	–
Accounts payable	(64.2)	–	–
Provision for licenses	(25.0)	–	–
Deferred taxation	(2.7)	–	–
Non-distributable reserve	(0.2)	–	–
Trademark	9.0	–	–
Capital loss on disposal	(53.8)	–	–
Selling price	9.0	–	–
Cash and cash equivalents	(16.2)	–	–
Cash consideration	(7.2)	–	–
Less: Amount receivable	(9.0)	–	–
	(16.2)	–	–
Selling price satisfied by:	9.0	9.0	–
Cash	–	9.0	–
Deferred consideration	9.0	–	–

The deferred consideration was received in cash from the new owners on May 15, 2002.

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	2002 Rm	2003 Rm	**2004 Rm**
31. DISPOSAL/(ACQUISITION) OF SUBSIDIARIES (continued)			
31.2 Subsidiaries acquired			
a) Vodacom Properties No 1 (Proprietary) Limited			
During the 2003 financial year the Group exercised its option included in the finance lease agreement and acquired 100% of Skyprops 157 (Proprietary) Limited. The name of the company was subsequently changed to Vodacom Properties No 1 (Proprietary) Limited			
The fair value of the net assets acquired are as follows:	–	–	**–**
Property, plant and equipment	–	1.6	**–**
Long-term loan	–	(1.6)	**–**
Purchase price	–	–	**–**
b) Vodacom International Holdings (Proprietary) Limited and Vodacom International Limited			
Both companies became operational from April 1, 2001. Vodacom Group (Proprietary) Limited holds 100% of the issued share capital of Vodacom International Holdings (Proprietary) Limited, who in turn holds 100% of the issued share capital of Vodacom International Limited, a company based in Mauritius. The fair value of the share capital acquired is as follows:			
Share capital	(0.1)	–	**–**

	2002 Rm	2003 Rm	**2004 Rm**
31. DISPOSAL/(ACQUISITION) OF SUBSIDIARIES (continued)			
31.2 Subsidiaries acquired (continued)			
c) Smartphone SP (Proprietary) Limited and subsidiaries			
On March 1, 2004, the Group acquired a 51% interest in the equity of Smartphone SP (Proprietary) Limited, which has a 100% shareholding in Stand 13 Eastwood Road Dunkeld (Proprietary) Limited and 52% in Ithuba Smartcall (Proprietary) Limited. The fair value of the assets and liabilities acquired were preliminary determined by the Group and are as follows:			
Fair value of net assets acquired	–	–	**(9.8)**
Property, plant and equipment	–	–	**6.2**
Investment properties	–	–	**9.9**
Prepaid customer base	–	–	**230.4**
Trademark	–	–	**158.2**
Investments	–	–	**16.4**
Deferred taxation asset	–	–	**0.2**
Inventory	–	–	**31.0**
Accounts receivable	–	–	**115.8**
Cash and cash equivalents	–	–	**149.6**
Non-current loan	–	–	**(0.3)**
Deferred taxation liability (including tax effect on intangibles)	–	–	**(119.0)**
Accounts payable	–	–	**(558.8)**
Taxation payable	–	–	**(29.6)**
Provision	–	–	**(0.2)**
Goodwill	–	–	**(224.0)**
Purchase price (including capitalized costs)	–	–	**(233.8)**
Cash and cash equivalents	–	–	**149.6**
Cash consideration	–	–	**(84.2)**
Less: Amount payable	–	–	**233.8**
	–	–	**149.6**

The purchase price of R231.2 million was paid on April 7, 2004. The outstanding amount accrued interest at prime less 2% per annum from March 1, 2004 up to the date of payment.

The company has a contingent asset of R70.1 million. Should this contingent asset realize in the following year, an adjustment will be made to the purchase price.

No minority interest exists on acquisition as a result of the negative net equity position of the company.

d) VM, S.A.R.L. trading as Vodacom Mozambique

During the 2004 financial year VM, S.A.R.L. trading as Vodacom Mozambique commenced operations. This had no initial effect on the Group's cash flows.

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	2002 Rm	2003 Rm	**2004 Rm**
32. DISPOSAL/(ACQUISITION) OF JOINT VENTURES			
Disposal of joint ventures			
Vodacom World Online (Proprietary) Limited (Note 32.1 a)	23.3	–	**–**
Acquisition of joint ventures			
Vodacom Congo (RDC) s.p.r.l.	–	–	**–**
During the 2002 financial year Vodacom Congo (RDC) s.p.r.l. was formed and financed by the Group and accordingly it had no effect on the Group's cash flow.			
32.1 Joint ventures disposed			
a) Vodacom World Online (Proprietary) Limited			
On November 30, 2001, the Group disposed of its 40% joint venture shareholding in Vodacom World Online (Proprietary) Limited. The fair value of the assets and liabilities disposed were as follows:			
Carrying amount of net assets disposed	1.7	–	**–**
Property, plant and equipment	6.7	–	**–**
Inventory	0.6	–	**–**
Accounts receivable	6.6	–	**–**
Taxation payable	(0.1)	–	**–**
Cash and cash equivalents	8.5	–	**–**
Accounts payable	(20.6)	–	**–**
Capital gain on disposal	30.1	–	**–**
Selling price	31.8	–	**–**
Cash and cash equivalents	(8.5)	–	**–**
Cash consideration	23.3	–	**–**
33. CASH AND CASH EQUIVALENTS AT END OF YEAR			
Bank and cash balances	719.2	1,206.5	**2,370.1**
Bank overdraft	(1,576.8)	(559.0)	**(772.4)**
	(857.6)	647.5	**1,597.7**

	2002 R	2003 R	**2004** **R**
34. EARNINGS AND DIVIDEND PER SHARE			
34.1 Basic and diluted earnings per share			
The calculation of basic earnings per ordinary share is based on earnings of R3,031.8 million (2003: R2,214.6 million; 2002: R2,373.0 million) and 10,000 issued ordinary shares (2003: 10,000; 2002: 10,000)	237,300	221,460	**303,180**
Due to no dilution factors being present, basic earnings per share equals diluted earnings per share.			
34.2 Dividend per share			
The calculation of the dividend per ordinary share is based on a declared ordinary dividend of R2,100.0 million (2003: R600.0 million; 2002: R600.0 million) and 10,000 issued ordinary shares (2003: 10,000; 2002: 10,000). The dividends were declared as follows:			
Declared March 11, 2004 to shareholders registered on May 28, 2004 and payable on May 31, 2004 (Final)	–	–	**150,000**
Declared and paid on September 30, 2003 (Interim)	–	–	**60,000**
Declared March 20, 2003 to shareholders registered on June 28, 2003 and paid on June 30, 2003 (Final)	–	60,000	**–**
Declared March 21, 2002 and paid on June 28, 2002 (Final)	60,000	–	**–**
	60,000	60,000	**210,000**

	2002 Rm	2003 Rm	**2004** **Rm**
35. CAPITAL COMMITMENTS			
Commitments for orders in respect of existing contracts:			
Vodacom (Proprietary) Limited	1,005.2	517.8	**448.4**
Vodacom Congo (RDC) s.p.r.l.	303.7	62.0	**42.5**
Vodacom Tanzania Limited	78.9	70.4	**169.8**
Vodacom Service Provider Company (Proprietary) Limited	59.9	10.6	**39.7**
Vodacom International Holdings (Proprietary) Limited	2.2	–	**–**
Vodacom Group (Proprietary) Limited	0.3	0.3	**0.2**
Vodacom Lesotho (Proprietary) Limited	–	0.6	**–**
	1,450.2	661.7	**700.6**

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	2002 Rm	2003 Rm	**2004 Rm**
35. CAPITAL COMMITMENTS (continued)			
Commitments not yet contracted for:			
Vodacom (Proprietary) Limited	1,754.9	2,572.5	**3,875.7**
Vodacom Tanzania Limited	518.6	418.3	**118.8**
Vodacom Congo (RDC) s.p.r.l.	461.7	189.8	**102.7**
Vodacom Service Provider Company (Proprietary) Limited	4.1	125.4	**71.1**
Vodacom International Holdings (Proprietary) Limited	0.1	5.3	**–**
Vodacom Lesotho (Proprietary) Limited	95.0	14.2	**12.2**
Vodacom Group (Proprietary) Limited	4.6	5.0	**9.2**
Vodacom International Limited (Mauritius)	1.1	0.8	**–**
VM, S.A.R.L.	–	–	**277.8**
Smartphone SP (Proprietary) Limited	–	–	**0.1**
	2,840.1	3,331.3	**4,467.6**

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

Capital commitments were restated for the year ending March 31, 2003 and 2002 to include capital expenditure approved by the Board of directors of Vodacom Group (Proprietary) Limited for the next financial year.

	2002 Rm	2003 Rm	**2004 Rm**
36. OTHER COMMITMENTS			
Operating leases (Note 36.1)	2,313.7	3,046.5	**3,180.0**
Sport and marketing contracts (Note 36.2)	321.1	457.0	**727.4**
	2,634.8	3,503.5	**3,907.4**

	Within one year Rm	Between two and five years Rm	After five years Rm	Total Rm
36.1 Operating leases				
Transmission and data lines GSM	483.9	1,440.0	451.2	2,375.1
Accommodation	73.7	214.3	515.2	803.2
Other operating leases	0.3	1.0	0.4	1.7
	557.9	1,655.3	966.8	3,180.0
36.2 Sport and marketing contracts	297.2	430.2	–	727.4

36. OTHER COMMITMENTS (continued)

36.3 License fees

Network operators in the Group pay monthly license fees based on their net operational income as defined in the license agreement. Net operational income is defined as the total invoiced revenue of the licensee excluding discounts, value added taxation and other direct taxes derived from customers of the licensee for the provision to them of the service, less net interconnect fees and bad debts actually incurred.

36.4 Interception of Communications and Provision of Communication-related Information Act ("the Act")

The Act was assented and published on January 22, 2003, but will only become effective at some point in future of which the date is currently uncertain. Due to the fact that certain provisions of the Act are still being finalized, a reliable estimate of capital and operating costs that will potentially be incurred in order to comply with the provisions of the Act cannot be estimated at this stage.

36.5 Service providers

The Group has committed as part of its strategy to acquire its customer bases from certain independent service providers. Should all conditions be met, the Group's commitments in this regard are estimated at R1.6 billion.

	2002 Rm	2003 Rm	**2004** **Rm**
37. CONTINGENT LIABILITIES			
Vodacom Satellite Services (Proprietary) Limited	15.0	7.8	**–**
The functionality of the Gateway assets is under dispute and Vodacom Satellite Services (Proprietary) Limited and Vodafone Satellite Services Limited do not recognize the liability of US$0.9 million to Globalstar LP. This amount has been written back to income in the 2002 year as the success of this claim is deemed to be remote (Note 3). Due to the duration of the claim process, the Board of directors are of the opinion that the claim will not be successful.			
Vodacom Tanzania Limited	–	70.1	**–**
Vodacom Tanzania Limited is a defendant in a court case in the high court of Tanzania in which the plaintiff, HGL Advertising Company Limited, is demanding compensation of US$8.8 million for losses and damages allegedly incurred by them as a result of an illegal breach of contract. The facts of the case show there was no contract but rather a request to tender. At the end of the 2004 financial year the Group's legal council is of the opinion that the Group's prospects of defending the matter has a very good chance of success.			
Various other legal matters	5.0	5.5	**9.2**
	20.0	83.4	**9.2**

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37. CONTINGENT LIABILITIES (continued)

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

The Group has a 51% equity interest in Vodacom Congo (RDC) s.p.r.l., ("Vodacom Congo"), which commenced business on December 11, 2001. This investment is governed by a shareholders' agreement, which provides the other shareholder with certain protective and participating rights and therefore, in terms of IAS 31: "Accounting for interest in Joint Ventures", Vodacom Congo may not be consolidated as a subsidiary as it is considered to be a joint venture resulting in it being proportionally consolidated in the financial statements at March 31, 2004, 2003 and 2002 and for the years then ended.

The Group, in terms of the shareholders' agreement, is however ultimately responsible for the funding of the operations of Vodacom Congo. The shareholders' agreement also gives the Group the right to appoint management and the majority of the board of the company. The Group also has a management agreement to manage the company on a day-to-day basis. Currently Vodacom Congo is incurring losses, which are expected to continue in the short term. The 49% portion attributable to the joint venture partner of the liabilities and losses as at March 31, 2004, 2003 and 2002 were as follows:

	2002 Rm	2003 Rm	**2004** **Rm**
Net loss for the year after taxation	(24.5)	(200.1)	**(15.1)**
Total liabilities (including preference shares)	(459.2)	(816.2)	**(1,133.2)**
Total assets	426.8	657.6	**1,011.4**

All guarantees issued are disclosed in Note 44.

Preference shares were reclassified from equity to liabilities in accordance with IAS 32: Financial Instruments: Disclosure and Presentation ("IAS 32") during the 2004 financial year. Accordingly the net liabilities, loss before taxation and net loss of the joint venture company as previously disclosed for the 2003 and 2002 financial years were restated. Refer Notes 41 and 47.

37.2 Negative working capital ratio

For financial years ended 2004, 2003 and 2002 the Group had a negative working capital ratio. A negative working capital ratio arises when the Group's current liabilities are greater than the current assets. The Group's management believes that based on its operating cash flow, it will be able to meet liabilities as they arise and that it is in compliance with all covenants contained in the borrowing agreements.

38. RETIREMENT BENEFITS

All eligible employees of the Group are members of the Vodacom Group Pension Fund, a defined contribution pension scheme. Certain executive employees of the Group are also members of the Vodacom Executive Provident Fund, a defined contribution provident scheme. Both schemes are administered by ABSA Consultants and Actuaries (Proprietary) Limited. Current contributions to the pension fund amounted to R65.9 million (2003: R52.5 million; 2002: R42.8 million). Current contributions to the provident fund amounted to R5.9 million (2003: R5.4 million; 2002: R2.3 million). South African funds are governed by the Pension Funds Act of 1956.

39. OTHER MATTERS

Effective April 1, 2004 Vodacom International Limited ("VIL") entered into a five year management agreement with VEE Networks Limited ("VEE") (formerly Econet Wireless Nigeria Limited), subject to the right of termination in favor of each of the parties. In terms of the agreement, VIL would have managed VEE's cellular network operations in Nigeria for a fee which is based on VEE's turnover. VEE would have been allowed to use the Vodacom logo and brand name. VIL also had the intention to acquire an equity stake in the business of VEE.

However, on May 31, 2004, VIL and VEE mutually agreed to terminate the management agreement entered into on April 1, 2004. VIL will continue to provide technical support to VEE for a period of up to six months. VIL has also decided not to pursue an equity stake in the business of VEE.

The Group is further also a defendant in certain legal proceedings with Econet Wireless Limited related to its activities in Nigeria. The outcome or extent of any claims against the Group, should the Group not be successful in defending these claims, is unknown.

40. EVENTS SUBSEQUENT TO YEAR-END

Smartphone SP (Proprietary) Limited offered to purchase an 85.75% equity stake in Smartcom (Proprietary) Limited for R77.2 million. All suspensive conditions contained in the sale of shares agreement were met on April 16, 2004.

The directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in the Vodacom Group consolidated financials, which significantly affected the financial position of the Group and results of its operations.

41. RESTATEMENT

The Group restated its balance sheet disclosure for the 2003 and 2002 financial years to reflect the reclassification of Vodacom Congo (RDC) s.p.r.l.'s preference shares from its shareholders' equity to liabilities. This restatement does not impact the Group's result or cash flow information for the 2003 and 2002 years. The following table reflects the value of the different line items prior and subsequent to the restatement:

	2002 Previously Rm	2002 Restated Rm	2003 Previously Rm	2003 Restated Rm
Investments (Note 12)	22.7	238.5	195.1	345.4
Short-term interest bearing debt (Note 19)	1,015.9	1,231.7	286.1	436.4

	2002 Rm	2003 Rm	**2004 Rm**
42. RELATED PARTY TRANSACTIONS			
42.1 Balances with related parties			
Included in accounts receivable:			
Telkom SA Limited – Interconnect	529.4	497.3	**491.1**
Telkom SA Limited – Other	14.1	9.3	**8.4**
Vodafone Group Plc	1.6	3.8	**8.0**
Included in accounts payable:			
Telkom SA Limited – Interconnect	(78.2)	(67.8)	**(78.9)**
Telkom SA Limited – Other	(3.0)	(2.0)	**(4.1)**
Vodafone Group Plc	–	(2.7)	**(2.6)**
Shareholder loans (Note 21):			
Telkom SA Limited	(460.0)	(460.0)	**–**
Vodafone Group Plc	(124.3)	(124.3)	**–**
Vodafone Holdings (SA) (Proprietary) Limited	(165.5)	(197.7)	**–**
VenFin Finance Corporation (Proprietary) Limited	(124.2)	(138.0)	**–**
Descarte Investments No 8 (Proprietary) Limited	(46.0)	–	**–**
Dividends payable:			
Telkom SA Limited	(300.0)	(300.0)	**(750.0)**
Vodafone Holdings (SA) (Proprietary) Limited	(189.0)	(210.0)	**(525.0)**
VenFin Telecommunication Investments Limited	(81.0)	(90.0)	**(225.0)**
Descarte Investments No 8 (Proprietary) Limited	(30.0)	–	**–**

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	2002 Rm	2003 Rm	**2004 Rm**
42. RELATED PARTY TRANSACTIONS (continued)			
42.2 Transactions with related parties			
Telkom SA Limited	1,854.6	1,802.2	**304.0**
Audit fees recovered	–	28.5	**6.8**
Cellular usage	24.1	32.8	**31.1**
Installation of transmission lines	(32.7)	(36.9)	**(28.1)**
Interconnect expense	(305.7)	(348.5)	**(417.2)**
Interconnect income	2,942.5	2,945.2	**2,732.8**
Interest (paid)/received – commercial	0.4	(0.5)	**(0.1)**
IPO cooperation fee	–	50.0	**–**
Lease of transmission lines	(336.0)	(445.4)	**(438.0)**
Management fees	(20.0)	–	**–**
Site costs	(11.3)	(17.7)	**(18.3)**
Telephone landline usage	(34.6)	(21.4)	**(30.2)**
Telephone software maintenance	–	–	**(2.3)**
VSAT rental	–	–	**(0.9)**
Interest payments on shareholder loan	(72.1)	(83.9)	**(21.6)**
Shareholder loan repayment	–	–	**(460.0)**
Dividend payable	(300.0)	(300.0)	**(750.0)**
Dividend paid	–	–	**(300.0)**
Vodafone Group Plc	(25.5)	(30.5)	**(127.7)**
Roaming income (transacted within the Vodafone Group)	27.4	38.2	**54.9**
Roaming expense (transacted within the Vodafone Group)	(33.4)	(46.0)	**(50.9)**
Interest payments on shareholder loan	(19.5)	(22.7)	**(7.4)**
Shareholder loan repayment	–	–	**(124.3)**
Vodafone Holdings (SA) (Proprietary) Limited	(215.0)	(243.3)	**(944.5)**
Interest payments on shareholder loan	(26.0)	(33.3)	**(11.8)**
Shareholder loan repayment	–	–	**(197.7)**
Dividend payable	(189.0)	(210.0)	**(525.0)**
Dividend paid	–	–	**(210.0)**
VenFin Finance Corporation (Proprietary) Limited	(56.8)	(53.8)	**(156.2)**
Interest payments on overdraft account	(37.3)	(29.3)	**(11.0)**
Facility fees	–	(0.5)	**(0.7)**
Interest payments on shareholder loan	(19.5)	(24.0)	**(6.5)**
Shareholder loan repayment	–	–	**(138.0)**

	2002 Rm	2003 Rm	**2004 Rm**
42. RELATED PARTY TRANSACTIONS (continued)			
42.2 Transactions with related parties (continued)			
Descarte Investments No 8 (Proprietary) Limited	(37.2)	(4.0)	**–**
Interest payments on shareholder loan	(7.2)	(4.0)	**–**
Dividend payable	(30.0)	–	**–**
VenFin Telecommunication Investments Limited	(81.0)	(90.0)	**(315.0)**
Dividend payable	(81.0)	(90.0)	**(225.0)**
Dividend paid	–	–	**(90.0)**
42.3 Directors' emoluments			
Directors' remuneration	(25.2)	(21.2)	**(27.3)**
Executive directors – fees as directors: salaries	(5.1)	(13.4)	**(8.7)**
Executive directors – fees as directors: fringe benefits	(0.4)	(0.4)	**(0.7)**
Executive directors – fees as directors: bonuses	(19.1)	(6.8)	**(17.2)**
Non-executive directors – fees as directors	(0.6)	(0.6)	**(0.7)**
Included in directors' remuneration	(0.9)	(1.5)	**(2.1)**
Pension fund employer contributions	(0.4)	(0.5)	**(0.7)**
Provident fund employer contributions	(0.4)	(0.8)	**(1.2)**
Medical aid employer contributions	(0.1)	(0.2)	**(0.2)**
Directors' remuneration and emoluments paid by:	(25.2)	(21.2)	**(27.3)**
Vodacom Group (Proprietary) Limited	(17.4)	(16.9)	**(21.4)**
Subsidiaries	(7.8)	(4.3)	**(5.9)**

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group purchases or issues financial instruments in order to finance its operations and to manage the interest rate and currency risks that arise from its operations and sources of finance. Various financial assets and liabilities, for example trade debtors, trade creditors, accruals, and provisions, arise directly from the Group's operations. Changing market conditions expose the Group to various financial risks and have highlighted the importance of financial risk management as an element of control for the Group. Principal financial risks faced in the normal course of the Group's business are foreign currency risk, interest rate risk, credit risk and liquidity risk. These risks are managed within an approved Treasury Policy, subject to the limitations of the local markets in which the various Group companies operate and the South African Reserve Bank.

The Group finances its operations through a mixture of retained profits, bank borrowings and long-term loans. Long-term financing is arranged locally by the South African entities. A treasury division within Vodacom Group (Proprietary) Limited has been established to provide treasury related services to the Group, including coordinating access to domestic and international financial markets, and the managing of various financial risks relating to the Group's operations. The treasury division is subject to arm's length fees in terms of transfer pricing for services to offshore subsidiaries.

The Group utilizes derivative instruments, the objective of which is to reduce exposure to fluctuations in foreign currency rates and interest rates, and to manage the liquidity of cash resources within the Group. Trading in derivative instruments for speculative purposes is strictly prohibited.

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43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Group treasury policies, risk limits, and control procedures are continuously monitored by management and the Board of directors, through the audit committee, the objective being to minimize exposure to foreign currency risk, interest rate risk, credit risk and liquidity risk. These risks are managed within an approved treasury policy.

43.1 Foreign currency management

The Group enters into foreign 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 foreign exchange contracts for 100% of the committed net foreign currency payments from South Africa.

The Group has entered into numerous foreign 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:

Forward contracts to buy foreign currency	Foreign contract value Mil	Forward value Rm	Fair value adjustment Rm
2002			
United States Dollar	102.6	1,099.4	119.0
Euro	134.8	1,285.6	95.7
Pound Sterling	0.2	2.6	(0.1)
		2,387.6	214.6
2003			
United States Dollar	61.0	604.2	(103.4)
Euro	111.5	1,078.9	(97.2)
Pound Sterling	0.1	1.0	–
Swiss Franc	0.6	3.5	–
		1,687.6	(200.6)
2004			
United States Dollar	**10.6**	**74.7**	**(7.0)**
Euro	**91.7**	**756.2**	**(41.4)**
Pound Sterling	**18.4**	**230.7**	**(16.1)**
Swiss Franc	**0.1**	**0.5**	**–**
		1,062.1	**(64.5)**

Forward value represents the foreign contract value multiplied by the contracted forward exchange rate.

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

43.1 Foreign currency management (continued)

Forward contracts to sell foreign currency	Foreign contract value Mil	Forward value Rm	Fair value adjustment Rm
2002			
United States Dollar	3.6	42.7	(0.7)
Euro	6.1	63.3	(0.3)
Pound Sterling	0.1	1.0	–
		107.0	(1.0)
2003			
United States Dollar	7.0	69.4	11.8
Euro	20.9	205.5	22.8
		274.9	34.6
2004			
United States Dollar	**2.2**	**14.5**	**0.7**
Euro	**9.0**	**70.5**	**1.2**
Pound Sterling	**0.2**	**2.0**	**–**
		87.0	**1.9**

Forward value represents the foreign contract value multiplied by the contracted forward exchange rate.

43.2 Interest rate risk management

The Group has entered into interest rate swap contracts that entitle, or oblige it to receive interest at a fixed rate on notional principal amounts and entitle, or oblige it to pay interest at floating rates on the same notional principal amounts. The interest rate swaps allow the Group to swap long-term debt from fixed rates into floating rates that are lower, or higher, 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 quarterly intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

At March 31, 2004 the Group had three interest rate swaps:

- Vodacom Group (Proprietary) Limited – the company swapped its fixed interest rate of 14.9% NACQ (nominal annual compounded quarterly) for a floating rate, linked to the BA (banker's acceptance) rate plus margin of 2.00%.
- Vodacom (Proprietary) Limited – the company swapped its fixed interest rate of 20.1% NACQ (nominal annual compounded quarterly) for a floating rate linked to the BA (banker's acceptance) rate plus margin of 2.25%.
- Vodacom (Proprietary) Limited – the company swapped its fixed interest rate of 12.9% NACM (nominal annual compounded monthly) for a floating rate linked to the BA (banker's acceptance) rate plus margin of 2.00%.

	2002 Rm	2003 Rm	**2004 Rm**
Fair value of interest rate swap asset	9.4	27.6	**35.9**

The fair value of the interest rate swap asset is represented by a notional principal amount of R235.0 million (2003: R238.0 million; 2002: R148.8 million) at a weighted average floating interest rate of 12.9% NACM (nominal annual compounded monthly) (2003: 15.4% NACM; 2002: between 12.1% and 12.6%).

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43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

43.3 Credit risk management

Financial assets, which potentially subject the Group to concentrations of credit risk, consist principally of cash, 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 customers comprising the Group's customer base and stringent credit approval processes for contracted subscribers. The Group, for its South African operations, spread their credit risk exposure amongst the high credit quality financial institutions.

The Group does not have any significant exposure to any individual customer or counter-party, except commercially to Telkom SA Limited (the Group's largest shareholder), Mobile Telecommunications Network (Proprietary) Limited, the Group's largest competitor, and Cell-C (Proprietary) Limited, the country's third network operator.

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 minimizes 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, excluding foreign currency derivatives and interest rate swaps, 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.

43.4 Liquidity risk management

The Group is exposed to liquidity risk as a result of uncertain debtor related cash flows and the capital commitments of the Group. In terms of its borrowing requirements, the Group ensures that adequate funds are available to meet its expected and unexpected financial commitments through utilization of undrawn borrowing facilities (Note 44). In terms of its long-term liquidity risk, a reasonable balance is maintained between the period over which assets generate funds and the period over which the respective assets are funded. (Note 37.2)

43.5 Fair value of financial instruments

At the balance sheet date, the carrying amounts of cash and short-term deposits, accounts receivable, accounts payable and accrued expenses and short-term debt approximated their fair values due to the short-term maturities of these assets and liabilities.

The fair value of forward exchange contracts and interest rate swaps are determined using quoted prices or, where such prices are not available, a discounted cash flow analysis is used. These amounts reflect the approximate values of the derivative positions at balance sheet date.

43.6 VM, S.A.R.L. call option

In terms of the shareholders' agreement, the Group's minority shareholder in VM, S.A.R.L., Empresa Moçambicana De Telecommunicaçòes S.A.R.L. ("Emotel") has a call option for a period of four years following the commencement date, August 23, 2003. In terms of the option, Emotel shall be entitled to call on Vodacom International Limited such numbers of shares in and claims on loan account against VM, S.A.R.L. as constitute 25% of the entire issued share capital of that company. Emotel can exercise this option in full increments of 1%. The option can only be exercised on April 1 or October 1 of each calendar year for the duration of the option. The option price is specified in the shareholders' agreement. The call option has no value at March 31, 2004.

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

43.7 Smartphone SP (Proprietary) Limited put option

In terms of the shareholders' agreement, the minority shareholders of Smartphone SP (Proprietary) Limited have put option against Vodacom Group (Proprietary) Limited, should the Group or the company terminate or fail to renew the service provider agreement for any reason other than the expiry or cancellation of the Group's South African license. The put option has no value at March 31, 2004.

44. UNDRAWN BORROWING FACILITIES AND GUARANTEES

44.1 Rand denominated facilities and guarantees

The Group has a Rand denominated credit facility totaling R3,949.0 million with R411.0 million utilized at March 31, 2004. The facilities are uncommitted and can also be utilized for foreign loans and are subject to review at various dates (usually on an annual basis).

Guarantor	Details	Beneficiary	2002 Rm	2003 Rm	**2004 Rm**
Vodacom (Proprietary) Limited	All guarantees less than R2.0 million	Various	2.9	3.1	**3.0**
Vodacom Service Provider Company (Proprietary) Limited	All guarantees less than R2.0 million	Various	1.4	1.6	**3.1**
Vodacom Service Provider Company (Proprietary) Limited	Guarantee in respect of receipt by independent intermediaries of premiums on behalf of short-term insurers and Lloyd's underwriters, and relating to short-term insurance business carried on in South Africa. Terminates on May 31, 2004	SA Insurance Association for benefit of insurers	–	9.5	**14.2**
			4.3	14.2	**20.3**

Vodacom (Proprietary) Limited provides an unlimited guarantee for borrowings entered into by Vodacom Group (Proprietary) Limited.

44.2 Foreign denominated facilities and guarantees

The following foreign denominated facilities are in place:

Company	Details	**As at March 31, 2004 Million Total facility**	**As at March 31, 2004 Million Utilized**
Vodacom Tanzania Limited	Project finance	**US$55.2**	**US$55.2**
Vodacom Congo (RDC) s.p.r.l.	Bridging facilities	**€78.7**	**€78.7**
Vodacom Congo (RDC) s.p.r.l.	Revolving credit facility – ABSA	**US$32.0**	**US$32.0**
Vodacom Congo (RDC) s.p.r.l.	Revolving credit facility – Standard Finance (Isle of Man)	**€22.5**	**€22.5**
Vodacom Congo (RDC) s.p.r.l.	Short-term loan – Standard Finance (Isle of Man)	**US$37.5**	**US$37.5**

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44. UNDRAWN BORROWING FACILITIES AND GUARANTEES (continued)

44.2 Foreign denominated facilities and guarantees (continued)

The following foreign denominated guarantees have been issued:

Guarantor	Details	Beneficiary	Currency	2002 Rm	2003 Rm	**2004 Rm**
Vodacom (Proprietary) Limited	Standby letters of credit*	Alcatel CIT	€25.2 million (2003: €27.0 million; 2002: €30.0 million)	299.9	233.0	**194.6**
Vodacom Group (Proprietary) Limited	Guarantees issued for the obligations of Vodacom Congo (RDC) s.p.r.l.**	ABSA	€53.8 million (2003: €49.8 million; 2002: €nil)	–	429.7	**415.6**
Vodacom Group (Proprietary) Limited	Guarantees issued for the obligations of Vodacom Congo (RDC) s.p.r.l.'s revolving credit facility**	ABSA	US$32.0 million (2003: US$32.0 million; 2002: US$nil)	–	255.0	**202.1**
Vodacom Group (Proprietary) Limited	Guarantees issued for the obligations of Vodacom Congo (RDC) s.p.r.l.**	Standard Finance (Isle of Man) Limited	€22.5 million (2003: €nil; 2002: €nil)	–	–	**173.8**
Vodacom Group (Proprietary) Limited	Guarantees issued for the obligations of Vodacom Congo (RDC) s.p.r.l.**	Standard Finance (Isle of Man) Limited	US$37.5 million (2003: US$nil; 2002: US$nil)	–	–	**236.8**
Vodacom International Limited	Guarantees issued for the obligations of Vodacom Congo (RDC) s.p.r.l.'s revolving credit facility**	Alcatel CIT	€25.0 million (2003: €nil; 2002: €nil)	–	–	**193.1**
				299.9	917.7	**1,416.0**

* Amounts drawn down on the standby letters of credit amounted to R48.7 million (2003: R66.8 million; 2002: R98.4 million) and are included as liabilities in the balance sheet.

** Foreign denominated guarantees amounting to R622.3 million (2003: R349.2 million; 2002: Rnil) issued in support of Vodacom Congo (RDC) s.p.r.l. are included as liabilities in the balance sheet.

45. SEGMENTAL INFORMATION

The Group is primarily an integrated mobile telecommunication and data communication business located in South Africa and other African countries. The primary reporting format therefore comprises the geographic segments of the Group. This has been changed from the prior financial year where the Group considered business segments to be its primary reporting format.

	South Africa Rm	Other African countries Rm	Eliminations Rm	Total Rm
Geographical segments				
2002				
Segment revenue	15,415.4	740.4	(5.1)	16,150.7
External	15,410.3	740.4	–	16,150.7
Inter-segment	5.1	–	(5.1)	–
Segment profit/(loss) from operations	3,545.7	81.5	(6.1)	3,621.1
Interest, dividends and other financial income				840.4
Finance costs				(868.2)
Profit before taxation				3,593.3
Included in segment profit/(loss) from operations				
Depreciation and amortization	(1,939.2)	(124.7)	(6.1)	(2,070.0)
Property, plant and equipment	(1,737.2)	(120.1)	–	(1,857.3)
Intangible assets	(202.0)	(4.6)	(6.1)	(212.7)
Bad debts written off	(111.2)	–	–	(111.2)
Integration costs, disposals of operations and impairments	56.4	–	–	56.4
Capital expenditure	(3,292.0)	(988.4)	1.4	(4,279.0)
Property, plant and equipment	(3,292.0)	(794.7)	1.4	(4,085.3)
Intangible assets	–	(193.7)	–	(193.7)
Assets				
Segment assets	13,179.1	2,003.3	(105.7)	15,076.7
Deferred taxation assets				497.7
				15,574.4
Liabilities				
Segment liabilities	(7,152.6)	(1,160.9)	91.3	(8,222.2)
Deferred taxation liabilities				(926.2)
Taxation liabilities				(351.6)
Dividends payable				(600.0)
				(10,100.0)

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	South Africa Rm	Other African countries Rm	Eliminations Rm	Total Rm
45. SEGMENTAL INFORMATION (continued)				
Geographical segments (continued)				
2003				
Segment revenue	18,636.3	1,236.2	(93.8)	19,778.7
External	18,543.7	1,235.0	–	19,778.7
Inter-segment	92.6	1.2	(93.8)	–
Segment profit/(loss) from operations	4,340.3	(4.3)	(6.1)	4,329.9
Interest, dividends and other financial income				742.4
Finance costs				(1,546.3)
Profit before taxation				3,526.0
Included in segment profit/(loss) from operations				
Depreciation and amortization	(2,131.2)	(236.4)	(6.1)	(2,373.7)
Property, plant and equipment	(1,938.2)	(224.8)	–	(2,163.0)
Intangible assets	(193.0)	(11.6)	(6.1)	(210.7)
Bad debts written off	(30.1)	(1.0)	–	(31.1)
Capital expenditure	(2,487.9)	(911.4)	–	(3,399.3)
Property, plant and equipment	(2,487.9)	(911.4)	–	(3,399.3)
Intangible assets	–	–	–	–
Assets				
Segment assets	14,971.0	2,431.7	(1,141.5)	16,261.2
Deferred taxation assets				704.7
				16,965.9
Liabilities				
Segment liabilities	(6,676.5)	(1,804.9)	349.2	(8,132.2)
Deferred taxation liabilities				(993.1)
Taxation liabilities				(315.2)
Dividends payable				(600.0)
				(10,040.5)

	South Africa Rm	Other African countries Rm	Eliminations Rm	Total Rm
45. SEGMENTAL INFORMATION (continued)				
Geographical segments (continued)				
2004				
Segment revenue	**21,992.6**	**1,496.8**	**(11.4)**	**23,478.0**
External	**21,981.2**	**1,496.8**	**–**	**23,478.0**
Inter-segment	**11.4**	**–**	**(11.4)**	**–**
Segment profit/(loss) from operations	**5,306.7**	**(66.7)**	**(6.1)**	**5,233.9**
Interest, dividends and other financial income				**656.6**
Finance costs				**(1,107.5)**
Profit before taxation				**4,783.0**
Included in segment profit/(loss) from operations				
Depreciation and amortization	**(2,259.2)**	**(267.6)**	**(6.1)**	**(2,532.9)**
Property, plant and equipment	**(2,058.4)**	**(254.3)**	**–**	**(2,312.7)**
Investment property	**(4.2)**	**–**	**–**	**(4.2)**
Intangible assets	**(196.6)**	**(13.3)**	**(6.1)**	**(216.0)**
Bad debts written off	**(23.5)**	**(25.3)**	**–**	**(48.8)**
Capital expenditure	**(1,666.3)**	**(1,345.5)**	**–**	**(3,011.8)**
Property, plant and equipment	**(1,659.3)**	**(1,231.4)**	**–**	**(2,890.7)**
Intangible assets	**(7.0)**	**(114.1)**	**–**	**(121.1)**
Assets				
Segment assets	**18,113.3**	**3,381.6**	**(2,412.5)**	**19,082.4**
Deferred tax assets				**1,015.3**
				20,097.7
Liabilities				
Segment liabilities	**(7,123.3)**	**(2,427.4)**	**674.6**	**(8,876.1)**
Deferred taxation liabilities				**(1,173.5)**
Taxation liabilities				**(852.0)**
Dividends payable				**(1,500.0)**
				(12,401.6)

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	Unallocated Rm	Networks Rm	Service provider Rm	Other Rm	Elimi- nations Rm	Total Rm
45. SEGMENTAL INFORMATION (continued)						
Business segments (continued)						
2002						
Segment revenue	–	13,898.2	4,270.4	311.6	(2,329.5)	16,150.7
External	–	13,892.7	2,008.8	249.2	–	16,150.7
Inter-segment	–	5.5	2,261.6	62.4	(2,329.5)	–
Segment (loss)/profit from operations	(85.0)	3,446.2	343.6	(32.6)	(51.1)	3,621.1
Interest, dividends and other financial income						840.4
Finance costs						(868.2)
Profit before taxation						3,593.3
Included in segment (loss)/profit from operations						
Depreciation and amortization	(2.3)	(1,774.0)	(66.3)	(31.9)	(195.5)	(2,070.0)
Property, plant and equipment	(2.3)	(1,762.6)	(60.7)	(31.7)	–	(1,857.3)
Intangible assets	–	(11.4)	(5.6)	(0.2)	(195.5)	(212.7)
Bad debts written off	–	–	(111.2)	–	–	(111.2)
Integration costs, disposals of operations and impairments	(109.9)	45.5	(3.5)	(20.0)	144.3	56.4
Capital expenditure	(36.1)	(3,660.2)	(562.4)	(21.7)	1.4	(4,279.0)
Property, plant and equipment	(36.1)	(3,466.5)	(562.4)	(21.7)	1.4	(4,085.3)
Intangible assets	–	(193.7)	–	–	–	(193.7)
Assets						
Segment assets	4,737.3	12,976.0	2,466.5	679.7	(5,782.8)	15,076.7
Deferred taxation assets						497.7
						15,574.4
Liabilities						
Segment liabilities	(2,427.0)	(6,389.1)	(2,103.7)	(139.8)	2,837.4	(8,222.2)
Deferred taxation liabilities						(926.2)
Taxation liabilities						(351.6)
Dividends payable						(600.0)
						(10,100.0)

45. SEGMENTAL INFORMATION (continued)

Business segments (continued)

	Unallocated Rm	Networks Rm	Service provider Rm	Other Rm	Elimi-nations Rm	Total Rm
2003						
Segment revenue	–	17,486.2	5,399.8	81.0	(3,188.3)	19,778.7
External	–	17,181.6	2,556.6	40.5	–	19,778.7
Inter-segment	–	304.6	2,843.2	40.5	(3,188.3)	–
Segment profit/(loss) from operations	42.9	4,087.3	448.9	(62.5)	(186.7)	4,329.9
Interest, dividends and other financial income						742.4
Finance costs						(1,546.3)
Profit before taxation						3,526.0
Included in segment profit/(loss) from operations						
Depreciation and amortization	(2.8)	(2,075.1)	(107.9)	(1.2)	(186.7)	(2,373.7)
Property, plant and equipment	(2.8)	(2,056.8)	(102.4)	(1.0)	–	(2,163.0)
Intangible assets	–	(18.3)	(5.5)	(0.2)	(186.7)	(210.7)
Bad debts written off	–	(10.0)	(21.1)	–	–	(31.1)
Capital expenditure	(4.5)	(3,325.7)	(66.0)	(3.1)	–	(3,399.3)
Property, plant and equipment	(4.5)	(3,325.7)	(66.0)	(3.1)	–	(3,399.3)
Intangible assets	–	–	–	–	–	–
Assets						
Segment assets	3,953.7	13,766.3	2,137.8	924.4	(4,521.0)	16,261.2
Deferred taxation assets						704.7
						16,965.9
Liabilities						
Segment liabilities	(1,718.5)	(6,730.6)	(2,412.5)	(148.7)	2,878.1	(8,132.2)
Deferred taxation liabilities						(993.1)
Taxation liabilities						(315.2)
Dividends payable						(600.0)
						(10,040.5)

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	Unallocated Rm	Networks Rm	Service provider Rm	Other Rm	Elimi-nations Rm	Total Rm
45. SEGMENTAL INFORMATION (continued)						
Business segments (continued)						
2004						
Segment revenue	–	20,787.9	6,148.9	174.2	(3,633.0)	23,478.0
External	–	20,787.9	2,562.6	127.5	–	23,478.0
Inter-segment	–	–	3,586.3	46.7	(3,633.0)	–
Segment profit/(loss) from operations	26.7	4,884.5	614.1	(114.8)	(176.6)	5,233.9
Interest, dividends and other financial income						656.5
Finance costs						(1,107.5)
Profit before taxation						4,783.0
Included in segment profit/(loss) from operations						
Depreciation and amortization	(3.3)	(2,224.4)	(114.0)	(1.4)	(189.8)	(2,532.9)
Property, plant and equipment	(3.3)	(2,200.2)	(108.0)	(1.2)	–	(2,312.7)
Investment property	–	(4.2)	–	–	–	(4.2)
Intangible assets	–	(20.0)	(6.0)	(0.2)	(189.8)	(216.0)
Bad debts written off	–	(30.9)	(17.9)	–	–	(48.8)
Capital expenditure	(4.1)	(2,934.1)	(72.3)	(1.3)	–	(3,011.8)
Property, plant and equipment	(4.1)	(2,820.0)	(65.3)	(1.3)	–	(2,890.7)
Intangible assets	–	(114.1)	(7.0)	–	–	(121.1)
Assets						
Segment assets	9,991.1	15,961.0	3,606.5	1,651.1	(12,127.3)	19,082.4
Deferred taxation assets						1,015.3
						20,097.7
Liabilities						
Segment liabilities	(2,531.2)	(12,401.3)	(3,734.6)	(327.4)	10,118.4	(8,876.1)
Deferred tax liabilities						(1,173.5)
Taxation liabilities						(852.0)
Dividends payable						(1,500.0)
						(12,401.6)

45. SEGMENTAL INFORMATION (continued)

"Unallocated" comprises the reporting relevant to Vodacom Group (Proprietary) Limited, the parent company in the Group, Vodacom International Limited (Mauritius) and Vodacom International Holdings (Proprietary) Limited. These companies are primarily management services companies, that offers combined administrative, advisory and management services to companies within the rest of 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 service (SMS), wireless application protocol (WAP), general packet radio service (GPRS) and multimedia messaging service (MMS).

"Service providers" comprise services provided by cellular telecommunication, satellite telecommunication and internet service providers within South Africa. Cellular and satellite telecommunication service providers act as agents for the respective networks and on-sells airtime to customers. Internet service providers provide their customer base access to the worldwide web. The internet service provider was disposed of on November 30, 2001.

The disclosure of revenue from service providers has been restated for the 2003 and 2002 financial years to disclose gross revenue earned for services as opposed to the net revenue retained after transactions with dealers.

"Other" comprises 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. The promotion and event service business, and the rental service business were disposed of on February 27, 2002 and March 31, 2002 respectively.

"South Africa", which is also the home country of the parent, comprises the segment information relating to the South African based cellular network as well as all the segment information of the service providers and other business segments. "Other African countries" comprise only cellular networks and are located in Tanzania, Lesotho, Democratic Republic of Congo and Mozambique, and it also includes the international holding company situated in Mauritius.

Accounting policies and basis of preparation

Segment information is prepared in conformity with accounting policies adopted for preparing and presenting the consolidated financial statements.

Segment revenue excludes value-added taxation and includes inter-Group revenue. Net revenue represents segment revenue from 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 operating expenses. Integration costs, disposals of operations and impairments, depreciation and amortization have been allocated to the segments to which they relate.

The segment assets and liabilities comprise all assets and liabilities of the different segments including those relating to operating, investing and financing activities. Unallocated assets and liabilities comprise deferred taxation and other unallocatable balances.

Capital expenditure in property, plant and equipment, investment properties and intangible assets has been allocated to the segments to which they relate.

46. INTEREST IN SUBSIDIARIES

The information discloses interests in subsidiaries material to the financial position of the Group. The interest in the ordinary share capital is representative of the voting power.

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	Country of incorporation	Issued share capital 2002	2003	**2004**	Interest in issued ordinary share capital 2002 %	2003 %	**2004 %**
46. INTEREST IN SUBSIDIARIES (continued)							
Cellular network operators							
Vodacom (Proprietary) Limited (C)	RSA	R100	R100	**R100**	100	100	**100**
Vodacom Lesotho (Proprietary) Limited (C)	LES	M4,180	M4,180	**M4,180**	88.3	88.3	**88.3**
Vodacom Tanzania Limited (C)	TZN	US$100	US$100	**US$100**	65	65	**65**
VM, S.A.R.L. (C)	MZ	–	–	**MZM5,005,500**	–	–	**98**
Service providers							
VSP Holdings (Proprietary) Limited (MSC)	RSA	R1,020	R1,020	**R1,020**	100	100	**100**
Vodacom Service Provider Company (Proprietary) Limited (C)	RSA	R20	R20	**R20**	100	100	**100**
Vodacom Satellite Services (Proprietary) Limited previously known as Globalstar SA (Proprietary) Limited (S)*	RSA	R100	R100	**R100**	100	100	**100**
GSM Cellular (Proprietary) Limited (C)*	RSA	R1,200	R1,200	**R1,200**	100	100	**100**
Smartphone SP (Proprietary) Limited (C)	RSA	–	–	**R20,000**	–	–	**51**
Other							
Vodacom Venture No 1 (Proprietary) Limited (MSC)	RSA	R158,999	R158,999	**R158,999**	100	100	**100**
Vodacom Equipment Company (Proprietary) Limited*	RSA	R100	R100	**R100**	100	100	**100**
Vodacare (Proprietary) Limited (C)*	RSA	R100	R100	**R100**	100	100	**100**
Vodacom International Holdings (Proprietary) Limited (MSC)	RSA	R100	R100	**R100**	100	100	**100**
Vodacom International Limited (MSC)	MAU	US$100	US$100	**US$100**	100	100	**100**
Vodacom Properties No 1 (Proprietary) Limited (PROP)*	RSA	–	R100	**R100**	–	100	**100**
Stand 13 Eastwood Road Dunkeld West (Proprietary) Limited (PROP)	RSA	–	–	**R100**	–	–	**100**
Ithuba Smartcall (Proprietary) Limited (OTH)*	RSA	–	–	**R100**	–	–	**52**

RSA – Republic of South Africa; TZN – Tanzania; LES – Lesotho; MZ – Mozambique; MAU – Mauritius; C – Cellular; S – Satellite; (MSC) – Management services company; PROP – Property company; OTH – Other

* Dormant as at March 31, 2004.

47. INTEREST IN JOINT VENTURES

The Group's joint ventures during the 2002 financial year included Vodacom World Online (Proprietary) Limited and Vodacom Congo (RDC) s.p.r.l. Effective November 30, 2001, the Group disposed of the interest in Vodacom World Online (Proprietary) Limited. Details of the disposal are presented in Note 32 to the consolidated financial statements. The Group acquired its interest in Vodacom Congo (RDC) s.p.r.l. on December 11, 2001, which is the only remaining joint venture at March 31, 2004.

	2002 Vodacom World Online (Proprietary) Limited
Interest held	40%
	Rm
The Group's proprietary share of assets and liabilities:	
Property, plant and equipment	–
Intangible assets	–
Current assets	–
	–
Long-term liabilities	–
Current liabilities	–
Net assets	–
The Group's proportionate share of revenue and expenditure:	
Revenue	36.1
Loss before taxation	(19.9)
Taxation	–
Net loss	(19.9)
The Group's proportionate share of cash flows:	
Net cash flows from/(utilized in) operating activities	1.4
Net cash flows from/(utilized in) investing activities	–
Net cash flows from/(utilized in) financing activities	4.8
Net cash flow	6.2
The Group's proportionate share of contingent liabilities and capital commitments:	
Contingent liabilities (Note 37)	–
Capital commitments	–

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	2002 Vodacom Congo (RDC) s.p.r.l.	2003 Vodacom Congo (RDC) s.p.r.l.	**2004 Vodacom Congo (RDC) s.p.r.l.**
47. INTEREST IN JOINT VENTURES (continued)			
Interest held	51%	51%	**51%**
	Rm	Rm	**Rm**
The Group's proportionate share of assets and liabilities:			
Property, plant and equipment	87.0	433.6	**620.6**
Intangible assets	202.3	160.1	**136.7**
Deferred taxation asset	–	–	**100.2**
Current assets	154.9	90.7	**195.2**
	444.2	684.4	**1,052.7**
Long-term liabilities	–	(284.1)	**–**
Preference shares*	(440.3)	(306.8)	**(243.1)**
Current liabilities	(37.6)	(258.6)	**(936.3)**
Net liabilities	(33.7)	(165.1)	**(126.7)**
The Group's proportionate share of revenue and expenditure:			
Revenue	5.7	258.8	**475.9**
Loss before taxation after reclassification of preference share dividends*	(25.5)	(208.3)	**(129.5)**
Taxation	–	–	**113.8**
Net loss*	(25.5)	(208.3)	**(15.7)**
The Group's proportionate share of cash flows:			
Net cash flows from/(utilized in) operating activities	(72.3)	(172.9)	**13.0**
Net cash flows from/(utilized in) investing activities	(275.8)	(445.9)	**(359.4)**
Net cash flows from/(utilized in) financing activities	388.0	552.4	**365.4**
Net cash flow	39.9	(66.4)	**19.0**
The Group's proportionate share of contingent liabilities and capital commitments:			
Contingent liabilities (Note 37)	–	–	**–**
Capital commitments	765.4	260.1	**145.2**

* Preference shares were reclassified from equity to liabilities in accordance with IAS 32: Financial Instruments: Disclosure on Presentation ("IAS 32") during the 2004 financial year. Accordingly the net liabilities, loss before taxation and net loss of the joint venture company as previously disclosed for the 2003 and 2002 financial years have been restated (Note 41).

In terms of a shareholders' agreement, the Group's joint venture partner in Vodacom Congo (RDC) s.p.r.l., Congolese Wireless Network s.p.r.l. ("CWN") has a put option which comes into effect three years after the commencement date, December 1, 2001, and for a maximum of five years thereafter. In terms of the option, CWN shall be entitled to put to Vodacom International Limited such number of shares in and claims on loan account against Vodacom Congo (RDC) s.p.r.l. as constitute 19% of the entire issued share capital of that company. CWN can exercise this option in a maximum of three tranches and each tranche must consist of at least 5% of the entire issued share capital of Vodacom Congo (RDC) s.p.r.l. The option price will be the fair market value of the related shares at the date the put option is exercised. The option has no value at March 31, 2004, 2003 and 2002.

48. US GAAP INFORMATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which differs in certain respects from Generally Accepted Accounting Principles in the United States ("US GAAP"). The effect of applying US GAAP principles to net profit and shareholders' equity is set out below along with an explanation of applicable differences between IFRS and US GAAP:

	Notes	2002 Rm	2003 Rm	**2004 Rm**
Net profit as reported in accordance with IFRS		2,373.0	2,214.6	**3,031.8**
Items increasing/(decreasing) net profit:				
Deferred bonus incentive scheme	(a)	20.9	(30.7)	**8.6**
Goodwill – amortization of taxation rate difference	(f)	(7.7)	–	**–**
Goodwill – non-amortization	(b)	1.8	96.5	**94.7**
Goodwill – translation differences on amortization	(c)	(3.9)	–	**–**
Business combination	(m)	–	–	**4.8**
Derivative financial instruments – reclassification of transition adjustments	(e)	52.0	7.8	**7.8**
Income tax – rate differences	(f)	(225.3)	(196.6)	**(144.4)**
Normal income tax effect of US GAAP adjustments	(g)	(21.9)	6.9	**(6.3)**
Joint venture	(i)	(80.0)	–	**–**
Net profit in accordance with US GAAP before cumulative effect of change in accounting policy		2,108.9	2,098.5	**2,997.0**
Change in accounting policy upon adoption of SFAS 133				
Derivative financial instruments – transition adjustments	(e)	17.2	–	**–**
Income tax effect on above	(g)	(6.5)	–	**–**
Net profit in accordance with US GAAP after cumulative effect of change in accounting policy		2,119.6	2,098.5	**2,997.0**
Shareholders' equity as reported in accordance with IFRS		5,463.8	6,837.4	**7,603.1**
Items increasing/(decreasing) shareholders' equity:				
Deferred bonus incentive scheme	(a)	57.9	27.2	**35.8**
Goodwill – amortization of taxation rate difference	(f)	(17.7)	(17.7)	**(17.7)**
Goodwill – non-amortization	(b)	1.8	98.3	**193.0**
Goodwill – translation differences on accumulated amortization	(c)	(4.2)	(4.2)	**(4.2)**
Goodwill – accumulated translation differences	(c)	31.7	(8.8)	**(32.7)**
Business combination	(m)	–	–	**4.8**
Normal income tax – rate differences	(f)	(641.9)	(837.8)	**(981.5)**
Income tax effect of US GAAP adjustments	(g)	(17.4)	(8.2)	**(12.2)**
Shareholders' equity in accordance with US GAAP		4,874.0	6,086.2	**6,788.4**
Movements in shareholders' equity in accordance with US GAAP				
Balance at beginning of period		3,195.0	4,874.0	**6,086.2**
Net profit for the year		2,119.6	2,098.5	**2,997.0**
Dividends declared		(600.0)	(600.0)	**(2,100.0)**
Foreign currency translation reserve adjustment		127.0	(281.5)	**(190.0)**
Cumulative effect adjustment of adoption of SFAS 133, net of taxation		64.8	–	**–**
Gain on derivatives – reclassified to earnings, net of taxation		(32.4)	(4.8)	**(4.8)**
Balance at end of period		4,874.0	6,086.2	**6,788.4**

Notes to the consolidated financial statements continued

March 31, 2004

48. US GAAP INFORMATION (continued)

Summary of differences between IFRS and accounting principles generally accepted in the United States.

A summary of the principal differences and additional disclosures applicable to the Group are set forth below:

(a) Deferred bonus incentive scheme

Under IFRS, the total value of deferred bonus entitlements as calculated at the end of each financial period is based on the net present value of expected future cash payments as determined under the bonus formula over the vesting period.

Under US GAAP, in accordance with FIN 28: "Accounting for Stock Appreciation Rights and Other Variable Stock Option Awards Plans an Interpretation of APB Opinions No 15 and 25", compensation cost is recognized over the service period or the vesting period if the service period is not defined, based upon the undiscounted value of the entitlements.

(b) Goodwill – non-amortization

Under IFRS, goodwill and intangible assets arising in business combinations are amortized over their estimated useful lives.

Under US GAAP, accounting for goodwill and intangible assets was substantially the same as IFRS until the adoption of SFAS No 141: Business Combinations ("SFAS 141") and SFAS No 142: Goodwill and Other Intangible Assets ("SFAS 142"). SFAS 141 is effective for all business acquisitions consummated after June 30, 2001. SFAS 141 requires all business combinations consummated after June 30, 2001 to be accounted for under the purchase method. SFAS 141 also sets forth guidelines for applying the purchase method of accounting in the determination of intangible assets, including goodwill, acquired in a business combination.

SFAS 142 addresses the initial and ongoing financial accounting and reporting for acquired goodwill and other intangible assets. SFAS 142 requires that goodwill be separately disclosed from other intangible assets in the balance sheet, and no longer be amortized but tested for impairment at least annually (or more frequently if impairment indicators arise). SFAS 142 is effective for financial statements for periods beginning on or after December 15, 2001. Additionally, the amortization provisions of SFAS 142 are applicable to goodwill arising in all business acquisitions consummated after June 30, 2001 regardless of the adoption date of SFAS 142. Accordingly, goodwill arising from the investment in Vodacom Congo (RDC) s.p.r.l. and Smartphone SP (Proprietary) Limited is not subject to amortization.

The Group adopted SFAS 142 generally with effect from April 1, 2002. From that date all goodwill is no longer amortized.

The Group has carried out the initial impairment testing of goodwill required by SFAS 142 as at April 1, 2002 and determined that no impairment needs to be recognized upon the adoption of SFAS 142.

(c) Goodwill – translation of goodwill arising on the acquisition of a foreign entity

Under IFRS, goodwill arising on the acquisition of a foreign entity is treated as an asset of the Group and translated at the foreign exchange rate ruling at the transaction date – based on the historical rate.

Under US GAAP, goodwill arising on the acquisition of Vodacom Congo (RDC) s.p.r.l. and Vodacom Tanzania Limited is translated at the actual exchange rate at the end of the period. The resulting foreign exchange transaction gain or loss increases or decreases the net investment in Vodacom Congo (RDC) s.p.r.l. and Vodacom Tanzania Limited. The adjustments shown in the income statements are due to the amortization of such gain or loss recorded in goodwill under US GAAP.

48. US GAAP INFORMATION (continued)

(c) Goodwill – translation of goodwill arising on the acquisition of a foreign entity (continued)

A reconciliation of goodwill reported under IFRS at the balance sheet date to the approximate amounts determined under US GAAP is as follows:

	2002 Rm	2003 Rm	**2004 Rm**
Included in total goodwill reported under IFRS	342.9	246.5	**375.7**
Goodwill not amortized under US GAAP	1.8	98.3	**193.0**
Business combination (Note 48 m)	–	–	**136.0**
Additional goodwill – income tax rate change (Note 48 f)	20.1	20.1	**35.8**
Translation difference on amortization	(4.2)	(4.2)	**(4.2)**
Translation difference on goodwill balance	31.7	(8.8)	**(32.7)**
Goodwill in joint ventures (Note 48 i)	(110.8)	(78.9)	**(61.2)**
As adjusted under US GAAP	281.5	273.0	**642.4**

(d) Income taxes – additional temporary differences

Under IFRS, no deferred tax liability was recognized in respect of intangible assets acquired other than in a business combination where there was a difference at the date of acquisition between the assigned values and the tax bases of the assets.

Under US GAAP, a deferred tax liability (and corresponding increase in assets acquired) is recognized for all temporary differences between the assigned values and the tax bases of intangible assets acquired. The recording of such deferred tax liability has no net impact on net income or shareholders' equity as determined under US GAAP as the decrease in income tax expense is offset by a corresponding increase in amortization (Note 48 g).

(e) Derivative financial instruments

The Group adopted IAS 39 and SFAS 133: Accounting for Derivative Instruments and Hedging Activities ("SFAS 133") on April 1, 2001.

Under IFRS, upon adoption of IAS 39: Financial Instruments – Recognition and Measurement ("IAS 39"), the difference between previous carrying amounts and the fair value of derivatives, which prior to the adoption of IAS 39 had been designated as either fair value or cash flow hedges but do not qualify as hedges under IAS 39, is recognized as an adjustment of the opening balance of retained earnings at the beginning of the financial year IAS 39 is initially applied. Changes in fair value of derivatives acquired after April 1, 2001 are recorded in the income statement.

Under US GAAP, upon adoption of SFAS 133, the difference between previous carrying amounts and fair value of derivatives, which prior to the adoption of SFAS 133 had been cash flow type hedges but do not qualify as hedges under SFAS 133, is recognized as a cumulative effect adjustment of other comprehensive income in the year SFAS 133 is initially applied. This amount is subsequently released into earnings in the same period or periods during which the hedged transaction affects earnings. During the year ended March 31, 2004 R7.8 million (2003: R7.8 million; 2002: R52.0 million) was released into earnings. The difference between previous carrying amounts and fair value of derivatives, which prior to the adoption of SFAS 133 had been fair value type hedges, is recognized as a cumulative effect adjustment in earnings. Changes in fair value of derivatives acquired after April 1, 2001 are recorded in the income statement.

Notes to the consolidated financial statements continued

March 31, 2004

48. US GAAP INFORMATION (continued)

(f) Income tax – rate difference

The tax rate in South Africa varies depending on whether income is distributed. The income tax rate is 30% but upon distribution an additional tax (secondary tax on companies or "STC") of 12.5% is due based on the amount of the dividends net of the STC credit for dividends received during a dividend cycle.

In conformity with IFRS, the Group reflects the STC as a component of the income tax charge for the period in which dividends are declared. IFRS also requires that deferred tax be provided for at the undistributed rate of 30%.

For the purpose of US GAAP, the Group believes that under SFAS No 109: "Accounting for Income Taxes" ("SFAS 109") temporary differences should be tax effected using the tax rate that will apply when income is distributed, ie an effective rate of 37.78% including STC.

The Group has therefore computed the estimated STC that would become payable upon distribution of relevant undistributed earnings and accrued that amount as an additional liability for US GAAP purposes.

The use of the higher rate not only affects the measurement of deferred tax assets and liabilities, and hence the tax charge for any period, but because temporary differences in a business combination need to be tax effected at the higher rate there is a consequent effect on the amount of goodwill recognized in a business combination under US GAAP.

(g) Deferred taxation

The tax effects of the US GAAP adjustments have been calculated based on the enacted tax rate of 37.78% (2003: 37.78%; 2002: 37.78%).

A reconciliation of the deferred taxation balances under IFRS to the approximate amounts determined under US GAAP, where materially different, is as follows:

	2002	2003	**2004**
	Rm	Rm	**Rm**
Net deferred tax liabilities:			
As reported under IFRS	428.5	288.4	**158.2**
Additional temporary differences (Note 48 d)	62.2	53.7	**46.0**
Business combination (Note 48 m)	–	–	**(58.3)**
Income tax – rate difference (Note 48 f)	679.7	875.6	**1,035.0**
Tax effect of US GAAP adjustments	17.4	8.2	**12.2**
Deferred taxation in joint venture (Note 48 i)	–	–	**100.2**
As adjusted under US GAAP	1,187.8	1,225.9	**1,293.3**

Under IFRS, deferred taxation assets on deductible temporary differences are only recognized to the extent that it is probable that the future taxable profit will allow the deferred taxation asset to be recovered.

Under US GAAP, deferred taxation assets are recognized on all temporary differences. A valuation allowance is recognized if it is more likely than not that the asset will not be recovered. For US GAAP purposes, an additional deferred taxation asset and a corresponding valuation adjustment allowance of R24.8 million (2003: Rnil; 2002: R31.0 million) have no effect on the net shareholders' equity for the current year.

48. US GAAP INFORMATION (continued)

(h) Capitalized interest

Under IFRS, interest cost incurred during the construction period is expensed as incurred.

Under US GAAP, interest cost incurred during the construction period (ie period of time necessary to bring a constructed fixed asset to the condition and location necessary for its intended use) is capitalized. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Capitalized interest was nil for the years ended March 31, 2004, 2003 and 2002 as the effect of capitalizing interest, as compared with the effect of expensing interest, was not material.

(i) Joint ventures

Under IFRS, investments qualifying as joint ventures are accounted for under the proportionate consolidation method of accounting. Under the proportionate consolidation method, the venturer records its share of each of the assets, liabilities, income and expenses of the jointly controlled entity on a line-by-line basis with similar items in the venturer's financial statements. The venturer continues to record its share of losses in excess of its net investment of the joint venture.

Under US GAAP, joint ventures are accounted for under the equity method of accounting. Under the equity method, an investment in a joint venture is shown in the balance sheet of an investor as a single amount. Likewise, an investor's share of earnings or losses from its investment is ordinarily shown in its income statement as a single amount. Typically an investor discontinues applying the equity method when its net investment (including net advances) is reduced to zero, unless the investor has guaranteed obligations of the investee or is otherwise committed to provide further financial support from the investee.

Under IFRS, Vodacom World Online (Proprietary) Limited was proportionately consolidated in 2002. In 2001 the Group proportionately consolidated losses to the value of R45.0 million that was in excess of the Group's net investment in Vodacom World Online (Proprietary) Limited. Under US GAAP, these losses are not considered in calculating net income as the value of the investment was reduced to zero and the Group does not have further financial obligations to this joint venture. Upon disposal of the investment in Vodacom World Online (Proprietary) Limited in 2002, the gain on the sale was less based on a different basis in the net investment.

In 2004, 2003 and 2002, the Group also proportionately consolidated Vodacom Congo (RDC) s.p.r.l. The summarized financial statement information for Vodacom World Online (Proprietary) Limited and Vodacom Congo (RDC) s.p.r.l. relating to the Group's pro rata interest is set out in Note 47. Currently under US GAAP, the Group's share of losses of Vodacom Congo (RDC) s.p.r.l. does not exceed the carrying amount of the investment in the joint venture.

	2002 Rm	2003 Rm	**2004** **Rm**
Investment in Vodacom Congo (RDC) s.p.r.l. under US GAAP is as follows:			
Initial investment in ordinary shares reported under IFRS	5.1	5.1	**5.1**
Initial investment in preference shares reported under IFRS	440.3	306.8	**243.1**
Group's share in accumulated losses of the joint venture net of dividends received	(20.1)	(213.3)	**(218.0)**
Foreign currency translation reserve under IFRS	(13.5)	63.4	**117.6**
US GAAP adjustments:			
Goodwill not amortized	1.8	7.2	**12.5**
Translation difference on goodwill	14.4	(17.7)	**(35.2)**
Investment in associate under US GAAP	428.0	151.5	**125.1**

The Group retrospectively reclassified Vodacom Congo (RDC) s.p.r.l.'s preference shares from equity to liabilities. Refer Note 41.

Notes to the consolidated financial statements continued

March 31, 2004

	2002 Rm	2003 Rm	**2004 Rm**
48. US GAAP INFORMATION (continued)			
(j) Comprehensive income			
Comprehensive income under US GAAP and accumulated other comprehensive income balances under US GAAP are summarized as follows:			
Net income under US GAAP	2,119.6	2,098.5	**2,997.0**
Other comprehensive (loss)/income:			
Foreign currency translation adjustment	127.0	(281.5)	**(190.0)**
Cumulative effect adjustment of adoption of SFAS 133	64.8	–	**–**
Gain on derivatives – reclassified to earnings	(32.4)	(4.8)	**(4.8)**
Other comprehensive (loss)/income	159.4	(286.3)	**(194.8)**
Comprehensive income	2,279.0	1,812.2	**2,802.2**
Accumulated other comprehensive income balances:			
Cumulative foreign currency translation adjustments	129.3	(152.2)	**(342.2)**
Cumulative effect adjustment of adoption of SFAS 133	32.4	27.6	**22.8**

(k) Impairment of assets

Under IFRS, the Group is required to annually assess at the balance sheet date or earlier should a triggering event occur, whether there are any indications that an asset may be impaired. Should there be such an indicator, the asset must be tested for impairment. An impairment loss must be recognized in the income statement, should an assets carrying amount exceed its recoverable amount. The impairment loss is the difference between the assets carrying amount and its recoverable value. The recoverable amount is the higher of the asset's net selling price or its value in use. Value in use is the future cash flows to be derived from the particular asset, discounted to present value using a pre-tax market determined rate that reflects the current assessment of the time value of money and the risks specific to the asset. The reversal of an impairment loss in subsequent periods is permitted when there has been a change in economic conditions or the expected use of the asset.

Under US GAAP, the Group is required to test for impairment whenever there is an indication of impairment. For assets to be held and used, impairment is first measured by reference to undiscounted cash flows. If there is no impairment by reference to undiscounted cash flows, no further action is required but the useful life of the asset must be reconsidered. If impairment exists the Group must measure impairment by comparing the asset's fair value to its carrying value. Fair value is either market value (if an active market for the asset exists) or the sum of discounted future cash flows. The discount rate reflects the risk that is specific to that asset. For assets to be disposed of, the loss recognized is the excess of the asset's carrying amount over its fair value less costs to sell. The reversal of previously recognized impairment losses is prohibited.

During 2001 the Group recognized a loss of R45.5 million in respect of an onerous contract (Note 3) in accordance with paragraph 8 of SFAS 5: Accounting for Contingencies ("SFAS 5"). Subsequent to the issuance of the 2001 financial statements, it became clear that the other party to the contract was prepared to waive its right to supply satellite phones and instead was prepared to enter into a revised contract to supply mobile phones. Accordingly, management determined that, based on the change in circumstances arising from the willingness of the other party to revise the contract, the Group would no longer incur a loss under the contract and therefore reversed the loss previously provided for. The reversal of the provision, based on a change in circumstances, is not the recovery of impaired assets but rather it represents the reversal in a subsequent period of a provision for an estimated loss.

The Group currently has no material GAAP difference for impairment of assets.

48. US GAAP INFORMATION (continued)

(l) Revenue recognition

Under IFRS the Group recognizes activation fee revenue and costs up to the amount of the related activation revenue immediately upon activation of a new customer. Any excess costs incurred are recognized upfront upon activation of a new customer.

Under US GAAP, activation fee revenues and costs up to the amount of activation revenue would be deferred and recognized over the customer relationship.

The Group has not presented the deferral of activation fees in the above US GAAP reconciliation, as the amounts are immaterial.

(m) Business combination

Under IFRS, the Group elected to fair value 100% of the assets acquired and liabilities assumed, including minority interests. The excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed should be recognized as an asset referred to as goodwill.

Under US GAAP, the Group should only fair value the percentage of the assets acquired and liabilities assumed, excluding minority interests. Similar to IFRS, the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed should be recognized as an asset referred to as goodwill. As a result, the carrying amount of the goodwill for US GAAP purposes is adjusted to reflect the different values assigned to the intangibles.

(n) Guarantees

Under IFRS, fees received by the Group from issuing guarantees are recognized in income as earned. A liability in respect of the guarantee is not recognized until such time as the contingent liability is thought likely to realize.

Under US GAAP, the Group adopted the initial recognition and initial measurement provisions of FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees and Indebtedness of Others (an interpretation of FASB Statements No. 5, 57 and 107 and Rescission of Interpretation No. 34)" ("FIN 45") in fiscal year 2004. This interpretation clarifies that a guarantor is required to recognize, at the inception of a guarantee entered into after December 15, 2002, a liability for the fair value of the obligation undertaken in issuing the guarantee. This interpretation does not prescribe a specific approach for subsequently measuring the guarantor's recognized liability over the term of the related guarantee.

The Group has issued certain guarantees in connection with borrowings of Vodacom Congo (RDC) s.p.r.l., an equity method investee for US GAAP purposes. On the adoption of FIN 45, all guarantees issued during fiscal year 2004 related to Vodacom Congo (RDC) s.p.r.l. were initially recorded at fair value at the balance sheet and subsequently amortized into income statements as the premiums are earned.

Notes to the consolidated financial statements continued

March 31, 2004

48. US GAAP INFORMATION (continued)

(o) Recent accounting pronouncements

Accounting pronouncements not adopted at March 31, 2004

In November 2002, the Emerging Issues Task Force reached a final consensus related to Revenue Arrangement with Multiple Deliverables ("EITF 00-21"). The consensus requires that revenue arrangements with multiple deliverables should be divided into separate units of accounting if (a) a delivered item has value to the customer on standalone basis, (b) there is objective and reliable evidence of the fair value of the undelivered item and (c) if the arrangement includes a general right of return, delivery or performance of the undelivered items is considered probable and substantially in the control of the vendor. Arrangement consideration should be allocated among the separate units of accounting based on their relative fair value and appropriate revenue recognition criteria would be applied to each separate unit of accounting. The Group has not yet determined what effect, if any, EITF 00-21 would have on revenue and net income determined in accordance with US GAAP. The Task Force agreed the effective date for the consensus will be for all revenue arrangements entered into in fiscal periods beginning after June 15, 2003, with early adoption permitted. The Group is still evaluating the impact of this EITF on its financial statements. This EITF will be effective for the Group for revenue arrangements entered into after April 1, 2004.

In December 2003, the FASB issued FIN 46R, Consolidation of Variable Interest Entities, an Interpretation of ARB 51, Revised December 2003 ("FIN 46R") which clarifies the application of ARB No 51, "Consolidated Financial Statements", to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. FIN 46R requires the consolidation of these entities, known as Variable Interest Entities ("VIEs"), by the primary beneficiary of the entity. The primary beneficiary is the entity, if any, that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both.

Among other changes, the revisions of FIN 46R (a) clarified some requirements of the original FIN 46, which had been issued in January 2003, (b) eased some implementation problems, and (c) added new scope exceptions. Non-public entities must adopt FIN 46R no later than the beginning of the first interim or annual reporting period beginning after December 15, 2004. Accordingly, the Group will adopt FIN 46R on April 1, 2005.

The Group is currently assessing the impact of the adoption of FIN 46R on its financial position, cash flows and results of operations. Based on its preliminary analysis, the accounting for the equity method investee Vodacom Congo (RDC) s.p.r.l. is possibly the only transaction that would be affected by adoption of FIN 46R. Disclosures in relation to the nature, size and potential loss of the remaining 49% not accounted for is set out in Notes 37, 44 and 48 (i).

In November 2001, the Group, together with Congolese Wireless Network s.p.r.l. ("CWN"), an entity incorporated in the Democratic Republic of the Congo, formed Vodacom Congo (RDC) s.p.r.l. ("Vodacom Congo"), an entity incorporated in the Democratic Republic of the Congo. The Group owns a 51% interest in Vodacom Congo, while CWN owns the remaining 49% interest in Vodacom Congo. CWN had a limited existing network in the Democratic Republic of the Congo. Although Vodacom has a majority voting interest in Vodacom Congo, the other shareholders have certain approval and veto rights granting them joint control over the joint venture. The Group is ultimately responsible for the funding of the operations of Vodacom Congo for the first three years pursuant to its shareholders' agreement. Vodacom Congo's network was officially launched under the Vodacom brand in May 2002. Vodacom Congo is financing its roll-out in the Democratic Republic of the Congo with vendor and bridge financing and equity contributions and will ultimately seek to obtain non-recourse project finance. Vodacom Congo is currently an equity method investee since EITF 96-16, Investor's Accounting for an Investee when the Investor have a Majority of the Voting Interest but the Minority Shareholder or Shareholders have certain Approval on Veto Rights ("EITF 96-16"), does not permit to consolidate an investment in which, among other things, the other shareholders have substantial participation rights, such as veto rights, etc. Also refer to Note 44 and Note 47.

48. US GAAP INFORMATION (continued)

(o) Recent accounting pronouncements (continued)

Accounting pronouncements not adopted at March 31, 2004 (continued)

In May 2003 the FASB issued Statement of Financial Accounting Standards No 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"). SFAS 150 modifies the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The statement requires that those instruments be classified as liabilities in statements of financial position.
SFAS 150 affects an issuer's accounting for three types of freestanding financial instruments, namely:

- Mandatorily redeemable shares, which the issuing company is obligated to buy back in exchange for cash or other assets.
- Financial instruments, other than outstanding shares, that do or may require the issuer to buy back some of its equity shares in exchange for cash or other assets.
- Unconditional obligations that can be settled with equity shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as a market index, or varies inversely with the value of the issuer's equity shares.

SFAS 150 does not apply to features embedded in financial instruments that are not derivatives in their entirety.

In addition to its requirements for the classification and measurement of financial instruments within its scope, SFAS 150 also requires disclosures about alternative ways of settling such instruments and the capital structure of entities, all of whose shares are mandatorily redeemable.

SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Group fully adopted SFAS 150 on April 1, 2004 and is currently evaluating the impact on its results of operations and financial position.

49. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS ACCOUNTING PRONOUNCEMENTS

During December 2003, the International Accounting Standards Board ("IASB") issued the Improvements Project to current International Accounting Standards ("The Improvements Project"). The Improvements Project prescribes changes to the following standards:

IAS 1 – Presentation of Financial Statements
IAS 2 – Inventory
IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 – Events After Balance Sheet Date
IAS 16 – Property, Plant and Equipment
IAS 17 – Leases
IAS 21 – The Effects of Changes in Foreign Exchange Rates
IAS 24 – Related Party Disclosures
IAS 27 – Consolidated and Separate Financial Statements
IAS 28 – Accounting for Investments in Associates
IAS 31 – Financial Reporting in Joint Ventures
IAS 33 – Earnings per Share
IAS 40 – Investment Property

Notes to the consolidated financial statements continued

March 31, 2004

49. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS ACCOUNTING PRONOUNCEMENTS (continued)

IAS 15 – Information Reflecting the Effect of Changing Prices has been withdrawn. These changes are effective for annual periods commencing on or after January 1, 2005. Entities are required to adopt all changes to a current Standard at the same time, but can elect to adopt selective standards in different financial periods, provided that all Standards are adopted by the annual period commencing on or after January 1, 2005.

The Group is currently assessing the impact of the adoption of the Improvements Project, but has not quantified the impact of adopting the revisions to the current Standards.

During February 2004, the IASB issued IFRS 2 – Share-based Payment ("IFRS 2"). IFRS 2 is effective for annual periods beginning on or after January 1, 2005. In terms of the standard, all share-based payment transactions must be recognized in the financial statements using a fair value measurement basis. An expense is recognized when the goods or services received are consumed. It requires the fair value of all equity instruments granted to be based on market prices, if available, and to take into account the terms and conditions upon which those instruments were granted. In the absence of market prices, fair value is estimated using valuation techniques to estimate what the price of those equity instruments would have been on measurement date in an arm's length transaction between knowledgeable, willing parties.

The Group has not completed its assessment of the possible impact that IFRS 2 will have on its results.

On March 31, 2004, the IASB issued IFRS 3 – Business Combinations ("IFRS 3"), IAS 36 – Impairment of Assets (revised) ("IAS 36") and IAS 38 – Intangible Assets (revised) ("IAS 38"). IFRS 3 is effective for business combinations agreed to on or after March 31, 2004, and for previously recognized goodwill or negative goodwill. IFRS 3 requires all business combinations to be accounted for using the purchase method, and in applying this method, an acquirer must not recognize provisions for future losses or restructuring costs expected to be incurred, but rather record these as post-acquisition expenses. Intangibles acquired in a business combination must be recognized as a separate asset from goodwill if it meets the definition of an asset and can be measured reliably. All contingent liabilities acquired should be recorded at its fair value.

Goodwill acquired in a business combination must not be amortized, but tested for impairment on an annual basis. All negative goodwill recognized must be recorded immediately as a gain in the income statement. Reversals of impairment losses are prohibited and additional guidance on measuring impairment is provided.

The Group is in the process of assessing the impact of IFRS 3, IAS 36 and IAS 38 on its results.

The IASB issued IFRS 4 – Insurance Contracts ("IFRS 4"), on March 31, 2004. The standard applies to all insurance contracts that an entity issues or to all reinsurance contracts that it holds. IFRS 4 is the first guidance by the IASB on the recognition, measurement and disclosure of insurance contracts. The standard is effective for annual periods commencing on or after January 1, 2005. An insurer need not apply some aspects of the IFRS to comparative information that relates to annual periods beginning before January 1, 2005.

49. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS ACCOUNTING PRONOUNCEMENTS (continued)

The Group has not completed its assessment of the possible impact that IRFS 4 will have on its result.

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5") was issued on March 31, 2004 and replaces IAS 35 – Discontinued Operations. IFRS 5 establishes a classification for non-current assets "held for sale" using the same criteria as those contained in FASB Statement 144 – Accounting for the Impairment or Disposal of Long-Lived Assets. In general, to be classified as held for sale, an asset must be available for immediate sale in its present condition subject only to terms that are usual or customary for sales, the sale of the assets must be highly probable and the transfer must be expected to qualify for recognition as a completed sale within one year, with limited exceptions. Assets or disposal groups that are classified as held for sale are carried at the lower of carrying amount and fair value, less costs to sell. An entity is not allowed to depreciate an asset classified as held for sale or included in a disposal group held for sale.

IFRS 5 changes the timing of the classification as a discontinued operation. Under IFRS 5, an operation is classified as discontinued at the date the entity has actually disposed of the operation, or when the operation meets the criteria to be classified as held for sale. IFRS 5 is effective for annual periods commencing on or after January 1, 2005.

The Group has not completed its assessment of the possible impact that IFRS 5 will have on its results.

On March 31, 2004, the IASB issued the "macro hedging" amendment to IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"). The amendment enables fair value hedge accounting to be used more readily for a portfolio hedge of interest risk – a macro hedge – than under the version of IAS 39 that the IASB published in December 2003. The amendment is effective for annual periods commencing on or after January 1, 2005.

The Group is in the process of assessing the impact of the "macro hedging" amendment on its results.

Disclaimer

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Vodacom Group (Proprietary) Limited is a private company and as such is not required by the Companies Act, 61 of 1973, as amended, to publish its results.

Vodacom Group (Proprietary) Limited makes no guarantee, assurance, representation and/or warranty as to the accuracy of the information contained in this report and will not be held liable for any reliance placed on the information contained in this report.

The information contained in this report is subject to change without notice and may be incomplete or condensed. In addition, this report may not contain all material information pertaining to Vodacom Group (Proprietary) Limited and its subsidiaries.

Without in any way derogating from the generality of the aforegoing, it should be noted that:

- Many of the statements included in this report are forward-looking statements that involve risks and/or uncertainties and caution must be exercised in placing any reliance on these statements. Moreover, Vodacom Group (Proprietary) Limited will not necessarily update any of these statements after the date of this report either to conform them to actual results or to changes in our expectations.
- Insofar as the shareholders of Vodacom Group (Proprietary) Limited are listed and offer their shares publicly for sale on recognised stock exchanges locally and/or internationally, potential investors in the shares of Vodacom Group (Proprietary) Limited's shareholders are cautioned not to place undue reliance on this report.


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